

**REVIK d.o.o. Sarajevo**

**Member of**



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Community Court Sarajevo:  
065-0-Reg-13-003456, MBS 65-01-1066-09  
Tax code: 01075138

Raiffeisen BANK d.d. BH Sarajevo  
- 1610000001640087  
UniCredit Bank d.d. Mostar  
- 3383202250064583  
Identification number: 4200002790002  
VAT identification number: 200002790002

**KOMERCIJALNO – INVESTICIONA BANKA D.D.  
VELIKA KLADUŠA**

**Financial statements  
for the year ended 31 December 2016 and  
Independent Auditor's Report**

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## **Responsibility for the financial statements**

Pursuant to the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina (Official Gazette No. 83/09) the Management Board is responsible for ensuring that financial statements are prepared for each financial year in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) which give a true and fair view of the state of affairs and results of the KOMERCIJALNO - INVESTICIONA BANKA d.d. Velika Kladuša (the "Bank") for that period.

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

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

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

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

Signed on behalf of the Management Board

  
Hasan Porčić, Director

KIB Bank d.d. Velika Kladuša



Velika Kladuša, February 16, 2017



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## **AUDITOR'S REPORT**

### **TO THE SHAREHOLDERS OF KOMERCIJALNO - INVESTICIONA BANKA d.d. Velika Kladuša**

We have audited the accompanying financial statements KOMERCIJALNO - INVESTICIONA BANKA d.d. Velika Kladuša, ("the Bank"), set out on pages 5 to 29 which comprise of the statement of financial position (balance sheet) as at 31 December 2016 and the statement of profit or loss and other comprehensive income (income statement), statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

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


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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

**REVIK d.o.o. Sarajevo**  
Bosnia and Herzegovina

  
Milan Novokmet, director



  
Edin Udovčić, certified auditor

Sarajevo, February 17, 2017

STATEMENT OF COMPREHENSIVE INCOME (INCOME STATEMENT)

FOR THE YEAR ENDED 31 DECEMBER 2016

(In thousands of BAM)	Notes	2016	2015
Interest income		3,372	3,093
Interest expense		(1,070)	(1,233)
<b>Net interest income</b>	3	<b>2,302</b>	<b>1,860</b>
Fee and commission income		3,504	3,378
Fee and commission expense		(479)	(437)
<b>Net fee and commission income</b>	4	<b>3,025</b>	<b>2,941</b>
Foreign exchange gains (net)	5	(18)	(37)
Other income	6	77	47
Operating expenses	7	(3,172)	(3,020)
Other expenses		(21)	(2)
<b>Profit (loss) before reservation and tax on profit</b>		<b>2,193</b>	<b>1,789</b>
Provision for impairment (net)	8	(610)	(676)
<b>Profit before tax</b>		<b>1,583</b>	<b>1,113</b>
Income tax expenses	9	(161)	(112)
<b>Profit after tax</b>		<b>1,422</b>	<b>1,001</b>
<b>Other comprehensive income</b>		-	-
<b>Total of comprehensive income for year</b>		<b>1,422</b>	<b>1,001</b>
<b>Earnings per share (in BAM)</b>		<b>473</b>	<b>333</b>

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.



# KOMERCIJALNO - INVESTICIONA BANKA d.d. Velika Kladuša

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

AS AT 31 DECEMBER 2016

(In thousands of BAM )	Notes	2016	2015
<b>ASSETS</b>			
Cash and current account with banks	10	18,323	14,037
Obligatory reserve with the Central Bank of B&H	11	21,543	21,375
Placements with other banks	12	-	10
Loans and receivables	13	46,524	42,316
Long term investments	14	18	18
Accrued interest and other assets	15	425	300
Intangible assets	16	106	116
Tangible assets	17	5,735	5,645
<b>TOTAL ASSETS</b>		<b>92,674</b>	<b>83,817</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>LIABILITIES</b>			
Demand deposits	18	35,808	29,690
Savings and time deposits	19	28,823	27,427
Other liabilities and accruals	20	2,643	2,722
<b>TOTAL LIABILITIES</b>		<b>67,274</b>	<b>59,839</b>
<b>CAPITAL</b>			
Share capital	1.2.	15,040	15,040
Reserves		7,930	6,929
Accumulated profit		1,422	1,001
Other reserves		1,008	1,008
<b>TOTAL CAPITAL</b>		<b>25,400</b>	<b>23,978</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>92,674</b>	<b>83,817</b>
<b>Contingent liabilities and commitments</b>	21	<b>6,360</b>	<b>5,501</b>

Financial statements presented on pages 5 to 29 are approved on February 27, 2017 by



General Director

Hasan Porčić

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.

