



# Annual Report 2016

# Survey of key data

Raiffeisen banka a.d.			
Monetary values are in thousands RSD	2016	Change	2015
<b>Income Statement</b>			
Net interest income after provisioning	9,330,045	7.13%	8,709,194
Net commission income	3,602,600	1.75%	3,540,479
Net trading income	50,617	-2,660.29%	(1,977)
General administrative expenses	(8,550,8369)	(3.47)%	(8,858,307)
Profit before tax	6,171,708	27.37%	4,845,320
Profit after tax	5,411,291	24.63%	4,341,952
<b>Balance Sheet</b>			
Loans and advances to banks	18,116,154	(37.24)%	28,864,439
Loans and advances to customers	124,648,696	6.36%	117,196,887
Amounts owed to other banks	3,433,429	11.51%	3,078,982
Amounts owed to customers	191,661,377	9.95%	174,319,264
Equity (incl. minorities and profit)	56,138,115	1.87%	55,105,451
Balance-sheet total	254,024,727	8.36%	234,426,451
<b>Regulatory information</b>			
Total own funds	51,293,233	0.24%	51,170,411
Own funds requirement	15,269,746	3.59%	14,740,902
Core capital ratio	26.87%	(4.05)%	28.01%
Own funds ratio	26.87%	(3.23)%	27.77%
<b>Performance</b>			
Return on equity (ROE) before tax	11.23%	28.85%	8.72%
Return on equity (ROE) after tax	9.85%	25.98%	7.82%
Cost/income ratio	56.39%	2.58%	54.97%
Return on assets (ROA) before tax	2.53%	21.39%	2.08%
Risk/earnings ratio	2.13%	(87.43)%	16.93%
<b>Resources</b>			
Number of staff on balance-sheet date	1,458	(1.62)%	1,482
Business outlets	85	2.41%	83

# Pregled najvažnijih podataka

Raiffeisen banka a.d.			
Vrednosti su izražene u hiljadama dinara	2016	Promena	2015
<b>Bilans uspeha</b>			
Neto dobitak po osnovu kamata posle rezervisanja	9.330.045	7,13%	8.709.194
Neto dobitak po osnovu naknada i provizija	3.602.600	1,75%	3.540.479
Neto prihodi od trgovanja	50.617	(2.660,29)%	(1.977)
Administrativni troškovi	(8.550.836)	(3,47)%	(8.858.307)
Dobitak pre oporezivanja	6.171.708	27,37%	4.845.320
Dobitak posle oporezivanja	5.411.291	24,63%	4.341.952
<b>Bilans stanja</b>			
Plasmani bankama	18.116.154	(37,24)%	28.864.439
Plasmani klijentima	124.648.696	6,36%	117.196.887
Obaveze prema bankama	3.433.429	11,51%	3.078.982
Obaveze prema klijentima	191.661.377	9,95%	174.319.264
Kapital	56.138.115	1,87%	55.105.451
Bilans stanja - ukupno	254.024.727	8,36%	234.426.451
<b>Kontrolne informacije</b>			
Ukupni sopstveni kapital	51.293.233	0,24%	51.170.411
Potreban sopstveni kapital	15.269.746	3,59%	14.740.902
Adekvatnost kapitala (osnovni kapital)	26,87%	(4,05)%	28,01%
Adekvatnost kapitala (ukupni kapital)	26,87%	(3,23)%	27,77%
<b>Pokazatelji poslovanja</b>			
Stopa povraćaja kapitala pre oporezivanja	11,23%	28,85%	8,72%
Stopa povraćaja kapitala posle oporezivanja	9,85%	25,98%	7,82%
Odnos rashoda i prihoda	56,39%	2,58%	54,97%
Stopa povraćaja aktive	2,53%	21,39%	2,08%
Učešće ispravke vrednosti u neto prihodima od kamate	2,13%	(87,43)%	16,93%
<b>Izvori</b>			
Broj zaposlenih na dan bilansa	1.458	(1,62)%	1.482
Broj poslovnica	85	2,41%	83

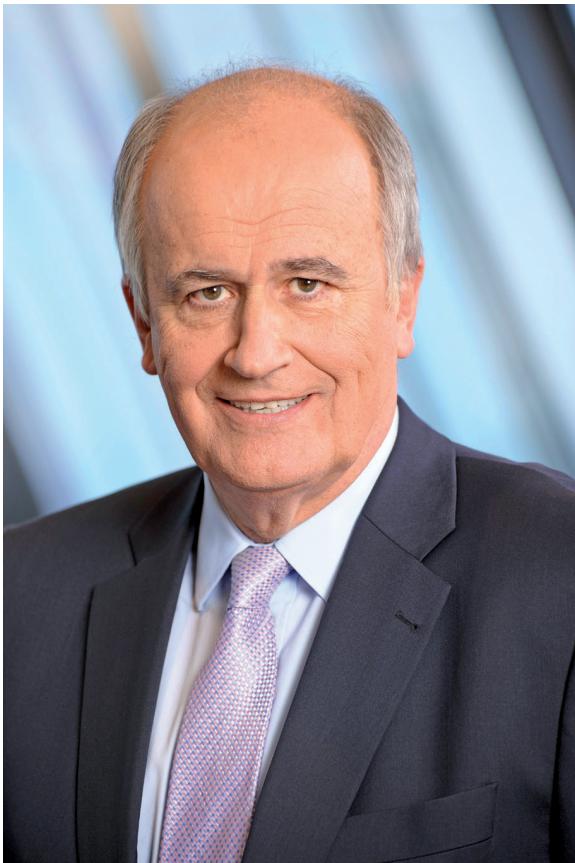
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# Report of the Board of Directors



Following an extensive evaluation phase, on 5 October 2016, the Management and Supervisory Boards of RBI and RZB passed in principle a resolution to merge RBI and RZB. The Extraordinary General Meeting of RBI approved the merger with RZB by a clear majority on 24 January 2017. The merger is effective once it has been entered in the commercial register, which is expected by the end of March 2017 at the latest.

The strengths of the merged entity will build on prior achievements. These include the geographic footprint in the attractive growth markets of CEE, with top-five market positions in 9 of a total of 14 markets, as well as a stable business in Austria. The focus will remain on long-term customer relationships in the respective local markets. As a customer-oriented universal bank, solutions to address corporate customer needs based on local market access and an extensive network, along with a comprehensive multi-channel offering for retail customers in CEE, play an important role in the overall focus.

As far as Raiffeisen banka a.d. Beograd is concerned, it gives me great pleasure to inform you that the bank successfully finished another business year, which clearly shows that the bank rightly responded to the challenges presented by the business environment.

It should be noted that Raiffeisen banka a.d Beograd, acting as an underwriter, successfully launched the first issue of bonds denominated in dinars, with the European Bank for Reconstruction and Development as issuer. The importance of this transaction lies in the fact that this was the first ever such transaction in the local market, whereby the bank made an important contribution to the development of the capital market.

It is of utmost importance that clients have recognized Raiffeisen banka as a reliable partner which is able to offer services in line with global standards, while continuously striving to offer support to our clients in their successful business activities in an environment of numerous challenges both in the domestic and in international markets.

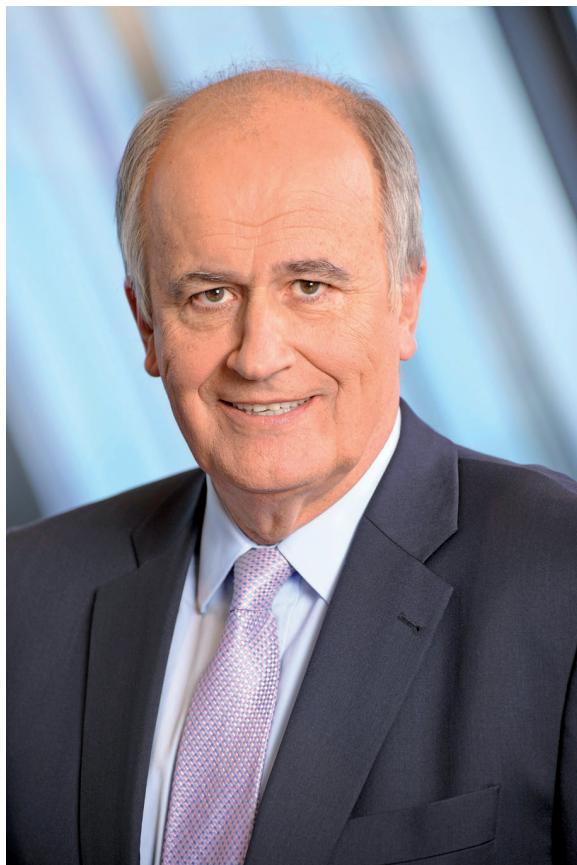
I would like to take this opportunity to thank all employees of Raiffeisen banka a.d. Beograd for their hard work and constant efforts to serve our customers and bring benefits to the entire Raiffeisen Group.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "Karl Sevelda".

