Addiko Bank

Annual Report 2017

Addiko Bank d.d. Sarajevo
Bosnia and Herzegovina

Key data

based on the consolidated financial statements drawn up in accordance with IFRS

BAM ths

	2017	2016
Selected items of the Profit or loss statement	**1.1.-31.12.**	**1.1.-31.12.**
Net interest income	22,646	17,986
Net fee and commission income	9,252	7,985
Other operating income	9,318	6,768
Operating expenses	(37,096)	(60,755)
Operating result	**4,120**	**(28,016)**
Impairment or reversal on loans and receivables	1,129	(9,613)
Result after tax	**5,249**	**(37,629)**
Selected items of the Statement of financial position	**31.12.**	**31.12.**
Loans and advances to customers	453,273	371,663
Deposits of customers	643,733	600,319
Equity	212,047	205,316
Total assets	892,357	846,536
Risk-weighted assets (banking book)	597,782	478,537
Key ratios (annualized)	**1.1.-31.12.**	**1.1.-31.12.**
Cost/income ratio	90.0%	185.6%
Net interest margin	3.2%	2.6%
Bank-specific figures	**31.12.**	**31.12.**
Core Tier 1 ratio	11.4%	14.5%
Total capital ratio	13.2%	16.0%
Employees and locations	**31.12.**	**31.12.**
Employees at closing date	387	432
Number of locations	38	38

The tables in this report may contain rounding differences. Any data is presented on the Addiko Bank dd Sarajevo level (referred to as Addiko Bank throughout the document) unless stated otherwise.

Letter from the CEO

The past year was the first year in which we have fully operated under the Addiko brand. Although there have been many things that have been accomplished, I want to highlight the most important one and that we returned to profitability. After many years of losses, the restructured Bank with new owners and new management ended the year 2017 with a profit in the amount of BAM 5.2 million. We are proud this turnaround achievement has taken place within a year only, with a very difficult starting point and a challenging market and that we can invest this profit in further strenghtening of our local business.

Clients repeatedly tell us how much we have changed over a past year. We were committed to transformation of our products and processes, the implementation of the new strategy, and the numerous activities aiming to meet needs of clients. Profitable operations, increased volume of bussiness and client surveys indicate that we are heading in the right direction. All this strengthens our committment to grow and evolve even more.

The principles of straightforward banking were the starting point for our business and its transformation in 2017. We simplified all processes with aim to improve our service quality. We also simplified our product offer and operating model to serve the vision of straighforwardness, aiming at every step to be a simple, direct bank. Also, at the begining of the year we joined digital transformation on the market, pioneering the introduction of Viber as a business platform for financial transactions. Addiko was the first in the region and among the first in the world to offer our clients the possibility of using the Viber Platform for performing financial transactions. This was the beginning of a digital story that we continued throughout the year, innovating existing products and providing better and more efficient services. We have also grown lending both in the Retail and in the Corporate segment by more than 26 % of living loans, focusing on building long-term and strong relationships with our clients. On the costumer deposit side, growth was 7.2%, which is allowing us to be self-funded. Given the strong capital and deposit base we are well prepared for further sustainable growth.

We have received financial support from our owners through a capital increase which enabled us to grow our operations and modernize our network. During last year we moved several branches to new, modern and more functional locations. Our ATM network has undergone a full modernization process.

Apart from regular bussiness, we have been actively working on reducing our CHF loan portfolio, our legacy from the past. We aimed at finding mutually acceptable and reasonable solutions to the few remaning clients and despite all challenges we have managed to reduce number of outstanding clients at year end to 708, thereby resolving the situation for most of the clients with CHF loans. We are comitted to bring this topic to the end soon by continuing to find an acceptable joint solution with our clients.

We strive to be a responsible member of local communities in which we operate. With this aspiration, we have supported local communities with various activities, mainly focusing on children and culture, such as donations for school cabinets, books and other equipment, but also our employees have volunteered for charitable work . We have additionally sponsored different cultural institutions and events in FBiH.

In this challenging transformational year for Addiko, our employees have given unselfish and extraordinary contribution, coping with speed of change and repeatedly finding new ways to do things differently and better for our clients. This commitment and dedication to the company, is an incredible value that makes us an extraordinary team I am proud of. I would like to thank all of them for their trust they put in the Management Board and their contribution in the exciting year 2017.

Finally, I would like to thank our clients, owners and regulators for trust and support during this transformational journey. 2017 was full of challenges. I have no doubt that the year 2018 will be similar in quantity of change and challenges, but I trust that this team will serve and meet expectation of all our partners with equal commitment and spirit.

Best regards,

Sanela Pašić

EXECUTIVE BOARD

From left to right: Selma Omić, Member of the Management Board; Sanela Pašić, President of the Management Board; Belma Sekavić-Bandić, Member of the Management Board.

Table of Content:

Management Board Report

1. Overview of Addiko Bank

Addiko Bank dd Sarajevo, member of Addiko Group, an international financial group headquartered in Vienna, Austria, which operates through six banks with its core business in Croatia, Slovenia, Bosnia and Herzegovina, Serbia and Montenegro with over 1 million clients. The Group's strategy is primarily focused on markets in the SEE region delivering core products and services relevant to the customers, while also providing online deposit services in Austria and Germany. The holding company AI Lake (Luxembourg) S.à r.l. is the direct parent company of Addiko Bank AG and is indirectly owned by funds advised by Advent International, a global private equity investor and the European Bank for Reconstruction and Development (EBRD).

Addiko Group has operated in the region under the Addiko brand since 11 July 2016 following a successful rebranding of the Group. In Bosnia and Herzegovina, the Addiko brand is present from 31 October 2016.

2. General economic conditions 2017

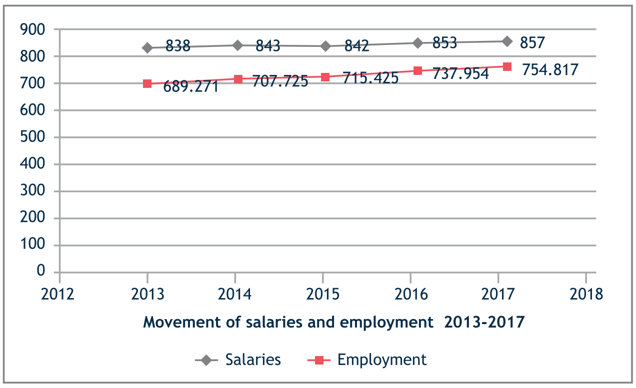
Even though the official data will not be available before the mid of the year, according to all available estimates, it is assumed that the GDP of Bosnia and Herzegovina grew by 3.0% in 2017.

Economic growth was realised notwithstanding the lack of large infrastructural projects and frozen IMF funds, and was lead primarily by the increased private consumption and foreign demand. On the other hand, the public consumption stagnated.

Private consumption had a robust growth rate, supported by rising employment and increased salaries (by 2.3% each), as well as by stable inflow of remittances and stronger tourism. This development was reflected in the credit growth in total of about 7.0% (Retail credit growth -6.6%). Increased private consumption is clearly reflected in increased import of consumption goods and trade turnover, which had a high real growth rate of 5.1%.

Bosnia and Herzegovina economy was supported by external demand, especially considering that the Eurozone and EU had the largest economic growth in last ten years. The main trading partners in CEFTA experienced a growth as well. Consequently, the pace in production sector was kept on a positive track. Industrial production grew by 3.1%, supported by the growth in processing industry of 5.3%.

As a result, exports increased by 17.4% in 2017, with particularly strong increase of export to the CEFTA countries, mostly Croatia and Serbia (increase higher than 30.0%), whereas imports did not increase at such a quick rate (increase of 12.3%), so that the import-export cover rate reached 61.0%. Exports increased mainly in mineral fuels and oils, petroleum and petroleum derivates, coloured metals, electricity (growth of 43.6% due to higher stock-exchange prices, regardless of lower exported quantity), furniture, clothes and footwear. Real import and export growth rates were, however, somewhat lower due to increased manufacturing prices. This was especially evident with particular types of products, such as coloured metals and other metals, electricity etc.



The level of private and public investments was not very impressive in Bosnia and Herzegovina in 2017, reflected in poor indicators in construction sector and not very impressive increase of capital products import.

The construction sector closed the year negatively after the 1.5% drop for January-September 2017 period, reflecting the effects of delayed realisation of large infrastructural projects, blocked due to political disputes until the end of the year, when the key changes to the Law on Excise Taxes were passed in the State Parliament.

While the private consumption was the main generator of the total consumption growth, the public consumption probably stagnated due to fiscal consolidation and increased external debt liabilities (about 35.0%) and had a neutral effect on economic growth in 2017.

As opposed to public investments, the level of direct foreign investments grew strongly at the rate of 60.6% in nine months up to BAM 700 million, with the expected year's end amount of BAM 950 million. Because of the trade balance stabilization, the payment balance improved by its decrease below 4.5% of the GDP, which led to the deficit improvement.

The consumer price index turned to the positive side in 2017, mainly supported by stabilised fuel prices. Inflation grew gradually in the course of the year towards 1.3% yoy, driven by lower base effects and stronger domestic demand, but also by increased food prices as a result of a drought year and manifold increase of tobacco and tobacco products prices due to alignment of the excise taxes policy.

3. Significant events in 2017

3.1. Financial performance in brief

In 2017, Addiko Bank Sarajevo is reporting a profit after tax of BAM 5.2 million at year-end 2017 (2016: BAM -37.6 million), fullfilling its main goal to return to profitability.

In line with expectations, key revenue drivers continued to perform in 2017, mainly driven by further growth of the loan portfolio with a healthy composition and continuous improvements in the customer deposits structure and pricing. With the focus on changing the loan portfolio mix towards unsecured lending population and small and medium corporates, ABSA further increased the share of higher margin products in its target areas Consumer Finance (19.5% of loan portfolio) and Corporate/SME (27.4% of loan portfolio) in 2017.

The improved operating profit of BAM 4.1 million (2016: BAM -28.0 million) is a result of the significant progress in the restructuring of Addiko Bank and the implemented new strategy, affecting both revenues and cost. Net interest income improved by 26.0% to BAM 22.6 million (2016: BAM 17.9 million) with an improved net interest margin at 3.2% (+60bp). Interest expenses decreased by BAM 2 million to BAM 5.6 million (2016: BAM 7.6 million).

Net fee and commission income improved by 15.0% to BAM 9.2 million (2016: BAM 8 million) as a consequence of product and customer focus as well as increased sales performance.

This positive performance was driven by:

New disbursement performance (+62.0% compared to 2016) that exceeded loan book amortization resulting in a stable growth of the loan book in Addiko Bank Sarajevo.

The shift of the business mix towards the segment Consumer Finance can be seen in the positive development of the cash loan portfolio, showing an increase in volume of 1.6% from BAM 399.6 million in 2016 to BAM 406.0 million in 2017. In reality, this increase was much higher, but the 19.5% increase was overcompensated by NPL write offs of CHF loans. In addition, the Corporate/ SME loan portfolio increased from BAM 158.5 million in 2016 to BAM 204.8 million in 2017, showing an improvement of 29.2%. This effect is offset by the reduction in some portfolio segments which are no longer strategic targets.

Successful customer deposit gathering reached a total of BAM 644 million (+7.2% since 2016) resulting in a solid funding base and liquidity position, while at the same time reducing overall pricing of deposits on average by 36bp compared to 2016. Total operating expenses were further reduced by BAM 23.7 million (-64.0% since 2016), reflecting the implemented restructuring program, the new Target Operating Model and further cost improvement initiatives.

The reduction of NPLs remained above expectations, driven by a strong focus on workout and collections, leading to a decline in non-performing-loans to BAM 174 million at year-end 2017 (2016: BAM 228.8 million), while their coverage by provisions increased from 78.7% (2016) to 84.4% (2017).

3.2. Addiko brand anniversary

In October 2017, the Addiko brand under which the Group operates had its first anniversary. The launch of the Addiko brand marked the start of the business turnaround for the Bank and its clear focus on strategic business segments, on raising the efficiency of operations and reaffirming the Bank as a strong, stable and system relevant institution on local market.

3.3. Customer centricity driving the business

With Addiko dedicated to deliver its straightforward banking brand promise and providing its customers with high quality service, several key initiatives have been introduced with the goal of further improving client experiences at every touchpoint. The Sales Force Effectiveness (SFE) program, launched in the Retail segment is focusing on three products (cash loans, primary current accounts and account packages) and has had an immediate positive impact on branch performances and sales. By introducing new unique services like Addiko Chat Banking, packages for Retail and SME and by raising the efficiency the Bank also improved the seamless customer-bank relationship fostering at the same time customer loyalty.

The End-to-End (E2E) Corporate/SME loan improvement project has also delivered tangible impact with a significantly faster loan approval process, while new account packages, review of fee structures and advanced client advisory services contributed to the delivery of the straightforward banking promise and a new disbursements growth of impressive 85.0% yoy.

The results of the customer-centric approach and growing customer satisfaction are acknowledged with Addiko becoming the first ever bank to receive a recognition for the Best business move, for its activities regarding loan administration process and documentation reduction.

3.4. Leading innovation with improved digital capabilities

One of the big challenges for today's banking industry is the rapid pace of change driven by technology and regulatory requirements. This is why digitalization of Retail and Corporate customer experience is one of Addiko's focus points, with the Bank continuously investing into its digital capabilities.

Addiko Bank continues to digitally transform as it develops new digital platforms ensuring greater customer satisfaction and is committed to making banking more convenient for its customers by focusing on essentials, delivering efficiency and communicating simply. Accordingly, 'Addiko Chat Banking' a unique Viber-based payments service was launched and Addiko became the first commercial bank in Bosnia and Herzegovina, but also in South and East Europe region and one of the first in the world, which provides payment services using Viber, one of the globally most popular communication platforms and brands.

Mobile and Internet banking platforms were revamped with additional developments also made on the online current account opening front, ensuring fast, convenient, modern and straightforward banking service.

The digital SME strategy will be launched in 2018.

3.5. Solving the issue of loans with clause in Swiss francs

CHF loans, the legacy from past (CHF loans were disbursed from 2006 until 2008), which was one of the top priorities in 2016, had significant place in our activities during 2017. Although formaly the project was closed, we have continued with solving this situation by voluntary, responsible, understandable and fair offers to clients.

The Bank's offer included a reduction of the outstanding loan by 30.0% with the loan conversion at the current exchange rate and a fixed interest rate of 5.99% for the new loan. The proposed solution has also an additional social responsibility component, as it entails an additional benefit for the clients with the lowest monthly income in the form of reduction of the outstanding loan amount by up to 50.0%. In addition, clients of the Bank, whose loans have fallen due or have been cancelled or are pending in legal proceedings due to foreclosure started by the Bank are also entitled to have their outstanding debts reduced. The clients also have the possibility to reduce a part of the receivables along with the closing and liquidation of loan.

This model was very successful in solving the problem, arising from the increase of the CHF currency against the BAM, which has caused clients' debts to increase in local currency. The clients have recognized that the solution is a fair, which was confirmed by the high percentage of realized solutions. At the end of year, we had only 708 clients with CHF loans, thereby resolving the situation for most of the clients with CHF loans.

The offered conversion resulted in the bank write-offs amounted to BAM 9.4 million in 2017 which can be seen as the banks contribution to resolve the topic in the interest of its clients.

3.6. Organizational structure supports growth

The year 2017 was the first full year where Addiko's turnaround was visible not only with increasing business volumes in key business areas but also with a strong increase in its operating profit, raised levels of productivity and improved efficiency across the organization, ensuring that Addiko Bank is well positioned to develop its business further in a competitive market environment.

The implemented initiatives support the growth-based business model and corporate strategic goals based on sustainable revenue growth, efficient end-to-end processes and prudent standardized risk management, all of which together embody the Group's 'Six Countries – One Winning Team' approach.

Essential to the accomplishment of the goals is the implementation of the Target Operating Model (TOM) that streamlines processes and enables quality steering, better cost management, improves the overall efficiency across the organization, ultimately ensuring a higher level of service quality within the Bank, and towards the clients.

4. Financial development of the Bank

4.1. Analysis of profit or loss statement

BAM ths

	1.1-31.12.2017	1.1-31.12.2016	Change
Interest and similar income	28,267	25,684	2,583
Interest and similar expenses	(5,621)	(7,698)	2,077
Net interest income	**22,646**	17,986	4,660
Fee and commission income	12,850	11,215	1,635
Fee and commission expense	(3,598)	(3,230)	(368)
Net fee and commission income	**9,252**	**7,985**	**1,267**
Dividend income	812	35	777
Net income on financial operations	1,759	940	819
Collected written-off receivables	3,501	3,692	(191)
	3,246	2,101	1,145
Operating income	**41,216**	**32,739**	**8,477**
Personnel expenses	(16,006)	(16,435)	429
General and administrative expense	(19,272)	(41,723)	22,451
Depreciation and amortization	(1,818)	(2,597)	779
Operating expenses	**(37,096)**	**(60,755)**	**23,659**
Profit / (loss) before impairment losses, provisions and income tax	4,120	(28,016)	32,136
Impairment losses and provisions, net	1,129	(9,613)	10,742
PROFIT BEFORE INCOME TAX	**5,249**	**(37,629)**	**42,878**
Income tax	-	-	
NET PROFIT FOR THE CURRENT YEAR	**5,249**	**(37,629)**	**42,878**
Basic loss per share (KM)	**9.86**	**(70.66)**	**80.52**

The year 2017 is marked by a significant improvement of the net interest income which increased to BAM 22.6 million (2016: BAM 18 million).

This positive development is supported by the strong growth in high margin consumer loans as well as lower interest rates for customer deposits as a consequence of our strategic repositioning within all markets. Compared to the prior-year period, the underlying net interest margin increased up to 320bps, reflecting the Bank's dedicated focus on risk-adjusted pricing and optimizing the liability structure.

Net fee and commission income amounted to BAM 9.2 million (2016: BAM 8 million), with the development mainly due to higher income from card business and payment transactions. The positive impact is supported by the initiatives to increase net commission income launched at the end of 2016.

Personel expenses and other administrative expenses declined from BAM -58.1 million in 2016 to BAM -35.2 million in 2017. The decrease in administrative expenses is based on a strict cost management and monitoring throughout the whole Addiko Group. The effects of the implementation of the new Target Operating Model (TOM), with the goal of establishing a lean, efficient, more agile and integrated organization throughout the Bank, are visible in the position personnel expenses. The cost-income ratio decreased to 90.0%.

Depreciation and amortization of fixed assets decreased to BAM -1.8 million from BAM -2.5 million in the previous year. This development reflects the Groups' strategy to focus on the core business and therefore decreasing the involvement in premises Retail business, leading to lower depreciation and amortization expense and due to reclassification of properties to assets available for sale.

In total, operating income amounts to BAM 41.2 million (2016: BAM 32.7 million) while operating expenses sum up to BAM -37.1 million (2016: BAM -60.8 million). This resulted in an operating result in the amount of BAM 4.1 million compared to BAM -28.1 million in 2016.

Risk provisions reduced from BAM -9.6 million in 2016 to BAM 1,1 million in 2017. This positive impact caused by the release of risk provisions due to strong collection and recovery activities. The net profit after tax for the year 2017 of BAM 5.2 million is a significant improvememt to the loss of BAM -37.6 million in 2016.

4.2. Analysis of profit or loss statement

BAM ths

	31.12.2017	31.12.2016	Change
ASSETS			
Cash and balances with other banks	143,495	163,369	(19,874)
Obligatory reserve with the Central Bank of Bosnia and Herzegovina	63,576	59,783	3,793
Placements with other banks	13,953	26,933	(12,980)
Loans and advances to customer	453,273	371,663	81,610
Non-current assets and disposal groups classified as held for sale	4,771	-	4,771
Financial assets available for sale	163,564	171,394	(7,830)
Investments in subsidiaries	855	2,711	(1,856)
Property and equipment	18,467	26,276	(7,809)
Intangible assets	2,270	827	1,443
Investment property	-	468	(468)
Prepaid income tax	1,783	1,783	-
Other assets	26,350	21,329	5,021
Total assets	892,357	846,536	**45,821**

Total assets of Addiko Bank Sarajevo increased by BAM 45.8 million (or 5.1%) from BAM 846.5 million to BAM 892.3 million.

Cash and cash balances at central banks decreased by BAM -16 million to BAM 207 million (2016: BAM 223 million), while other demand deposits decreased by BAM 13 million to BAM 13.9 (2016: BAM 26,9 million).

The trading and investment securities held in the category financial assets available for sale decreased by BAM -7.8 million compared to the previous year.

Overall net receivables (gross receivables less credit risk provisions) increased from BAM 371.6 million (2016) to BAM 453.2 million.

Tangible assets decreased by BAM -8.3 million from BAM 26.3 million in 2016 to BAM 18 million. This decline is mainly due to the decision to focus on the banking business and consequently initiate the sale of non-core assets, which triggered the reclassification of certain assets to the position Non-current assets and disposal groups classified as held for sale.

Intangible assets increased to BAM 2.2 million (2016: BAM 0.8 million) due to the introduction of new e-banking applications.

Tax assets remained on the same level as in 2016 and amount to BAM 1.7 million.

Other assets increased to BAM 26.3 million compared to BAM 21.3 million at the end of 2016.

BAM ths

	31.12.2017	31.12.2016	Change
LIABILITIES			
Due to other banks	5,211	5,524	(313)
Due to customers	643,733	600,319	43,414
Provisions	16,647	20,869	(4,222)
Provisions for financial commitments and contingencies	1,870	1,588	282
Other liabilities	12,849	12,920	(71)
Total liabilities	**680,310**	**641,220**	**39,090**
SHAREHOLDERS' EQUITY			
Share capital	100,403	100,403	-
Reserves	-	7,799	(7,799)
Regulatory reserves	133,391	133,391	-
Fair value reserves	2,834	1,352	1,482
Retained losses	(24,581)	(37,629)	13,048
Total equity	**212,047**	**205,316**	**6,731**
Total equity and liabilities	**892,357**	**846,536**	**45,821**

On the liabilities’ side, deposits increased by BAM 43.7 million to BAM 643.7 million in 2017 (2016: BAM 600 million). This development is mainly driven by the increase in deposits from customers. Liabilities from banks decreased by BAM 0.3 million to BAM 5.2 million (2016: BAM 5.5 million).

Provisions decreased from BAM 20.8 million at year end 2016 to BAM 16.6 million in 2017. Included are provisions for passive legal cases, as we have addreses number of legal cases lagcy from the past and managed this topic in more structured way.

The change in total equity in the amount of BAM 6.7 million is a result of the decrease in the retained losses in the amount of BAM 13 million. Retained losses decreased as a result of covering the loss from reserves and profit from current year. According to local regulation capital adequacy is at 13.2 % well above the minimum prescribed 12.0%.

5. Analysis of non-financial key performance indicators

5.1. Market and operations development

The year 2017 was marked by an overall positive financial performance, recording a positive result and BAM 5.2 million profit after tax, delivering on the straightforward banking promise and successfully transforming into a profitable bank.

The outlined developments reflect Addiko Bank's dedication to: growing its market share in core Retail and SME segments, digital transformation, high-quality asset portfolio management, prudent risk management and ensuring greater customer experience while at the same time driving customer loyalty and new business.

By raising its productivity and efficiency across the organization, supported by effective cost management the operational cost base has already been reduced significantly. Addiko Bank will continue to simplify, automate and outsource non-core activities, maximizing the performance of its new, distributed Target Operating Model, putting itself in a favorable position to develop the business further in 2018 and in years to come.

The focus in 2018 will be on serving the real economy, growing the client base, increasing volumes, utilizing cross-selling potential, achieving operating excellence on all levels and generating long-term sustainable and profitable business.