STATEMENT OF CHANGES IN CAPITAL  
FOR THE YEAR ENDED 31 DECEMBER 2016

(In thousands of BAM)	Share capital	Reserves	Accumulated profit	Other reserves	Total
<b>As 31 December 2014</b>	<b>15,040</b>	<b>6,531</b>	<b>1,248</b>	<b>1,008</b>	<b>23,827</b>
At 1 January 2015	15,040	6,531	1,248	1,008	23,827
Payment of dividends for 2014 *	-	-	(850)	-	(850)
Increase in reserves from profit for 2014 *	-	398	(398)	-	-
Profit for 2015	-	-	1,001	-	1,001
<b>As 31 December 2015</b>	<b>15,040</b>	<b>6,929</b>	<b>1,001</b>	<b>1,008</b>	<b>23,978</b>
At 1 January 2016	15,040	6,929	1,001	1,008	23,978
Increase in reserves from profit for 2015 *	-	1,001	(1,001)	-	-
Profit for 2016	-	-	1,422	-	1,422
<b>As 31 December 2016</b>	<b>15,040</b>	<b>7,930</b>	<b>1,422</b>	<b>1,008</b>	<b>25,400</b>

\* Shareholders Assembly of the Bank meeting held on 28 April 2016 has adopted a decision (No.02-112/16) on the distribution of overall net profit for 2015 in the amount of 1,001 t / BAM to legal reserves of the Bank.

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

(In thousands of BAM )	2016	2015
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period	1,422	1,001
Depreciation	168	169
Provisions for bad and doubtful debts	610	676
Other adjustments	(97)	(67)
<i>Operating profit before changes in operating assets</i>	<u>2,103</u>	<u>1,779</u>
<b>(INCREASE) DECREASE IN OPERATING ASSETS</b>		
Balances with the Central Bank of B&H	(169)	(2,958)
Loans and advances to customers	(4,703)	(7,371)
Accrued interest receivable and other assets	(138)	85
	<u>(5,009)</u>	<u>(10,244)</u>
<b>INCREASE (DECREASE) IN OPERATING LIABILITIES</b>		
Demand deposits	6,117	8,554
Savings and time deposits	1,396	(3,004)
Other liabilities and accruals	(78)	343
	<u>7,435</u>	<u>5,893</u>
<b>Net cash inflow from operating activities</b>	<b>4,529</b>	<b>(2,572)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(17)	(38)
Purchase of tangible assets	(229)	(71)
Sale of tangible assets	-	754
<b>Net cash outflow from investing activities</b>	<u>(246)</u>	<u>645</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of dividends	-	(850)
<b>Net cash outflow from financing activities</b>	<u>-</u>	<u>(850)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>4,283</b>	<b>(2,777)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>14,055</b>	<b>16,832</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>18,338</b>	<b>14,055</b>

The accompanying notes on pages 9 to 29 form an integral part of these financial statements.

**NOTE 1. GENERAL INFORMATION**

The Bank was established in 1998 and registered at Canton Court Bihać on 25 August 1998 under number : U/I – 754/98.

The Bank got the license from the Federal Banking Agency, number 01-84-4/98, on 30 June 1998.

Ministry for foreign trade and economic relations registered the agreement on foreign investment by Hasan Esmerović as foreign investor with domestic investors Suema Behram and Hasan Esmerović Jr, under number: 02-01-ZB-3650/98 dated 21 September 1998.

The Bank got permissions for carrying out payment transactions of low and medium risk from the Federal Banking Agency under numbers: 01-353/00 dated 27 March 2000 and 01-779/00 dated 28 September 2000.

The Bank has open branches in Cazin, Bužim, Bosanska Krupa and Bihać.

The Bank is registered by the Stock exchange committee under number 021907/00 dated 07 February 2000, as well as by further documentation.

The Bank and Registry of securities undersigned the Contract on registration and transfer of shares under number 05-U-DD-01/00 on 12 April 2000.

As at 1 September 2003 the Bank and Deposit Guarantee Agency undersigned an agreement on insurance of deposits (contract 01-3-300/03). On 3 February 2009 the Bank signed the new contract with Deposit Guarantee Agency (No. 01-65-10/09) and Annex of the contract (No. 01-65-10/09) of deposit insurance.