Karl Sevelda  
Chairman

# Izveštaj predsednika Upravnog odbora



Dame i gospodo,

Finansijskom 2016. godinom dominirala su dva ključna pitanja: Prvo, tržišno okruženje, koje je i dalje puno izazova zbog veoma niskog nivoa kamatnih stopa, te kontinuiranog visokog regulatornog i političkog pritiska i drugo, početak procesa procene spajanja RBI i RZB-a.

Zahtevi prema bankama u vezi sa kapitalizacijom značajno su uvećani nakon finansijske krize 2008. godine, a došlo je i do sveobuhvatnog pooštravanja regulative od strane nacionalnih i međunarodnih regulatora. U februaru 2015. godine uveden je program transformacije sa ciljem da se ojača kapitalna baza – cilj je bila stopa osnovnog kapitala 1 (*fully loaded*) od najmanje 12%, smanjenje kompleksnosti i značajno umanjenje troškova. Sa stopom osnovnog kapitala 1 (*fully loaded*) od 13,6% na dan 31. decembra 2016. godine, RBI je ostvarila svoj cilj pre nego što je planirano.

Nakon detaljne faze procene, dana 5. oktobra 2016. godine, Izvršni i Nadzorni odbori RBI i RZB doneli su načelu odluku da se izvrši spajanje RBI i RZB. Vanredna skupština RBI odobrila je spajanje sa RZB jasnom većinom dana 24. januara 2017. godine. Spajanje stupa na snagu nakon upisa u trgovinski register, što se očekuje najkasnije do kraja marta 2017. godine.

Snage spojene kompanije nastaviće da rastu na osnovu ranijih postignuća. Ova uključuju geografsko prisustvo na atraktivnim tržištima u razvoju srednje i istočne Evrope, sa tržišnom pozicioniranošću među prvih pet na 9 od ukupno 14 tržišta, kao i stabilno poslovanje u Austriji. Kompanija će zadržati orientaciju na dugoročne odnose sa klijentima na odgovarajućim lokalnim tržištima. Kao univerzalna banka orijentisana prema klijentima, važnu ulogu u ukupnom usmerenju igraju rešenja koja odgovaraju na potrebe klijenata iz privrede zasnovana na pristupu lokalnim tržištima i širokoj mreži, zajedno sa sveobuhvatnom ponudom preko više prodajnih kanala za klijente-fizička lica u srednjoj i istočnoj Evropi.

Što se tiče Raiffeisen banke a.d. Beograd, zadovoljstvo mi je što mogu da vas u ime Upravnog odbora obavestim da je banka uspešno završila još jednu poslovnu godinu, što jasno ukazuje da je banka imala prave odgovore na izazove poslovnog okruženja.

Potrebno je napomenuti da je Raiffeisen banka a.d Beograd kao pokrovitelj uspešno plasirala prvu emisiju obveznica denominovanih u dinarima čiji je izdavalac Evropska banka za obnovu i razvoj. Značaj ove transakcije je činjenica da se po prvi put realizovala na domaćem tržištu čime je banka bitno doprinela razvoju tržišta kapitala.

Od izuzetne važnosti je što su klijenti prepoznali u Raiffeisen banci pouzdanog partnera koji je u mogućnosti da pruži usluge u skladu sa svetskim standardima i uz stalno nastojanje da se klijentima pruži podrška u uspešnom radu u uslovima brojnih izazova kako na domaćem, tako i na međunarodnim tržištima.

Želeo bih da iskoristim ovu priliku da se zahvalim svim zaposlenima Raiffeisen banke a.d. Beograd na njihovom zaloganju i stalnim naporima da budu na usluzi našim klijentima i ostvare dobit za celu Raiffeisen grupaciju.

U ime Upravnog odbora,

Karl Sevelda  
Predsednik

# Introductory Address by the Chairman of the Managing Board



Dear shareholders and business partners,

It is my pleasure to inform you in the name of the Managing Board of Raiffeisen banka a.d. Beograd that the bank has successfully completed another business year. The profit before tax realized in 2016 amounted to 50.1 million euros and thus was 25 per cent higher than in the year before. This is clear proof that the bank successfully overcame many challenges both on the local and on the international markets.

The fifteenth, jubilee anniversary of Raiffeisen banka's business activities in Serbia was marked by continuous application of the principle that the bank's priority is to provide quality services to clients and develop mutual cooperation and trust with the aim to overcome current problems and business limitations.

In 2016, we confirmed once again that Raiffeisen banka greatly contributes to the development of the country's banking sector and capital market and that it is able to provide clients with services in line with global standards. Namely, in the last quarter of 2016, Raiffeisen banka, acting as underwriter, successfully placed the first issue of bonds denominated in dinars, the issuer of which was the European Bank for Reconstruction and Development. The transaction represents the first public sale of bonds issued in our market by supranational institutions.

The bank's successful operations were also recognized by the "Best Bank" awards issued by the leading global financial magazines "Euromoney" and "EMEA Finance".

The experience and support of the Raiffeisen Banking Group, one of the oldest and largest banking groups in Austria, greatly contributed to the success of Raiffeisen banka.

Raiffeisen banka provides significant support to the business activities of its subsidiaries Raiffeisen Leasing, Raiffeisen Future Voluntary Pension Fund, as well as Raiffeisen Invest Investment Fund Management Company.

Being aware of the social responsibility towards the community where it does business, Raiffeisen banka initiated and supported a range of activities in 2016, organized with the aim of improving the quality of life of both the citizens and its employees.

Good results realized by the bank, clients' trust, as well as the significant role and position it has in the market, have been realized thanks to the great dedication of its employees, professional attitude to business and team work. I would like to use this opportunity to thank all of them, in the name of the Managing Board, on their outstanding efforts and on their personal commitment.

Raiffeisen banka's activities will stay focused on a high-quality professional stance towards challenges that lie ahead, firmly committed to improving the business environment in the country, while providing support to clients in their successful work. Business partnerships with clients will remain a priority in the following year as well, to our mutual satisfaction.

Zoran Petrović  
Chairman of the Managing Board

# Uvodna reč predsednika Izvršnog odbora



Poštovani akcionari i poslovni partneri,

Zadovoljstvo mi je što mogu da vas u ime Izvršnog odbora obavestim da je Raiffeisen banka a.d. Beograd uspešno završila još jednu poslovnu godinu. Ostvaren profit pre oporezivanja u 2016. godini u iznosu od 50,1 miliona evra je za 25% veći nego u prethodnoj godini. To je jasan dokaz da je banka uspešno savladala brojne izazove kako na domaćem, tako i na međunarodnim tržištima.

Petnaesta, jubilarna godina rada Raiffeisen banke u Srbiji obeležena je kontinuiranom primenom principa da je prioritet za banku pružanje kvalitetnog servisa klijentima i razvoj međusobne saradnje i poverenja u cilju prevazilaženja tekućih problema i ograničenja u radu.

U 2016. godini smo još jednom potvrdili da Raiffeisen banka bitno doprinosi razvoju bankarskog sektora i tržišta kapitala u zemlji i da je u mogućnosti da pruži usluge klijentima u skladu sa svetskim standardima. Naime, u poslednjem kvartalu, Raiffeisen banka je kao pokrovitelj uspešno plasirala prvu emisiju obveznica denominovanih u dinarima čiji je izdavalac Evropska banka za obnovu i razvoj. Transakcija predstavlja prvu javnu prodaju obveznica emitovanih na našem tržištu od strane nadnacionalnih institucija.

Potvrda uspešnog rada banke su i nagrade vodećih svetskih finansijskih magazina za najbolju banku dodeljene od strane magazina „Euromoney“ i „EMEA Finance“.

Uspehu banke doprinelo je iskustvo i podrška Raiffeisen bankarske grupacije, jedne od najstarijih i najvećih bankarskih grupacija u Austriji.

Raiffeisen banka pruža značajnu podršku u radu kompanijama Raiffeisen Leasing, Raiffeisen Future, dobrovoljni penzioni fond, kao i Raiffeisen Invest društvu za upravljanje investicionim fondovima.

Svesna društvene odgovornosti prema zajednici u kojoj posluje, Raiffeisen banka je i u 2016. godini inicirala i podržala niz akcija koje su bile organizovane sa ciljem poboljšanja kvaliteta života građana i svojih zaposlenih.

Dobri rezultati koje je banka ostvarila, poverenje klijenata, kao i značajna uloga i pozicija koju ima na tržištu, ostvareni su zahvaljujući izuzetnom zalaganju zaposlenih, profesionalnom odnosu prema poslu i timskom radu. Ovom prilikom im se, u ime Izvršnog odbora, zahvaljujem na uloženom trudu i ličnom angažovanju.