5.2. Human Resources management

The Human Resources (HR) strategy underpins the cultural transformation and Addiko Bank's strategy by building strong organizational foundations within the new Target Operating Model where central steering functions and group shared services are located decentralised across SEE countries. At the same time by defining clear roles, developing simplified processes and leveraging shared capabilities, Addiko Bank is building a platform for developing top talent and attracting specialists and high performers to support future growth.

The performance and talent management frameworks are key processes used to identify, develop, reward and recognize high performance and talented employees. The two processes along with the 'Values and Behaviors' are enablers of Addiko Bank's journey to build a great place to work, becoming an employer of choice, attracting talents and offering opportunities for employees to develop their careers.

In 2017, there were many areas of focus in Human Resources, with new training programs piloted in order to establish the base for development programs that will be available and that will support development of specific capabilities. Standardization of HR processes continued in the areas of recruitment, onboarding and personnel cost reporting. The 'Values and Behaviors' were developed with the help, and to benefit of employees and were launched as part of the upcoming Performance Cycle. The Nine Leadership Skills were also developed and introduced, focusing upon behaviors and skills that are required for team leaders.

Several efficiency and rightsizing programs came to a close in 2017. At yearend 2017 Addiko Bank Sarajevo had 387 employees. In the upcoming period the focus will be on integrating 'Values and Behaviors' into daily activities, accelerating the cultural transformation and ensuring process effectiveness in the Target Operating Model. This will require effective talent, leadership and development metrics in place to ensure development of employees' skills and realization of their potential.

6. Internal Control System for accounting procedures

Addiko Bank has an Internal Control System (ICS) for accounting procedures, in which suitable structures and processes are defined and implemented throughout the organization. The management in each organizational unit is responsible for implementing group-wide policies and procedures. Compliance with policies is monitored as part of the audits performed by internal audit. The ICS, as part of the Addiko Bank's risk management system, has the following general objectives:

- Safeguarding [I do not think that the ICS is "implementing"] the business and risk strategies as well as Addiko Group policies
- Effective and efficient use of all the resources in order to achieve the targeted commercial success
- Ensuring reliable financial reporting
- Supporting compliance with all relevant laws, rules and regulations

The Internal Control System itself is not a static system but is continuously adapted to the changing environment. The implementation of the Internal Control System is fundamentally based on the integrity and ethical behavior of the employees. The Management Board and the management team actively and consciously embrace their role of leading by example.

7. Branches

At year end 2017 Addiko Bank dd Sarajevo operated a total of 38 branches (2016: 38).

8. Outlook

The yearly economic growth in BiH could in the years 2018, 2019 and 2020 improve above the level of 3.0% of the last year.

A higher GDP growth may be expected with a support of rising private consumption, favourable external factors and on the wings of larger public investments.

Removal of the key obstacle – changes to the Law on Excise Taxes - unlocked the needed investments in highway construction, the effects of which will be visible as early as in 2018 and even more in 2019 and 2020. With some investments in the energy sector, as for example, beginning of construction of thermo-block 7 in Tuzla and possibly some other projects in progress, this could be an engine for growth in the observed period.

The economic growth is expected to reach 3.2% in 2018 with prospects of accelerating growth of 3.5% in the following two years.

This movement was forecast by the World Bank Outlook from January 2018. However, the economic growth estimates of the BiH Directorate for Economic Planning are more optimistic – 3.4% for 2018, 3.8% for 2019 and 3.9% for 2020.

However, political risks are to be taken into account when projecting the economic growth in BiH, not only the ones for the general elections in 2018, but also the subsequent ones, because the potential political standstills after the elections may easily delay implementation of the needed reforms.

The drivers of economic growth in 2017 are expected to support the growth in 2018 as well. Household consumption is expected to increase with the increased salaries, high remittances from abroad and touristic boom. However, the export growth might slow down compared to 2017, whereas import is expected to increase, as a result of increased consumption and as a side-effect of large investments.

Prices are expected to increase as well, so that consequently, inflation might continue developing to the level of ca. 2.0%.

The expected continuation of the IMF arrangement might exert positive effects, whereas the level of private investments is expected to be moderate with private foreign investments at the same level as in 2017.

The efforts put by companies in compensating for the low labour force price, considering the ever-increasing problem of labour force outflow might have an impact on private investments.

Still, further positive trends are expected at the labour market in 2018, including increased employment and reduced unemployment rate.

Domestic demand is expected to be the main driver of growth in 2019 and 2020, along with a smaller influence of foreign trade and strengthened investments, as a result of incentives from the private and public sector.

The EU country candidate status (expected in 2019) may make the more favourable EU funds more accessible, as well as the funds of international financial institution, which will certainly be an additional boost for the country's economy.

Addiko delivered significantly improved results in 2017 having contributed to achieve the turn-aoround. The overall objective for the coming years is the delivery of straightforward banking on all touch points and achieving long term sustainable profitability.

Sarajevo, February 2018
Addiko Bank dd Sarajevo

ADDIKO BANK D.D. SARAJEVO

Unconsolidated and consolidated financial statements for the year ended 31 December 2017 and
Independent auditor's report

This version of the report is a translation from the original, which was prepared in Bosnian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial reports and the accompanying audit report takes precedence over this translation.

Management Board's Report

The Management Board has pleasure in submitting its consolidated and unconsolidated financial statements for the year ended 31 December 2017.

Review of operations

The result for the year ended 31 December 2017 of the Bank and Group is set out in the income statement on page 8.

Supervisory Board, Management Board and Audit Committee

During the course of 2017 and up to the date of this report, the Supervisory Board comprised:

Supervisory Board until 31 December 2017

Hans-Hermann Anton Lotter	Chairman
Biljana Rabitsch	Vice-Chairman
Christian Kubitchek	Member until 24 October 2017
Razvan Munteanu	Member since 7 March 2017
Jann Kaufmann	Member until 24 October 2017
Meliha Povlakić	Member since 25 October 2017
Damir Karamehmedović	Member since 25 October 2017

During the course of 2017 and up to the date of this report, the Audit Committee comprised:

Audit Committee until 31 December 2017

Đorđe Lazović	Chairman
Siniša Radonjić	Member
Ivan Trifunović	Member
Marlene Schellander-Pinter	Member
Claudia Mayrhofer	Member

As of 31 December 2017, the Management Board comprised a director and 2 executive directors, who served during the year and up to the date of this report as follows:

Management Board

Sanela Pašić	President of the Management Board
Belma Sekavić-Bandić	Member of the Management Board
Selma Omić	Member of the Management Board

On behalf of the Management Board:

Sanela Pašić	**Belma Sekavić-Bandić**
President of the Management Board	Member of the Management Board

Responsibility for the financial statements

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

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

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

The financial statements set out on pages 8 to 102 were authorised by the Management Board on 20 March 2018 for issue to the Supervisory Board, and are signed below to signify this:

For and on behalf of Management Board

Sanela Pašić	**Belma Sekavić-Bandić**
President of the Management Board	Member of the Management Board

Addiko Bank d.d. Sarajevo
Trg Solidarnosti 12
71000 Sarajevo
Bosnia and Herzegovina

20 March 2018

Independent Auditor's Report

to the Owners of Addiko Bank d.d. Sarajevo

Opinion

We have audited the accompanying financial statements of Addiko Bank d.d. Sarajevo (the "Bank"), which comprise of the statement of financial position as at 31 December 2017, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Impairment losses on loans to and receivables from clients

Loans to and receivables from clients comprise 51% of total Bank's assets, and they are subject to significant judgements made by the Management. Refer to Note 3 on page 29 of the financial statements for the accounting policies, and Note 6 on page 46 for the additional information respectively.

When there is objective evidence of impairment of loans to and receivables from clients, such as significant difficulties of the debtor, breach of the contractual terms, approving the credit relief to a debtor due to financial difficulties, certain initiation of a bankruptcy proceeding or financial reorganization of a debtor, disappearance of an active market or data that indicates measurable decrease of estimated future cash flows, the Bank assesses certain financial assets for impairment on an individual basis, and the remaining financial assets on a group basis.

Management applies judgment to assess the inputs they find relevant for the calculation of impairment losses on loans to and receivables from clients on individual basis including, but not limited to, financial position of the client, realization period and value of the collateral at the projected realization date, the expected cash flows and the current local and global economic conditions.

Key audit matters (continued)

Impairment losses on loans to and receivables from clients (continued)

For the group assessment of an impairment for incurred but not reported losses (IBNR), and specific provisions calculated on group basis, the Bank uses historical data on the probability of events causing impairment, time required for recovery, and the total amount of incurred loss, adjusted for the Management's judgement on whether the current economic and credit conditions are such that it is probable that the actual losses will be higher or lower than those calculated based on historical data.

How our audit addressed the key audit matter

During the audit we gained an understanding of the Bank's provisioning process through the interviews with responsible personnel, and review of the policies and procedures to consider their adequacy, consistency of controls and employees' responsibilities. The aforementioned resulted in defining the adequate audit procedures to be able to address the risks associated with the impairment losses on loans to and receivables from clients.

Our audit procedures were focused on and included the following:

Operating effectiveness of controls

We tested the design and implementation of key controls and tested their operating effectiveness, which are related to testing of impairment losses, with the special focus on:

- control of the counter of days to maturity and probability of default;
- control of input of data in the system on approved loans to and receivables from clients, and value of collateral;
- control of parameters used for calculation of impairment losses on a group basis.

Automatic controls

We tested the design and implementation and tested operating efficiency of automatic controls identified as significant for our evidence procedures and testing impairment losses. Testing of these controls created a basis for selecting a sample and further testing of impairment of individual loans to and receivables from clients.

Individual assessment of impairment losses

Based on the reconciled population of loans to clients classified as "individually impaired" with synthetic records, we determined the sample for our evidence procedures using the audit methodology, and our own judgement based on previous knowledge of the client's portfolio and monitoring the most significant movements from the status of performing to non-performing clients.

We performed our detailed testing on the selected sample to assess and determine the existence of potential indicators of the fact that certain loans and receivables are inadequately or redundantly provisioned. In this process, we used our judgement to determine parameters for calculation of impairment losses on loans and compared our own calculation with the impairment losses on loans calculated by the Bank. We have analysed the financial positions of the clients, adequacy of the forecasted cash flows compared to actual ones and historical data, the quality of collateral and the adequacy of its assessment, all in accordance with stipulated internal procedures and Bank's methodology. We enquired any breaches of contracts and/or changes from the original terms and conditions of the contract.

Key audit matters (continued)

How our audit addressed the key audit matter (continued)

We have additionally considered the impact of current local and global economic conditions as well as the group of related parties, and other facts that may affect the recoverability of the loans in the sample. For the same sample of loans, we assessed loan loss provisions that the Bank calculates in accordance with regulations of the Banking Agency of Federation of BiH ("FBA") depending on days overdue, financial position of a debtor and collateral, following the percentages of provisions for the purpose of their adequacy assessment.

Collective assessment of impairment losses

During our audit, we have gained an understanding of the Bank's provisioning process, methodology and parameters used in the calculation of collective impairment losses on loans in order to evaluate the overall adequacy of the collective impairment level.

We selected a sample of clients, for which we tested the adequacy of recognized impairment losses on a group basis following the requirements of the Bank's methodological framework and testing the Bank's internal model in assessing the parameters for Incurred But Not Reported (IBNR) provisioning. The model was tested by a retrospective review.

We recalculated provisions for the same sample that the Bank calculates in accordance with regulations of the Banking Agency of Federation of BiH depending on days overdue, financial position of a debtor and collateral, as well as stipulated percentages of provisions for the purpose of their adequacy assessment.

Responsibilities of the Management and Supervisory Boards for the Financial Statements

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

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

Supervisory Board is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

Deloitte d.o.o.

Sead Bahtanović, director and licensed auditor

Deloitte
d.o.o.
Zmaja od Bosne 12c
71000 Sarajevo

Sabina Softić, partner and licensed auditor

Zmaja od Bosne 12c

Sarajevo, Bosnia and Herzegovina

20 March 2018

(all amounts are expressed in thousands of KM, unless otherwise stated)

	Notes	GROUP 2017	GROUP 2016	BANK 2017	BANK 2016
Interest and similar income	7	28,267	25,684	28,267	25,684
Interest and similar expenses	8	(5,624)	(7,695)	(5,621)	(7,698)
Net interest income		**22,643**	**17,989**	**22,646**	**17,986**
Fee and commission income	9	12,850	11,215	12,850	11,215
Fee and commission expenses		(3,598)	(3,230)	(3,598)	(3,230)
Net fee and commission income		**9,252**	**7,985**	**9,252**	**7,985**
Dividend income		16	35	812	35
Net income on financial operations	10	1,764	884	1,759	940
Collected written-off receivables		3,501	3,692	3,501	3,692
Other operating income	11	4,070	2,926	3,246	2,101
Operating income		**41,246**	**33,511**	**41,216**	**32,739**
Personnel expenses	12	(16,216)	(16,663)	(16,006)	(16,435)
General and administrative expense	13	(19,521)	(41,919)	(19,272)	(41,723)
Depreciation and amortization	22, 23, 24	(1,840)	(2,622)	(1,818)	(2,597)
Operating expenses		**(37,577)**	**(61,204)**	**(37,096)**	**(60,755)**
Profit / (loss) before impairment losses, provisions and income tax		**3,669**	**(27,693)**	**4,120**	**(28,016)**
Release of impairment / (impairment losses) and provisions, net	14	1,923	(9,613)	1,129	(9,613)
PROFIT / (LOSS) BEFORE INCOME TAX		**5,592**	**(37,306)**	**5,249**	**(37,629)**
Income tax	15	(35)	(34)	-	-
NET PROFIT / (LOSS) FOR THE CURRENT YEAR		**5,557**	**(37,340)**	**5,249**	**(37,629)**
Basic earnings / (loss) per share (KM)	34	**10.44**	**(70.12)**	**9.86**	**(70.66)**

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

(all amounts are expressed in thousands of KM, unless otherwise stated)

		GROUP		BANK	
	Notes	2017	2016	2017	2016
Profit / (loss) for the year		**5,557**	**(37,340)**	**5,249**	**(37,629)**
Other comprehensive income					
Net change in fair value of financial assets available for sale, net of realized amounts		1,646	1,231	1,646	1,251
Deferred tax on financial assets available-for-sale	15	(164)	(126)	(164)	(126)
Total comprehensive income / (loss) for the year		**7,039**	**(36,235)**	**6,731**	**(36,504)**

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

(all amounts are expressed in thousands of KM, unless otherwise stated)

		GROUP		BANK	
	Notes	2017	2016	2017	2016
ASSETS					
Cash and balances with other banks	16	143,495	163,369	143,495	163,369
Obligatory reserve with the Central Bank of Bosnia and Herzegovina	17	63,576	59,783	63,576	59,783
Placements with other banks	18	13,953	26,933	13,953	26,933
Loans and advances to customers	19	453,273	371,663	453,273	371,663
Assets available for sale	20	4,771	-	4,771	-
Financial assets available for sale	21	163,685	171,510	163,564	171,394
Investments in subsidiaries	22	-	-	855	2,711
Property and equipment	23	18,751	26,577	18,467	26,276
Intangible assets	24	2,270	827	2,270	827
Investment property	25	-	468	-	468
Prepaid income tax		1,783	1,783	1,783	1,783
Other assets	26	26,422	21,427	26,350	21,329
Total assets		**891,979**	**844,340**	**892,357**	**846,536**
LIABILITIES					
Due to other banks	27	5,211	5,524	5,211	5,524
Due to customers	28	643,258	598,354	643,733	600,319
Provisions	29	16,680	20,920	16,647	20,869
Provisions for financial commitments and contingencies	30	1,870	1,588	1,870	1,588
Other liabilities	31	12,993	13,026	12,849	12,920
Total liabilities		**680,012**	**639,412**	**680,310**	**641,220**
SHAREHOLDERS' EQUITY					
Share capital	32	100,403	100,403	100,403	100,403
Reserves	32	65	7,864	-	7,799
Regulatory reserves	32	133,391	133,391	133,391	133,391
Fair value reserves		2,834	1,352	2,834	1,352
Retained losses		(24,726)	(38,082)	(24,581)	(37,629)
Total equity		**211,967**	**204,928**	**212,047**	**205,316**
TOTAL LIABILITIES AND EQUITY		**891,979**	**844,340**	**892,357**	**846,536**

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

Signed on behalf of Addiko Bank d.d. Sarajevo on 20 March 2018:

Sanela Pašić
President of the Management Board

Belma Sekavić-Bandić
Member of the Management Board

(all amounts are expressed in thousands of KM, unless otherwise stated)

GROUP	Share capital	Reserves	Regulatory reserves	Fair value reserves	Accumulated loss	Total
31 December 2015	**100,403**	**46,070**	**133,391**	**247**	**(91,756)**	**188,355**
Net loss for 2016	-	-	-	-	(37,340)	(37,340)
Other comprehensive income						
Net change in fair value of financial assets available for sale, net of realized amounts	-	-	-	1,231	-	1,231
Net change in deferred taxes	-	-	-	(126)	-	(126)
Total other comprehensive income	**-**	**-**	**-**	***1,105***	**-**	***1,105***
Total comprehensive loss				**1,105**	**(37,340)**	**(36,235)**
Transactions with the owner						
Increase of capital	-	52,808	-	-	-	52,808
Coverage of losses	-	(91,014)	-	-	91,014	-
Other	-	-	-	-	-	-
Total transactions with the owner	**-**	**(38,206)**	**-**	**-**	**91,014**	**52,808**
31 December 2016	**100,403**	**7,864**	**133,391**	**1,352**	**(38,082)**	**204,928**
Net profit for 2017	-	-	-	-	5,557	5,557
Other comprehensive income						
Net change in fair value of financial assets available for sale, net of realized amounts	-	-	-	1,646	-	1,646
Net change in deferred taxes	-	-	-	(164)	-	(164)
Total other comprehensive income	**-**	**-**	**-**	***1,482***	**-**	***1,482***
Total comprehensive income	**-**	**-**	**-**	**1,482**	**5,557**	**7,039**
Transactions with the owner						
Coverage of losses	-	(7,799)	-	-	7,799	-
Other	-	-	-	-	-	-
Total transactions with the owner	**-**	**(7,799)**	**-**	**-**	**7,799**	**-**
31 December 2017	**100,403**	**65**	**133,391**	**2,834**	**(24,726)**	**211,967**

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

(all amounts are expressed in thousands of KM, unless otherwise stated)

BANK	Share capital	Reserves	Regulatory reserves	Fair value reserves	Accumulated loss	Total
31 December 2015	**100,403**	**46,005**	**133,391**	**227**	**(91,014)**	**189,012**
Net loss for 2016	-	-	-	-	(37,629)	(37,629)
Other comprehensive income						
Net change in fair value of financial assets available for sale, net of realized amounts	-	-	-	1,251	-	1,251
Net change in deferred taxes	-	-	-	(126)	-	(126)
Total other comprehensive income	**-**	**-**	**-**	***1,125***	**-**	***1,125***
Total comprehensive loss	**-**	**-**	**-**	**1,125**	**(37,629)**	**(36,504)**
Transactions with the owner						
Increase of capital	-	52,808	-	-	-	52,808
Coverage of losses		(91,014)	-	-	91,014	-
Other	-	-	-	-	-	-
Total transactions with the owner	**-**	**(38,206)**	**-**	**-**	**91,014**	**52,808**
31 December 2016	**100,403**	**7,799**	**133,391**	**1,352**	**(37,629)**	**205,316**
Net profit for 2017	-	-	-	-	5,249	5,249
Other comprehensive income						
Net change in fair value of financial assets available for sale, net of realized amounts	-	-	-	1,646	-	1,646
Net change in deferred taxes	-	-	-	(164)	-	(164)
Total other comprehensive income	**-**	**-**	**-**	***1,482***	**-**	***1,482***
Total comprehensive income	**-**	**-**	**-**	**1,482**	**5,249**	**6,731**
Transactions with the owner						
Coverage of losses	-	(7,799)	-	-	7,799	-
Other	-	-	-	-	-	-
Total transactions with the owner	**-**	**(7,799)**	**-**	**-**	**7,799**	**-**
31 December 2017	**100,403**	**-**	**133,391**	**2,834**	**(24,581)**	**212,047**

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

(all amounts are expressed in thousands of KM, unless otherwise stated)

	GROUP		BANK	
	2017	2016	2017	2016
Operating activities				
Profit / (loss) before income tax	5,592	(37,306)	5,249	(37,629)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	1,840	2,622	1,818	2,597
(Release of) / Impairment losses and provisions, net	(1,923)	9,613	(1,129)	9,613
Provisions for employee benefits	336	250	336	236
Restructuring provisions	61	1,922	61	1,922
Accrued expenses	3,291	3,663	3,291	3,663
(Gain) / loss on disposal of tangible and intangible assets	(432)	48	(432)	48
Loss on sale of assets available for sale	(173)	206	(173)	206
Effects of changes in fair value of assets available for sale	(270)	(87)	(265)	(143)
Dividend income recognized in the income statement	(16)	(35)	(812)	(35)
Foreign exchange adjustment	602	(350)	602	(350)
Interest income on financial assets available for sale recognized in the income statement	(1,775)	(1,099)	(1,775)	(1,096)
Financial expenses recognized in income statement	8	-	-	-
Cash flow before changes in operating assets and liabilities:				
Net increase in obligatory reserve with the Central Bank of Bosnia and Herzegovina	(3,793)	(4,787)	(3,793)	(4,787)
Net decrease in placements with other banks, before impairment losses	12,962	4,035	12,962	4,035
Net increase in loans and advances to customers, before impairment losses	(78,901)	(21,064)	(78,901)	(21,064)
Net decrease in provisions	(5,381)	(1,225)	(5,363)	(1,228)
Net increase in other assets, before impairment losses	(5,331)	(11,902)	(5,334)	(11,853)
Net decrease in due to other banks	(313)	(61,537)	(313)	(61,537)
Net increase in due to customers	44,904	76,388	43,414	76,757
Net decrease in other liabilities	(3,489)	(3,839)	(3,526)	(3,836)
	(32,201)	*(44,484)*	(34,083)	*(44,481)*
Income tax paid	(11)	-	-	-
Interest paid	(8)	-	-	-
Net cash used in operating activities	**(32,220)**	**(44,484)**	**(34,083)**	**(44,481)**
Investing activities				
Net increase in tangible and intangible assets	(3,254)	(1,720)	(3,249)	(1,720)
(Decrease) / increase of financial assets available for sale	9,700	(56,095)	9,700	(56,095)
Proceeds from sale of investment in subsidiary	-		1,062	-
Proceeds from sale of tangible and intangible assets	3,895	274	3,895	274
Dividends received	16	35	812	35
Interest income in financial assets available for sale	1,989	1,110	1,989	1,107
Net cash from / (used in) investing activities	**12,346**	**(56,396)**	**14,209**	**(56,399)**
Financing activities				
Increase in capital reserves	-	52,808	-	52,808
Net cash from financing activities	**-**	**52,808**	**-**	**52,808**
Net decrease in cash and balances with other banks	**(19,874)**	**(48,072)**	**(19,874)**	**(48,072)**
Cash and balances with other banks at the beginning of the year	**163,369**	**211,441**	**163,369**	**211,441**
Cash and balances with other banks at the end of the year	**143,495**	**163,369**	**143,495**	**163,369**

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

1. GENERAL INFORMATION

History and incorporation

Addiko bank d.d. Sarajevo (the ''Bank'') has received the approval from the Banking Agency of Federation of Bosnia and Herzegovina ("FBA") on 17 January 2000 and the Bank was registered at the Municipality Court in Mostar on 21 January 2000.