**1.1. Bodies of the Bank**

**Supervisory Board**

Feriz Crnkić	President
Eveldin Hadžalić	Member
Besima Jušić	Member
Elvedin Miljković	Member
Husein Dolić	Member

**Management Board**

Hasan Porčić	Director
Almir Hodalović	Executive director
Mersima Murgić	Executive director

**KOMERCIJALNO INVESTICIJNA BANKA d.d. Velika Kladuša**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**Audit Committee**

Stipe Čelan	President
Braho Bronja	Vice President
Zlata Kajdić	Member
Rasim Elezović	Member
Ante Butorac	Member

**Internal Audit**

Dijana Hamzić - Pajzetović

**1.2. Capital and shareholding structure**

Share capital of the bank is divided into 3,008 shares with nominal value of 5,000 BAM. The shareholding structure of Bank as at 31 December 2016 is as follows:

Shareholders	No. of shares	Amount in ( <i>'000 BAM</i> )	%
Esmerović (M) Hasan	322	1,610	10.70
Esmerović Hatija	300	1,500	9.97
Pajzetović Baisa	300	1,500	9.97
Jašarević Hasfeta	300	1,500	9.97
Theissingner Herman	300	1,500	9.97
Bekanović Semka	300	1,500	9.97
Bekanović Ibrahim	300	1,500	9.97
Bekanović Hatija	300	1,500	9.97
Hadžić Mirzeta	300	1,500	9.97
Esmerović (H) Hasan	151	755	5.02
Other (7 Shareholders)	135	675	4.52
<b>Total</b>	<b>3,008</b>	<b>15,040</b>	<b>100.00</b>

Core capital as at 31 December 2016 amounts to 22,864 thousand BAM (2015: 21,852 thousand BAM), own funds 23,434 thousand BAM (2015: 21,514 thousand BAM). Deduction items amounts to 145 thousand BAM (2015: 1,153 thousand BAM). Total assets risk amounts to 57,174 thousand BAM (2015: 50,179 thousand BAM) and rate of own funds is 41.00 % (2015: 42.90 %).



**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted for the preparation of the financial statements are set out below:

**2.1. Basis for preparation**

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 have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

The financial statements are presented in thousands of convertible marks (BAM '000), the Convertible Mark also is a functional currency.

The financial statements have been prepared on an accruals basis, and that the going concern assumption.

The preparation of financial statements in conformity with IFRS requires by management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and amounts of income and expenditure for the reporting period.

Estimates are based on information available as of the date of financial statements, and actual results could differ from those estimates.

The Bank maintains its accounting records and prepares financial statements in accordance with the Law on Accounting and Auditing of the Federation of BH and regulatory requirements of the Banking Agency of Federation of Bosnia and Herzegovina and the Banking Act in force in the Federation of Bosnia and Herzegovina.

**2.2. Interest income and expenses**

Interest income and expense are recognized through the statement of comprehensive income for all interest bearing instruments on the date of establishment. Interest shall be calculated in accordance with applicable law or the contract concluded between creditor and debtor and interest income are recorded on the going basis in relation to the outstanding principal. Interest is capitalized if it is stipulated in the contract. Interest income is suspended when it is not certain. Suspended interest is recorded in off balance sheet and recorded as revenue when collected.



### **2.3. Fee and commission income and expenses**

Fees and commissions consist mainly of fees received for foreign currency transactions and loans as well as of those from payment and exchange transactions. Fees arising from guarantees given, opening letters of credit and commissions from managed funds on behalf of legal entities and citizens are also included.

Loan origination fees are amortized to income over the life of the loan, proportionally to the instalment plan. Commissions on foreign currency transactions are credited to income on receipt.

### **2.4. Foreign currencies**

Assets and liabilities denominated in foreign currency are translated into Convertible Marks at exchange rate ruling at the balance sheet date. Transactions denominated in foreign currency are translated into Convertible Marks at exchange rate ruling on the transaction date. Gains and losses resulting from foreign currency translation or exchange are credited or charged to the income statement.

### **2.5. Employees Benefits**

The Bank, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax that are calculated on the basis of gross salaries and wages, as well as food allowances, travel expenses and vacancy allowances according to the local legislation. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Bank makes provision for retirement severance payments in the amount of either three average net salary of an employee in the last three months or three average net salaries paid in the Federation of Bosnia and Herzegovina, depending on what is more favourable to the employee.

Above provision is calculated and expressed in fair value of expecting future payments to the employees.

### **2.6. Taxation**

Tax expense of the tax is the sum of tax currently payable and deferred taxes. Current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expenses that are taxable or deductible, as well as items that are never taxable or deductible. Current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by reporting date financial position. Deferred tax is the amount that is expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for calculating the taxable profit is accounted for using the liability. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is likely to be taxable income on the basis that it is possible to use the temporary differences can be deducted.



The carrying amount of deferred tax assets is reviewed at each reporting date and the financial position and reduced to the extent that it is not likely to be available sufficient taxable profit to allow all or part of the asset. Deferred tax is calculated at the tax rates that are expected to apply in the period in which to reach the liability is settled or the asset realized. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited directly to or in equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

According to the Taxation Law in force in the Federation of Bosnia and Herzegovina the Bank pays taxes on income at a rate of 10 % for 2016 ( in 2015 – 10 %).