Aktivnosti Raiffeisen banke će i u narednoj godini biti usmerene na visoko profesionalni odnos prema izazovima koji nas očekuju u cilju doprinosa poboljšanju poslovnog ambijenta u zemlji, a time i podrške klijentima za uspešan rad. Partnerski odnosi sa klijentima biće i u narednoj godini prioritet u saradnji na obostrano zadovoljstvo.

Zoran Petrović  
Predsednik Izvršnog odbora

# Vision & Mission Statement of Raiffeisen banka a.d. Beograd

## Vision

Raiffeisen banka a.d. Beograd is one of the top-three banks in all target customer segments across the country.

## Mission

- We seek long-term customer relationships and we are a reliable and constructive partner for our customers.
- We are delivering quality products and services to our customers by exploiting the benefits of digital transformation.
- We are an efficient and lean organization. We exploit synergies within the bank and with all our subsidiaries to the fullest extent possible.
- Prudent risk management is a key pillar throughout our organization and processes.
- As part of the RBI Network we contribute to the achievement of the overall Group objectives, and generate sustainable and above-average return on equity.
- We empower our employees to be entrepreneurial, to show initiative, and we foster their development. We are the employer of first choice, and we put special focus on the promotion of key staff and best talent.

# Vizija i misija Raiffeisen banke a.d. Beograd

## Vizija

Raiffeisen banka a.d. Beograd je jedna od vodeće tri banke u svim ciljnim klijentskim segmentima širom zemlje.

## Misija

- Želimo da gradimo dugoročnu saradnju sa našim klijentima za koje smo pouzdan i konstruktivan partner.
- Našim klijentima obezbeđujemo kvalitetne proizvode i usluge koristeći prednosti digitalne transformacije.
- Mi smo efikasna i ekonomična organizacija. Poslujemo u sinergiji unutar banke, kao i sa svim našim ograncima u najvećem mogućem obimu.
- Pažljivo upravljanje rizikom je stub oslonca naše celokupne organizacije i procesa.
- Kao članica RBI mreže, doprinosimo postizanju ukupnih ciljeva grupacije, stvarajući održivu i natprosečnu stopu prinosa na kapital.
- Ohrabrujemo naše zaposlene da budu preduzimljivi i pokazuju inicijativu, te podstičemo njihov razvoj. Mi smo izvanredan poslodavac koji stavlja poseban akcenat na unapređenje ključnog osoblja i najdarovitijih pojedinaca.

# Raiffeisen Bank International at a Glance

Raiffeisen Bank International AG regards Central and Eastern Europe (including Austria) as its home market. For over 25 years, RBI has been operating in CEE, where today it maintains a closely-knit network of subsidiary banks, leasing companies and numerous specialized financial service providers. As a universal bank, RBI ranks among the top five banks in several countries. This role is supported by the Raiffeisen brand, which is one of the most widely recognized brands in the region. RBI has positioned itself in CEE as a fully integrated corporate and retail banking group with a comprehensive product offering. In CEE, at the end of 2016, around 46,000 RBI employees served some 14.1 million customers in around 2,500 business outlets. In Austria, RBI is one of the top corporate and investment banks. It primarily serves Austrian customers, but also international customers and large multinational corporate customers operating in CEE. All in all, RBI employs about 51,000 people and has total assets of approximately € 114 billion.

Raiffeisen Zentralbank Österreich (RZB AG) was established in 1927 as "Girozentrale der österreichischen Genossenschaften" and at that time served as the liquidity balancing center for Austria's agricultural cooperatives, as envisioned by social reformer Friedrich Wilhelm Raiffeisen.

RZB AG had one of the largest banking networks in CEE through its subsidiary, Raiffeisen Bank International (RBI AG), which has been listed on the stock exchange since 2005. At the end of 2016, RZB AG held approximately 60.7 per cent of RBI's stock, with the remaining shares in free float. RZB AG was primarily owned by the eight Raiffeisen regional banks and served as their central institution pursuant to the Austrian Banking Act (BWG). Following the merger between RZB AG and RBI AG, effective retroactively as of 30 June 2016, RBI AG will assume the role of RZB's central institution by way of universal succession.

# Kratak pregled Raiffeisen Bank International

Raiffeisen Bank International AG (RBI), a svojim matičnim tržištem smatra srednju i istočnu Evropu (uključujući Austriju). RBI posluje na području srednje i istočne Europe već preko 30 godina, gde danas održava gustu mrežu svojih poslovnica, lizing kompanija i brojnih specijalizovanih ponuđača finansijskih usluga. Kao univerzalna banka, RBI je među vodećih pet banaka u nekoliko zemalja. Ovu ulogu banke podržava Raiffeisen brend, koji je jedan od najprepoznatljivijih u regionu. RBI je vremenom utvrdila svoju poziciju potpuno integrisane bankarske grupacije sa širokom ponudom proizvoda za privredu i fizička lica u srednjoj i istočnoj Evropi. Krajem 2016. godine, oko 46.000 zaposlenih usluživalo je približno 14,1 miliona klijenata u oko 2.500 poslovnica u srednjoj i istočnoj Evropi. RBI je jedna od najboljih privrednih i investicionih banaka u Austriji. Prvenstveno uslužuje austrijske klijente, ali takođe i međunarodne, kao i vodeće multinacionalne klijente koji posluju u srednjoj i istočnoj Evropi. RBI zapošljava ukupno oko 51.000 zaposlenih i ima ukupnu aktivu od približno 114 milijardi evra.

Raiffeisen Zentralbank Österreich (RZB AG) osnovana je 1927. godine pod imenom "Girozentrale der österreichischen Genossenschaften" i u to vreme služila je kao centar za održavanje likvidnosti austrijskih poljoprivrednih kooperativa, po zamisli društvenog reformatora Fridriha Vilhelma Raifajzena (Friedrich Wilhelm Raiffeisen).

RZB AG imala je jednu od najvećih bankarskih mreža na području srednje i istočne Europe preko svog ogranka Raiffeisen Bank International (RBI AG), koji je listiran na berzi od 2005. godine. Krajem 2016. godine, RZB AG držala je oko 60,7% deonica RBI, dok su preostale u slobodnoj prodaji. RZB AG bila je prvenstveno u vlasništvu osam Raiffeisen regionalnih banaka i služila je kao centralna institucija prema austrijskom pravilniku o bankarskom poslovanju (BWG). Nakon spajanja kompanija RZB AG i RBI AG, koje retroaktivno stupa na snagu od dana 30. juna 2016. godine, RBI AG preuzeće ulogu centralne institucije RBG po osnovu univerzalne sukcesije.

# Macroeconomic Environment, Opportunities for Foreign Investors and Perspectives

The success achieved in public sector reforms, reflected in the significant reduction of budget deficit, enticed the leading party to schedule the second early parliamentary elections in April 2016, with the aim to ensure additional support in the reform of public administration and public enterprises. The party Srpska Napredna Stranka (SNS) won 48.25 percent of votes, i.e. 131 seats in the National Assembly, while the Socialist Party of Serbia (SPS) came second with 10.95 percent of votes and 29 seats in Parliament. After a long-year absence in the National Assembly, the Serbian Radical Party (SRS) returned, winning 8.10 percent of votes and 22 delegate mandates.

Contrary to the expectations of the market that Great Britain's referendum decision on leaving the European Union will close or slow down the process of joining the EU, the opposite happened, the integration process was intensified. After two chapters had been opened end 2015: No. 32, dealing with financial control and No. 35, dealing with the normalization of relations between Belgrade and Priština, the government opened as many as four chapters in 2016: chapter 23 (legal system and basic rights), chapter 24 (justice, freedom and safety), chapter 5 (public procurement) and chapter 25 (science and research).

The government successfully fulfilled the criteria set in the stand-by agreement signed with the International Monetary Fund (IMF) in 2015, as part of the regular quarterly controls. The IMF evaluated very highly the government's success in achieving a budget surplus, stopping public debt growth and achieving a surprising revival in economic activity. On the other hand, apart from the efforts invested into launching the reforms in public administration and public enterprises, the IMF still recommended speeding up the process in order to limit public debt growth until the year 2018.

The results achieved in fiscal consolidation, the successful reaching of targeted criteria included in IMF's arrangement and economic growth above expectation, realized despite ongoing reforms, resulted in the fact that all three rating agencies improved the country's perspective. Standard and Poor's improved the perspective twice, first from negative to stable, then to positive. Fitch rating agency, apart from improving the perspective, also improved the country's credit rating from B+ to BB-, and Moody's improved the country's perspective from stable to positive.

During the visit of the president of the People's Republic of China, the declaration on comprehensive strategic partnership was signed, as well as several important inter-state agreements. Apart from current projects (Corridor 11, modernization of thermal power plants) and announcing the project of modernization of the Budapest – Belgrade railroad, the Chinese company HIBIS Group bought Steel-mill Smederevo (in state ownership) for € 46 million, while investments in the amount of € 300 million are planned.