On 31 October 2016, the Bank changed its name from Hypo Alpe-Adria-Bank d.d. Mostar to Addiko Bank d.d. Sarajevo, and its registered headquarters in Mostar, Kneza Branimira 2b to the new address Trg solidarnosti 12, Sarajevo. The Bank conducts its operations in Federation of Bosnia and Herzegovina through the headquarters in Sarajevo and 38 branch offices in Federation of Bosnia and Herzegovina.

The Bank is registered in Federation of Bosnia and Herzegovina to perform payment operations, credit and deposit activities in the country and abroad, in accordance with the legislation of FBiH.

The immediate parent of the Bank is Addiko Bank AG Austria, while the ultimate owners are Advent International Corporation, United States of America, and the European Bank for Reconstruction and Development (EBRD).

The Bank is the 100% owner of Addiko Invest d.o.o. Mostar, which, combined with the Bank, makes the Group. The Company is responsible for the establishment and management of investment funds: Investment fund CROBiH Fond d.d. Mostar ("IF CROBiH"), Open investment fund Addiko BH Equity, Investment fund Fortuna fond d.d. Cazin, and OIF Kapital.

2. BASIS OF PREPARATION

a) 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.

These financial statements were authorised by the Management Board of the Bank on 20 March 2018 for submission to the Supervisory Board for approval.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis, except for financial assets and liabilities at fair value through profit or loss and certain financial instruments that are measured at fair value.

c) Functional and presentation currency

Financial statements are presented in convertible mark (KM), taking into account that this is the currency in which most of Bank's business transactions are presented. Convertible mark is pegged to the Euro (EUR 1 = KM 1.95583).

d) Use of estimates and judgements

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

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

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgements (continued)

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

e) Going concern

The financial statements of the Bank are prepared on a going concern basis, which assumes it will continue its business operations in the foreseeable future.

At 31 December 2017, the Bank reported capital adequacy ratio at the level of 13.2% (as at 31 December 2016: 16%), which is above the stipulated limit of 12%. With regard to liquidity and capital position of the Bank as at 31 December 2017, and the fact that the sale transaction of the Addiko Group has ended, management has concluded that these financial statements can be prepared on the going concern basis, which assumes that the Group and the Bank will continue to operate in the foreseeable future.

f) New standards and interpretations

The following new standard and amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period.

- Amendments to IAS 7 “Statement of Cash Flows” – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 12 “Income Taxes” – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IFRS 12 due to “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

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

2. BASIS OF PREPARATION (CONTINUED)

f) New standards and interpretations (continued)

At the date of authorisation of these financial statements, the following new standards and new interpretations were in issue, but not yet effective:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 “Revenue from Contracts with Customers” and further amendments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019);
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 2 “Share-based Payment” - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 4 “Insurance Contracts” - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 “Financial Instruments” is applied first time);
- Amendments to IFRS 9 “Financial Instruments” - Prepayment Features with Negative Compensation (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 and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded);
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IAS 40 “Investment Property” - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);
- Amendments to IFRS 1 and IAS 28 due to “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018);
- Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018);
- IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019);

The Bank has elected not to adopt these new standards and amendments to existing standards in advance. The Bank anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Bank in the period of initial application, except of IFRS 9 “Financial Instruments”.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments"

First time adoption of IFRS 9

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which is mandatory for reporting periods beginning on or after 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification and measurement of Financial Assets and Financial Liabilities

IFRS 9 establishes three principal classification categories for financial assets: measurement at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The existing categories according to IAS 39 – held-to-maturity, loans and receivables and available-for-sale - are no longer existing.

On initial recognition, a financial asset is classified into one of the categories, the basis of this classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Business model assessment

In 2017, the Bank made an assessment of business models for all segments and set up documentation including the policies and objectives for each relevant portfolio as this best reflects the way the business is managed and information is provided to management. The information that was taken into account includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of assets
- how the performance of the portfolio is evaluated and reported to the management
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. Information about sales activity is considered as part of an overall assessment on how the Bank´s stated objective for managing the financial assets is achieved and how cash flows are realized.

Contractual cash flow characteristics

For the assessment whether contractual cash flows are solely payments of principal and interest, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments" (continued)

Contractual cash flow characteristics (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest ("SPPI"), Bank considered the contractual terms of the instrument and analyzed the existing portfolio based on a checklist for SPPI criteria. This include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition, considering the following: contingent events that would change the amount and timing of cash flows, leverage features, prepayment and extension terms, terms that limit the Bank´s claim to cash flows from specified assets and features that modify consideration for the time value of money.

Based on the entity's business model and the contractual cash flow characteristics IFRS 9 defines the following principal classification categories:

- a financial asset is measured at amortized cost only if the object of the entity's business model is to hold the financial asset and the contractual cash flows are solely payments of principal and interest on the principal outstanding ("SPPI criteria").
- a financial asset is measured at fair value through other comprehensive income (FVOCI) if the asset is held in a business model in which assets are managed both in order to collect contractual cash flows and for sale and the contractual cash flows are solely payments of principal and interest on the principal outstanding (simple loan feature).
- financial assets that do not meet these criteria are measured at fair value through profit or loss (FVTPL). Furthermore, embedded derivatives will no longer be separated from the financial host asset. The financial instrument is assessed in its entirety and measured at fair value through profit or loss.

For equity investments that are not held for trading, entities can make an irrevocable election at initial recognition to classify the instruments at FVOCI, with all subsequent changes in fair value being recognized in other comprehensive income (OCI). This election is available for each separate investment.

According to IFRS 9, embedded derivatives will no longer be separated from the financial host asset. The financial instrument is assessed in its entirety and measured at fair value through profit or loss.

The classification and measurement requirements for financial liabilities are only slightly changed compared to IAS 39. Changes to the fair value of liabilities resulting from changes in own credit risk of the liability are recognized in other comprehensive income, the remaining amount of the change in the fair value will be presented in profit or loss.

Impairment

IFRS 9 replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" (ECL) model. The ECL is basically defined as the difference between the cash flows that are due to the bank in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive (considering probabilities of default and expected recoveries).

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments" (continued)

Impairment (continued)

This will require considerable judgment over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

Under IFRS 9, no impairment loss is recognized on equity investments.

IFRS 9 requires a loss allowance to be recognized at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and
- incorporating forward-looking information into the measurement of ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments" (continued)

Definition of default

Under IFRS 9, the Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

This definition is largely consistent with the definition that will be used for regulatory purposes (see Note 3 s). In assessing whether a borrower is in default, the Bank will consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment of another obligation of the same issuer to the bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience where available, expert credit assessment and forward-looking information.

The Bank will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing the one-year probability of default (PD) as at the reporting date; with the one-year PD that was estimated on initial recognition of the exposure.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of initial recognition of the instrument. Modifying the contractual terms of a financial instrument may also affect this assessment.

Credit risk grades - The Bank will allocate each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default (PD) and applying experienced credit judgement. The Bank will use these grades in identifying significant increases in credit risk under IFRS 9. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower. Credit risk grades are targeted such that the risk of default occurring increases as the credit risk deteriorates – e.g. the difference in the risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. Each exposure will be allocated to a credit risk grade on initial recognition based on available information about the borrower.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments" (continued)

Significant increase in credit risk (continued)

Exposures will be subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Generating the term structure of PD - Credit risk grades will be a primary input into the determination of the term structure of PD for exposures. The Bank will collect performance and default information about its credit risk exposures analyzed by jurisdiction, by type of product and borrower and by credit risk grading, whenever meaningful. For some portfolios, information purchased from external credit reference agencies may also be used as well. The Bank will employ statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. This analysis will include the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors, as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default.

For most exposures, key macroeconomic indicators are likely to include GDP growth, unemployment rate and others. The Bank's approach to incorporating forward-looking information into this assessment is discussed below.

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process. The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

The Bank will deem the credit risk of a particular exposure to have increased significantly since initial recognition if, based on the Bank's 's quantitative modelling, the one year PD is determined to have increased in absolute range between 4% to 5%, depending on the portfolio, since initial recognition.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate so and those indicators may not be fully captured by its quantitative analysis on a timely basis. As a backstop, and as required by IFRS 9, the Bank will presumptively consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Bank will determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments" (continued)

Significant increase in credit risk (continued)

The Bank aims to monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- PD;
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from internally developed statistical models, regulatory values as well as expert judgment. They will be adjusted to reflect forward-looking information as described below.

PD estimates are estimates at a certain date, which will be calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors, wherever meaningful. Where it is available, market/external data may also be used as well. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. While PDs are based on statistical models, the risk parameters (LGD, CCF) are leveraging on regulatory values and/or expert assessment.

Forward-looking information

Under IFRS 9, the Bank will incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Bank will formulate a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios. This process will involve developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments" (continued)

Forward-looking information (continued)

The base case will represent a most-likely outcome and be aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios will represent more optimistic and more pessimistic outcomes. The Bank will also periodically carry out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Bank has identified and documented key drivers of credit risk for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk. These key drivers include within other factors also unemployment rates and GDP forecasts. Predicted relationships between the key indicators and default rates on various portfolios of financial assets have been developed based on analyzing historical data.

Derecognition and contract modification

IFRS 9 incorporates the requirements of IAS 39 for the derecognition of financial assets and financial liabilities without substantive amendments.

However, it contains specific guidance for the accounting when the modification of a financial instrument not measured at FVTPL does not result in derecognition. Under IFRS 9, the Bank will recalculate the gross carrying amount of the financial asset by discounting the modified contractual cash flows at the original effective interest rate and recognize any resulting adjustment as a modification gain or loss in profit or loss. Under IAS 39, the Bank does not recognize any gain or loss in profit or loss on modifications of financial liabilities and non-distressed financial assets that do not lead to their derecognition. The Bank expects an immaterial impact from adopting these new requirements.

Impacts on capital planning

IFRS 9.7.2.15 offers the selection of an accounting policy either to change the prior periods or to recognize effects of initial application of IFRS 9 in initial equity as at 1 January 2018. The Bank does not present the changed comparative data, and it presents the one-off effect as decrease of retained earnings (increase of accumulated losses) in the amount of KM 18,899 thousand. This effect is related to impairment.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: "Financial Instruments" (continued)

Impacts from initial application

The new standard will affect the classification and measurement of financial instruments held as at 1 January 2018 as follows:

- based on assessments undertaken to date, the major part of the loan portfolio classified as loans and advances according to IAS 39 will still be measured at amortized costs according to IFRS 9;
- financial assets held for trading will furthermore be measured at FVTPL;
- Bank classified debt securities as available-for-sale according to IAS 39. Within the new classification of IFRS 9 these debt securities will be measured at FVTOCI as those assets are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- for the equity instruments that are classified as available for sale under IAS 39, Bank will exercise the option to irrevocable designate them at initial recognition at FVTOCI;

No further significant changes regarding classification arose based on the business model criterion.

Regarding classification and measurement of financial liabilities no major impacts on the financial statements of the Bank occurred based on new regulations of IFRS 9.

IFRS 9.7.2.15 offers the accounting policy choice to restate prior periods or to recognize any impacts from initial application of IFRS 9 in the opening equity as of 1 January 2018. Bank does not restate comparative figures and presents the one-off effect as reduction of earlier estimated Regulatory reserves for credit losses amounting to KM 18,899 thousand. This adjustment represents is related to impairment requirements

These assessments above are to be seen as preliminary because not the whole transition work has been finalized yet. The final impact of adopting IFRS 9 at the beginning of 2018 may change because:

- Bank is refining and finalizing its model for ECL calculations
- IFRS 9 will require Bank to revise its accounting processes and internal controls and these changes are not yet fully completed
- Bank has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework
- although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until Bank finalizes its first financial statements that include the date of initial application.

2. BASIS OF PREPARATION (CONTINUED)

g) IFRS 9: “Financial Instruments” (continued)

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Bank will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognized as reduction of earlier formed Regulatory reserves for credit losses at 1 January 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.
- For a financial liability designated as at FVTPL, the determination of whether presenting the effects of changes in the financial liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.
- If a debt investment security has low credit risk at 1 January 2018, then the Bank will determine that the credit risk on the asset has not increased significantly since initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies set out below have been consistently applied to all periods, presented in these financial statements.

a) Basis of consolidation

a) Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In reassessing its control conclusion, the Group has taken into consideration the structured entities and entities with receivables in default for which it reassessed whether the key decisions are made by the Group and whether the Group is exposed to variability of returns from those entities.

b) Subsidiaries

Financial statements are prepared for the Bank and the Group. Financial statements of the Group include consolidated financial statements of the Bank and Addiko Invest d.o.o. entity under its control (subsidiary). In the Bank's unconsolidated financial statements, investments in subsidiary are accounted for at cost less impairment.

Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated in preparing the consolidated financial statements. Where necessary, the accounting policies used by subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

c) Transactions eliminated on consolidation

Intra-group balances and transactions, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Investments

A subsidiary is a subject under Bank's control. Control is obtained by the Bank's cooperation in decisions on financial and business policies of the subject, in a way to obtain benefits from the related entity's business operations.

Investments in subsidiaries presented in these financial statements are valued by costs decreased by losses from value impairment of individual investment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Interest income and expense

Interest income and expense are recognised in the income statement as they accrue using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash flows of financial assets or liabilities over the life of the financial instrument (or, if appropriate, a shorter period) to its net carrying value. In the calculation of effective interest rates the Bank estimates future cash flows considering all contractual terms, but not future credit losses.

Interest income is not recognized for past-due, non-performing loans. The collected suspended interest is recognized as income upon receipt of cash. Interest on deposits is capitalized if stipulated in the contract.

d) Income from management fees

Revenue is recognized on delivery of services or transfer of ownership. Interest income is recognized on an accrual basis based on the principal amount outstanding and at the effective interest rate applicable.

The Group generates income from fund management fees, which are regulated by the Law on Fund Management Companies and Investment Funds (which was replaced by the new Law on Investment Funds in January 2009) and the Regulations on the evaluation and calculation of the assets of investment funds (Official Gazette of the Federation of Bosnia and Herzegovina No. 42/09). The net value of the Fund is determined by the Group and the calculation of the value is controlled and verified by the Depositary Bank.

According to the Law on Investment Funds (Official Gazette of the Federation of Bosnia and Herzegovina 85/08, Article 64-66, which entered into force on 2 January 2009) management fee is calculated and paid in cash, and together with other costs prescribed by the Prospectus and the Statute, may not exceed 3.5% of the average net asset value of the Fund per year.

e) 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.

Loan origination fees, after approval and drawdown of loans, are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan over its life.

f) Net trading income

Net trading income comprises net gains and losses from foreign exchange trading, and net gains and losses from the translation of monetary assets and liabilities denominated in foreign currency at the reporting date.

g) Dividend income

Dividend income is recognised in the income statement when the right to receive income is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Leases

Group as lessor

Leases where the Group and Banks as lessor retains substantially all the risks and rewards incidental of ownership of the asset are included in property and equipment and intangible assets at cost less accumulated depreciation. Rental income made under operating leases is recognized in the income statement on a straight-line basis over the lease term.

Group as a lessee

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

i) Taxation

Income tax expense based on income tax represents the sum of the current tax payable and deferred taxes.

The tax expense is based on taxable income for the year. Taxable profit differs from net profit as reported in the statement of 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 balance sheet date.

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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 realised. Deferred tax assets and liabilities are not discounted and are classified as long term assets and/or liabilities in the statement of financial position.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also presented with in the equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank and Group have the ability and intention to settle on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments

Recognition

Financial assets and financial liabilities are recognized when the Group and the Bank become a party to the contractual provisions of the instrument.

Classification

The Bank and the Group classify their financial instruments in the following categories: loans and receivables, financial assets at fair value through profit or loss, financial assets available for sale and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of financial assets and liabilities upon initial recognition and re-evaluates this classification at each reporting date.

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. Loans and receivables arise when the Bank provides money to a debtor with no intention of trading with these receivable and include placements with and loans to other banks, loans and advances to customers and balances with the Central Bank.

ii) Financial assets at fair value through profit or loss

This category has two sub-categories: financial instruments held for trading (including derivatives) and those designated by management as at fair value through profit or loss at inception. A financial instrument is classified in this category only if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term for the purpose of short-term profit taking or designated as such by management at initial recognition.

The Group designates financial assets and financial liabilities at fair value through profit or loss when:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminated or significantly reduced an accounting mismatch which would otherwise have arisen; or
- the asset or liability contains an embedded derivative that significantly modified the cash flows that would otherwise be required under the contract.

Financial instruments at fair value through profit or loss include derivatives.

iii) Financial assets available for sale

Financial assets classified as available for sale are intended to be held for an indefinite period, but may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. Financial assets available for sale include equity and debt securities.

iv) Other financial liabilities

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

iv) Other financial liabilities (continued)

Initial and subsequent measurement

Loans and receivables are initially recognised at fair value. After initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Costs incurred to third parties, as tariffs for loan insurance, are treated as part of the transaction cost.

Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs directly attributable to profit or loss. After initial recognition, the Group recognizes financial instruments at fair value through profit or loss at their fair value, without any deduction for transaction costs.

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

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

Recognition of gains and losses on subsequent measurement of financial instruments

Gains and losses arising from changes in fair value of financial assets available for sale are recognized directly in equity as revaluation reserves with the exception of impairment losses, interest calculated using the effective interest method, and gains and losses arising from exchange rate differences on monetary assets , which are recognized in the income statement. In the case of the investment being disposed of, or impaired, the cumulative gain or loss previously recognized in the revaluation reserve is included in profit or loss for the period.

Dividends on these equity instruments are recognized in the income statement when the Bank establishes the right to receive payments.

Derecognition

The Group derecognises financial assets (in full or partially) when the rights to receive cash flows from the financial instrument have expired or when it loses control over the contractual rights on those financial assets. If the Group neither transfers nor retains substantially all the risks and rewards of ownership, and maintains control of the asset, the Group continues to recognize the financial asset.

The Bank derecognises financial liabilities only when the financial liability ceases to exist, i.e. when it is discharged, cancelled or has expired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

Reclassification

No transfers of derivatives and financial instruments initially designated as at fair value through profit and loss are allowed to other portfolios. Financial assets held for trading may be reclassified from this category in the case when both of the following two conditions are met: a change in the intended purpose of the assets and an extraordinary event. In such case, the fair value at the reclassification date becomes the new cost/amortised cost. Reclassification is possible to the available-for-sale portfolio, the held-to- maturity portfolio and the loans and receivables portfolio. Transfers from other portfolios to the portfolio at fair value through profit and loss are not possible.

Financial asset classified as available for sale that would have met the definition of loans and receivables (if it had not been designated as available for sale) may be reclassified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in other comprehensive income shall be amortised to profit or loss over the remaining life of the asset using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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

Fair value measurement

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

The fair value of securities quoted in an active market are based on current bid prices. If the market for a financial asset (and the market of unlisted securities) is not active, the Bank establishes fair value by valuation techniques. These involve the application of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

Identification and measurement of impairment of financial assets

i) Financial assets carried at amortised cost

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has (or have) an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for the individual financial assets in the group.

For financial assets carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually, for financial assets that are individually significant, or collectively, for financial assets that are not individually significant. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the original effective interest rate of financial assets valid at the time the asset become impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

For individually significant loans, the need for, and amount of impairment allowance is determined based on an assessment which includes the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, the availability of working capital and other financial support, the realisable value of collateral, and the timing of the expected cash flows.

Impairment is determined on a group level, for credit losses that are not individually significant. For the assessment of group impairment, the Bank uses statistical models and historical data on the probability of occurrence of events that cause impairment, the time required for recovery, and the amount of loss incurred, adjusted for management's assessment of whether current economic and credit conditions are such that it is likely that the actual losses will be higher or lower than those calculated on the basis of historical data.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

Identification and measurement of impairment of financial assets (continued)

i) Financial assets carried at amortised cost (continued)

When a loan is uncollectible, it is written off against the related impairment allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised as a reversal of impairment losses in the income statement.

The Bank also calculates provisions in accordance with the relevant regulations of the Banking Agency of the Federation of Bosnia and Herzegovina ("the Agency" or "FBA"). 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. A general provision is also calculated in accordance with these regulations at a rate of 2% on exposure not specifically impaired.

The provisions calculated on the basis of the preceding paragraph ("the FBA provisions") are not recognized in those financial statements of the Bank. However, if the FBA provisions are greater than the impairment allowance calculated in accordance with IFRS, the difference is presented as an appropriation within equity in the position "Regulatory reserves".

ii) Financial assets available for sale

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its acquisition cost is considered in determining whether the assets are impaired.

Specific financial instruments

i) Derivative financial instruments

The Bank uses derivative financial instruments to hedge economically its exposure to foreign exchange risks arising from operating, financing and investing activities. The Bank does not hold or issue derivative financial instruments for speculative trading purposes Hedge accounting is not applied.

Derivative financial instruments include foreign exchange forward contracts and are initially recognised and subsequently measured at their fair value in the statement of financial position. Fair values are obtained from discounted cash flow models.

All derivatives are classified as financial assets at fair value through profit or loss when their fair value is positive and as financial liabilities at fair value through profit or loss when it is negative.

(all amounts are expressed in thousands of KM, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

Specific financial instruments (continued)

ii) Cash and cash equivalents

For the purpose of reporting cash flows, cash and balances with other banks are defined as cash, balances with the Central Bank and current accounts with other banks. Cash and balances with other banks exclude the compulsory minimum reserve with the Central Bank as these funds are not available for the Bank's day-to-day operations. The compulsory minimum reserve with the Central Bank is a required reserve to be held by all commercial banks licensed in Bosnia and Herzegovina.

iii) Placements with banks and the obligatory reserve with the Central Bank

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

k) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Subsequent cost is included in net book value or is accounted for as separate assets only if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. Gains or losses on the disposal of property and equipment and intangible assets are included in the statement of income in the period in which they occur.

Properties in the course of construction are carried at cost, less impairment loss, if any. Depreciation commences when the assets are ready for their intended use. Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable assets as follows:

	2016	2017
Buildings	2%	2%
Office equipment	10-33.3%	10-33.3%
Vehicles	20%	20%
Leasehold improvements	20%	20%

Leasehold improvements are capitalized and amortized on straight-line basis or during their useful life or over the lease term, depending on what is shorter. Gains and losses on disposal of assets are determined as difference of cash inflow and carrying amount amounts and are recognized within the income statement as gains or losses from sale or disposal of property and equipment.

The Bank reviews the estimated useful life of property and equipment at the end of each annual reporting period. There were no changes in estimated useful lives of long-term assets during 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Intangible assets

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

Amortisation is provided on all intangible assets except assets in the course of construction on a straight line basis at prescribed rates designed to write off the cost over the estimated useful lives of the assets. The amortisation rates used by the Bank are as follows:

Software		14,29% - 20%

m) Investment property

Investment property is property held by the Group to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes.

Investment property is measured initially at its cost, including transaction costs. Subsequently, investment property is stated at cost less accumulated depreciation and any impairment loss.

Investment property is depreciated on a straight-line basis over a period of 50 years.

Investment property is derecognised when either it has been disposed of or permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognised in the income statement in the year of retirement or disposal.

n) Acquired tangible assets

The Group occasionally acquires real estate and movable property in exchange for the settlement of certain loans and advances.

In accordance with the International Accounting Standard ("IAS") 2: "Inventories", such properties are initially recognised at cost. After the initial recognition, these assets are stated at the lower of the following two values – cost or net realizable value. An impairment loss is recognized whenever the carrying amount of an asset exceeds its net realizable value. Impairment losses are recognized in the income statement for the year.

Gains and losses from sales are recognized in the income statement for the year.

o) Impairment of non-financial assets

At each reporting period date, the Bank reviews the possibility of any indications of impairment arising, as well as the carrying amounts of its other assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss The Bank regularly reviews the remaining lifetime of the assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Impairment of non-financial assets (continued)

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 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.

p) Employee benefits

Short-term benefits

The Bank performs payment of liabilities in terms of taxes, contributions, and benefits from employment in accordance with the collective agreements in FBiH, as meal allowances, transport, one-time fee. These costs are recognized in the income statement in the same period as the cost of staff salaries.