### **2.7. Cash and cash equivalents**

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

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

### **2.8. Loans and advances to customers**

Loans and advances are stated in the balance sheet at the amount of the principal outstanding less any provision for bad and doubtful debts.

The provision for bad and doubtful debts for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit rating allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

Changes in the level of impairment are recorded un the income statement.

### **2.9. Intangible assets**

Intangible assets are stated in the balance sheet at cost less accumulated amortisation. Amortization rate for these assets is 20%.



**KOMERCIJALNO INVESTICIONA BANKA d.d. Velika Kladuša**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**2.10. Tangible fixed assets**

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is provided on the straight line basis at prescribed rates designed to write off cost of equipment over their estimated useful lives.

Assets in the course of preparation are not depreciated until they are brought into use.

The annual rates are as follows:

	<u>2016</u>	<u>2015</u>
Buildings	1.25 – 1.3	1.3
Computers	20	20
Furniture and equipment	10 – 20	7 – 16.6

The Bank periodically tests its fixed assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains and losses on disposal of assets are determined by reference to their carrying amount and are taken into account in determining operating income. Repairs and renewals are charged to the income statement when the expenditure is incurred.

On 31 December 2016 and 2015 value of Bank's property, equipment and tangible assets have not been reduced.

**2.11. Deposits**

Deposits are stated in the deposited amounts.

**2.12. Provisions**

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

**2.13. Regulatory requirements**

The Bank is subject to the regulations of the Banking Agency of Federation of Bosnia and Herzegovina, which prescribes the limits and other restrictions pertaining to minimum capital adequacy, loan classification and off balance sheet commitments, and establishing provisions for credit risk, interest rate risk and currency risk, liquidity risk and foreign currency position and operational risk.

**KOMERCIJALNO INVESTICIJNA BANKA d.d. Velika Kladuša**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 3. INTEREST INCOME AND EXPENSE**

Interest income and expense are presented as follows:

(In thousands of BAM)	2016	2015
<b>Income:</b>		
Citizens	2,271	1,864
Enterprises	1,097	1,227
Banks	4	2
	<b>3,372</b>	<b>3,093</b>
<b>Expense:</b>		
Citizens	(1,046)	(1,226)
Enterprises	(7)	(7)
Banks	(17)	-
	<b>(1,070)</b>	<b>(1,233)</b>
<b>Net interest income</b>	<b>2,302</b>	<b>1,860</b>

**NOTE 4. FEE AND COMMISSION INCOME AND EXPENSE**

(In thousands of BAM)	2016	2015
<b>Income:</b>		
Citizens	1,584	1,441
Enterprises	489	439
Currency exchange and conversion	1,334	1,406
Other banks	97	92
	<b>3,504</b>	<b>3,378</b>
<b>Expense:</b>		
Federal Banking Agency	(73)	(67)
Deposit guarantee agency	(151)	(138)
Central Bank of B&H <sub>g</sub>	(126)	(113)
Banks	(85)	(74)
Insurance of property	(44)	(45)
	<b>(479)</b>	<b>(437)</b>
<b>Net income from fee and commission</b>	<b>3,025</b>	<b>2,941</b>

**KOMERCIJALNO INVESTICIJNA BANKA d.d. Velika Kladuša**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 5. FOREIGN EXCHANGE GAINS (NET)**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
<b>Gain on exchange:</b>		
Translation of foreign currency balances at the end of the year	466	693
Dealing profits	89	106
	<b>555</b>	<b>799</b>
<b>Loss on exchange:</b>		
Translation of foreign currency balances at the end of the year	(432)	(665)
Dealing loss	(141)	(171)
	<b>(573)</b>	<b>(836)</b>
<b>Foreign exchange gains (net)</b>	<b>(18)</b>	<b>(37)</b>

**NOTE 6. OTHER OPERATING INCOME**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Other income	77	47
<b>Total</b>	<b>77</b>	<b>47</b>

**NOTE 7. OTHER OPERATING EXPENSE**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Salaries and other employee costs (Note 7.1)	2,109	1,981
Depreciation	168	169
Material	105	95
Energy	83	82
Advertisement	7	8
PTT expenditures	90	96
Security agency	194	195
BAMCARD	84	70
SWIFT	54	48
Other services	122	120
Rent	56	55
Maintenance	54	55
Court and administration fees	46	46
<b>Total</b>	<b>3,172</b>	<b>3,020</b>



**KOMERCIJALNO INVESTICIJNA BANKA d.d. Velika Kladuša**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7.1. Salaries and other employee costs**

(In thousands of BAM)	2016	2015
Net salaries	1,032	949
Taxes and contributions	747	703
Other	330	329
<b>Total</b>	<b>2,109</b>	<b>1,981</b>

The average number of employees of the Bank on 31 December 2016 was 77 (2015: 77).