## Public Sector Reform

By the end of September 2016, the number of employees in the public sector was downsized by 22,000 through pre-retirement programs and voluntary leaving, and it included public enterprises along with public administration. The rationalization process will be continued in 2017 as well. The most important results in implementing structural reforms were achieved in Elektroprivreda Srbije and in Serbian Railways, while reforms are late in the case of gas manufacturer Srbijagas, Methanol & Acetic Acid Complex (MSK), Azotara and the Mining and Smelting Combine Bor. Further, in line with the IMF's precautionary agreement, the government brought the decision on introducing professional management in all public enterprises.

## Macroeconomic Trends

After GDP growth of 0.8 percent y-o-y in 2015, the economy realized significant growth rates in 2016, primarily thanks to the enviable growth of foreign direct investments (FDI) which had a positive effect on the growth of investments into fixed assets and export growth. FDI growth was supported by the continuation of the government's subsidy program to new investments (both domestic and foreign) on the one side, as well as by growth in investors' trust after the success achieved in the fiscal segment and after the implementation of public sector reforms.

# Makroekonomsko okruženje, mogućnosti za strane investitore i perspektive

Uspeh ostvaren u reformi javnog sektora, koji se ogledao u izuzetno značajnom smanjenju deficitu budžeta, podstakao je vladajuću stranku da raspisne druge vanredne parlamentarne izbore u aprilu 2016. godine sa ciljem da se obezbedi dodatna podrška u reformi javne administracije i javnih preduzeća. Srpska napredna stranka (SNS) osvojila je 48,25% glasova, tj. 131 mandat u Narodnoj skupštini, dok je drugo mesto osvojila Socijalistička partija Srbije (SPS) sa osvojenih 10,95% glasova i 29 poslaničkih mandata. Nakon dugogodišnjeg odsustovanja u Narodnoj skupštini, na ovim izborima vratila se i Srpska radikalna stranka (SRS), koja je osvojila 8,10% glasova i 22 poslanička mandata.

Suprotno očekivanjima tržišta da će referendumска odluka Velike Britanije o izlasku iz Evropske Unije zaustaviti ili usporiti proces pridruživanja Evropskoj Uniji, desilo se upravo suprotno, proces integracije je intenziviran. Nakon što su krajem 2015. godine otvorena prva dva poglavља: 32, koje se bavi finansijskom kontrolom i 35, koje se bavi normalizacijom odnosa između Beograda i Prištine, Vlada je otvorila čak četiri poglavља tokom 2016. godine: poglavље 23 (pravosuđe i osnovna prava), poglavље 24 (pravda, sloboda i bezbednost), poglavље 5 (javne nabavke) i poglavље 25 (nauka i istraživanje).

Vlada je uspešno izvršavala kriterijume postavljene u okviru *stand-by* ugovora iz predostrožnosti potписанog sa Međunarodnim monetarnim fondom (MMF) 2015. godine, a u okviru redovnih kvartalnih kontrola. MMF je izuzetno visoko ocenio uspešnost Vlade u ostvarivanju suficita budžeta, zaustavljanju rasta javnog duga i iznenađujućem rastu ekonomske aktivnosti. S druge strane, i pored uloženih naporu u lansiraju reforme javne administracije i javnih preduzeća, MMF je ipak preporučio ubrzanje procesa kako bi se ograničio rast javnog duga do 2018. godine.

Ostvareni rezultati u fiskalnoj konsolidaciji, uspešno izvršavanje targetiranih kriterijuma u okviru MMF aranžmana i rast ekonomije iznad prvobitnih očekivanja, koji je ostvaren uprkos reformama, rezultirao je da sve tri rejtинг agencije poboljšaju perspektivu zemlje. Standard and Poor's je dva puta poboljšao perspektivu, prvo na stabilnu sa negativne, a potom na pozitivnu. Fitch rejtинг agencija je pored poboljšanja perspektive unapredila i kreditni rejtинг zemlje na BB- sa B+, a Moody's agencija unapredila je perspektivu zemlje sa stabilne na pozitivnu.

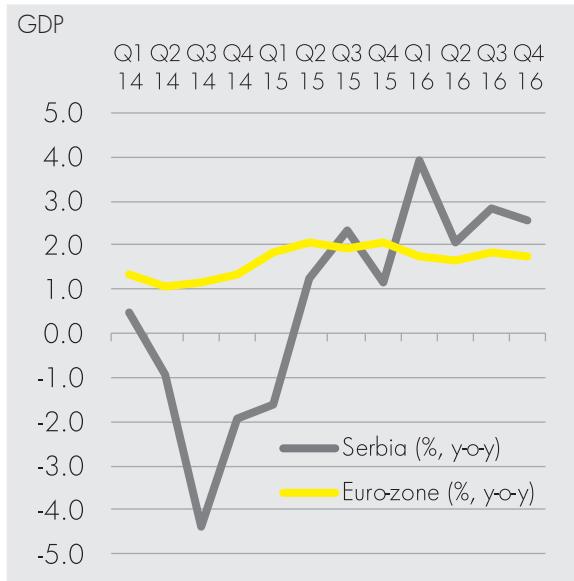
Tokom posete predsednika Narodne Republike Kine, potpisana je deklaracija o sveobuhvatnom strateškom partnerstvu i više važnih međudržavnih sporazuma. Pored postojećih projekata (Koridor 11, modernizacija termoelektrana) i najave projekta modernizacije železničke pruge Budimpešta – Beograd, Kineska kompanija HIBIS grupa kupila je proizvođača čelika Železaru Smederevo (u državnom vlasništvu) za 46 miliona evra, dok su investicije planirane u iznosu od 300 miliona evra.

## Reforma javnog sektora

Do kraja septembra 2016. godine broj zaposlenih u javnom sektoru smanjen je sa 22.000 kroz prevremen i odlazak u penziju i dobrovoljno napuštanje posla i obuhvatio je pored javne administracije i javna preduzeća. Proces racionalizacije biće nastavljen takođe i u toku 2017. godine. Najznačajniji rezultati u sprovođenju strukturalnih reformi postignuti su u Elektroprivredi Srbije kao i u Železnicama Srbije, dok reforme kasne u slučaju proizvođača gasa Srbijagas, Metanolsko-sirčetnog kompleksa (MSK), Azotare i rudarsko-topioničarskog basena Bor. Dalje, Vlada je u skladu sa zahtevom u okviru MMF ugovora iz predostrožnosti donela odluku o uvođenju profesionalnog rukovodstva u svim javnim preduzećima.

## Makroekonomski trendovi

Nakon rasta bruto domaćeg proizvoda (BDP) u iznosu od 0,8% g-n-g u 2015. godini, ekonomija je ostvarivala značajne stope rasta u toku 2016. godine, prvenstveno zahvaljujući zavidnom rastu stranih direktnih investicija (SDI) koje su imale pozitivan efekat na rast investicija u osnovna sredstva i rast izvoza. Rast SDI je sa jedne strane podržan nastavkom Vladinog programa subvencionisanja novih investicija (i domaćih i stranih), kao i rastom poverenja investitora nakon ostvarenog uspeha u fiskalnoj sferi, a nakon implementacije reformi javnog sektora.



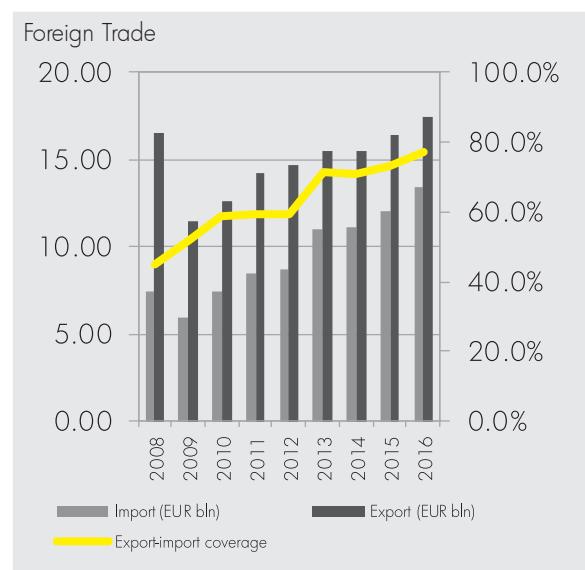
Private consumption is still on a very low level even beside employment growth, due to the rather low average salary, while public consumption slowed down growth because of saving measures implementation. In the first quarter, GDP rose by 3.9 percent y-o-y, partly due to the base effect, it slowed down growth in the second quarter (plus 2.0 percent y-o-y), it recovered in the third quarter at 2.8 percent y-o-y and achieving growth rate of 2.5% y-o-y in the fourth quarter. The industries which contributed to economy growth the most in the fourth quarter of 2016 were: agriculture (due to the very good season), wholesale and retail trade and manufacturing, supply of electrical power, gas and steam, water supply and waste water management. Following the high growth rates achieved in the several quarters, construction achieved negative growth rate in the fourth quarter due to the lower activities during the winter season.