Long-term employee benefits: retirement severance payments

In accordance with applicable laws and regulations, as well as the requirements of the Bank`s Employment Handbook, severance payments are made depending on the type of employment contract termination and for cases in which a payment is determined. In the event of termination of employment due to retirement, the Bank pays severance payments in the amount of 6 net individual salaries of employees, and in the case of termination of employment for economic, technical and organizational reasons, the employee is paid 50% of individual net salary, that the employee was realising with the employer for each year of service with the employer, rounded to the first following half. In addition to the above amount, the extra amount of severance pay may be approved by the Management Board and the Supervisory Board, appreciating the circumstances of each case.

Retirement benefits provisions are based on actuarial reports and are used only for the purposes they are intended for. At the end of each year, an assessment of accuracy of the amounts of provisions for retirement benefits and unused holiday accrual is performed.

In accordance with the Amendments to International Accounting Standard (“IAS”) 19: Employee Benefits”, additional provisions or reversal of such provisions are recognized in the Income statement, under “Personnel expenses”, assuming they are not related to actuarial gains and losses, otherwise they shall be immediately recognized in other comprehensive income. Benefits falling due more than 12 months after the statement of financial position date are discounted to their present value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) 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 balance sheet 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 income statement for the period.

The Group and the Bank value their assets and liabilities by middle rate of Central Bank of Bosnia and Herzegovina valid at the date of balance sheet. The principal rates of exchange set forth by the Central Bank and used in the preparation of the Bank's balance sheet at the reporting dates were as follows:

31 December 2017	1 EUR = 1.95583 KM	1 USD = 1.63081 KM
31 December 2016	1 EUR = 1.95583 KM	1 USD = 1.85545 KM

r) Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present liability at the reporting date, taking into account the risks and uncertainties surrounding the liability. Where a provision is measured using the cash flows estimated to settle the present liability, its carrying amount is the present value of those cash flows.

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

s) Share capital and reserves

Issued share capital

Issued share capital comprises ordinary and preference shares and is stated in KM at nominal value.

Regulatory reserve for credit losses

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Share capital and reserves (continued)

Prior to 2012, the need for transfers from retained earnings to an earmarked reserve within equity (regulatory reserve for credit losses) was calculated for the whole credit-risk portfolio on a net basis, thereby taking into account both instances where application of Agency regulations would have resulted in a higher provision and instances where the application of Agency regulations would have resulted in a lower provision, comparing to IFRS reserves. However, from 2012, banks are required to calculate the requirement for regulatory reserves for credit losses taking into account only instances where higher provisions would have resulted from the application of the Agency rules. Retroactive application of this change in Agency rules is not required. Based on the Decision of Minimum Standards for Capital Management and Asset Classification issued by the Agency in February 2013 any increase of the surplus of regulatory provisions no longer needs to be presented as a reserve movement within equity but will be exclusively computed as a deduction of regulatory capital for the purpose of capital adequacy calculations. Accordingly, the balance of the regulatory reserve presented in the financial statements as of 31 December 2011 has been carried forward unchanged to 31 December 2017.

Dividends

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

t) Off-balance sheet commitments and contingent liabilities

In the ordinary course of business, the Group enters into credit-related commitments which are recorded off balance sheet and primarily comprise guarantees, letters of credit, undrawn loan commitments and credit-card limits. Such financial commitments are recorded in the Group's statement of financial position if and when they become payable.

u) Managed funds for and on behalf of third parties

The Bank manages funds for and on behalf of corporate and retail clients. These amounts do not represent the Bank's assets and are excluded from the statement of financial position. For the services rendered the Bank charges a fee.

v) Segment reporting

Debt securities or shares of the Bank are not traded on public markets, and these financial statements are not subject to regulation by the Securities Commission, for the purpose of issuing any type of instruments in a public market. Accordingly, the Bank operates under a single business and geographical segment, that is, the provision of banking services in Bosnia and Herzegovina.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATIONS

When applying the accounting policies described in Note 3, the Management makes the decisions, estimates and assumptions that affect the amounts of assets and liabilities that cannot be derived from other sources. The estimates and assumptions are based on historical experience and other relevant factors. Actual amounts may differ from those estimates. Significant estimates made by the Management as at 31 December 2017 and 2016 in these financial statements are presented below.

Estimates and assumptions are continually reviewed. Changes in accounting estimates are recognized in the period of change, if the changes are being reflected in the same, or in the period of the change and other future periods if it affects current and future periods.

Impairment losses on loans and receivables

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

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 exposure to customers, mainly in the form of guarantees and letters of credit and other assets.

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.

The Group first assesses whether objective evidence of impairment exists individually for assets that are individually significant. However, assets assessed individually as unimpaired are then included in groups of assets with similar credit risk characteristics and then assessed collectively for impairment.

The Group estimates impairment losses in cases where it judges that the observable data indicates the likelihood of a measurable decrease in the estimated future cash flows of the asset or portfolio of assets. Such evidence includes delinquency in payments or other indications of financial difficulty of borrowers and adverse changes in the economic conditions in which borrowers operate or in the value or enforceability of security, where these changes can be correlated with defaults.

The Group, in accordance with the initiative, which was conducted at the level of the entire Addiko Group at the end of 2016, carried out the amendment to its methodology in provisions for credit risks.

The first and main criterion for determining the type of impairment is determining whether the impairment trigger occurred, as defined in the policy for determining irregular payment of liabilities and reconstruction.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATIONS (CONTINUED)

Impairment losses on loans and receivables (continued)

The client that are not in default will be provisioned based on portfolio principle, while the default clients will be provisioned individually or collectively depending on the significance of exposure at default (EAD) of their group of related parties. Individual risk provisions represent the impairment of assets for the amount that is not expected to be collected in the contractual maturity. The amount of impairment loss for the outstanding exposures is the result of gross exposure (balance and/or off-balance) impaired for the expected future cash flows discounted to their present value. The impairment losses on financial assets held at amortized cost will be calculated as the difference of the carrying amount of assets and present value of estimated future cash flows, discounted at the original effective interest rate.

Portfolio of risk provisions (PRP) represents impairment of assets for incurred but not reported (unidentified) losses. Default does not need to happen in order to estimate PRP, but it is a general measure of expected credit risk within the portfolio, adjusted for loss identification period (LIP).

Litigation and claims

As at 31 December 2017, there were 860 open court proceedings against the Bank, with total nominal value of KM 222.5 million, excluding contingent penalty interest. This amounts includes 6 claims with nominal value of KM 1.7 million according to which the claims have been already paid in previous periods, hence they do not represent an additional risk of losses, but are in the state of open court proceedings based on legal remedy. In addition, this amount includes 38 claims with nominal value of KM 32 million, which are, in accordance with contracts on ceding receivables (Brush), within the responsibility of underwriters of receivables with whom they are related, and they represent no risk for the Bank. These proceedings representing no risk for the Bank (already paid or risk transferred to underwriters) are not recorded in accounting records.

The largest number of proceedings is related to claims connected to CHF currency clause and increase of interest margin – total of 715 claims with nominal value of KM 15.5 million, and 4 claims with nominal value of KM 36 million, which combined the claims for damages in addition to CHF currency clause and increase of margin.

The Bank assesses the amount of provisions for expenses for litigations. The assessment is based on the estimated probability of future cash flows, arising from the past legal or constructive obligations. The Bank provisioned KM 15.3 million for litigations and claims as at 31 December 2017, which the Management believes to be sufficient amount.

The Supreme Court of FBiH made a decision in October 2017 in favour of the Bank in the process M-Rozić, based on which the Bank incurred a significant loss in 2016 (KM 21 million), in a manner that all lower instance judgements are changed and that the complaint of the claimant is wholly dismissed as unfounded. The Bank conducted activities for enforcement and return of paid funds based on illegal lower instance judgements.

The Bank received three second-instance judgements in March 2018 in the processes Bihaćka pivara d.d. Bihać, Petrić d.o.o. Posušje and Centrotrans d.d. Sarajevo. The first two proceedings are related to cancellation of loan agreements and payment of foreign currency differences arising from increase in CHF exchange rate, and payment of the collected amount based on increase of margin, while the third proceeding is related to the payment of unrealized portion of the loan, damage claim and payment of the collected amount based on increase of margin.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATIONS (CONTINUED)

Litigation and claims (continued)

The amount payable by the Bank based on the three aforementioned proceedings is KM 2.1 million, and the Bank has provisioned the amount of KM 1.5 million in the financial statements for the year ended 31 December 2017. The outstanding amount will be charged to the income statement in the following period. The Bank has the possibility to file for an audit with the Supreme Court to refute the court decisions as ungrounded.

During 2017, the Bank intensified activities for resolving claims and litigations, and management of associated legal risk. The strategies for court proceedings have been revised, the adequate legal representation and coordination of Bank's defence has been established, as well as the process of out-of-court settlement of disputes, recording and reporting on litigations and claims. This resulted in the aforementioned and other court decisions in favour of the Bank, and completion of certain proceedings.

Loans with CHF foreign currency clause

For the purpose of resolving loan portfolio with the CHF foreign currency clause, the Bank initiated the CHF project on 8 March 2016.

In March 2016, the Bank offered incentives to retail customers with foreign currency clause loans in Swiss franc, which are reflected in the reduction of credit commitments by 30% accompanying the conversion into local currency at current exchange rate and a fixed interest rate of new loans of 5.99%. The project officially ended in December 2016, but the Bank has continued to consider and realize received offers during 2017. The Bank incurred losses on this basis for 2017 in the amount of KM 1.5 million.

The Bank identified 2,544 retail loan parties as the scope of the project, which the Bank had as at 29 February 2016. The project officially ended on 5 December 2016, given that the Bank continued with realization of incoming requests, and all subsequent client requests are considered individually as a part of regular activities. As at 31 December 2017, 1,617 requests were realized (64% of total parties), while a certain number of parties was closed by regular repayment during the project, i.e. with no use of reliefs (219 parties). The outstanding number of retail parties with CHF foreign currency clause in Bank's portfolio as is 708 as at 31 December 2017.

Total amount of approved reliefs (write-offs) for balance sheet receivables is KM 33,111 thousand (KM 13,780 thousand for performing clients and KM 19,331 thousand for non-performing clients, while off-balance sheet receivables written-off (excluding interest) amount to KM 19,689 thousand (performing clients only). The write-off was done indirectly for non-performing clients (charged to created impairment allowance in the amount of KM 18,787 thousand), and the total effect of conversion and liquidation to the income statement amounts to KM 14,324 thousand.

Taxation

The Group provides for tax liabilities in accordance with the tax laws of the Federation of Bosnia and Herzegovina. Tax returns are subject to the approval of the tax authorities, which are entitled to carry out subsequent inspections of taxpayers' records. The interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Bank may not coincide with that of the management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest, which can be significant. In accordance with the Law on Tax Authority of FBiH, expiration period of the tax liability is five years. This practically means that tax authorities could determine payment of outstanding liabilities in the period of five years from the origination of the liability.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATIONS (CONTINUED)

Regulatory requirements

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

Acquired tangible assets

The Bank and the Group occasionally acquire properties in settlement of certain loans and advance payments. Properties are stated at net realizable value of the dependent claims on loans and receivables or at the current fair value of such assets less selling costs, depending on which is lower. Gains and losses from the sale are recognized in the statement of profit or loss.

Retirement severance payments

Costs for long-term provisions relating to the future outflows for retirement pay for employees who are to be retired, are formed on the basis of an actuarial calculation in accordance with International Accounting Standard ("IAS") 19: Employee Benefits". For this calculation, Bank hired a certified actuary who calculates on the basis of data from the Human Resources records, of the Bank according to the estimated time of retirement of employees. The present value of future liabilities is calculated using a discount rate. These liabilities are used exclusively to cover the costs for which are formed. At the end of each financial year, the Bank assesses these provisions. If it is estimated that the provision is higher / lower than estimated amount, the difference will affect the income or expense, except when it is a result of changes in actuarial assumptions, this change is recorded in equity as part of actuarial losses or gains.

Appointed actuary made a new calculation of provisions in December 2017 in accordance with the International Accounting Standard ("IAS") 19: "Employee Benefits" as at 31 December 2017. According to the calculation, the Bank has recorded a decrease/release of previously recognized provision. Assessment of short-term provisions for unused vacation days is done according to the number of days of unused vacation leave on the day of statement of financial position and average monthly gross salary per employee.

Impairment of assets available for sale

The Group determines that the capital investment available for sale is impaired when there has been a significant or extended decline in the fair value below their cost. Determination of meaning of significant and extended decline requires judgement. In making this judgment, the Group, among other factors, also estimates normal action price volatility.

In addition, impairment may be appropriate when there is evidence of declining financial health of the investor, industry and sector performance, changes in technology, and operational and finance cash flows.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATIONS (CONTINUED)

The fair value of properties and investment properties

The fair value of real estate and investment properties is estimated based on the market value of similar properties in similar locations, by certified evaluators on a regular basis. Fair value is determined by the method of capitalization valuation method taking into account the actual or possible achievable annual income of assessed property, which is then put in relation with the value of the investment. The actual annual income is reduced by maintenance costs, depreciation, tax and risk of the absence of rent or non-issuance of property lease. Specific factors that were used in the assessment are those for the market of Bosnia and Herzegovina.

5. SEGMENT REPORTING

The Bank monitors business by business segment (public companies, corporate, retail) and by geographical segment (offices) for purposes of group reporting of Parent Bank and because of internal financial analysis, in order to manage the Bank’s results and achieve greater profitability.

Segments recognized for the purposes of segment reporting in accordance with IFRS 8 include the following:

- Business with retail segments-Retail (RET), in which are identifies three sub-segment as follows:
    - sub-segment of physical persons (PI),
    - affluent sub-segment (AFF),
    - and sub-segment of small and medium enterprises (SME)
- Business with corporate segment – Corporate (COR)
- Operations with the segment of public enterprises – Public (PUB)
- Treasury (TRE)
- Other (OTH)

The tables below shows the overall analysis of the income statement for the Bank, since it represents a major segment of the consolidated income statement.

(all amounts are expressed in thousands of KM, unless otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

BANK	RET	COR	PUB	TRE	OTH	Total
For the year ended 31 December 2017						
Interest income	22,609	3,438	932	285	1,003	28,267
Interest expenses	(5,064)	(153)	(167)	(237)	-	(5,621)
Net interest income	**17,545**	**3,285**	**765**	**48**	**1,003**	**22,646**
Fee and commission income	8,819	1,162	148	2,718	3	12,850
Fee and commission expenses	(41)	-	-	(3,368)	(189)	(3,598)
Net fee and commission income	**8,778**	**1,162**	**148**	**(650)**	**(186)**	**9,252**
Other income	**5,474**	**632**	**298**	**7,184**	**173**	**13,761**
Operating income	**31,797**	**5,079**	**1,211**	**6,582**	**990**	**45,659**
Operating expenses	**(20,805)**	**(2,293)**	**(1,208)**	**(692)**	**(12,098)**	**(37,096)**
Profit before impairment, provisions and income tax	**10,992**	**2,786**	**3**	**5,890**	**(11,108)**	**8,563**
Impairment losses and provisions	4,437	(2,211)	(68)	(5,472)	-	(3,314)
PROFIT BEFORE INCOME TAX	**15,429**	**575**	**(65)**	**418**	**(11,108)**	**5,249**
Income tax	-	-	-	-	-	-
NET PROFIT FOR THE CURRENT YEAR	**15,429**	**575**	**(65)**	**418**	**(11,108)**	**5,249**

(all amounts are expressed in thousands of KM, unless otherwise stated)

5. SEGMENT REPORTING (CONTINUED)

BANK	RET	COR	PUB	TRE	OTH	Total
For the year ended 31 December 2016						
Interest income	17,633	5,928	719	1,404	-	25,684
Interest expenses	(6,441)	(71)	(145)	(1,041)	-	(7,698)
Net interest income	**11,192**	**5,857**	**574**	**363**	**-**	**17,986**
Fee and commission income	8,736	2,345	133	1	-	11,215
Fee and commission expenses	(2,715)	(487)	(28)	-	-	(3,230)
Net fee and commission income	**6,021**	**1,858**	**105**	**1**	**-**	**7,985**
Other income	**3,669**	**1,632**	**37**	**492**	**938**	**6,768**
Operating income	**20,882**	**9,347**	**716**	**856**	**938**	**32,739**
Operating expenses	**(20,694)**	**(4,081)**	**(546)**	**(652)**	**(34,782)**	**(60,755)**
(Loss) / profit before impairment, provisions and income tax	**188**	**5,266**	**170**	**204**	**(33,844)**	**(28,016)**
Impairment and provisions	6,504	(1,360)	(9)	(4)	(14,744)	(9,613)
LOSS BEFORE INCOME TAX	**6,692**	**3,906**	**161**	**200**	**(48,588)**	**(37,629)**
Income tax	-	-	-	-	-	-
NET LOSS FOR THE CURRENT YEAR	**6,692**	**3,906**	**161**	**200**	**(48,588)**	**(37,629)**

The table below shows the total assets and liabilities by segment for the Bank, since it represents a major segment of the consolidated statement of financial position.

BANK	RET	COR	PUB	TRE	OTH	Total
31 December 2017						
Total assets	391,273	99,220	66,796	269,367	65,701	**892,357**
Total liabilities	468,437	131,641	4,700	50,366	25,166	**680,310**
31 December 2016						
Total assets	227,874	133,935	10,997	433,372	40,358	**846,536**
Total liabilities	473,951	97,384	28,991	5,524	35,370	**641,220**

6. FINANCIAL RISK MANAGEMENT

The risk management strategy of the Group and the Bank is to maintain stable performance in the future. The Group and the Bank posses an internal risk management model. The most significant tools and methods used in the model for internal risk management are: internal credit rating system (for companies, individuals and banks), collaterals, internal indicators in respect of provisions/bad debts, etc. The use of risk management has a great impact on asset quality, structure, liquidity, efficiency ratios and early warnings, and reduce the Bank's exposure to all types of risk.

The Group's and the Bank's activities expose it to a variety of financial risks: credit risk, market risk, liquidity risk and operating risks.

a) Credit risk management

The Bank and the Group takes on exposure to credit risk which is the risk that the counterparty will be unable to pay amounts in full when due. Based on the allocation of placements and borrowers into risk categories, the Bank identifies and assesses the possible level of credit losses, that is the general credit risk and potential credit loss.

Assessments of credit losses are being performed by the Group and the Bank individually for each debtor or group of related individuals and / or on a portfolio level, segmented according to relevant criteria. The Bank regularly monitors the mentioned risks and reviews them in accordance with internal programs and policies and decisions of the Banking Agency of Federation of BiH.

The Group and the Bank manage credit risk through a regular analysis of the creditworthiness of existing and potential borrowers to pay off their liabilities for equity and interests, and changes in indebtedness limits where necessary. This is done in accordance with set procedures for credit approval, additional lending, investment activities, and assumptions for potential off-balance sheet commitments. In addition, with the Group's exposure to credit risk, it manages and further reduces to a minimum any form of risk related to quality, concentration, providing billing (all loans are insured by collateral, guarantees, mortgages and other types of insurance), maturity and currency.

The Bank has formed a separate organisational unit in charge of managing and controlling credit risk and the collection of problematic receivables, pursuant to the organisational chart used within Addiko Bank Group. The Bank introduced clearer and stricter criteria for granting new financing. The Bank also raised the alert level for continuous monitoring and early recognition of risks and steps taken to address before mentioned. The assessment of credit risk and responsibility is partly transferred from the credit committee on to personal responsibility, in order to better assess risk (not only at the level of a credit committee).

The Bank approves the loans in accordance with a defined process of loan approval, based on the borrower's creditworthiness and exclusively based on its sustainable cash flow, as the primary source of the repayment of loans. Credit decisions are made, or holder of jurisdiction is determined by the total liabilities / limits group of related persons.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

For all loans in the Bank, there are several levels of authority for approving them, of which the highest is the Supervisory Board of the parent company. The relevant department responsible for credit risk management provides a non-binding opinion for every approval, and is authorized to approve loans up to EUR 250,000 of exposure of the debtor and/or a group of related persons (four eyes system), and has the right to vote in the local credit committee with decision-making competence up to EUR 5,000,000.

In order to ensure business activities, and based on the estimated risk of potential losses, the Bank calculates provisions, based on the risk exposure arising from the loan and off-balance sheet claims.

The Bank calculates provisions for relevant loans using one of three approaches (methods):

- Portfolio provisions for latent losses (PRPLL) are applied to loans for which the loss event (IBNR) is still not recognized by the Bank on a particular date
- Portfolio risk provisions - collective impairment (SRPci) are applied for loans of the Bank, which based on their amount, are below the level of materiality relevant for the individual assessment of impairment and for which an objective evidence of impairment, has already been detected. Such individually insignificant loans, are being grouped by the Bank in portfolios with similar characteristics and impairment is being assessed on a collective basis.
- Individual provisions for risks - individual impairment (SRPii) represents the impairment allowance for each individual loan for an amount that is expected to not be collected in the agreed period. The amount of loss for which the remaining exposure is corrected, is the result of gross exposure reduction of expected future cash flows discounted to present value, where the expected future cash flows are assessed and recognized for each individual loan (party).

Managing problematic placements

Problematic placements (NPL status) are those which include investments that are overdue more than 90 days (significant material delay means that the liabilities exceed 2.5% of total exposure and higher than EUR 250, and the delay from entering the significant material delay of more than 90 days) or who have reported problems in business. According to the categorization of investments in C, D and E, or assets with a special provision in accordance with IAS (NPL) with an internal rating of 5A or worse. Placements in category B, and/or internal rating ranging from 4A to 4E, are additionally monitored with the active participation of the Restructuring function, but are not considered NPL placements.

Since March 2016, managing problematic placements is organized by the Loan Operations Management Department (restructuring function and workout function), which is responsible for business with the corporate segment (COR) and the segment of public enterprises (PUB), including retail (in whole or partially) in the event that they constitute a group of related parties with one or more legal entities, and the Credit Risk Management and Collection Department in retail segment, which is in charge of small and medium enterprises SME (Micro) and retail.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Managing problematic placements (continued)

Restructuring function within the Loan Operations Management Department is responsible for all COR and PUB clients (with all their related parties) with the delay status of over 90 days, a 5A rating and worse, and local classifications categories C, D and E, and the transfer of clients from Markets is immediate upon meeting these requirements. Before the transfer to Loan Operations Management Department, Market works out a Protocol of the client transfer and the approval of the transfer is in the responsibility domain of the credit committees. In addition, the Restructuring function has the right of withdrawal of other clients with a better rating of 5A in all cases in which the Restructuring function estimates that there could be a deterioration of the credit risk.

Upon identification of a client as a NPL client, the Restructuring function assumes competence and responsibility for the whole group of clients with the Bank as well as for defining collection strategy at the client group level. Transfer of clients to the Restructuring function is performed at the clients related party group level, whereby all group members are allocated the credit rating of the worst group member. Exceptionally, the Restructuring function can assume on one group member or allocate different credit ratings to the group members; however, this must be explained, documented and approved by competent bodies.

After assuming clients, the Restructuring function assumes functions of both the Market and Credit Risk Management departments, as it is now competent for client processing and monitoring, for proposing manners of resolution and manners of possible collection of the Bank's receivables, for determination of the credit risk at the loan account/client level by applying the local regulations and IFRS, for obtaining valid collateral appraisal, for client rating adjustments, for assessment and proposal of the amount of SRP and for collection of receivables using all legal means available.

The Restructuring function clients are monitored every six months via a credit report which is submitted for approval to the respective Credit Committees' competences.