**NOTE 8. PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

(In thousands of BAM)	2016	2015
<b>Income from reversal of provisions:</b>		
Income from reversal of other provisions	125	38
	<b>125</b>	<b>38</b>
<b>Expenses of provisions:</b>		
Provisions for loans (Note 13.3.)	(678)	(555)
Provisions for off balance positions	(23)	(73)
Other provisions	(34)	(86)
	<b>(735)</b>	<b>(714)</b>
<b>Total</b>	<b>(610)</b>	<b>(676)</b>

**NOTE 9. INCOME TAXES**

A reconciliation of the income before tax on taxable income is shown below:

(In thousands of BAM)	2016	2015
Income per the financial statements	1,583	1,113
Non-deductible expenses	28	16
Adjustment of income <sup>*</sup>	(3)	(6)
<b>Taxable income</b>	<b>1,608</b>	<b>1,123</b>
Reduction of tax base	-	-
	<b>1,608</b>	<b>1,123</b>
Liability for tax on profit (10 %)	(161)	(112)
Net profit	<b>1,422</b>	<b>1,001</b>

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**NOTE 10. CASH AND CURRENT ACCOUNTS WITH BANKS**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
<i>Cash in hand:</i>		
- u BAM	6,066	5,047
- in foreign currency	4,914	5,049
Current accounts in foreign banks	7,358	3,959
<b>Total</b>	<b>18,338</b>	<b>14,055</b>
Correction value	(15)	(18)
<b>Total</b>	<b>18,323</b>	<b>14,037</b>

**NOTE 11. BALANCES WITH THE CENTRAL BANK OF BIH**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Obligatory reserve	21,543	21,375
<b>Total</b>	<b>21,543</b>	<b>21,375</b>

The rate of minimum reserve requirements used by the Central Bank of BiH is 10%. The basis for the calculation of minimum reserve requirements are total deposits and borrowed funds (during the year 2015 until 1 July 2016 the minimum reserve requirements were 10% of total short-term deposits and borrowed funds and 7% of total long-term deposits and borrowed funds).

In the period from 1 January 2016 up to 30 June 2016 the Central Bank of BiH did not pay interest on average funds and did not calculate interest on excess reserves.

However, from 1 July 2016 the Central Bank of BiH on the reserve account of the Bank in the accounting period was calculating interest on excess reserves by the rate of 0.2000%, and the calculated amount is paid by the Bank to the Central Bank (in the year 2015 the Central Bank of BiH did not pay interest on average reserve requirement neither did pay interest on excess reserves).

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

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**NOTE 12. PLACEMENTS AT OTHER BANKS**

(In thousands of BAM)	2016	2015
Nova Ljubljanska banka d.d., Ljubljana	-	10
<b>Total</b>	<b>-</b>	<b>10</b>

**NOTE 13. LOANS AND RECEIVABLES**

**13.1. Analysis by type of customer**

(In thousands of BAM)	2016	2015
Enterprises		
- in BAM	17,118	18,770
Citizens:		
- in BAM	33,071	27,301
State institutions		
- in BAM	150	150
	<b>50,339</b>	<b>46,221</b>
Provisions for possible losses	(3,815)	(3,905)
<b>Total</b>	<b>46,524</b>	<b>42,316</b>

**13.2. Analysis by sector**

(In thousands of BAM)	2016	2015
Industry	5,545	6,340
Trade	7,482	7,176
Services	3,330	4,523
Citizens	33,071	27,301
Other	911	881
	<b>50,339</b>	<b>46,221</b>
Provisions for possible losses	(3,815)	(3,905)
<b>Total</b>	<b>46,524</b>	<b>42,316</b>



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**13.3. Provisions for bad and doubtful debts**

Movements in provisions for bad and doubtful debts are as follows:

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Balance at 1 January	3,905	3,437
New provision made (Note 8)	678	555
Decrease in provision	(87)	(67)
Derecognition of loan	(681)	(20)
<b>Balance at December 31</b>	<b>3,815</b>	<b>3,905</b>

**13.4. Interest rates**

Annual interest rates on short term loans ranged from 2.00% to 9.40% (2015.: ranging from 2.00% to 9.40%)

Annual interest rates on long-term loans ranged from 2.50% to 9.40% (2015.: ranging from 2.50% to 9.40%).

Annual interest rate on overdraft current accounts was 10.00 % (2015: 10.00 %).

Annual interest rate for loans on credit cards was 11.00 % (2015: 11.00 %).