Even besides implementing rationalization measures in public administration during 2016, the unemployment rate was constantly falling, due to the positive effect of inflow of foreign direct investments. The unemployment rate fell from 19.0 percent at the beginning of the year to 13.0 percent in the fourth quarter of 2016, which is the lowest level of this indicator since the introduction of unemployment monitoring according to the methodology of the International Work Organization. Further, infrastructural projects also contributed to the improvement of this indicator, although, according to the Statistical Office of Serbia, employment was mostly generated in agriculture and the processing industry.

The slowing down of the industrial production in 2016 (plus 4.7 percent since the start of the year), compared to the same period in the previous year (plus 8.2 percent since the beginning of the year) was mostly the result of a growth slow-down of mining (plus 4.0 percent since the start of the year) and supply of electrical power, gas, steam and air-conditioning (plus 2.7 percent since the start of the year), compared to 10.5 percent since the start of the year and 18.8 percent since the start of the year, respectively in 2015. The reason that lies behind is that the base effect ceased to exist, having in mind that growth in the energy supply sector in 2015 was generated by the effect of removing damages caused by floods in 2014.

An encouraging fact is that the processing industry realized an unchanged growth rate in 2016 (plus 5.3 percent since the start of the year) compared to 2015. The growth of the processing industry was supported by a new investment cycle and is the result of the growth of the production of foods, tobacco products, chemical products, electronic equipment, furniture, etc. The vehicle production in FIAT Kragujevac was falling in 2016 (minus 7.6 percent since the start of the year) due to the fall in demand for FIAT vehicles, which is partly a result of demand saturation for the same model that was launched four years ago.

Export maintained a more or less similar growth trend in 2016 (plus 11.5 percent since the start of the year) compared to 2015 (plus 11.0 percent since the start of the year). Although the export of FIAT vehicles dominated in export structure, export growth was generated by a broad range of various industries, thanks to inflow of FDIs, including: industrial and electrical machinery, furniture, clothing, chemical products, tobacco, fruit and vegetables and others.





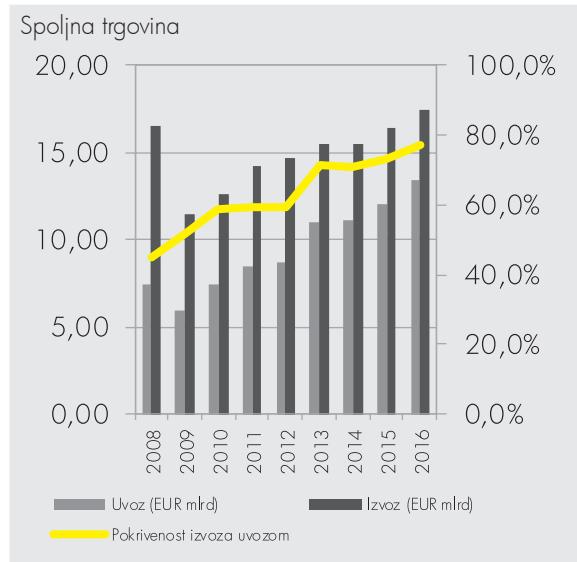
Privatna potrošnja je još uvek na niskom nivou i pored rasta zaposlenosti usled dosta niske prosečne plate, dok je javna potrošnja usporavala rast zbog sprovođenja mera štednje. U prvom kvartalu, BDP je porastao za 3,9% g-n-g delimično usled baznog efekta, u drugom kvartalu je usporio rast (+2,0 % g-n-g), u trećem kvartalu se oporavlja na 2,8% g-n-g i u poslednjem kvartalu ostvaruje stopu rasta od 2,5% g-n-g. Sektori koji su najviše doprineli rastu ekonomije u četvrtom kvartalu 2016. godine su: poljoprivreda (usled dobre sezone), trgovina na veliko i malo i prerađivačka industrija, snabdevanje električnom energijom, gasom i parom, snabdevanje vodom i upravljanje otpadnim vodama. Posle visokih stopa rasta ostvarenih u većem broju kvartala, građevinarstvo je ostvarilo negativnu stopu rasta u četvrtom kvartalu usled smanjene aktivnosti tokom zimskog perioda.

I pored sprovođenja mera racionalizacije broja zaposlenih u javnoj administraciji tokom 2016. godine, stopa nezaposlenosti bila je konstantno u padu, usled pozitivnog efekta priliva stranih direktnih investicija. Stopa nezaposlenosti je sa 19,0% na početku godine pala na 13,0% u četvrtom kvartalu 2016. godine, što je najniži nivo ovog pokazatelja od uvođenja praćenja nezaposlenosti prema metodologiji Međunarodne organizacije rada. Dalje, infrastrukturalni projekti su takođe doprineli poboljšanju ovog pokazatelja, mada, prema Statističkom zavodu Srbije, zaposlenost je najvećim delom generisana u poljoprivredi i prerađivačkoj industriji.

Usporavanje rasta industrijske proizvodnje u 2016. godini (+4,7% od početka godine) u poređenju sa istim periodom prethodne godine (+8,2% od početka godine) je najvećim delom posledica usporavanja rasta rudarstva (+4,0% od početka godine) i snabdevanja električnom energijom, gasom, parom i klimatizacijom (+2,7% od početka godine), u poređenju sa 10,5% od početka godine i 18,8% od početka godine, respektivno u 2015. godini. Razlog je isticanje baznog efekta, s obzirom da je rast u energetskom sektoru tokom 2015. godine generisan efektom otklanjanja štete od poplava iz 2014. godine.

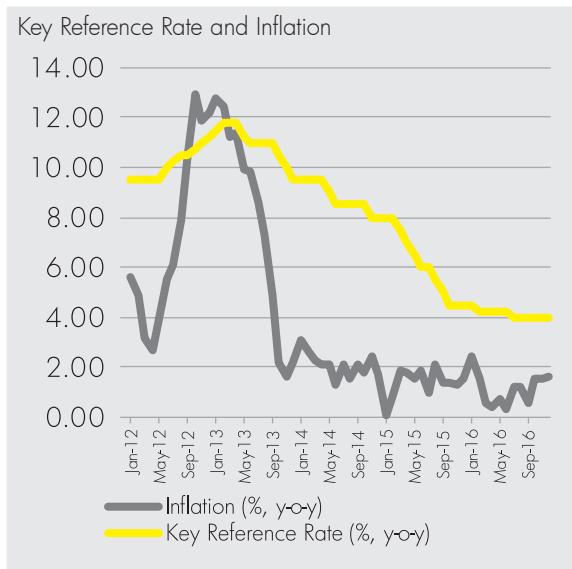
Ohrabrujuća je činjenica da je prerađivačka industrija ostvarila nepromenjenu stopu rasta u 2016. godini (+5,3% od početka godine) u poređenju sa 2015. godinom. Rast prerađivačke industrije bio je podstaknut novim investicionim ciklusom i rezultat je rasta proizvodnje prehrambenih proizvoda, duvanskih proizvoda, hemijskih proizvoda, električne opreme, nameštaja, itd. Proizvodnja automobila u FIAT-u Kragujevac bila je u padu u 2016. godini (-7,6% od početka godine) zbog pada tražnje za FIAT-ovim automobilima, što je delimično rezultat zasićenja tražnje za istim modelom koji je lansiran pre četiri godine.

Izvoz je održao manje-više sličan trend rasta u 2016. godini (+11,5% od početka godine) u odnosu na 2015. godinu (+11,0% od početka godine). Iako je u strukturi izvoza dominirao izvoz FIAT-ovih automobila, rast izvoza generisan je širokim spektrom različitih industrija zahvaljujući prilivu stranih direktnih investicija (SDI) uključujući: industrijske i električne mašine, nameštaj, odevne predmete, hemijske proizvode, duvan, voće i povrće i ostalo.

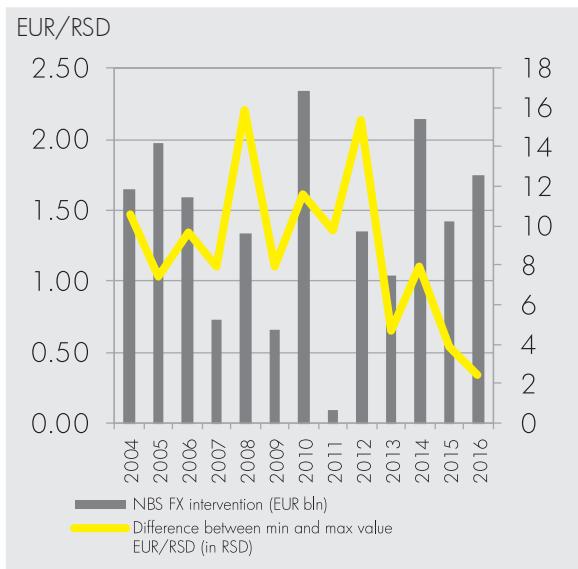


The import growth rate was somewhat higher in 2016 (plus 6.1 since the start of the year) compared to 2015 (plus 5.6 percent since the start of the year), due to growth in import of a broad range of machines. The export-import coverage still remained at a high level of 77.3 percent in 2016, compared to 73.5 percent in 2015. FDIs grew significantly in 2016 (plus 3.2 percent), reaching an amount of € 1.9 billion thanks to the stimulative macroeconomic environment, as well as subvention measures which the government was approving for new investments.

low cost pressures based on the prices of oil and primary agricultural products on the global markets, low inflation in the Eurozone, as well as low inflationary expectations, as a result of the achieved macroeconomic stability, all together served to support the inflation reaching a level of 1.6 percent year-on-year at the end of 2016. The inflation moved in the range below the targeted rate all year long (4 percent plus/minus 1.5 percentage points).