In terms of a type of an organizational unit, the Loan Operations Management Department consists of:

- Underwriting Function,
- Financial Analysis Function,
- Corporate Monitoring Function,
- Restructuring Function,
- Workout Function,

Collection Department in charge of collection from retail sector and MICRO enterprises borrowing clients is organized and operates through the following functions:

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Managing problematic placements (continued)

- Early Collection is in charge of servicing irregular clients/debtors, co-debtors and guarantors that are 1 to 90 days past-due;
- Delayed Collection, Legal Affairs and Assets Repossession Function is in charge of servicing irregular clients / debtors, co-debtors and guarantors whose contracts are cancelled, and for initiating and leading court proceedings for receivables collection;
- Restructuring Function is in charge of conducting financial restructuring measures for the portfolio within Sector's authority;
- Administration Function provides administrative support to the Sector in the collection process and is responsible for sending collection letters and debt notices to clients by SMS and letters. The Function is responsible for activating collateral instruments, debt calculations, contract cancellations, cooperation with external collection agencies, objections, etc.

Maximum exposure to credit risk

The table below shows the Group's and the Bank's maximum exposure to credit risk, by the statement of the financial position items:

	GROUP		BANK	
	2017	2016	2017	2016
Included in the statement of financial position				
Cash and balances with other banks	116,171	137,200	116,171	137,200
Obligatory reserve with the CBBH	63,576	59,783	63,576	59,783
Placements with other banks	13,953	26,933	13,953	26,933
Loans and advances to customers	453,273	371,663	453,273	371,663
Financial assets available for sale	163,217	171,035	163,217	171,035
Other assets excluding acquired assets	23,026	19,158	23,026	19,023
Total financial assets	**833,216**	**785,772**	**833,216**	**785,637**
Off-balance-sheet exposure				
Commitments and contingencies	127,324	105,803	127,324	105,803
Total credit risk exposure	**960,540**	**891,575**	**960,540**	**891,440**

For items included in the statement of financial position, the exposures set out above are based on net carrying amounts. Off-balance-sheet exposures are also stated in net carrying amounts as reported in the financial statements.

The maximum exposure is presented without deducting the value of any underlying collateral. Loans and advances to customers are presented without deducting the accrued income fee.

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Loans and advances to customers - rating system

Rating system of the Group and the Bank (as well as in the entire Addiko Group) must be presented in accordance with the Main scale (five rating classes and five levels within each class). The probability of default of a certain client, whose rating was assigned from an internal Addiko Group rating scale, was expressed through the internal rating.

Client's rating is audited and updated in accordance with Bank's internal acts, more precisely Addiko Group.

All rating results are presented in accordance with the main Addiko Group scale, which is comprised of 25 ratings (5 for disordered cases/non-payment and 20 for regular).

Addiko Group groups ratings into 5 rating classes:

- Rating Class 1 (ratings of 1A-1E), which includes customers from the best to the very good credit standing;
- Rating Class 2 (ratings of 2A-2E), which includes clients from good to moderate credit worthiness;
- Rating Class 3 (ratings of 3A-3E), which include clients from acceptable to insufficient creditworthiness;
- Rating Class 4 (ratings of 4A-4E) comprising of customers under surveillance measures, as a result of short-term or long-term indicator of business difficulties, in a particular client or within a certain industry;
- Rating Class 5 (ratings of 5A-5E), which includes clients where there is a significant delay in the payment obligations or a significant doubt about clients creditworthiness.

The Group's and the Bank's credit risk exposure arising from loans and advances to clients is given below:

	Corporate		Retail		Total	
GROUP AND BANK	Gross	Risk provisions	Gross	Risk provisions	Gross	Risk provisions
31 December 2017						
No rating	499	(27)	1,604	(108)	2,103	(135)
1A-1E	11,007	(13)	65,186	(1,123)	76,193	(1,136)
2A-2E	50,802	(834)	112,253	(2,163)	163,055	(2,997)
3A-3E	102,142	(2,284)	29,927	(617)	132,069	(2,901)
4A-4E	17,837	(2,011)	46,425	(1,441)	64,262	(3,452)
5A-5E	38,243	(23,247)	133,278	(122,062)	171,521	(145,309)
Total	**220,530**	**(28,416)**	**388,673**	**(127,514)**	**609,203**	**(155,930)**
Total (net)		**192,114**		**261,159**		**453,273**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Loans and advances to customers - rating system (continued)

	Corporate		Retail		Total	
GROUP AND BANK	**Gross**	**Risk provisions**	**Gross**	**Risk provisions**	**Gross**	**Risk provisions**
31 December 2016						
No rating	8	(1)	12,922	(452)	12,930	(453)
1A-1E	7,850	(15)	7,550	(113)	15,400	(128)
2A-2E	44,845	(308)	124,581	(2,042)	169,426	(2,350)
3A-3E	52,122	(1,082)	52,284	(843)	104,406	(1,925)
4A-4E	14,027	(684)	13,047	(347)	27,074	(1,031)
5A-5E	59,440	(27,680)	168,457	(151,903)	227,897	(179,583)
Total	**178,292**	**(29,770)**	**378,841**	**(155,700)**	**557,133**	**(185,470)**
Total (net)		**148,522**		**223,141**		**371,663**

Loans and advances to customers: *analysis by performance*

GROUP AND BANK	2017	2016
Neither past due nor impaired	435,555	327,202
Past due but not impaired	1,162	1,498
Impaired (non-performing loans)	172,486	228,433
Gross	**609,203**	**557,133**
Collective and individual impairment (SRPii/ SRPci)	(146,048)	(179,958)
Provision Portfolio for Latent Losses (PRPLL)	(9,882)	(5,512)
Net	**453,273**	**371,663**

Neither past due nor impaired loans

Neither past due nor impaired loans and receivables based on the sectoral structure can be summarized as follows:

GROUP AND BANK	2017	2016
Corporate	181,283	117,714
Retail	254,272	209,488
	435,555	**327,202**

Past due but not impaired loans

Past due but not impaired loans and receivables, by the sectoral structure and days of delay, can be summarized as follows:

GROUP AND BANK						
31 December 2017	**up to 30 days**	**30 to 60 days**	**60 to 90 days**	**90 to 180 days**	**over 180 days**	**Total**
Corporate	966	-	1	-	-	967
Retail	131	49	15	-	-	195
	1,097	**49**	**16**	**-**	**-**	**1,162**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Loans and advances to customers: *analysis by performance (continued)*

Past due but not impaired loans (continued)

GROUP AND BANK						
31 December 2016	**up to 30 days**	**30 to 60 days**	**60 to 90 days**	**90 to 180 days**	**over 180 days**	**Total**
Corporate	1,132	5	1	-	-	1,138
Retail	321	30	9	-	-	360
	1,453	**35**	**10**	**-**	**-**	**1,498**

Impaired loans

Impaired loans with a fair value of a related collateral, held by the Group and the Bank as security instruments, may be summarized as follows:

GROUP AND BANK	Corporate	Retail	Total
31 December 2017			
Gross	38,280	134,206	**172,486**
Collective and individual impairment (SRPii/ SRPci)	(23,270)	(122,778)	(146,048)
Net	**15,010**	**11,428**	**26,438**
Collateral fair value	15,839	23,272	39,111
31 December 2016			
Gross	59,440	168,993	**228,433**
Collective and individual impairment (SRPii/ SRPci)	(27,680)	(152,228)	(179,958)
Net	**31,760**	**16,765**	**48,525**
Collateral fair value	39,499	35,029	74,528

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Loans and advances to customers: ***Analysis per past due/delay days***

Loans and advances to customers of the Group and the Bank (gross and net) per past due/delay days are presented in the table below:

GROUP AND BANK	Corporate	Retail	Total
31 December 2017			
Not past-due	203,492	248,831	452,323
1 to 90 days past-due	572	17,677	18,249
Over 90 days past-due	16,466	122,165	138,631
Total gross loans and receivables	**220,530**	**388,673**	**609,203**
Provision Portfolio for Latent Losses (PRPLL)	5,144	4,738	9,882
Collective and individual impairment (SRPii/ SRPci)	20,250	125,798	146,048
Total provisions for potential losses	25,394	130,536	155,930
Net loans and receivables	**195,136**	**258,137**	**453,273**
31 December 2016			
Not past-due	151,189	217,910	369,099
1 to 90 days past-due	4,537	9,509	14,046
Over 90 days past-due	22,566	151,422	173,988
Total gross loans and receivables	**178,292**	**378,841**	**557,133**
Provision Portfolio for Latent Losses (PRPLL)	(2,090)	(3,422)	(5,512)
Collective and individual impairment (SRPii/ SRPci)	(27,680)	(152,278)	(179,958)
Total provisions for potential losses	(29,770)	(155,700)	(185,470)
Net loans and receivables	**148,522**	**223,141**	**371,663**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Rescheduled and restructured receivables

A restructured loan is a loan that is refinanced, reprogrammed or otherwise converted, or a loan in which, due to the borrower's changed conditions and repayment capabilities, or its inability to make repayment in line with initially agreed repayment schedule; or because of the revised (lower) current market rate, previously agreed deadlines (period or repayment schedule) and/or other conditions subsequently changed so that the Bank can allow the borrower easier (and for the Bank itself more secure) debt servicing.

Overview the restructured and refinanced loans, at 31 December 2017 and 2016 is given below:

	Number of restructured loan	Amount
31 December 2017		
Corporate clients	2	9
Retail clients and entrepreneurs	268	10,946
Total	**270**	**10,955**
31 December 2016		
Corporate clients	2	274
Retail clients and entrepreneurs	1,261	35,698
Total	**1,263**	**35,972**

Sector concentration

Analysis of the financial assets exposed to credit risk of the Group and the Bank by industrial sectors on a gross and net basis (net of provisions) is shown in the following table:

GROUP AND BANK	2017	%	2016	%
Retail customers	388,600	63.79	379,759	68.16
Trade	88,859	14.59	62,712	11.26
Administration and other public services	34,573	5.68	41,712	7.49
Construction industry	10,893	1.79	14,075	2.53
Financial institutions	10,647	1.75	5,696	1.02
Services, tourism and catering business	9,006	1.48	10,480	1.88
Transport and communications	7,307	1.20	5,351	0.96
Real estate	4,988	0.82	4,409	0.79
Agriculture, forestry and fishing	2,710	0.44	3,422	0.61
Power industry	2,597	0.43	96	0.02
Mining and industry	-	-	1	0.00
Other	49,023	8.05	29,420	5.28
Less: Allowance for impairment	(155,930)	-	(185,470)	-
	453,273	**100**	**371,663**	**100**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Credit risk management (continued)

Off-balance sheet items

The contractual amounts of the Group's and Bank's off-balance sheet financial liabilities that it has committed to extend as loans and advances to customers are summarized in the table below:

GROUP AND BANK	Up to 1 year	1 to 5 years	Over 5 years	Total
As at 31 December 2016				
Borrowings	55,331	22,959	9,475	87,765
Payable, performance guarantees and letters of credit	3,778	37,481	171	41,430
	59,109	**60,440**	**9,646**	**129,195**
As at 31 December 2015				
Borrowings	8,641	47,369	14,311	70,321
Payable, performance guarantees and letters of credit	193	36,870	7	37,070
	8,834	**84,239**	**14,318**	**107,391**

b) Market risk

Given that the Bank represents the main segment of the consolidated Statement of financial position, the following chapter analyses the market risk from the perspective of the Bank.

The Bank is exposed to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, foreign currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

General Requirements

The Bank develops its market risk strategy on the basis of strategic discussions between the competent units of Treasury and Risk Controlling. Decisions on combined business and risk strategies are only made by the Asset and Liability Management Committee (ALCO).

As part of the daily reporting procedure, the management receives value-at-risk (VaR) and performance figures for trading transactions on a daily basis and figures on the banking book investments and market risk steering on a weekly basis. There is also a daily report to the Management in which the key risk and performance figures of the branches are communicated. In these, the value-at-risk at the branch level is compared to the defined limits. Limit breaches initiate defined escalation processes up to the Management Board level.

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Market risk (continued)

Risk Measurement

The principal tool used to measure and control market risk exposure within the Bank's trading portfolio is Value-at-risk (VaR). VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) given an adverse movement with a specified probability (confidence level). The model is based upon a 99% confidence level, assumes a 1 day holding period and takes into account 250 historical scenarios. The use of a 99% confidence level means that losses exceeding the VaR figure should occur, on average, not more than once every one hundred days.

The Bank uses VaR to measure the following market risks:

- general interest rate risk in trading book;
- foreign exchange risk on the statement of financial position level (both trading and banking book);
- equity risk in trading book;
- credit spread risk.

Bank's VaR by types of risk in 2017 and 2016 amounts to:

BANK	Minimum	Maximum	Average	31 December
2017				
Interest rate risk	89	212	134	141
Foreign currency risk	1	2	1	1
Price risk	1	2	2	2
Credit spread risk	23	73	45	33
	114	**290**	**181**	**177**
2016				
Interest rate risk	38.5	178.1	112.1	171.2
Foreign currency risk	1.3	7.8	3.8	7.8
Price risk	1.5	4.7	3.1	4.5
Credit spread risk	24.7	294.2	112.0	58.4
	66.0	**484.8**	**231.0**	**241.9**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Foreign currency risk

Foreign currency risk is the Group's and Bank's exposure to possible impact of change in foreign currency exchange rate and danger that unfavourable changes may result in loss denominated in KM (local currency). The level of risk is a function of height and length of the Bank's and the Group's exposure to possible changes in foreign exchange rates, and depends on the amount of borrowing in foreign currency and the degree of alignment of financial assets and liabilities, and off-balance sheet, i.e., the degree of matching of its foreign currency flows.

Foreign currency risk exposure is controlled daily in accordance with legislation and the internally set limits for each currency and for the financial assets and liabilities denominated in foreign currencies. During the year opened currency positions (gaps) were held within the limits prescribed by the Decisions of Banking Agency of FBiH and the internal limits set according to the group methodology. Foreign currency adjustment of financial assets and liabilities are reflected through purchase and sales of all foreign currencies and by including foreign currency clause into agreements on deposits and monitoring approval of loans with contracted currency clause. Foreign currency risk activities and responsibilities are defined in the Foreign Currency Risk Program.

Loans and deposits denominated in KM with contracted currency clause are presented within appropriate foreign currency position.

Sensitivity analysis

The following table indicates the currencies to which the Bank had significant exposure at 31 December 2017 and 31 December 2016, considering that the Bank represents the main segment of the consolidated financial statement. The Euro was not analyzed since the exchange rate of KM is linked to the Euro exchange rate.

Currency	FX Open position 31 December 2017	10% increase	10% decrease	FX Open position 31 December 2016	10% increase	10% decrease
USD	(37)	(6)	6	411	76.3	(76.3)
CHF	(152)	(25)	25	757	137.9	(137.9)

FX open position represents net exposure in foreign currency. The analysis calculates the effect of a reasonably possible movement of the currencies against the KM and their influence on gain or loss, with all other variables held constant. Negative values in the table reflect a potential net reduction in income, while a positive amount reflects a net potential increase.

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Foreign currency risk (continued)

The Group had the following currency position:

GROUP	EUR	USD	CHF	Other currencies	KM	Total
31 December 2017						
ASSETS						
Cash and balances with other banks	24,794	680	1,298	5,810	110,913	143,495
Obligatory reserves with the Central Bank of BiH	-	-	-	-	63,576	63,576
Placements with other banks	11,673	2,280	-	-		13,953
Loans and advances to customers	293,826	-	13,116	-	146,331	453,273
Assets available for sale	-	-	-	-	4,771	4,771
Financial assets available for sale	133,776	19,483	-	-	10,426	163,685
Property and equipment	-	-	-	-	18,751	18,751
Intangible assets	-	-	-	-	2,270	2,270
Investment property	-	-	-	-		
Prepaid income tax	-	-	-	-	1,783	1,783
Other assets	2,125	3,823	1	20	20,453	26,422
Total assets	**466,194**	**26,266**	**14,415**	**5,830**	**379,274**	**891,979**
LIABILITIES						
Due to other banks	556	50	4,502	15	88	5,211
Due to customers	293,091	25,992	3,462	5,723	314,990	643,258
Provisions	-	-	-	-	16,680	16,680
Provisions for financial commitments and contingencies	252	15		24	1,579	1,870
Other liabilities	2,205	6	22	10	10,750	12,993
Total liabilities	**296,104**	**26,063**	**7,986**	**5,772**	**344,087**	**680,012**
Assets - off-balance sheet	7,921	-	1,221	-	185,804	194,946
Liabilities - off-balance sheet	187,026	293	7,621	-	-	194,940
Net foreign exchange position	**(9,015)**	**(90)**	**29**	**58**	**220,991**	**212,008**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Foreign currency risk (continued)

GROUP	EUR	USD	CHF	Other currencies	KM	Total
31 December 2016						
ASSETS						
Cash and balances with other banks	22,306	1,742	1,250	2,749	135,322	163,369
Obligatory reserves with the Central Bank of BiH	-	-	-	-	59,783	59,783
Placements with other banks	19,511	7,422	-	-	-	26,933
Loans and advances to customers	234,292	55	26,648	-	110,668	371,663
Financial assets available for sale	138,966	12,521	-	-	20,023	171,510
Property and equipment	-	-	-	-	26,577	26,577
Intangible assets	-	-	-	-	827	827
Investment property	-	-	-	-	468	468
Prepaid income tax	-	-	-	-	1,783	1,783
Other assets	2,581	4,163	1	17	14,665	21,427
Total assets	**417,656**	**25,903**	**27,899**	**2,766**	**370,116**	**844,340**
LIABILITIES						
Due to other banks	404	165	4,903	2	50	5,524
Due to customers	281,575	25,250	3,625	2,655	285,249	598,354
Provisions	-	-	-	-	20,920	20,920
Provisions for financial commitments and contingencies	248	7	-	-	1,333	1,588
Other liabilities	952	70	28	3	11,973	13,026
Total liabilities	**283,179**	**25,492**	**8,556**	**2,660**	**319,525**	**639,412**
Assets - off-balance sheet	20,927	-	2,277	-	154,511	177,715
Liabilities - off-balance sheet	156,790	-	20,863	-	-	177,653
Net foreign exchange position	**(1,386)**	**411**	**757**	**106**	**205,102**	**204,990**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Foreign currency risk (continued)

The Bank had the following currency position:

BANK	EUR	USD	CHF	Other currencies	KM	Total
31 December 2017						
ASSETS						
Cash and balances with other banks	24,794	680	1,298	5,810	110,913	143,495
Obligatory reserves with the Central Bank of BiH	-	-	-	-	63,576	63,576
Placements with other banks	11,673	2,280	-	-		13,953
Loans and advances to customers	293,826	-	13,116	-	146,331	453,273
Assets available for sale	-	-	-	-	4,771	4,771
Financial assets available for sale	133,776	19,483	-	-	10,305	163,564
Investments in subsidiaries	-	-	-	-	855	855
Property and equipment	-	-	-	-	18,467	18,467
Intangible assets	-	-	-	-	2,270	2,270
Prepaid income tax	-	-	-	-	1,783	1,783
Other assets	2,125	3,823	1	20	20,381	26,350
Total assets	**466,194**	**26,266**	**14,415**	**5,830**	**379,652**	**892,357**
LIABILITIES						
Due to other banks	556	50	4,502	15	88	5,211
Due to customers	293,091	25,992	3,462	5,723	315,465	643,733
Provisions	-	-	-	-	16,647	16,647
Provisions for financial commitments and contingencies	252	15	-	24	1,579	1,870
Other liabilities	2,205	6	22	10	10,606	12,849
Total liabilities	**296,104**	**26,063**	**7,986**	**5,772**	**344,385**	**680,310**
Assets - off-balance sheet	7,921	-	1,221	-	185,804	194,946
Liabilities - off-balance sheet	187,026	293	7,621	-	-	194,940
Net foreign exchange position	**(9,015)**	**(90)**	**29**	**58**	**221,069**	**212,051**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Foreign currency risk (continued)

BANK	EUR	USD	CHF	Other currencies	KM	Total
31 December 2016						
ASSETS						
Cash and balances with other banks	22,306	1,742	1,250	2,749	135,322	163,369
Obligatory reserves with the Central Bank of BiH	-	-	-	-	59,783	59,783
Placements with other banks	19,511	7,422	-	-	-	26,933
Loans and advances to customers	234,292	55	26,648	-	110,668	371,663
Financial assets available for sale	138,966	12,521	-	-	19,907	171,394
Investments in subsidiaries	-	-	-	-	2,711	2,711
Property and equipment	-	-	-	-	26,276	26,276
Intangible assets	-	-	-	-	827	827
Investment property	-	-	-	-	468	468
Prepaid income tax	-	-	-	-	1,783	1,783
Other assets	2,581	4,163	1	17	14,567	21,329
Total assets	**417,656**	**25,903**	**27,899**	**2,766**	**372,312**	**846,536**
LIABILITIES						
Due to other banks	404	165	4,903	2	50	5,524
Due to customers	281,575	25,250	3,625	2,655	287,214	600,319
Provisions	-	-	-	-	20,869	20,869
Provision for financial commitments and contingencies	248	7	-	-	1,333	1,588
Other liabilities	952	70	28	3	11,867	12,920
Total liabilities	**283,179**	**25,492**	**8,556**	**2,660**	**321,333**	**641,220**
Assets - off-balance sheet	20,927	-	2,277	-	154,511	177,715
Liabilities - off-balance sheet	156,790	-	20,863	-	-	177,653
Net foreign exchange position	**(1,386)**	**411**	**757**	**106**	**205,490**	**205,378**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Interest rate risk management

Interest rate risk represents the possibility of a decrease in planned or expected yield on interest-bearing or interest rate sensitive positions due to a change in interest rates and/or yield on the capital market.

Interest rate risks appear when assets or liabilities transactions are in a mismatch with the funds and/or capital investments when it comes to concordance rates and maturity dates. In case there is an excess of fixed interest rate on assets, an increasing interest rate would, for example, have a negative effect on the present value of the bank and/or on net interest revenue. The same consequences would happen if there was a decrease in the fixed interest rate on the liabilities side.

The following table shows the sensitivity of gain and loss to a reasonable change in interest rates (parallel movement), with all other variables left constant.

BANK	Sensitivity interest rate changes	Sensitivity interest rate changes	Sensitivity interest rate changes	Sensitivity interest rate changes
31 December 2017	**+200bp**	**-200bp**	**+100bp**	**-100bp**
BAM	3,789	(4,336)	1,958	(2,095)
EUR	(14,427)	18,164	(7,616)	8,545
CHF	(27)	19	(13)	11
USD	(123)	133	(63)	65
OTHER	103	(107)	52	(53)
Total	**(10,685)**	**13,873**	**(5,682)**	**6,473**
31 December 2016	**+200bp**	**-200bp**	**+100bp**	**-100bp**
BAM	(171)	195	(88)	95
EUR	(6,214)	7,372	(3,233)	3,521
CHF	(333)	353	(169)	174
USD	366	(389)	186	(192)
OTHER	48	(50)	24	(25)
Total	**(6,304)**	**7,481**	**(3,280)**	**3,573**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk management

The Group and the Bank define liquidity risk as the risk of not being able to meet due payment obligations on time or in full amount; or – in the event of a liquidity crisis – only being able to procure refinancing at increased market rates; or only being able to sell assets at a discount to market prices.

The main objective of liquidity risk management and control is to ensure that the Group and the Bank maintain its capacity to make payments and undertake refinancing activities at any time.

Monitoring of liquidity risk is carried out, on the one hand, on the basis of the liquidity ratio and "time to wall" key indicators (maximum liquidity time horizon), under normal and stress conditions, and on the other hand, through the integration of the structural liquidity risk into overall Bank control (risk-bearing capacity).