**NOTE 14. LONG TERM INVESTMENTS**

<b>(In thousands of BAM)</b>	<b>% participation</b>	<b>2016</b>	<b>2015</b>
HALCOM Ltd. Sarajevo- ex. Electronic Banking Bureau (EBB), Sarajevo	1.88	4	4
Registry of securities of the Federation BiH, Sarajevo	-	14	14
		<b>18</b>	<b>18</b>
Provisions for possible losses		-	-
<b>Total</b>		<b>18</b>	<b>18</b>

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**NOTE 15. ACCRUED INTEREST AND OTHER ASSETS**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Accrued and due interest	149	190
Accrued and not due interest	126	116
Western Union	179	47
Other	61	57
	<b>515</b>	<b>410</b>
Provisions for possible losses	(90)	(110)
<b>Total</b>	<b>425</b>	<b>300</b>

**NOTE 16. INTANGIBLE ASSETS**

<b>(In thousands of BAM)</b>	<b>Software</b>	<b>Other intangible assts</b>	<b>Total</b>
<b><u>Cost</u></b>			
Balance at 1 January 2016	455	279	734
Additions	14	3	17
<b>Balance at 31 December 2016</b>	<b>469</b>	<b>282</b>	<b>752</b>
<b><u>Accumulated depreciation</u></b>			
Balance at 1 January 2016	371	247	618
Depreciation charge in 2016	16	12	28
<b>Balance at 31 December 2016</b>	<b>387</b>	<b>259</b>	<b>646</b>
<b><u>Net book value</u></b>			
<b>Balance at 31 December 2015</b>	<b>84</b>	<b>32</b>	<b>116</b>
<b>Balance at 31 December 2016</b>	<b>82</b>	<b>23</b>	<b>106</b>

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**NOTE 17. TANGIBLE FIXED ASSETS**

<b>(In thousands of BAM)</b>	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Assets in course of preparation</b>	<b>Total</b>
<b><u>Cost</u></b>					
Balance at 1 January 2016	94	5,009	1,175	774	7,052
Additions	-	182	13	34	229
Transfer on assets in use	-	-	26	(26)	-
Write-off	-	-	(6)	-	(6)
<b>Balance at 31 December 2016</b>	<b>94</b>	<b>5,191</b>	<b>1,208</b>	<b>782</b>	<b>7,275</b>
<b><u>Accumulated depreciation</u></b>					
Balance at 1 January 2016	-	525	882	-	1,407
Depreciation charge in 2016	-	64	76	-	140
Write-off	-	-	(6)	-	(6)
<b>Balance at 31 December 2016</b>	<b>-</b>	<b>588</b>	<b>952</b>	<b>-</b>	<b>1,540</b>
<b><u>Net book value:</u></b>					
<b>Balance at 31 December 2015</b>	<b>94</b>	<b>4,484</b>	<b>293</b>	<b>774</b>	<b>5,645</b>
<b>Balance at 31 December 2016</b>	<b>94</b>	<b>4,603</b>	<b>256</b>	<b>782</b>	<b>5,735</b>

\* The balance of Assets in course of preparation as at 31 December 2016 is comprised of the value of the part of "Commercial and Residential Center KIB" in an amount of 757,697 KM which is in the ownership of the Bank for the archive purposes and until the mentioned date the Center was not qualified for use. The rest of the balance amount is related to investments in equipment in an amount of 15,753 KM and given advance for investments to the supplier Agency "SARA COM" d.o.o. Sarajevo in an amount of 9,126 KM.



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**NOTE 18. DEMAND DEPOSITS**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Citizens:		
- in BAM	12,108	9,494
- in foreign currency	11,387	8,296
Enterprises:		
- in BAM	6,910	7,862
- in foreign currency	144	234
Non-for-profit organization:		
- in BAM	431	362
- in foreign currency	11	3
State institutions:		
- in BAM	4,804	3,417
- in foreign currency	8	6
Other – in BAM	5	16
<b>Total</b>	<b>35,808</b>	<b>29,690</b>

Bank is not calculated the interest rates on demand deposits during 2016 and 2015.

**NOTE 19. SAVINGS AND TIME DEPOSITS**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Citizens:		
- in BAM	4,924	4,099
- in foreign currency	23,787	23,166
Legal entities (companies):		
- in foreign currency	112	162
<b>Total</b>	<b>28,823</b>	<b>27,427</b>

For term deposits Bank paid interest at rates in the range of 0.20% to 3.40% (2015: 0.20% to 3.40%).