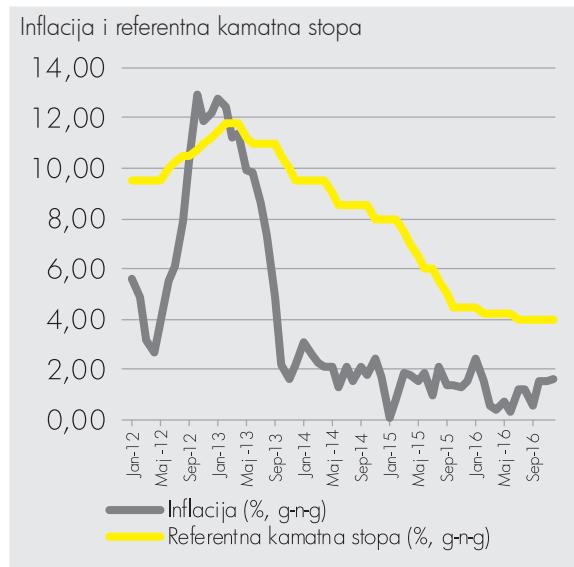
Low inflation and divergent frameworks in monetary policies of the Central Bank of America (FED) and the European Central Bank (ECB) resulted in a decision brought by the National Bank of Serbia (NBS) to correct the key rate downwards just twice by 25 percentage points, from 4.5 percent at the start of the year to 4.0 percent at the end of the year. Low inflation and inflationary expectations, as well as the government's determination to keep price corrections controlled by the state somewhat lower than initially planned, enticed the NBS to reduce the targeted inflation at the end of 2016 from 4.0 percent to 3.0 percent, and to leave the range at the same level of 1.5 percentage points, to be implemented starting 2017.



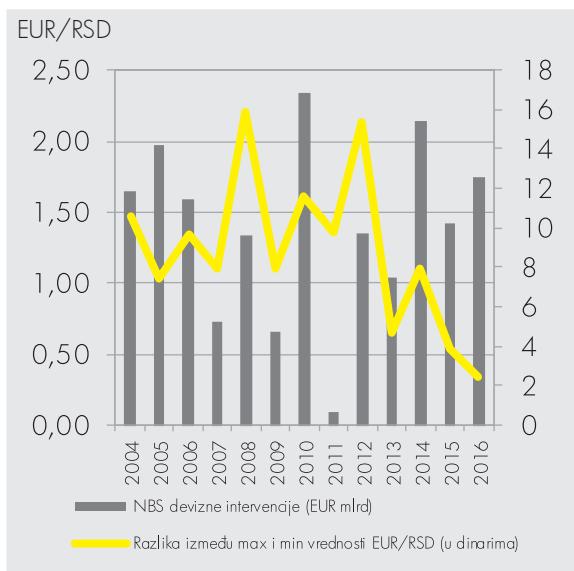
The volatility of the foreign currency exchange rate was further reduced, so that the difference between the maximal and the minimal value of EUR/RSD amounted to 2.43 dinars in 2016, while the average level of this difference in the previous ten years amounted to 9.28 dinars. Besides the good performance of the economy, currency stability was ensured also by increased foreign currency interventions of the NBS (€ 1.8 billion) compared to 2015, when interventions reached € 1.42 billion euros, of which the NBS sold € 980 million and bought € 820 million. In the first half of the year, the dinar weakened significantly in relation to the euro, due to the withdrawal of foreign investors from the debt market and because of the announced hike of FED's key interest rate, in order for the currency movements to change direction in the second half of the year in the sense of the dinar strengthening in relation to the euro, as a result of a higher than expected economy growth and a high budget surplus. Also, the NBS increased the supply of treasury bills of the NBS gradually through repo auctions in order to absorb the surplus of dinar liquidity due to the reduced offer of T-bills of the Ministry of Finance and this way stabilize dinar volatility in relation to the euro.

Stopa rasta uvoza bila je nešto viša u 2016. godini (+6,1% od početka godine) u poređenju sa 2015. godinom (+5,6% od početka godine) usled rasta uvoza širokog spektra mašina. Pokrivenost uvoza izvozom ostala je i dalje na visokom nivou od 77,3% u 2016. godini, u poređenju sa 73,5% u 2015. godini. SDI su značajno porasle u 2016. godini (+3,2%) dostigavši iznos od 1,9 milijardi evra zahvaljujući stimulativnom makroekonomskom okruženju, kao i merama subvencije koje je Vlada odobravala za nove investicije.

Niski troškovni pritisci po osnovu cena nafte i primarnih poljoprivrednih proizvoda na svetskom tržištu, niska inflacija u evro-zoni, kao i niska inflaciona očekivanja a kao rezultat ostvarene makro-ekonomske ravnoteže su sve zajedno potpomogli da inflacija dostigne nivo od 1,6% godina-nagodinu na kraju 2016. godine. Inflacija se celu prethodnu godinu kretala ispod ciljane stope (4% +/- 1,5 procenata poena).

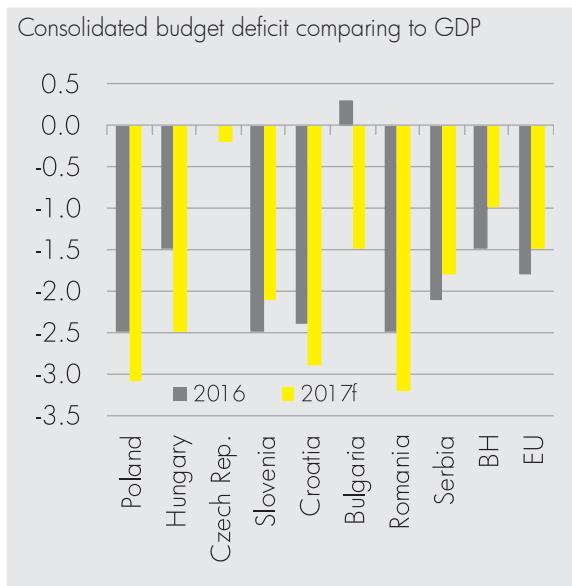


Niska inflacija i različiti okviri monetarne politike Centralne banke Amerike (FED) i Evropske centralne banke (ECB) rezultirali su odlukom Narodne banke Srbije (NBS) da referentnu kamatnu stopu koriguje na dole samo dva puta po 25 procenata poena sa 4,5% na početku godine na 4,0% na kraju godine. Niska inflacija i inflaciona očekivanja, kao i opredeljenje Vlade da korekcija cena pod kontrolom države bude nešto niža od inicijalno planirane, podstakle su NBS da krajem 2016. godine smanji cilj za inflaciju sa 4,0% na 3,0%, a da raspon ostavi na nepromjenjenom nivou od 1,5 procenata poena, koji bi se primenjivao od početka 2017. godine.



Volatilnost deviznog kursa je dalje smanjena tako da je razlika između maksimalne i minimalne vrednosti EUR/RSD iznosila 2,43 dinara u 2016. godini, dok je prosečan nivo te razlike u prethodnih deset godina iznosio 9,28 dinara. Pored dobre performanse ekonomije, stabilnost valute osigurana je i povećanim deviznim intervencijama NBS (1,8 milijarde evra) u odnosu na 2015. godinu kada su intervencije dostigle 1,42 milijardu evra, od čega je NBS prodala 980 miliona evra a kupila 820 miliona evra. U prvom delu godine dinar je dosta slabio u odnosu na evro usled povlačenja stranih investitora sa tržišta duga zbog najavljenog rasta referentne kamatne stope FED-a, da bi u drugom delu godine kretanje valute promenilo pravac u smislu jačanja dinara u odnosu na evro kao rezultat višeg od očekivanog rasta ekonomije i visokog suficita u budžetu. Takođe, NBS je postepeno povećavala ponudu Blagajničkih zapisa (B-zapis) NBS kroz repo aukcije kako bi apsorbovala višak dinarske likvidnosti usled smanjene ponude B-zapisu Ministarstva finansija i na taj način stabilizovala volatilnost dinara u odnosu na evro.