Limits for short-term liquidity as well as for the limitation of long-term structural liquidity have been set, both at group level and for the individual subsidiaries, and are monitored constantly. To ensure that existing liquidity gaps can be closed at any time through the mobilization of the liquidity potential, threshold values are being defined for all scenarios and if these are exceeded, measures must be introduced to reduce the identified liquidity risks.

Maturity analysis of financial assets and liabilities

The following table shows the analysis of assets and liabilities by maturity based on the remaining period from the statement of financial position date to the agreed due date:

GROUP	Less than 1 month	1 - 3 months	3-12 months	Over 1 year	Total
As at 31 December 2017					
ASSETS					
Cash and balances with other banks	143,495	-	-	-	143,495
Obligatory reserves with the Central Bank of BiH	63,576	-	-	-	63,576
Placements with other banks	2,273	-	11,680	-	13,953
Loans and advances to customers	115,669	14,187	75,492	247,925	453,273
Assets available for sale	-	-	4,771	-	4,771
Financial assets available for sale	163,685	-	-	-	163,685
Investments in subsidiaries	-	-	-	-	-
Property and equipment	-	-	-	18,751	18,751
Intangible assets	-	-	-	2,270	2,270
Investment property	-	-	-	-	-
Tax receivables	-	-	-	1,783	1,783
Deferred tax assets	-	-	-	-	-
Other assets	26,422	-	-	-	26,422
Total assets	**515,120**	**14,187**	**91,943**	**270,729**	**891,979**
LIABILITIES					
Due to other banks	718	-	4,493	-	5,211
Due to customers	436,816	12,587	72,352	121,503	643,258
Provisions	-	-	-	16,680	16,680
Provisions for financial commitments and contingencies	-	-	-	1,870	1,870
Other liabilities	12,993	-	-	-	12,993
Total liabilities	**450,527**	**12,587**	**76,845**	**140,053**	**680,012**
Maturity mismatch	**64,593**	**1,600**	**10,327**	**135,447**	**211,967**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk management (continued)

GROUP	Less than 1 month	1 - 3 months	3-12 months	Over 1 year	Total
As at 31 December 2016					
ASSETS					
Cash and balances with other banks	163,369	-	-	-	163,369
Obligatory reserves with the Central Bank of BiH	59,783	-	-	-	59,783
Placements with other banks	-	12,289	14,644	-	26,933
Loans and advances to customers	122,021	12,648	55,962	181,032	371,663
Financial assets available for sale	171,510	-	-	-	171,510
Investments in subsidiaries	-	-	-	-	-
Property and equipment	-	-	-	26,577	26,577
Intangible assets	-	-	-	827	827
Investment property	-	-	-	468	468
Tax receivables	-	-	-	1,783	1,783
Deferred tax assets	-	-	-	-	-
Other assets	21,427	-	-	-	21,427
Total assets	**538,110**	**24,937**	**70,606**	**210,687**	**844,340**
LIABILITIES					
Due to other banks	629	-	-	4,895	5,524
Due to customers	390,887	15,065	90,017	102,385	598,354
Provisions	-	-	-	20,920	20,920
Provisions for financial commitments and contingencies	-	-	-	1,588	1,588
Other liabilities	13,026	-	-	-	13,026
Total liabilities	**404,542**	**15,065**	**90,017**	**129,788**	**639,412**
Maturity mismatch	**133,563**	**9,872**	**(19,411)**	**80,899**	**204,923**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk management (continued)

The following table shows the analysis of assets and liabilities by maturity based on the remaining period from the statement of financial position date to the agreed due date:

BANK	Less than 1 month	1 - 3 months	3-12 months	Over 1 year	Total
As at 31 December 2017					
ASSETS					
Cash and balances with other banks	143,495	-	-	-	143,495
Obligatory reserves with the Central Bank of BiH	63,576	-	-	-	63,576
Placements with other banks	2,273	-	11,680	-	13,953
Loans and advances to customers	115,669	14,187	75,492	247,925	453,273
Assets available for sale	-	-	4,771	-	4,771
Financial assets available for sale	163,564	-	-	-	163,564
Investments in subsidiaries	-	-	-	855	855
Property and equipment	-	-	-	18,467	18,467
Intangible assets	-	-	-	2,270	2,270
Investment property	-	-	-	-	-
Tax receivables	-	-	-	1,783	1,783
Other assets	26,350	-	-	-	26,350
Total assets	**514,927**	**14,187**	**91,943**	**271,300**	**892,357**
LIABILITIES					
Due to other banks	718	-	4,493	-	5,211
Due to customers	437,291	12,587	72,352	121,503	643,733
Provisions	-	-	-	16,647	16,647
Provisions for financial commitments and contingencies	-	-	-	1,870	1,870
Other liabilities	12,849	-	-	-	12,849
Total liabilities	**450,858**	**12,587**	**76,845**	**140,020**	**680,310**
Maturity mismatch	**64,069**	**1,600**	**10,327**	**136,051**	**212,047**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk management (continued)

BANK	Less than 1 month	1 - 3 months	3-12 months	Over 1 year	Total
As at 31 December 2016					
ASSETS					
Cash and balances with other banks	163,369	-	-	-	163,369
Obligatory reserves with the Central Bank of BiH	59,783	-	-	-	59,783
Placements with other banks		12,289	14,644	-	26,933
Loans and advances to customers	122,021	12,648	55,962	181,032	371,663
Financial assets available for sale	171,394	-	-	-	171,394
Investments in subsidiaries	2,711	-	-	-	2,711
Property and equipment	-	-	-	26,276	26,276
Intangible assets	-	-	-	827	827
Investment property	-	-	-	468	468
Tax receivables	-	-	-	1,783	1,783
Other assets	21,329	-	-	-	21,329
Total assets	**540,607**	**24,937**	**70,606**	**210,386**	**846,536**
LIABILITIES					
Due to other banks	629	-	-	4,895	5,524
Due to customers	392,852	15,065	90,017	102,385	600,319
Provisions	-	-	-	20,869	20,869
Provisions for financial commitments and contingencies	-	-	-	1,588	1,588
Other liabilities	12,920	-	-	-	12,920
Total liabilities	**406,401**	**15,065**	**90,017**	**129,737**	**641,220**
Maturity mismatch	**134,206**	**9,872**	**(19,411)**	**80,649**	**205,316**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk management (continued)

Analysis of financial liabilities by the remaining undiscounted contractual maturity

The table below shows the remaining undiscounted maturities of the financial liabilities of Group and Bank:

GROUP	Less than 1 month	1 - 3 months	3-12 months	Over 1 year	Total	Carrying amount
As at 31 December 2017						
Due to other banks	5,273	-	-	182	5,455	5,211
Due to customers	645,362	-	51	11,702	657,115	643,258
	650,635	**-**	**51**	**11,884**	**662,570**	**648,469**
As at 31 December 2016						
Due to other banks	6,676	-	-	198	6,874	5,524
Due to customers	600,185	59	1,299	5,923	607,466	598,354
	606,861	**59**	**1,299**	**6,121**	**614,340**	**605,843**

BANK	Less than 1 month	1 - 3 months	3-12 months	Over 1 year	Total	Carrying amount
As at 31 December 2017						
Due to other banks	5,273	-		182	5,455	5,211
Due to customers	645,837	-	51	11,702	657,590	643,733
	651,110	**-**	**51**	**11,884**	**663,045**	**648,944**
As at 31 December 2016						
Due to other banks	6,676	-	-	198	6,874	5,524
Due to customers	602,161	59	1,299	5,923	609,442	600,319
	608,837	**59**	**1,299**	**6,121**	**616,316**	**605,843**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair value of financial assets and liabilities

IFRS 13 defines fair value as a price which would be obtained by sale of some asset position or paid for the transfer of a liability in a transaction between market participants on valuation date.

For a higher consistency and comparability in fair value measures and the related information, this IFRS defines a fair value hierarchy that classifies inputs to the valuation technique in three levels:

- Level 1 inputs: quoted market prices (unadjusted) in an active market for identical assets or liabilities and to which entity has access on the day of balancing.
- Level 2 inputs: inputs other than quoted prices included in Level 1 that are based on observable inputs, either directly or indirectly for the relevant asset or liability.
- Level 3 inputs: unobservable inputs for assets or liabilities.

IFRS 13 provides for three valuation techniques that operators may use in determining fair value.

- The market approach - price and other relevant information is used from market transactions with identical or comparable (i.e. similar) assets and liabilities or a group of assets and liabilities.
- Income approach - future amounts are deducted to a single, present (i.e. discounted) amount.
- Cost approach - valuation technique whereby a sum that would be required at the present time to replace the service capacity of an asset (often referred to as current replacement cost) is acquired.

The fair value of assets and liabilities of the Group, at levels in accordance with IFRS 13, can be summarized as follows:

GROUP	Carrying amount	Fair value total	Level 1	Level 2	Level 3
As at 31 December 2017					
Financial assets carried at fair value					
Financial assets available-for-sale	163,685	163,685	143,249	19,968	468
Financial assets not carried at fair value					
Cash and balances with other banks	143,495	143,495	-	-	143,495
Obligatory reserves with the Central Bank of BiH	63,576	63,576	-	-	63,576
Placements with other banks	13,953	13,953	-	-	13,953
Loans and advances to customers	453,273	469,221	-	-	469,221
Other assets	26,422	26,422	-	-	26,422
Other assets for which the fair value is disclosed					
Property and equipment	18,751	18,751	-	-	18,751
Intangible assets	2,270	2,270	-	-	2,270
Assets available for sale	4,771	-	-	-	4,771
	890,196	**906,179**	**143,249**	**19,968**	**742,962**
Financial liabilities not carried at fair value					
Due to other banks	5,211	5,317	-	-	5,317
Due to customers	643,258	651,927	-	-	651,927
Other liabilities	12,993	12,991	-	-	12,993
	661,462	**670,235**	**-**	**-**	**670,237**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair value of financial assets and liabilities (continued)

GROUP	Carrying amount	Fair value total	Level 1	Level 2	Level 3
As at 31 December 2016					
Financial assets carried at fair value					
Financial assets available-for-sale	171,510	171,394	118,160	53,223	127
Financial assets not carried at fair value					
Cash and balances with other banks	163,369	163,369	-	-	163,369
Obligatory reserves with the Central Bank of BiH	59,783	59,783	-	-	59,783
Placements with other banks	26,933	26,756	-	-	26,756
Loans and advances to customers	371,663	360,689	-	-	360,689
Other assets	21,427	21,427	-	-	21,427
Other assets for which the fair value is disclosed					
Property and equipment	26,577	26,577	-	-	26,577
Intangible assets	827	827	-	-	827
Investment property	468	468	-	-	468
	842,557	**831,290**	**118,160**	**53,223**	**660,023**
Financial liabilities not carried at fair value					
Due to other banks	5,524	5,658	-	-	5,658
Due to customers	598,354	604,288	-	-	604,288
Other liabilities	12,876	12,876	-	-	12,876
	616,754	**622,822**	**-**	**-**	**622,822**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair value of financial assets and liabilities (continued)

The fair value of assets and liabilities of the Bank, at levels in accordance with IFRS 13, can be summarized as follows:

BANK	Carrying amount	Fair value total	Level 1	Level 2	Level 3
As at 31 December 2017					
Financial assets carried at fair value					
Financial assets available-for-sale	163,564	163,564	143,249	19,968	347
Financial assets not carried at fair value					
Cash and balances with other banks	143,495	143,495	-	-	143,495
Obligatory reserves with the Central Bank of BiH	63,576	63,576	-	-	63,576
Placements with other banks	13,953	13,953	-	-	13,953
Loans and advances to customers	453,273	469,221	-	-	469,221
Investments in subsidiaries	855	855	-	-	855
Other assets	26,350	26,350	-	-	26,350
Other assets for which the fair value is disclosed					
Property and equipment	18,467	18,467	-	-	18,467
Intangible assets	2,270	2,270	-	-	2,270
Assets available for sale	4,771	4,771	-	-	4,771
	890,574	**906,522**	**143,249**	**19,968**	**743,305**
Financial liabilities not carried at fair value					
Due to other banks	5,211	5,317	-	-	5,317
Due to customers	643,733	651,927	-	-	651,927
Other liabilities	12,536	12,536	-	-	12,536
	661,480	**669,780**	**-**	**-**	**669,780**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair value of financial assets and liabilities (continued)

BANK	Carrying amount	Fair value total	Level 1	Level 2	Level 3
As at 31 December 2016					
Financial assets carried at fair value					
Financial assets available-for-sale	171,394	171,394	118,160	53,107	127
Financial assets not carried at fair value					
Cash and balances with other banks	163,369	163,369	-	-	163,369
Obligatory reserves with the Central Bank of BiH	59,783	59,783	-	-	59,783
Placements with other banks	26,933	26,756	-	-	26,756
Loans and advances to customers	371,663	360,689	-	-	360,689
Investments in subsidiaries	2,711	2,711	-	-	2,711
Other assets	21,329	21,329	-	-	21,329
Other assets for which the fair value is disclosed					
Property and equipment	26,276	26,276	-	-	26,276
Intangible assets	827	827	-	-	827
Investment property	468	468	-	-	468
	844,753	**833,602**	**118,160**	**53,107**	**662,335**
Financial liabilities not carried at fair value					
Due to other banks	5,524	5,658	-	-	5,658
Due to customers	600,319	606,253	-	-	606,253
Other liabilities	12,770	12,770	-	-	12,770
	618,613	**624,681**	**-**	**-**	**624,681**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair value of financial assets and liabilities (continued)

By definition, fair value is the value that a third party will pay for a contract in a fair transaction. To be able to calculate fair market value, one must reduce future cash flows to their present value, which have clear cash flows defined by a contract. An investor is willing to take the contract if it fairly compensates the price on all risks surrounding the contract. This means that the investor will discount all future cash flows with this return rate, which leads us to present value that the investor is willing to pay for the contract. The present value, based on the manner in which it was received, guarantees the investor a required annual return rate and represents the fair value.

The table below presents the movements of financial assets that fall into Level 3 of the hierarchy and that are subject to recurring fair value measurement:

GROUP	S.W.I.F.T SCRL	Registry of securities of FBiH	Sarajevo stock exchange	Soko specijalna oprema	Soko tvornica transmisija	Ventilator Soko	Total
As at 1 January 2017	52	43	32	-	-	-	127
Increase for the year	-	-	-	-	-	-	-
As at 31 December 2017	**52**	**43**	**32**	**-**	**-**	**-**	**127**
As at 1 January 2016	52	61	32	108	26	45	324
As at 31 December 2016	**52**	**61**	**32**	**-**	**-**	**-**	**145**

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Fair value of financial assets and liabilities (continued)

Bank	S.W.I.F.T SCRL	Registry of securities of FBiH	Sarajevo stock exchange	Soko specijalna oprema	Soko tvornica transmisija	Ventilator Soko	Total
As at 1 January 2017	52	43	32	-	-	-	127
Increase for the year	-	-	-	-	-	-	-
As at 31 December 2017	**52**	**43**	**32**	**-**	**-**	**-**	**127**
As at 1 January 2016	52	43	32	108	26	45	306
As at 31 December 2016	**52**	**43**	**32**	**-**	**-**	**-**	**127**

g) Operating risks

Operating risk management is an important part of the Group’s and the Bank’s operations, which allows its long-term successful business and the preservation of reputation.

As part of operating risk framework, the Bank implements the following activities:

- definition and identification of operating risk,
- development and application of methods and systems for measurement, analysis, limitations and control of operating risks in accordance with regulatory and Addiko Group requirements,
- measurement, analysis and supervision of operating risk in line with minimum standards for operating risk management,
- maintenance of database on losses from operating risks – regular data collection and reporting on loss events,
- regular updates of new and existing policies, manuals and procedures in accordance with regulations and Addiko Group standards,
- performing qualitative estimates (scenario analyses and risk assessment) in order to identify and assess risk in business processes,
- reputation risk management aiming at risk identification, assessment, monitoring and control and reporting,
- education of all employees in order to improve their knowledge and experience, awareness and skills in dealing with operating risk or specific processes (e.g. collection of data on losses, risk assessment),
- development of an internal control system, through the mapping of all internal bank processes, by defining the owners of those processes, recognition of risks which incur in the process, adequate way of decrement of those risks, and testing the effectiveness of established controls,
- assessment and establishing adequate operating risk management in new product development,
- assessment of outsourcing risk and management of outsourced activities within the Bank in cooperation with business units responsible for outsourced activities.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

g) Operating risks (continued)

In order to improve processes for managing operational risk in the Bank, the following activities are planned:

- continuous education of all employees in order to improve their knowledge and awareness skills in dealing with operating risk - strengthening OpRisk culture,
- defining key indicators of operating risk,
- development of a risk matrix in defined bank business processes based on the results of internal control system,
- testing risk controls established for SIK relevant bank processes,
- development of methodology for monitoring new risk categories, model risk and "conduct" risk.

h) Capital risk management

In accordance with the Law on Banks (Official Gazette of Federation of BiH no. 39/98, 32/00, 48/01, 27/02, 41/02, 58/02, 13/03, 19/03 i 28/03), the minimum amount of a bank's paid-in capital and the lowest level of the capital a bank has to maintain, cannot be lower than KM 15,000 thousand. The Bank's subscribed capital amounted to KM 100,403 thousand in line with these provisions. The Bank covered the accumulated loss for 2016 in the amount of KM 7,799 thousand from the reserves fund, while the outstanding amount of KM 29,830 thousand was stated as an uncovered losses from previous years.

The Bank's capital is comprised of the core capital less items deductible from the core capital and supplementary capital.

The Bank's core capital is comprised of paid-in share capital and reserves. The deducing amounts from the core capital are intangible assets, uncovered losses from previous years and the current year loss, the carrying value of own shares held by the Bank.

Additional capital of the Bank consists of: share capital from the basic nominal amounts of permanent preferred cumulative shares issued on the basis of cash payments in the share capital, the share capital from the basic nominal amounts of permanent preferred cumulative shares issued on the basis of invested goods and rights in the share capital, the amount of general reserves to cover credit losses for the bank's assets, estimated as category A - Good assets, the amount of accrued profit in the current year audited and confirmed by an external auditor, the amount of profit for which FBA issued a resolution about a temporary suspension of the distribution, the amount of subordinated debts up to 50% of core capital and items - commitments of a permanent character without obligation to return.

The amount of general reserves for credit losses on banks assets estimated as category A – Good Assets as at 31 December 2017 cannot be higher than 1.25% of total risk-weighted assets.

With regard to capital risk management, the Bank aims to:

- provide compliance with the Banking Agency requirements,
- provide compliance with Addiko Group standards,
- provide solid capital basis as a support for further development of Bank's operations,
- provide possibilities of long-term business operation while providing profit for shareholders.

(all amounts are expressed in thousands of KM, unless otherwise stated)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

h) Capital risk management (continued)

The Bank is under obligation to maintain capital adequacy at the minimum of 12%, share capital at least at the level of 50% of the total capital and to harmonize the scope and the structure of its operations with the performance indicators that are defined by the regulations of the Banking Agency especially with the Decision on Minimum Standards for Bank Capital Management and other decisions of the Banking Agency in the field of supervision and control of bank operations, and the Law on Banks of Federation of BiH.

The Bank's Management monitors adequacy ratios and other business indicators on a regular basis. Reports on indicators are submitted to the Banking Agency quarterly in the prescribed form.

	2017	2016
Core capital - Tier I		
Share capital	100,403	100,403
Statutory reserves	-	7,799
Uncovered and current loss	(29,830)	(37,629)
Intangible assets	(2,270)	(1,174)
Total core capital	**68,303**	**69,399**
Supplementary capital - Tier II		
General reserves of category A, by FBA regulations	7,472	5,981
Positive revaluation reserves	2,834	1,353
Total supplementary capital	**10,306**	**7,334**
Deductions from capital*		
Insufficient reserves for credit losses	-	-
Net capital	**78,609**	**76,733**
Total risk-weighted assets (unaudited)*	432,373	328,262
Total risk-weighted off-balance sheet (unaudited)*	111,101	94,437
Weighted operating risk (unaudited)*	54,312	55,838
Total risk-weighted assets	**597,786**	**478,537**
Capital adequacy as at 31 December	13.2%	16.0%
Rate of core capital relative to total risk-weighted assets	**11.4%**	**14.5%**

**The amounts of capital and other balance sheet items in the above table are calculated in accordance with FBiH regulations.*

(all amounts are expressed in thousands of KM, unless otherwise stated)

7. INTEREST INCOME

	GROUP		BANK	
	2017	2016	2017	2016
Interest on loans and advances - retail	19,251	17,170	19,251	17,170
Interest on loans and advances - corporate	7,103	7,110	7,103	7,110
Interest on placements with other banks	138	213	138	213
Interest on financial instruments available for sale	1,775	1,191	1,775	1,191
	28,267	**25,684**	**28,267**	**25,684**

8. INTEREST AND SIMILAR EXPENSES

	GROUP		BANK	
	2017	2016	2017	2016
Interest on deposits - retail	5,026	6,292	5,026	6,292
Interest on funds of other banks	240	843	237	843
Interest on deposits - corporate	357	360	357	363
Other interest	1	200	1	200
	5,624	**7,695**	**5,621**	**7,698**

9. FEE AND COMMISSION INCOME

	GROUP		BANK	
	2017	2016	2017	2016
Fees on other services - retail	6,868	5,472	6,868	5,472
Fees on other services - corporate	2,772	2,532	2,772	2,532
Fees on services to banks	2,478	2,522	2,478	2,522
Fees on issued guarantees	732	689	732	689
	12,850	**11,215**	**12,850**	**11,215**

10. NET INCOME ON FINANCIAL OPERATIONS

	GROUP		BANK	
	2017	2016	2017	2016
Conversion of assets and liabilities denominated in foreign currencies, net	1,321	1,003	1,321	1,003
Net gain / (loss)from sales of assets available for sale	173	(206)	173	(206)
Net income on fair value adjustment - securities	270	87	265	143
	1,764	**884**	**1,759**	**940**

(all amounts are expressed in thousands of KM, unless otherwise stated)

11. OTHER OPERATING INCOME

	GROUP		BANK	
	2017	2016	2017	2016
Income from credit card operations	1,103	955	1,103	955
Net income from sale of repossessed collateral	707	252	707	252
Income from sale of own property and equipment	432	-	432	-
Net rent income	122	149	122	149
Release of provisions for employee benefits (Note 29)	117	139	117	139
Income from expenses re-invoiced to related parties	57	133	57	133
Income from insurance companies	26	32	26	32
Income from broker services	824	826	-	-
Other income	682	440	682	441
	4,070	**2,926**	**3,246**	**2,101**

12. PERSONNEL EXPENSES

	GROUP		BANK	
	2017	2016	2017	2016
Gross salaries	12,835	13,852	12,625	13,624
Other employee benefits	3,381	2,811	3,381	2,811
	16,216	**16,663**	**16,006**	**16,435**

The average number of employees in the Bank for the years ended 31 December 2017 and 2016 was 420 and 454, respectively.