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**NOTE 20. OTHER LIABILITIES AND ACCRUALS**

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Accrued and not due interest on time deposits	1,318	1,597
Deferred revenue from fee for loan application	364	305
Salaries (gross)	173	141
Suppliers	55	46
Interest payable	57	61
Advance interest repayments	93	84
Dividends	204	204
Provision for severance payment to employee – IAS 19	58	40
Provision for court proceedings and other liabilities	41	37
Accrued and not due interest	8	8
Other liabilities and accruals	150	66
	<b>2,521</b>	<b>2,589</b>
Provision for contingent liabilities and commitments	122	133
<b>Total</b>	<b>2,643</b>	<b>2,722</b>

**NOTE 21. CONTINGENT LIABILITIES AND COMMITMENTS**

Total contingencies and commitments at 31 December were as follows:

<b>(In thousands of BAM)</b>	<b>2016</b>	<b>2015</b>
Payment guarantees		
- in BAM	873	663
Performance guarantees		
- in BAM	3,381	2,870
- in foreign currency	299	-
Undrawn loans		
- in BAM	1,807	1,968
	<b>6,360</b>	<b>5,501</b>
Provisions for possible losses	(122)	(133)
<b>Total</b>	<b>6,238</b>	<b>5,368</b>

**NOTE 22. RELATED PARTY TRANSACTIONS**

Related parties, as defined by IAS 24, are those counter parties that represent:

a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise. (This includes holding companies, subsidiaries and fellow subsidiaries);

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- b) associates-enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- c) individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank, and anyone expected to influence, or be influenced by, that person in their dealings with the Bank;
- d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank and close members of the families of such individuals; and
- e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank.
- In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions with related parties can be presented as follows:

	31 December 2016			31 December 2015		
	Receivables	Liabilities	Off-balance	Receivables	Liabilities	Off-balances
Management, Supervisory board members and other related parties	143	433	808	124	210	814

	2016		2015	
	Income	Expenses	Income	Expenses
Management, Supervisory board members and other related parties	26	9	22	9

	2016	2015
Loans to shareholders (other than included in tables above)	1,036	1,528
Liabilities for dividends	-	204
Contingent liabilities to shareholders	9	9
<b>Total</b>	<b>1,045</b>	<b>1,741</b>

The transactions presented above are made under regular commercial terms.

The compensations of Directors, Supervisory Board, Audit Committee and other members of key management were as follows:

	2016	2015
Compensations for directors and other key management	129	124
Taxes and contributions	72	71
<b>Total</b>	<b>201</b>	<b>195</b>



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**NOTE 23. CURRENCY ANALYSIS**

Amounts of assets and liabilities held in BAM and in foreign currency as at 31 December 2016 are analysed as follows:

(In thousands of BAM)	EUR	USD	Other currencies	Total Foreign Currency	BAM	Total
<b>ASSETS</b>						
Cash and current account with banks	8,485	2,433	1,339	12,257	6,066	18,323
Balances with the Central Bank of BiH	-	-	-	-	21,543	21,543
Loans and advances to customers	26,995	-	-	26,995	19,529	46,524
Long term investments	-	-	-	-	18	18
Accrued interest and other assets	215	-	-	215	210	425
Intangible fixed assets	-	-	-	-	106	106
Tangible fixed assets	-	-	-	-	5,735	5,735
<b>TOTAL ASSETS (1)</b>	<b>35,695</b>	<b>2,433</b>	<b>1,339</b>	<b>39,467</b>	<b>53,207</b>	<b>92,674</b>
<b>LIABILITIES</b>						
Demand deposits	10,647	444	459	11,550	24,258	35,808
Savings and time deposits	23,372	66	349	23,787	5,036	28,823
Other liabilities and accruals	1,256	1	3	1,260	1,383	2,643
<b>TOTAL LIABILITIES (2)</b>	<b>35,275</b>	<b>511</b>	<b>811</b>	<b>36,597</b>	<b>30,677</b>	<b>67,274</b>
<b>NET ASSETS / LIABILITIES</b>						
<b>(1) - (2)</b>	<b>420</b>	<b>1,922</b>	<b>528</b>	<b>2,870</b>	<b>22,530</b>	<b>25,400</b>

The Bank is exposed to the risk of course variety through transactions in foreign currency. Exposure to foreign currency risk arises from credit, deposit, investments and trading activities, and is controlled daily according to the law and internal defined limits for each foreign currency and for total assets and liabilities denominated in foreign currency or with currency clause.

Operational activities of the Bank are primarily focused on minimizing mismatch between assets and liabilities denominated in foreign currency or with currency clause.