The non-consolidated budget was in surplus for most of the year, on the one hand thanks to the savings measures, and on the other supported by the significant growth in tax revenues (value added tax, company income tax and excise tax) due to the higher than expected economy growth and more efficient tax revenues collection. The end of the year was finished with a slight deficit (minus 7.9 billion dinars), which is as much as 79.2 percent lower than in comparison to 2015. Subsidies had the biggest growth on the expenditure side and the assumption is that a good deal was directed towards investors (both local and foreign), apart from subsidies to public enterprises. Further, last year capital expenditures also recorded significant growth (plus 70.6 percent y-o-y), thanks to the numerous infrastructural projects in which the state also participated. The fact that the non-consolidated budget was in surplus for most of the year enabled putting an end to the growth trend of public debt, the first time after 2009. This way, in 2016, the debt issue in the local market was reduced and public debt rose only by € 211.6 million since the start of the year, compared to the average annual indebtedness of € 2.29 billion in the period of 2009–2015.



However, even with the results achieved in economy and in the fiscal sphere, which were evaluated very highly by rating agencies and the IMF, the ratio of the coverage of the demand for the securities issued by the Ministry of Finance by the supply fell slightly to 1.07 in 2016 from 1.23 in the previous year, due to the divergent movements of the monetary policy of the American Central Bank (FED) and the European Central Bank (ECB). Namely, although the FED's key rate was increased only once (plus 25 percentage points), the announcements of the significant growth of this rate caused the withdrawal of investment funds both from the local market and from the debt market of Eastern Europe.

Thanks to the results achieved in stabilizing macroeconomic environment and the budget deficit drop, appetite for investing into T-bills with three-year maturity increased, so that the share of this maturity in the structure of the total portfolio increased further in 2016 to 33.3 percent from 21.5 percent in the year before. The share of two-year T-bills in the structure of the total portfolio fell to 20.5 percent in 2016 from 31.0 percent in 2015, while the share of 53-week T-bills remained at the same level (20 percent).

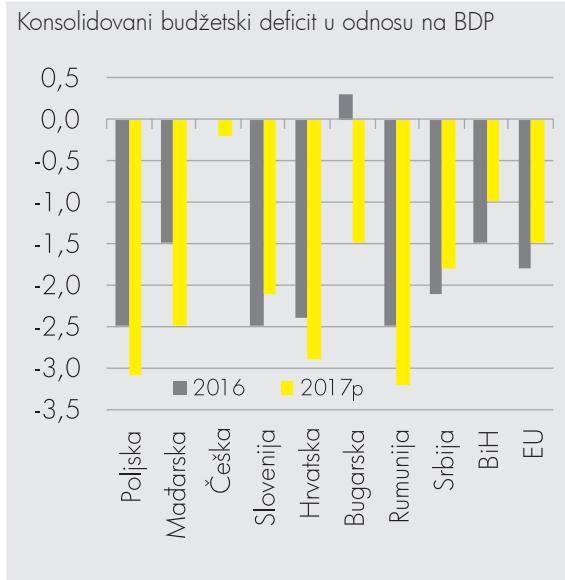
Of course, due to the constant drop in yields for all maturities, appetite for long-term securities increased. Although yields were on a receding scale, the volume of this drop was lower and it somewhat indicates that yields reached their minimal levels. The average yields for dinar denominated T-bills of the Ministry of Finance fell to 4.28 percent from 6.51 percent in 2015, while average yields on euro-denominated T-bills of the Ministry of Finance dropped to 1.94 percent with 3.14 percent in 2015. In 2016, the government was focused on the increased issue of debt in the local market, while the planned issue of euro-bonds was postponed. In 2016, public debt grew to € 25.0 billion, which resulted in a ratio drop to 71.6 percent in relation to the gross domestic product (2015: 74.7 percent).

## Trends in the Banking Industry

Economy growth in 2016 resulted in continued recovery of credit activity in the banking industry, the 2.9 percent growth of which since the start of the year in 2016 (2015: plus 3.0 percent since the start of the year) was mostly supported by growth in retail loans (plus 10.6 percent since the beginning of 2016). Namely, banks placed more new retail loans (plus € 554.9 million since the start of the year) compared to 2015 (plus € 250.2 million since the start of the year), thanks to the still acceptable level of retail NPLs. Most funds were issued as cash loans (plus € 304.6 million since the start of the year).

Corporate credits recorded a similar growth rate in 2016 (plus 2.2 percent since the start of the year), after a 2.5 percent growth in the same period the year before, supported by economic growth, as well as a drop of the corporate NPLs ratio to 19.7 percent in the third quarter of 2016, from 23.6 percent at the end of 2015. Compared to the previous year, growth was supported by growth of credits for liquidity and working capital (plus 8.6 percent since the start of the year), while investment credits slowed down (plus 3.2 percent since the start of the year) compared to the year before (plus 7.6 percent since the start of the year). Further, the ratio of retail NPLs also dropped, so that in the third quarter of 2016 it reached the level of 10.0 percent, compared to 10.9 percent in the same period in 2015. NPLs in the mortgage segment remained at a stable level of 9.2 percent in the third quarter of 2016 (2015: 9.5 percent).

Nekonsolidovani budžet je najveći deo godine bio u suficitu, zahvaljujući sa jedne strane merama štednje, a sa druge strane značajnim rastom poreskih prihoda (poreza na dodatu vrednost, porez na dobit preduzeća i akcize) usled većeg od očekivanog rasta ekonomije i efikasnije naplate poreskih prihoda. Kraj godine završen je blagim deficitom (-RSD 7,9 milijardi) koji je za čak 79,2% niži u odnosu na 2015. godinu. Najveći rast na rashodnoj strani imale su subvencije i pretpostavka je da je dobar deo bio usmeren na investitore (domaće i strane) pored subvencija javnim preduzećima. Dalje, prošle godine su i kapitalni rashodi beležili značajan rast (+70,6% g-n-g) zahvaljujući brojnim infrastrukturnim projektima u kojima učestvuje i država. Činjenica da je nekonsolidovani budžet bio najveći deo godine u suficitu, omogućila je da se zaustavi putanje rasta javnog duga, prvi put nakon 2009. godine, tako da je u toku 2016. godine smanjena emisija duga na domaćem tržištu a javni dug porastao za samo 211,6 miliona evra od početka godine u odnosu na prosečno godišnje zaduživanje od 2,29 milijarde evra u periodu od 2009–2015. godine.



Međutim, i pored postignutih rezultata u ekonomiji i fiskalnoj sferi, koje su ocenjene visokim ocenama od strane reiting agencija i MMF-a, racio pokrivenosti tražnje za hartijama od vrednosti Ministarstva finansija sa ponudom blago je pao na 1,07 u 2016. godini sa 1,23 u prethodnoj godini, usled divergentnog kretanja monetarne politike američke Centralne banke (FED) i Evropske centralne banke (ECB). Naime, iako je FED-ova referentna kamatna stopa povećana samo jedanput (+25 procentna poena), najave značajnog rasta ove stope, uslovile su povlačenje investicionih fondova kako sa domaćeg tako i sa tržišta duga istočne Evrope.

Zahvaljujući rezultatima ostvarenim u stabilizaciji makroekonomskog okruženja i padu deficitu budžeta, apetit za investiranjem B-zapisu ročnosti tri godine je povećan, tako da je učešće ove ročnosti u strukturi ukupnog portfelja dalje povećano u 2016. godini na 33,3% sa 21,5% u prethodnoj godini. Učešće dvogodišnjih B-zapisu u strukturi ukupnog portfelja palo je na 20,5% u 2016. godini sa 31,0% u 2015. godini, dok je učešće 53-nedeljnih B-zapisu ostalo na istom nivou (20%).

Naravno, usled konstantnog pada prinosa na sve ročnosti, povećan je apetit za hartijama od vrednosti duže ročnosti. Iako su prinosi bili na padajućoj skali, volumen pada bio je manji i negde ukazuje da su prinosi dostigli minimalne nivoje. Prosečni prinosi na dinarski denominovane B-zapise Ministarstva finansija pali su na 4,28% sa 6,51% u 2015. godini, dok su prosečni prinosi na evro-denominovane B-zapise Ministarstva finansija pali na 1,94% sa 3,14% u 2015. godini. U toku 2016. godine, Vlada je bila usmerena na povećanu emisiju duga na domaćem tržištu dok je planirana emisija evro-obveznica odložena. U 2016. godini javni dug je porastao na 25,0 milijardi evra što je u odnosu na bruto domaći proizvod rezultiralo padom racija na 71,6% (2015: 74,7%).