13. GENERAL AND ADMINISTRATIVE EXPENSES

	GROUP		BANK	
	2017	2016	2017	2016
Maintenance and repairs	6,035	5,532	6,029	5,532
Memberships and other dues	2,472	2,507	2,388	2,397
Rent	2,029	1,749	2,000	1,742
Consulting services	2,024	1,475	1,959	1,460
Advertising, marketing and sponsorships	1,325	989	1,320	989
Insurance	1,064	1,096	1,064	1,096
Utilities	994	1,142	994	1,142
Telecommunication expenses	924	1,009	914	1,000
Other services	900	707	900	707
Security	429	429	429	429
Other taxes and contributions	368	1,052	365	1,052
Small inventory write-off	276	565	264	562
Court proceedings	251	21,070	251	21,070
Loss on disposal of tangible and intangible assets	2	48	2	48
Other expenses	428	2,549	393	2,497
	19,521	**41,919**	**19,272**	**41,723**

(all amounts are expressed in thousands of KM, unless otherwise stated)

14. IMPAIRMENT LOSSES AND PROVISIONS

	GROUP		BANK	
	2017	2016	2017	2016
Loans and advances to customers (Note 19)	(5,997)	(18,025)	(5,997)	(18,025)
Reliefs to clients with CHF foreign currency loans	1,533	12,791	1,533	12,791
Impairment of tangible and intangible assets, and investment property (Notes 23, 24 and 25)	31	7,521	31	7,521
Provisions for court proceedings (Note 29)	744	5,813	744	5,813
Directly written-off loans and receivables	1,122	1,202	1,122	1,202
Financial commitments and contingencies – release of provisions (Note 30)	313	(1,118)	313	(1,118)
Other provisions for contingencies	-	677	-	677
Impairment of acquired assets	501	390	501	390
Other assets (Note 26)	(206)	334	(206)	334
Impairment of assets out of use	18	-	18	-
Placements with other banks (Note 18)	18	28	18	28
Impairment of investments in subsidiaries (Note 22)	-	-	794	-
	(1,923)	**9,613**	**(1,129)**	**9,613**

Release of provisions for credit risks in 2017 is mainly a result of application of one-off effects, which comprise relief of CHF converted loans and debt settlement project within the Retail segment. The most important activities in retail segment have been related to continuance of implementation of the CHF loans conversion project, and active approach to decrease of non-performing assets by applying structured settlement actions.

15. INCOME TAX

a) Components of income tax

	GROUP		BANK	
	2017	2016	2017	2016
Current tax	35	34	-	-
Deferred tax	-	-	-	-
	35	**34**	**-**	**-**

Bank's tax liability is calculated based on the accounting profit, taking into account non-deductible expenses and non-taxable income. The tax rate for the years ended 31 December 2017 and 31 December 2016 was 10%.

(all amounts are expressed in thousands of KM, unless otherwise stated)

15. INCOME TAX (CONTINUED)

a) Components of income tax (continued)

Reconciliation of income tax presented in the tax balance and the accounting income tax can be presented as follows:

	GROUP		BANK	
	2017	2016	2017	2016
Profit / (loss) before income tax and elimination of intra-group transactions	**5,594**	**(37,306)**	**5,249**	**(37,629)**
Income tax benefit at 10%	**560**	**(3,731)**	**525**	**(3,763)**
Effects of non-deductible expenses	956	3,215	956	3,213
Effects of non-deductible income	(392)	(4)	(392)	(4)
Used tax losses from previous years	(1,089)	-	(1,089)	-
Effect of unused tax losses from previous years	(22,538)	(23,073)	(22,538)	(23,073)
Current income tax	**35**	**34**	**-**	**-**
Unrecognized deferred tax assets	**(22,538)**	**(23,627)**	**(22,538)**	**(23,627)**

In accordance with the Corporate Income Tax Act, the taxable losses may be carried forward for the next five years. Deferred tax assets related to losses incurred in the current year were not recorded in the accompanying financial statements since it is uncertain that the Bank will have sufficient taxable profit against which it can utilize the benefits from unutilized tax losses carry forward and related deferred tax asset.

The Bank has no deferred tax assets as a result of tax losses carry forward which it plans on using.

The Group and the Bank have unrecognized tax losses amounting to KM 554 thousand which expire in 2021, KM 10,540 thousand which expire in 2019 and 2020, and KM 11,444 thousand which expire in 2018.

Deferred taxes

	GROUP		BANK	
	2017	2016	2017	2016
Deferred tax liabilities				
Financial assets available for sale (Note 31)	314	150	314	150
	314	**150**	**314**	**150**

Movement in deferred taxes can be presented as follows:

GROUP AND BANK	31 December 2016	Recognized in the current result	Recognized in other comprehensive income	31 December 2017	Deferred tax assets	Deferred tax liabilities
Financial assets available for sale	(150)	-	(164)	(314)	-	(314)
	(150)	**-**	**(164)**	**(314)**	**-**	**(314)**

(all amounts are expressed in thousands of KM, unless otherwise stated)

16. CASH AND BALANCES WITH OTHER BANKS

	GROUP		BANK	
	2017	2016	2017	2016
Cash at current account with the Central Bank of Bosnia and Herzegovina	73,962	116,015	73,962	116,015
Current accounts with other banks	42,209	21,185	42,209	21,185
Cash at hand	27,324	26,168	27,324	26,168
Checks	-	1	-	1
	143,495	**163,369**	**143,495**	**163,369**

17. OBLIGATORY RESERVE WITH THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA

	GROUP		BANK	
	2017	2016	2017	2016
Obligatory reserve with the Central Bank of Bosnia and Herzegovina	63,576	59,783	63,576	59,783
	63,576	**59,783**	**63,576**	**59,783**

The Management Council of the Central Bank of Bosnia and Herzegovina ("CBBiH") adopted the Decision on determining and maintaining obligatory reserves and determining CBBiH fee on reserve amount. By this decision, the basis for calculation of the obligatory reserve comprises deposits and loaned assets, regardless of the currency. The decision determines the unified obligatory reserve rate of 10%, which the CBBiH applies to the basis for obligatory reserve calculation. The decision became effective upon publishing in the "Official Gazette of BiH", and it has been applied since 1 July 2016. The Decision also stipulates that the CBBiH does not calculate fees on the amount of funds in the obligatory reserve. For the funds exceeding the obligatory reserve, the CBBiH calculates the fee at the rate equal to 50% of the rate applied by the European Central Bank (ECB) on deposits of commercial banks.

The previous decision stipulated the following: the rates of obligatory reserve were 10% of total short-term deposits and loans, and 7% of total long-term deposits and loans.

18. PLACEMENTS WITH OTHER BANKS

	GROUP		BANK	
	2017	2016	2017	2016
Short-term deposits in banks in the following countries:				
OECD countries	14,018	26,980	14,018	26,980
Total gross deposits with other banks	*14,018*	*26,980*	*14,018*	*26,980*
Less: Impairment for potential losses	(65)	(47)	(65)	(47)
	13,953	**26,933**	**13,953**	**26,933**

(all amounts are expressed in thousands of KM, unless otherwise stated)

18. PLACEMENTS WITH OTHER BANKS (CONTINUED)

As at 31 December 2017, the Bank had several placements on the inter-banking market, in EUR and USD currency. The amounts of placements were:

- USD 1,400,000, maturity on 3 January 2018, interest rate 0.8% p.a.,
- EUR 6,000,000, maturity on 31 August 2018, interest rate 0.5% p.a.,

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

	GROUP		BANK	
	2017	2016	2017	2016
Balance as at 1 January	47	16	47	16
Changes in allowance for potential losses, net (Note 14)	18	28	18	28
Effects of FX changes	-	3	-	3
Balance as at 31 December	**65**	**47**	**65**	**47**

19. LOANS AND ADVANCES TO CLIENTS

	Corporate		Retail		Total	
GROUP AND BANK	2017	2016	2017	2016	2017	2016
Total loans and advances before impairment	220,530	178,292	388,673	378,841	609,203	557,133
Less: impairment losses	(28,416)	(29,774)	(127,514)	(155,696)	(155,930)	(185,470)
Total	**192,114**	**148,518**	**261,159**	**223,145**	**453,273**	**371,663**

Loans are mainly approved to clients in Federation of Bosnia and Herzegovina.

Changes in impairment allowance were as follows:

	GROUP		BANK	
	2017	2016	2017	2016
Balance as at 1 January	**185,470**	**226,605**	**185,470**	**226,605**
Increase in allowance for loans to corporate clients (Note 14)	4,140	1,174	4,140	1,174
Decrease in allowance for loans to retail clients (Note 14)	(10,137)	(19,199)	(10,137)	(19,199)
Decrease – unwinding (interest income on impaired receivables)	(1,840)	(3,816)	(1,840)	(3,816)
CHF reliefs	(7,852)	(10,935)	(7,852)	(10,935)
Sale - Brush IV	-	(4,751)	-	(4,751)
Write-off	(13,218)	(3,955)	(7,929)	(3,955)
Effects of FX changes	(633)	347	(5,922)	347
Balance as at 31 December	**155,930**	**185,470**	**155,930**	**185,470**

(all amounts are expressed in thousands of KM, unless otherwise stated)

19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Weighted average interest rates on loans can be summarized as follows:

	GROUP		BANK	
	2017	2016	2017	2016
Corporate	3.73%	4.51%	3.73%	4.51%
Retail	7.44%	7.75%	7.44%	7.75%

20. ASSETS AVAILABLE FOR SALE

The Bank has reclassified its own properties in 2017 (buildings, business premises and apartments) to assets available for sale with the value of KM 6,859 thousand. During 2017, the Bank sold one property (business building in Bihać), with the value of KM 2,088 thousand, so the total value of assets available for sale amounted to KM 4,471 thousand as at 31 December 2017. The transfer to assets available for sale was done at fair value of these assets, and it had no impact on net profit generated by the Bank and the Group in the current year.

(all amounts are expressed in thousands of KM, unless otherwise stated)

21. FINANCIAL ASSETS AVAILABLE FOR SALE

	GROUP		BANK	
	2017	2016	2017	2016
Debt securities				
Bonds				
Government of Spain	9,516	19,720	9,516	19,720
LVMH MOET HENNESSY LOUIS VUITTON SE	3,689	3,749	3,689	3,749
Government of Italy	9,743	-	9,743	-
Total Capital S.A.	1,650	1,727	1,650	1,727
JP Morgan Chase and CO	8,497	8,372	8,497	8,372
Republic of Bulgaria	14,864	14,387	14,864	14,387
Barclays PLC	14,337	14,201	14,337	14,201
Commerzbank AG	11,611	-	11,611	-
Lloyds Bank	14,605	9,780	14,613	9,780
Norddeutsche Landesbank	-	9,584	-	9,584
Government of the Republic of Serbia	12,512	12,521	12,512	12,521
Toyota	3,678	3,739	3,678	3,739
Republic of Hungary	6,971	-	6,962	-
Republic of Romania	14,965	15,408	14,965	15,408
KA Finanz AG	4,959	4,971	4,959	4,971
Societe Generale	11,620	-	11,620	-
Government of Federation of BiH	46	5,855	46	5,855
Treasury notes				
Government of Federation of BiH	-	13,745	-	13,745
Government of Republika Srpska	19,955	33,276	19,955	33,276
	163,217	*171,035*	*163,217*	*171,035*
Equity securities				
CROBIH Fund	277	282	174	184
S.W.I.F.T SCRL	52	52	52	52
Mutual fund HYPO BH EQUITY	46	48	46	48
Registry of securities of FBiH	61	61	43	43
Sarajevska berza d.d. Sarajevo	32	32	32	32
	468	*475*	*347*	*359*
	163,685	**171,510**	**163,564**	**171,394**

(all amounts are expressed in thousands of KM, unless otherwise stated)

21. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

The structure of bonds and treasury notes at nominal value as at 31 December 2017 can be presented as follows:

Assets	Number	Discount price	Nominal price	Maturity	Coupon
Bonds					
JP Morgan Chase and CO	4,300	8,497	8,410	27.1.2020	0.55 + 3M EURIOBOR
Republic of Bulgaria	7,000	14,863	13,691	21.3.2023	1.88%
Government of Spain	4,000	9,516	7,823	31.10.2023	4.40%
LVMH MOET HENNESSY LOUIS VUITTON SE	1,800	3,688	3,520	13.11.2020	1.75%
Barclays Bank	7,000	14,337	13,691	23.3.2021	1.88%
Total Capital S.A.	800	1,650	1,565	28.1.2019	4.88%
Toyota Motor Credit Corp.	1,800	3,678	3,520	23.7.2020	1.80%
KA Finanz AG	2,500	4,959	4,890	11.8.2020	0.38%
Republic of Hungary	2,300	4,163	3,751	29.3.2021	6.38%
Republic of Serbia	7,400	12,512	12,068	25.2.2020	4.86%
Republic of Hungary	1,500	2,799	2,446	22.11.2023	5.75%
Lloyds Bank	7,300	14,605	14,278	21.6.2024	0.78 + 3M EURIBOR
Republic of Italy	5,000	9,743	9,779	1.11.2021	0.35%
Commerzbank AG	6,000	11,612	11,735	13.9.2023	0.50%
Republic of Romania*	6,800	14,965	13,300	18.9.2020	4.63%
Societe Generale	5,800	11,617	11,344	22.5.2024	0.8 + 3M EURIBOR
Government of Federation of BiH	46	46	46	30.9.2018	2.61%
Receivables for accrued interest		12	-		
		143,262	**135,857**		
Treasury notes					
Government of Republika Srpska	1,000	9,963	10,000		
Government of Republika Srpska	1,000	9,992	10,000		
		19,955	**20,000**		
		163,217	**155,857**		

*2,300 of bonds of Romania were pledged, with nominal price of KM 4,498 thousand.

(all amounts are expressed in thousands of KM, unless otherwise stated)

21. FINANCIAL ASSETS AVAILABLE FOR SALE (CONTINUED)

The structure of bonds and treasury notes at nominal value as at 31 December 2016 can be presented as follows:

Assets	Number	Discount price	Nominal price	Maturity	Coupon
Bonds					
JP Morgan Chase and CO	4,300	8,372	8,410	27.1.2020	0.55 + 3M EURIBOR
Republic of Bulgaria	7,000	14,321	13,691	21.3.2023	0.55 + 3M EURIBOR
Government of Spain	10,000	19,720	19,558	30.4.2017	2.10%
LVMH MOET HENNESSY LOUIS VUITTON SE	1,800	3,749	3,520	13.11.2020	1.75%
Barclays Bank	7,000	14,130	13,691	23.3.2021	1.88%
Total Capital S.A.	800	1,727	1,565	28.1.2019	4.88%
Toyota Motor Credit Corp.	1,800	3,739	3,520	23.7.2020	1.80%
KA Finanz AG	2,500	4,971	4,890	11.8.2020	0.38%
Republic of Romania	6,800	15,408	13,300	18.9.2020	4.63%
Republic of Serbia	6,600	12,432	12,246	25.2.2020	4.88%
Norddeutsche Landesbank	4,900	9,584	9,584	23.6.2017	0.40 + 3M EURIBOR
Lloyds Bank	5,000	9,780	9,779	10.9.2019	0.45 + 3M EURIBOR
Government of Federation of BiH	5,865	5,855	5,865	27.6.2017	6.10%
Receivables for accrued interest		230	-		
		124,018	**119,619**		
Treasury notes					
Government of Federation of BiH	186	1,851	1,860	23.6.2017	-
Government of Federation of BiH	1,189	11,890	11,890	19.7.2017	-
Government of Republika Srpska	30	300	300	27.1.2017	-
Government of Republika Srpska	1,000	9,997	10,000	27.1.2017	-
Government of Republika Srpska	1,000	9,986	10,000	4.7.2017	-
Government of Republika Srpska	900	8,994	9,000	3.4.2017	-
Government of Republika Srpska	400	3,999	4,000	7.6.2017	-
		47,017	**47,050**		
		171,035	**166,669**		

(all amounts are expressed in thousands of KM, unless otherwise stated)

22. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries as at 31 December 2017 and 2016 are stated at cost:

	GROUP		BANK	
	2017	2016	2017	2016
Addiko Invest d.o.o. Mostar	-	-	855	2,711
	-	**-**	**855**	**2,711**

Name	Principal activity	Headquarters	% ownership
Addiko Invest d.o.o. Mostar	Financial services	Bosnia and Herzegovina	100

In 2017, the bank recognized impairment losses in investments in subsidiary as a result of impairment of fair value of investment. Impairment recognized in the income statement amounts to KM 794 thousand (Note 14).

(all amounts are expressed in thousands of KM, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

GROUP	Buildings and land	Office equipment and vehicles	Investments in progress	Leasehold improvements	Total
COST					
31 December 2015	**48,945**	**12,173**	**313**	**1,458**	**62,889**
Corrections of opening balances		11,424	-	1,006	12,430
Additions	-	2	693	-	695
Transfer from/to	133	646	(786)	7	-
Disposals	(76)	(275)	-	-	(351)
31 December 2016	**49,002**	**23,970**	**220**	**2,471**	**75,663**
Additions	73	77	1,279	4	1,433
Transfer from/to	25	519	(984)	440	-
Transfer to assets available for sale (Note 20)	(16,032)	-	-		(16,032)
Disposals	(1,009)	(1,883)	-	(150)	(3,042)
31 December 2017	**32,059**	**22,683**	**515**	**2,765**	**58,022**
ACCUMULATED DEPRECIATION					
31 December 2015	**17,906**	**8,273**	**-**	**934**	**27,113**
Correction of opening balances	-	11,424	-	1,006	12,430
Depreciation for the year	769	1,230	-	183	2,182
Disposals	(39)	-	-	-	(39)
Impairment losses	7,140	259	-	-	7,399
31 December 2016	**25,776**	**21,186**	**-**	**2,123**	**49,085**
Depreciation for the year	494	750	-	213	1,457
Transfer to assets available for sale (Note 20)	(9,317)				(9,317)
Disposals	(409)	(1,424)	-	(150)	(1,983)
Impairment losses	29	-	-	-	29
31 December 2017	**16,573**	**20,512**	**-**	**2,186**	**39,271**
PRESENT VALUE					
31 December 2017	**15,486**	**2,171**	**515**	**579**	**18,751**
31 December 2016	**23,226**	**2,784**	**220**	**348**	**26,578**

(all amounts are expressed in thousands of KM, unless otherwise stated)

23. PROPERTY AND EQUIPMENT (CONTINUED)

BANK	Buildings and land	Office equipment and vehicles	Investments in progress	Leasehold improvements	Total
COST					
31 December 2015	**48,566**	**12,069**	**313**	**1,458**	**62,406**
Correction of opening balances	-	11,424	-	1,006	12,430
Additions	-	-	693	-	693
Transfer from/to	133	646	(786)	7	-
Disposals	(76)	(275)	-	-	(351)
31 December 2016	**48,623**	**23,864**	**220**	**2,471**	**75,178**
Additions	73	73	1,279	4	1,429
Transfer from/to	25	519	(984)	440	-
Transfer to assets available for sale (Note 20)	(16,032)	-	-	-	(16,032)
Disposals	(1,009)	(1,883)	-	(150)	(3,042)
31 December 2017	**31,680**	**22,573**	**515**	**2,765**	**57,533**
ACCUMULATED DEPRECIATION					
31 December 2015	**17,809**	**8,211**	**-**	**934**	**26,954**
Correction of opening balances	-	11,424	-	1,006	12,430
Depreciation for the year	758	1,217	-	183	2,158
Disposals	(39)	-	-	-	(39)
Impairment losses	7,140	259	-	-	7,399
31 December 2016	**25,668**	**21,111**	**-**	**2,123**	**48,902**
Depreciation for the year	482	740	-	213	1,435
Transfer to assets available for sale (Note 20)	(9,317)	-	-	-	(9,317)
Disposals	(409)	(1,424)	-	(150)	(1,983)
Impairment losses	29	-	-	-	29
31 December 2017	**16,453**	**20,427**	**-**	**2,186**	**39,066**
PRESENT VALUE					
31 December 2017	**15,227**	**2,146**	**515**	**579**	**18,467**
31 December 2016	**22,955**	**2,753**	**220**	**348**	**26,276**

(all amounts are expressed in thousands of KM, unless otherwise stated)

24. INTANGIBLE ASSETS

	GROUP	BANK
COST		
31 December 2015	**2,872**	**2,864**
Correction of opening balances	21,162	21,162
Additions	1,027	1,027
Disposals	(10)	(10)
31 December 2016	**25,051**	**25,043**
Additions	1,820	1,820
31 December 2017	**26,871**	**26,863**
ACCUMULATED DEPRECIATION		
31 December 2015	**2,634**	**2,626**
Correction of opening balances	21,162	21,162
Additions	428	428
31 December 2016	**24,224**	**24,216**
Additions	377	377
31 December 2017	**24,601**	**24,593**
NET CARRYING AMOUNT		
31 December 2016	**827**	**827**
31 December 2017	**2,270**	**2,270**

During 2017, the Bank corrected its accounting records by inserting completely amortized fixed assets into the accounting records. This correction has no material impact since there was no change of net carrying amount of properties and equipment. Accordingly, the Bank increased the cost of equipment and leasehold improvements for the amount of KM 34 million as of 1 January 2016.

(all amounts are expressed in thousands of KM, unless otherwise stated)

25. INVESTMENT PROPERTY

	GROUP	BANK
COST		
31 December 2015	**786**	**786**
31 December 2016	**786**	**786**
Sales	(476)	(476)
Transfer to assets available for sale (Note 20)	(310)	(310)
31 December 2017	**-**	**-**
ACCUMULATED DEPRECIATION		
31 December 2015	**307**	**307**
Additions	11	11
31 December 2016	**318**	**318**
Additions	6	6
Impairment losses	2	2
Transfer to assets available for sale (Note 20)	(166)	(166)
Sales	(160)	(160)
31 December 2017	**-**	**-**
NET CARRYING AMOUNT		
31 December 2016	**468**	**468**
31 December 2017	**-**	**-**

26. OTHER ASSETS

	GROUP		BANK	
	2017	2016	2017	2016
Special current accounts	13,875	10,786	13,875	10,786
Repossessed collateral available for sale	3,324	2,305	3,324	2,305
Credit card operations	1,409	1,241	1,409	1,241
Acquired receivables	924	-	924	-
Advances to suppliers	375	576	375	576
Empty buildings	246	476	246	476
Office equipment	125	101	125	101
Fees and commission receivables	79	75	79	75
Receivables from Addiko Bank a.d. Banja Luka	-	39	-	39
Receivables from management services	72	101	-	-
Other assets	6,922	6,862	6,922	6,865
Total other assets	*27,351*	*22,562*	*27,279*	*22,464*
Less: Allowance for impairment	(929)	(1,135)	(929)	(1,135)
	26,422	**21,427**	**26,350**	**21,329**

Changes in allowance for impairment for potential losses can be summarized as follows:

	GROUP		BANK	
	2017	2016	2017	2016
Balance as at 1 January	**1,135**	**862**	**1,135**	**862**
Impairment (Note 14)	(206)	334	(206)	334
Write-off	-	(61)	-	(61)
Balance as at 31 December	**929**	**1,135**	**929**	**1,135**

27. DUE TO OTHER BANKS

	GROUP		BANK	
	2017	2016	2017	2016
Short-term deposits:				
KM	84	48	84	48
Foreign currencies	634	581	634	581
	718	*629*	*718*	*629*
Long-term deposits:				
Foreign currencies	4,493	4,895	4,493	4,895
Total deposits from banks:	*5,211*	*5,524*	*5,211*	*5,524*
	5,211	**5,524**	**5,211**	**5,524**

27. DUE TO OTHER BANKS (CONTINUED)

Long-term deposits as at 31 December 2017 and 2016 can be presented as follows:

	GROUP		BANK	
	2017	2016	2017	2016
Addiko Bank AG, Austria (fixed-term deposits for period no longer than 3 years)	4,493	4,895	4,493	4,895
	4,493	**4,895**	**4,493**	**4,895**

As at 31 December 2017, the Bank had one passive fixed term deposit in CHF from Addiko Bank AG, Austria, with the floating interest rate of 6M Libor + 2.015% p.a.