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**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 23. CURRENCY ANALYSIS (continued)**

Amounts of assets and liabilities held in BAM and in foreign currency as at 31 December 2015 are analysed as follows:

(In thousands of BAM)	EUR	USD	Other currencies	Total Foreign Currency	BAM	Total
<b>ASSETS</b>						
Cash and current account with banks	5,308	2,207	1,475	8,989	5,047	14,037
Balances with the Central Bank of BiH	-	-	-	-	21,375	21,375
Placements at other banks	10	-	-	10	-	10
Loans and advances to customers	29,016	-	-	29,016	13,300	42,316
Long term investments	-	-	-	-	18	18
Accrued interest and other assets	186	-	-	186	114	300
Intangible fixed assets	-	-	-	-	116	116
Tangible fixed assets	-	-	-	-	5,645	5,645
<b>TOTAL ASSETS (1)</b>	<b>34,520</b>	<b>2,207</b>	<b>1,475</b>	<b>38,201</b>	<b>45,615</b>	<b>83,817</b>
<b>LIABILITIES</b>						
Demand deposits	7,571	554	414	8,539	21,151	29,690
Savings and time deposits	22,753	40	373	23,166	4,261	27,427
Other liabilities and accruals	1,486	1	4	1,491	1,231	2,722
<b>TOTAL LIABILITIES (2)</b>	<b>31,810</b>	<b>595</b>	<b>791</b>	<b>33,196</b>	<b>26,643</b>	<b>59,839</b>
<b>NET ASSETS / LIABILITIES</b>						
<b>(1) - (2)</b>	<b>2,710</b>	<b>1,612</b>	<b>684</b>	<b>5,006</b>	<b>18,972</b>	<b>23,978</b>

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**NOTE 24. MATURITY ANALYSIS**

The amounts of assets and liabilities as at 31 December 2016 are analysed within particular periods at the balance sheet date, depending on the contractual maturity dates as follows:

(In thousands of BAM)	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	1 –5 years	Over 5 years	Total
<b>SREDSTVA</b>						
Cash and current account with banks	16,478	1,845	-	-	-	18,323
Balances with the Central Bank of BiH	21,543	-	-	-	-	21,543
Loans and advances to customers	1,841	3,100	11,715	25,040	4,828	46,524
Long term investments	-	-	-	4	14	18
Accrued interest and other assets	424	1	-	-	-	425
Intangible fixed assets	-	-	-	106	-	106
Tangible fixed assets	-	-	-	-	5,735	5,735
	<b>40,286</b>	<b>4,946</b>	<b>11,715</b>	<b>25,150</b>	<b>10,577</b>	<b>92,674</b>
<b>TOTAL ASSETS (1)</b>						
<b>LIABILITIES</b>						
Demand deposits	35,808	-	-	-	-	35,808
Savings and time deposits	741	2,726	7,526	17,797	33	28,823
Other liabilities and accruals	962	131	503	1,028	19	2,643
	<b>37,511</b>	<b>2,857</b>	<b>8,029</b>	<b>18,825</b>	<b>52</b>	<b>67,274</b>
<b>TOTAL LIABILITIES (2)</b>						
<b>NET ASSETS/ LIABILITIES (1) - (2)</b>	<b>2,775</b>	<b>2,089</b>	<b>3,686</b>	<b>6,325</b>	<b>10,525</b>	<b>25,400</b>



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**NOTE 24. MATURITY ANALYSIS (continued)**

The amounts of assets and liabilities at 31 December 2015 are analysed within particular periods at the balance sheet date, depending on the contractual maturity dates as follows:

(In thousands of BAM)	Up to 1month	From 1 to 3 months	From 3months to 1 year	1 –5 years	Over 5 years	Total
<b>SREDSTVA</b>						
Cash and current account with banks	12,256	1,780	-	-	-	14,036
Balances with the Central Bank of BiH	21,375	-	-	-	-	21,375
Placements with other banks	-	10	-	-	-	10
Loans and advances to customers	2,870	2,274	10,730	22,573	3,869	42,316
Long term investments	-	-	-	4	14	18
Accrued interest and other assets	296	3	1	-	-	300
Intangible fixed assets	-	-	-	116	-	116
Tangible fixed assets	-	-	-	-	5,646	5,646
<b>TOTAL ASSETS (1)</b>	<b>36,797</b>	<b>4,067</b>	<b>10,731</b>	<b>22,693</b>	<b>9,529</b>	<b>83,817</b>
<b>LIABILITIES</b>						
Demand deposits	29,690	-	-	-	-	29,690
Savings and time deposits	1,574	1,776	9,086	14,988	3	27,427
Other liabilities and accruals	888	263	642	913	16	2,722
<b>TOTAL LIABILITIES (2)</b>	<b>32,152</b>	<b>2,039</b>	<b>9,728</b>	<b>15,901</b>	<b>19</b>	<b>59,839</b>
<b>NET ASSETS/ LIABILITIES</b>						
<b>(1) - (2)</b>	<b>4,646</b>	<b>2,028</b>	<b>1,003</b>	<b>6,792</b>	<b>9,509</b>	<b>23,978</b>

**NOTE 25. – POST BALANCE SHEET EVENTS**

No other events have occurred after the balance sheet date, which significantly affect the state of affairs of the Bank at the balance sheet date or which require additional disclosure.