28. DUE TO CUSTOMERS

	GROUP		BANK	
	2017	2016	2017	2016
Demand deposits:				
Retail:				
KM	135,269	125,335	135,269	125,335
Foreign currency	127,637	120,863	127,637	120,863
	262,906	*246,198*	*262,906*	*246,198*
Corporate:				
KM	136,595	117,735	137,070	119,700
Foreign currency	16,576	10,577	16,576	10,577
	153,171	*128,312*	*153,646*	*130,277*
Total demand deposits	**416,077**	**374,510**	**416,552**	**376,475**
Fixed-term deposits:				
Retail:				
KM	29,100	32,493	29,100	32,493
Foreign currency	174,164	171,113	174,164	171,113
	203,264	*203,606*	*203,264*	*203,606*
Corporate:				
KM	14,026	9,686	14,026	9,686
Foreign currency	9,891	10,552	9,891	10,552
	23,917	*20,238*	*23,917*	*20,238*
Total fixed-term deposits	**227,181**	**223,844**	**227,181**	**223,844**
	643,258	**598,354**	**643,733**	**600,319**

Average interest rate on interest expense is 0.91% as at 31 December 2017 (31 December 2016: 1.27%).

(all amounts are expressed in thousands of KM, unless otherwise stated)

29. PROVISIONS

	GROUP		BANK	
	2017	2016	2017	2016
Provisions for court proceedings	15,362	18,248	15,360	18,228
Provisions for restructuring	661	1,977	661	1,977
Provisions for employee benefits	499	522	492	515
Provisions for severance payments and vacations	158	173	134	149
Total	**16,680**	**20,920**	**16,647**	**20,869**

Movement in provisions can be presented as follows:

GROUP	Provisions for restructuring	Employee payables (Note 11)	Provisions for court proceedings (Notes 11 and 14)	Total
Balance as at 31 December 2015	**1,100**	**585**	**12,495**	**14,180**
Increase	1,922	514	5,813	8,249
Decrease	-	(139)	-	(139)
Decrease due to payment	(1,045)	(265)	(60)	(1,370)
Balance as at 31 December 2016	**1,977**	**695**	**18,248**	**20,920**
Increase	61	453	5,187	5,701
Decrease	-	(117)	(4,443)	(4,560)
Decrease due to payment	(1,377)	(374)	(3,630)	(5,381)
Balance as at 31 December 2017	**661**	**657**	**15,362**	**16,680**

BANK	Provisions for restructuring	Employee payables	Provisions for court proceedings (Notes 11 and 14)	Total
Balance as at 31 December 2015	**1,100**	**551**	**12,475**	**14,126**
Increase	1,922	514	5,813	8,249
Decrease	-	(139)	-	(139)
Decrease due to payment	(1,045)	(262)	(60)	(1,367)
Balance as at 31 December 2016	**1,977**	**664**	**18,228**	**20,869**
Increase	61	453	5,187	5,701
Decrease	-	(117)	(4,443)	(4,560)
Decrease due to payment	(1,377)	(374)	(3,612)	(5,363)
Balance as at 31 December 2017	**661**	**626**	**15,360**	**16,647**

(all amounts are expressed in thousands of KM, unless otherwise stated)

29. PROVISIONS (CONTINUED)

Provision for court proceedings

Structure of provisions for court proceedings:

	GROUP		BANK	
	2016	2015	2016	2015
Provisions for court proceedings	15,362	18,248	15,360	18,228
Total	**15,362**	**18,248**	**15,360**	**18,228**

As at 31 December 2017, the Bank is in process of conducting executive, civil and bankruptcy proceedings to collect its receivables and other rights and interests. On the same day, there is a certain amount of litigation against the Bank, initiated by legal entities and individuals.

In order to collect receivables arising from loans, guarantees, letters of credit or other grounds the Bank as at 31 December 2017 the Bank conducts a total of 7,322 court cases (led by the Credit Risk Management and Collection Department in retail segment), with a total disputes value of KM 128,802 thousand and the Loan Operations Management Department conducts a total of 17 active court cases, namely: Bank's claims for a total of 2 cases with total amount of KM 3,261 thousand and disputes for synthetic portfolio total of 15 cases with a total value of KM 20,297 thousand.

Provisions for restructuring

By the end of 2016, the Bank adopted a decision on moving organizational units of Addiko Bank d.d. Sarajevo from Mostar to Sarajevo, initiating move project and adoption of the Program on caring for surplus employees and conducting restructuring measures. Employees whose work places were terminated have not been offered a position in Sarajevo, whole other employees were offered new employment contracts with change of work location.

On 18 January 2017, the Management Board of the Bank approved additional funds for provisions for restructuring, reorganization, cost optimization, and decrease of number of employees in 2017, caused by economic, technical and organizational reasons, in accordance with provisions of the International Accounting Standard ("IAS") 37: "Provisions, Contingent Liabilities and Contingent Assets", and based on the aforementioned, additional provisions for restructuring in the amount of KM 345 thousand were formed.

A new Decision on relocation of outstanding employees from Mostar to Sarajevo was adopted in October 2017, and all of them were offered new employment contracts with change of work location.

The Management Board of the Bank adopted a Decision on Assets Management Department and foreclosure of Domaljevac branch office due to non-profitabiltiy in October 2017, and a portion of employees were designated redundant, and other were offered new work places.

As at 31 December 2017, total provisions amount to KM 661 thousand.

(all amounts are expressed in thousands of KM, unless otherwise stated)

29. PROVISIONS (CONTINUED)

Provisions for restructuring (continued)

The following table presents the expected maturity period of provisions for restructuring:

	2017	2016
less than 1 year	661	1,977
1 to 5 years	-	-
Total	**661**	**1,977**

Provisions for severance payments

Significant actuarial assumptions for calculating present value of employees' severance payments are: discount rate, expected salary growth, and mortality rate.
The sensitivity analysis (0.5bp) in case of change in discount rate can be presented as follows:

			in KM
Discount rate	4.00%	3.50%	4.50%
Present value of liabilities (KM)	134	138	130
% deviation with respect to the used rate		3.03%	(2.91%)

If interest rate used for discounting would be 0.5% lower, the value of liabilities would have increased for 3.03%. If interest rate used for discounting would be 0.5% higher, the value of liabilities would have decreased for 2.91%.
The sensitivity analysis of severance payments in case of earnings change can be presented as follows:

			in KM
	current	0.5% lower	0.5% higher
Average severance payment	3,621.48	3,603.37	3,639.59
Present value of liabilities (KM)	134,995	133,325	134,665
% deviation with respect to the used rate		0.50%	(0.50%)

A change in earnings directly proportionately affects the change in severance payments.
The sensitivity analysis of severance payments in case of mortality rate change can be presented as follows:

			in KM
	current	1 year less	1 year more
Average age	57,67	56,67	58,67
Present value of liabilities (KM)	133,995	128,841	139,181
% deviation with respect to the used rate		(3.85%)	3.87%

If employees were a year older, present value of severance payments would increase for 3.87%, and if employees were a year younger, an average severance payment would decrease for 3.85%.

(all amounts are expressed in thousands of KM, unless otherwise stated)

29. PROVISIONS (CONTINUED)

Provisions for severance payments (continued)

The expected maturity period for severance payments can be presented as follows:

	2017	2016
In the following 12 months	-	-
1 to 5 years	20	23
5 to 10 years	114	126
Over 10 years	-	-
	134	**149**

30. PROVISIONS FOR FINANCIAL COMMITMENTS AND CONTINGENCIES

	GROUP		BANK	
	2017	2016	2017	2016
Unused loans	87,765	70,321	87,765	70,321
Payable guarantees	20,502	14,622	20,502	14,622
Performance guarantees	19,432	21,269	19,432	21,269
Letters of credit	1,496	1,179	1,496	1,179
Total	**129,195**	**107,391**	**129,195**	**107,391**
Provisions for financial commitments and contingencies	**1,870**	**1,588**	**1,870**	**1,588**

Changes in provisions for financial commitments and contingencies:

	GROUP		BANK	
	2017	2016	2017	2016
Balance as at 1 January	**1,588**	**2,706**	**1,588**	**2,706**
Release of provisions (Note 14)	313	(1,118)	313	(1,118)
FX effects	(31)	-	(31)	-
Balance as at 31 December	**1,870**	**1,588**	**1,870**	**1,588**

During its operations, the Bank and Group assume credit commitments, which are the accounts in off balance sheet, and are related to guarantees, letters of credit and undrawn loan commitments. The Bank and Group have formed provisions according to these exposures as indicated in the table above.

(all amounts are expressed in thousands of KM, unless otherwise stated)

31. OTHER LIABILITIES

	GROUP		BANK	
	2017	2016	2017	2016
Liabilities for unallocated proceeds	5,384	6,328	5,384	6,328
Accrued bonuses	1,802	1,121	1,802	1,121
Accrued expenses	1,489	2,542	1,489	2,542
Trade payables	1,239	139	1,169	86
Liabilities toward employees	1,077	1,215	1,049	1,199
Limited assets	546	563	546	563
Deferred tax liability (Note 15)	314	150	314	150
Other tax liabilities	246	87	246	87
Liabilities for credit card operations	244	219	244	219
Protested guarantees	150	150	150	150
Managed funds (Note 34)	99	94	99	94
Deferrals	62	76	62	76
Income tax liabilities	1	-	-	-
Other liabilities	340	342	295	305
	12,993	**13,026**	**12,849**	**12,920**

32. EQUITY

Shareholders' equity

Direct owner of the Bank is Addiko Bank AG Austria, while the ultimate owner is Advent International Corporation, United States of America.

Ownership structure of the Bank is as follows:

	31 December 2017		31 December 2016	
	Share capital	Ownership %	Share capital	Ownership %
Addiko Bank AG Wienna, Austria	100,401	99.998	100,401	99.998
Rest of the shareholders	2	0.002	2	0.002
	100,403	**100.00**	**100,403**	**100.00**

During 2016, the Bank covered accumulated loss in the amount of KM 91,014 thousand (the amount comprises loss for 2015). The coverage was performed by direct payment in the reserve fund (total amount before coverage was KM 98,808 thousand – payment of KM 46,000 in 2015 and KM 52,808 in 2016) and the reserve fund from profit (total amount before coverage was KM 5 thousand). The outstanding amount in a direct payment to the fund is KM 7,799 thousand. During 2017, the Bank covered 2016 loss in the amount of KM 37,629 thousand partially from the reserves fund (KM 7,799 thousand), and the outstanding portion was transferred to the accumulated losses balance (KM 29,830 thousand).

Regulatory reserves

As at 31 December 2017, regulatory reserves amounted to KM 133,391 thousand (31 December 2016: KM 133,391 thousand). The Bank created more regulatory reserves than required in the amount of KM 111,405 thousand (31 December 2016: KM 110,615 thousand). In accordance with regulatory requirements, the Bank will take this into account only for the purpose of capital adequacy calculation.

As at 31 December 2017, the required amount of regulatory reserves was KM 21,986 thousand (31 December 2016: KM 22,776 thousand).

33. RELATED PARTY TRANSACTIONS

In accordance with the International Accounting Standard ("IAS") 24: "Related Party Disclosures", related parties are parties or entities that represent:

a) enterprises that directly, or indirectly through one or more intermediaries, control the reporting company or are under its control, i.e. which the reporting entity controls together with other entities (including holding companies, subsidiaries and fellow subsidiaries);

b) associated persons - companies in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;

c) individuals who directly or indirectly have the voting rights in the Bank that gives them significant influence over the Bank, as well as any other entity which is expected to influence, or be influenced by the relating individual in their dealings with the Bank;

d) executives in key positions, i.e. individuals having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and members of their immediate families; and

e) companies in which any person described in (c) or (d) has a substantial interest in the voting rights or which is directly or indirectly owned by the mentioned individuals, or where the same may have a significant impact. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in both their company and in a same or similar positions at the Bank.

In considering each possible related party transaction, attention is directed to the essence of the relationship, not merely the legal form.

(all amounts are expressed in thousands of KM, unless otherwise stated)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

	GROUP		BANK	
	2017	2016	2017	2016
Receivables				
Placements - Addiko Bank AG	338	606	338	606
Placements - Addiko Bank a.d. Banja Luka	11,735	14,689	11,735	14,689
Placements - Addiko Bank d.d. Zagreb	916	1,343	916	1,343
Other - Addiko Bank a.d. Banja Luka	20	55	20	55
Placements - Addiko Bank d.d. Ljubljana	180	172	180	172
Other - Addiko Bank AG Austrija	-	1	-	1
Placements - Addiko Bank a.d. Beograd	14	4,976	14	4,976
Other - Addiko Bank a.d. Beograd	-	4	-	4
Other - Addiko Bank a.d. Podgorica	-	6	-	6
	13,203	**21,852**	**13,203**	**21,852**
Liabilities				
Deposits - Addiko Bank AG	4,494	4,897	4,494	4,897
Other - Addiko Bank AG	-	88	-	88
Other - Addiko Bank a.d. Banja Luka	2	3	2	3
Deposits - Addiko Bank d.d. Zagreb	139	104	139	104
Depoziti - Addiko Bank a.d. Beograd	8	34	8	34
Deposits - Addiko Bank a.d. Banja Luka	547	514	547	514
Other - Addiko Bank d.d. Zagreb	94	76	94	76
Other - Addiko Bank a.d. Beograd	-	-	-	-
Deposits - Addiko Bank a.d. Podgorica	8	-	8	-
	5,292	**5,716**	**5,292**	**5,716**

(all amounts are expressed in thousands of KM, unless otherwise stated)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

	GROUP		BANK	
	2016	2015	2016	2015
Income				
Other income - Addiko Bank a.d. Banja Luka	55	81	55	81
Other income - Addiko Bank AG	45	70	45	70
Fee and commission income - Addiko Bank a.d. Banja Luka	485	448	485	448
Interest income - Addiko Bank d.d. Zagreb	12	5	12	5
Fee and commission income - Addiko Bank AG	-	-	-	-
Fee and commission income - Addiko Bank a.d. Podgorica	-	-	-	-
Interest income - Addiko Bank AG	-	25	-	25
Interest income - Addiko Bank a.d. Beograd	5	33	5	33
Interest income - Addiko Bank d.d. Ljubljana	-	20	-	20
	602	**682**	**602**	**682**
Expenses				
Interest expense - Addiko Bank AG	99	826	99	826
Other expenses - Addiko Bank a.d. Beograd	214	-	214	-
Fee and commission expense - Addiko Bank AG	-	6	-	6
Administrative expenses - Addiko Bank d.d. Zagreb	630	506	630	506
Administrative expenses - Addiko Bank a.d. Banja Luka	64	44	64	44
Fee and commission expense - Addiko Bank a.d. Banja Luka	18	21	18	21
Fee and commission expense - Addiko Bank d.d. Zagreb	42	4	42	4
Other expenses - Addiko Bank AG	458	246	458	246
Fee and commission expense - Addiko Bank a.d. Beograd	1	1	1	1
	1,526	**1,654**	**1,526**	**1,654**

(all amounts are expressed in thousands of KM, unless otherwise stated)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

The remunerations to the Management Board and Supervisory Board members are presented as follows:

	GROUP		BANK	
	2017	2016	2017	2016
Management and Supervisory Board remunerations	850	792	850	792
Taxes and contributions on remunerations	667	622	667	622
	1,517	**1,414**	**1,517**	**1,414**

34. MANAGED FUNDS

The Bank manages funds as an agent and on behalf of third parties, so these are stated separately from bank's assets. For these services, the Bank charges commission in the amount of 1% of total placed cash.

	GROUP		BANK	
	2017	2016	2017	2016
Assets				
State institutions	656	655	656	655
Total	**656**	**655**	**656**	**655**
Liabilities				
Corporate loans	755	749	755	749
Total	**755**	**749**	**755**	**749**
Difference (Note 31)	**(99)**	**(94)**	**(99)**	**(94)**

35. LOSS PER SHARE

	GROUP		BANK	
	2017	2016	2017	2016
Net profit / (loss) for the current year	5,557	(37,340)	5,249	(37,629)
Weighted number of shares	532,500	532,500	532,500	532,500
Basic profit / (loss) per share in KM	**10.44**	**(70.12)**	**9.86**	**(70.66)**

Diluted loss per share was not determined because the Group and the Bank have no potential share dilution such as convertible debt and options.

(all amounts are expressed in thousands of KM, unless otherwise stated)

36. OPERATING LEASE

Operating lease is mainly related to rent of branch offices, rent of leased space for ATM machines and rent for archiving space and apartments.

Future total minimum lease payments by the long-term operating lease agreement are:

	GROUP		BANK	
	2017	2016	2017	2016
Less than 1 year	984	453	984	453
1 to 5 years	169	526	169	526
Over 5 years	97	52	97	52
	1,250	**1,031**	**1,250**	**1,031**

Rent expense in business year 2017 for the Group and the Bank amount to KM 1,250 thousand, while in 2016 it amounted to KM 1,031 thousand.

Future total minimum expected operating lease collections are:

	GROUP		BANK	
	2017	2016	2017	2016
Less than 1 year	71	193	71	193
1 to 5 years	30	199	30	199
Over 5 years	16	-	16	-
	117	**392**	**117**	**392**

37. APPROVAL OF THE FINANCIAL STATEMENTS

Signed on behalf of Addiko Bank d.d. Sarajevo, Sarajevo, on 20 March 2018:

Sanela Pašić
President of the Management Board

Belma Sekavić-Bandić
Member of the Management Board

Bodies of the Bank
On December 31, 2017

Supervisory board

Hans-Hermann Anton Lotter	Chairman
Biljana Rabitsch	Vice-Chairman
Meliha Povlakić	Member
Razvan Munteanu	Member
Damir Karamehmedović	Member

Audit Committee

Đorđe Lazović	Chairman
Siniša Radonjić	Member
Ivan Trifunović	Member
Marlene Schellander-Pinter	Member
Claudia Mayrhofer	Member

Uprava Banke

Sanela Pašić	Director
Belma Sekavić Bandić	Executive Director
Selma Omić	Executive Director

Internal Auditor: Šejla Đerlek

Business units of Addiko Bank d.d.

Addiko Bank d.d. Sarajevo
Centrala, Trg Solidarnosti 12, 71 000 Sarajevo
+387 33 755 755
+387 33 755 855
info.fbih@addiko.com

Bihać
Bosanska b.b.,
77 000 Bihać, Bosanska b.b.
Tel. + 387 37 229 761,
Fax +387 37 229 773

Bugojno
Sultan Ahmedova b.b.,
70 230 Bugojno,
Tel. +387 30 259 565,
Fax +387 30 259 564

Busovača
16. Kolovoza b.b.,
72 260, Busovača,
Tel. + 387 30 735 090,
Fax. + 387 30 735 091

Čapljina
Ante Starčevića b.b.,
88 300 Čapljina,
Tel. +387 36 808 292,
Fax +387 36 808 810

Čitluk
Kralja Tomislava 93,
88 260 Čitluk,
Tel. +387 36 640 420,
Fax +387 36 640 427

Gračanica
22. divizije b.b.,
75 320 Gračanica,
Tel. + 387 35 701 361,
Fax +387 35 701 368;

Gradačac
H. K. Gradaščevića b.b.,
76 250, Gradačac,
Tel + 387 35 821 490,
Fax + 387 35 821 495

Grude
Dr. Franje Tuđmana 4,
88 340 Grude,
Tel. +387 39 660 390,
Fax +387 39 661 745

Ilidža
Rustempašina b.b.,
71 210 Ilidža,
Tel. +387 33 770 293,
Fax +387 33 770 298;

Jajce
Kulina Bana 1,
70 101 Jajce,
Tel. +387 30 654 555,
Fax. +387 30 654 558

Kiseljak
Josipa Bana Jelačića b.b.,
71 250 Kiseljak,
Tel. + 387 30 877 288,
Fax. + 387 30 877 297

Konjic
Trg državnosti b.b.,
88 400 Konjic,
Tel. +387 36 735 300,
Fax +387 36 735 303

Kreševo
Fra Grge Martića 122,
71 260 Kreševo,
Tel. +387 30 800 603,
Fax +387 30 800 608

Livno
PC Forum Splitska b.b.,
80 101 Livno,
Tel. +387 34 208 613,
Fax +387 34 201 385

Lukavac
Lukavačkih brigada b.b, TZC "Omega",
75 300, Lukavac,
Tel. +387 35 551 101,
Fax +387 35 551 106

Ljubuški
Stube IV, lamela A,
88 320 Ljubuški,
Tel. +387 39 835 794,
Fax +387 39 835 795

Mostar
Stjepana Radića, lamela E,
88 000 Mostar,
Tel. +387 36 448 120/121,
Fax +387 36 335 877

Mostar
Trg Hrvatskih velikana b.b.-Rondo,
88 000 Mostar,
Tel. +387 36 449 850,
Fax +387 36 335 832

Novi Travnik
Ive Andrića 35,
72 270 Novi Travnik,
Tel.+ 387 30 795 212/211,
Fax, + 387 30 795 214

Orašje
V ulica 29,
76 270 Orašje,
Tel. +387 31 719-800/805,
Fax +387 31 719 808

Posušje
Fra Grge Martića b.b.,
88 240 Posušje,
Tel. +387 39 685 191,
Fax +387 36 335 876

Sarajevo
Dobrinja, Mustafe Kamerića 6-7,
71 000 Sarajevo,
Tel.+387 33 775 373,
Fax +387 33 775 378

Sarajevo
Otoka, Bulevar Meše Selimovića bb,
71 000 Sarajevo,
Tel.+387 33 715 026,
Fax +387 33 715 816

Sarajevo
Maršala Tita 18a,
71 000 Sarajevo,
Tel. +387 33 563 191,
Fax +387 33 217 285

Sarajevo
Pofalići, Zmaja od Bosne b.b.,
71 000 Sarajevo,
Tel. +387 33 723 604,
Fax +387 33 723 600;

Sarajevo
Ferhadija 1,
71 000 Sarajevo,
Tel.+387 33 252 485,
Fax +387 33 252 488

Sarajevo
Trg solidarnosti 12,
71 000 Sarajevo,
Tel. +387 33 755 724,
Fax +387 33 755 725

Široki Brijeg
Fra Didaka Buntića b.b.,
88 220 Široki Brijeg,
Tel. +387 39 702 500,
Fax +387 39 702 508

Tešanj
1. Mart br. 3,
74 260 Tešanj,
Tel. + 387 32 665 260
Fax. +387 32 665 268

Tomislavgrad
Mijata Tomića b.b.,
80 240 Tomislavgrad,
Tel. +387 34 352 311,
Fax +387 34 352 329

Travnik
Trg republike 11a,
72 270 Travnik,
Tel. +387 30 540 852/861,
Fax +387 30 540 660

Tuzla
Maršala Tita 2b,
75 101 Tuzla,
Tel +387 35 302 241,
Fax + 387 35 302 242

Tuzla
Mije Kreoševića Guje 2,
75 101 Tuzla,
Tel.+387 35 302 320,
Fax +387 36 335 865

Uskoplje
Kralja Tomislava b.b.,
70 280 Uskoplje,
Tel. +387 30 496 420,
Fax +387 30 495 733

Visoko
Dr. Džananovića 8,
71 300, Visoko,
Tel. +387 32 731 001,
Fax +387 32 731 002

Vitez
PC 96,
72 250 Vitez,
Tel. +387 30 718 608,
Fax +387 30 718 603

Zenica
PSC Kamberovića polje,
72 000 Zenica,
Tel. + 387 32 449 733,
Fax. + 387 32 449 738

Živinice
Alije Izetbegovića 36,
75 270 Živinice,
Tel. + 387 35 743 190/191,
Fax +387 35 743 195

Responsible for content:

Addiko Bank d.d. Sarajevo
71 000 Sarajevo
Trg Solidarnosti 12
Tel. +387 33 866 666, +387 33 755 755 ,
Fax +387 33 755 855
addiko-fbih.ba
e-mail: info.fbih@addiko.com

Important notice:

This Annual report has been prepared with great care and the information it contains has been checked. The possible occurrence of rounding errors, typesetting and printing errors and errors in expression can however not be precluded. The English language report is a translation.

Addiko Bank