## Trendovi u bankarskoj industriji

Rast ekonomije u 2016. godini rezultirao je nastavkom oporavka kreditne aktivnosti bankarskog sektora čiji je rast od 2,9% od početka godine u 2016. godini (2015: +3,0% od početka godine) bio uglavnom podstaknut rastom kredita stanovništva (+10,6% od početka godine). Naime, banke su plasirale više novih kredita stanovništvu (+554,9 miliona evra od početka godine) u poređenju sa 2015. godinom (+250,2 miliona evra od početka godine) zahvaljujući još uvek prihvatljivom nivou problematičnih kredita stanovništva. Najviše sredstava plasirano je u gotovinske kredite (+EUR 304,6 miliona od početka godine).

Krediti privredi beležili su sličnu stopu rasta u 2016. godini (+2,2% od početka godine), nakon 2,5% rasta u istom periodu prethodne godine, podstaknuto rastom ekonomije kao i padom racija problematičnih kredita privrede na 19,7% u trećem kvartalu 2016. godine, sa 23,6% na kraju 2015. godine. U odnosu na prethodnu godinu, rast je bio podstaknut rastom kredita za likvidnost i obrtni kapital (+8,6% od početka godine), dok su investicioni krediti usporili rast (+3,2% od početka godine) u odnosu na prethodnu godinu (+7,6% od početka godine). Dalje, racio problematičnih kredita stanovništva takođe je beležio pad, tako da je u trećem kvartalu 2016. godine dostigao nivo od 10,0% u poređenju sa 10,9% u istom periodu 2015. godine. Problematični krediti kod stambenih kredita ostali su na stabilnom nivou od 9,2% u trećem kvartalu 2016. godine (2015: 9,5%).

The coverage of NPLs by the total calculated reserve for estimated balance and non-balance losses was at an extremely high level and amounted to 118.2 percent in September of 2016 (2015: 118.2 percent). Also, capital adequacy was still much above the mandatory 12 percent, and this ratio amounted to 21.2 percent in September 2016 (2015: 20.9 percent). Under the impact of all of the above mentioned, banks kept directing the surplus of dinar liquidity into T-bills of the Ministry of Finance and repo operations with the NBS, which increased the volumes of these operations to a great extent.

The loan/deposit coverage ratio was on a downward trend, so that in 2016 it reached 99.7 percent after having been at 107.5 percent in 2015. This was a result of strong deposit growth, especially growth in corporate deposits, in relation to credit growth. New deposit growth in 2016 marks a significant growth (plus € 1.36 billion since the start of the year) compared to 2015 (plus € 827.3 million since the start of the year) supported by retail deposit growth (plus € 605.9 million since the start of the year), as well as corporate deposit growth (plus € 661.7 million since the start of the year).

As concerns the consolidation of the banking sector, there were no great changes, except for Findomestik banka, which was in total ownership of French BNP Paribas and it was bought by Direct bank, which is in private ownership. Poštanska štedionica, which is in majority ownership of the Republic of Serbia, invited international consultants to submit statements as regards interest for participating in offering advisory services, and in relation to implementing the strategies of this bank.

Bank of China Serbia received an approval to conduct business activities, aiming to mark the beginning of its activities by financing the business of steel producer Hesteel, owned by a Chinese group, aiming to expand corporate credit activities. With its presence in the domestic market, Bank of China will also cover the region of the Balkans, as well as Greece, Romania, Bulgaria and Albania.

With the aim of implementing the Strategy for introducing the Basel III standard, the NBS adopted regulations for the implementation of these standards that will be in place starting from June 2017. The aim of adopting Basel III is further increase of the banking industry's resilience by way of increasing the quality of capital, monitoring and control of the banks' exposure to liquidity risk, as well as strengthening the transparency of banks' business activities.

The profitability of the local banking industry measured by return on equity grew in the period January–September 2016 (6.9 percent), compared to the same period the year before (5.6 percent), primarily thanks to the drop in expenditures based on indirect write-offs of credits issued and loan loss provisions. The drop in these expenditures happened due to economy growth, stable foreign currency exchange rate, as well as the start of solving the issue of non-performing loans. Even apart from growth in credit activity, the moderate reduction of interest rates resulted in a drop of net interest income (minus 4.6 percent in the period January–September 2016). On the one hand, interest revenue dropped (minus 12.0 percent in the period January–September 2016), and on the other hand, significant interest expenditures corrections also happened (minus 33.8 percent in the period January–September 2016). The cost-income ratio grew to 62.9 percent in the period January–September 2016, compared to 59.7 percent in the same period the year before, mostly due to a reduction in business revenues.

Pokrivenost problematičnih kredita ukupno obračunatom rezervom za procenjene bilansne i vanbilansne gubitke bila je na izuzetno visokom nivou i iznosila je 118,2% u septembru 2016. godine (2015: 118,2%). Takođe, adekvatnost kapitala je i dalje dosta iznad propisanih 12%, a visina ovog racija u septembru 2016. godine iznosila je 21,2% (2015: 20,9%). Pod uticajem svega navedenog, banke su i dalje usmeravale viškove dinarske likvidnosti u Trezorske zapise Ministarstva finansija i repo operacije kod Narodne banke Srbije (NBS) koja je značajno povećala volumene ovih operacija.

Racio pokrivenosti kredita depozitima opadao je, tako da je u 2016. godini dostigao 99,7% posle 107,5% u 2015. godini, usled snažnog rasta depozita, naročito rasta depozita privrede, u odnosu na rast kredita. Rast novih depozita u 2016. godini beleži značajan rast (+1,36 milijardi evra od početka godine) u poređenju sa 2015. godinom (+827,3 miliona evra od početka godine) podržano rastom depozita stanovništva (+605,9 milion evra od početka godine) i rastom depozita privrede (+661,7 milion evra od početka godine).

Što se tiče konsolidacije bankarskog sektora, nije bilo mnogo promena, izuzev što je Findomestic banka, koja je bila u stopostotnom vlasništvu francuske BNP Paribas banke, kupljena od strane Direktnе banke, koja je u privatnom vlasništvu. Poštanska štedionica, koja je u većinskom vlasništvu Republike Srbije, pozvala je međunarodne konsultantske kuće da dostave svoje izjave o interesovanju za učestovanjem u pružanju savetodavnih usluga, a u vezi sa implementacijom strategije ove banke.

Bank of China Srbija dobila je odobrenje za poslovanje sa ciljem da početak rada obeleži finansiranje poslovanja proizvođača čelika Hesteel koji je u vlasništvu kineske grupacije, sa ciljem širenja kreditne aktivnosti ka privredi. Svojim prisustvom na domaćem tržištu, Bank of China će takođe pokriti region Balkana, kao i Grčku, Rumuniju, Bugarsku i Albaniju.

U cilju sprovođenja Strategije za uvođenje standarda Basel III, Narodna banka Srbije usvojila je propise za uvođenje ovih standarda koji će se primenjivati od juna 2017. godine. Cilj usvajanja Bazela III je dalje povećanje otpornosti bankarskog sekora putem uvećanja kvaliteta kapitala, praćenje i kontrola izloženosti banke riziku likvidnosti, kao i jačanje transparentnosti poslovanja banaka.

Profitabilnost domaće bankarske industrije merena prinosom na kapital porasla je u periodu januar–septembar 2016. godine (6,9%) u poređenju sa istim periodom prethodne godine (5,6%), prevenstveno zahvaljujući padu rashoda po osnovu indirektnih otpisa plasmana i rezervisanja. Pad ovih rashoda desio se usled rasta ekonomije, stabilnog deviznog kursa, kao i početka rešavanja problematičnih kredita. I pored rasta kreditne aktivnosti, umeren pad kamatnih stopa je rezultirao padom neto prihoda od kamata (-4,6% u periodu januar–septembar 2016. godine). S jedne strane pali su prihodi od kamata (-12,0% u periodu januar–septembar 2016. godine), a s druge strane desile su se i značajne korekcije kamatnih rashoda (-33,8% u periodu januar–septembar 2016. godine). Racio pokrivenosti poslovnih rashoda sa poslovnim prihodima porastao je na 62,9% u periodu januar–septembar 2016. godine u poređenju sa 59,7% u istom periodu prethodne godine uglavnom zbog smanjenja poslovnih prihoda.

# Social Responsibility

Raiffeisen banka wishes to approach all segments of society, its business community, but also the environment, in an ethical and responsible way.

During the past years, the bank offered support with its donations to a number of institutions and individuals who needed help the most. The tendency has always been to help the most vulnerable or the weakest parts of the community, such as children, the sick or individuals with special needs.

Socially responsible behaviour of the bank includes activities through two humanitarian funds: "Budimir Boško Kostić" (founded in memory of the first Chairman of Raiffeisen banka) and "H. Stepic CEE Charity" (founded by the former Chairman of Raiffeisen Bank International, dr Herbert Stepic).

In 2016, the "H. Stepic CEE Charity", cooperating with Raiffeisen banka in Serbia, financially supported three projects in our country, donating funds for day care centers for children who live and/or work in the streets of Belgrade and Novi Sad, as well as providing support to the people's soup kitchen in Senta.

Continuing the very successful activities realized during the previous years, in 2016 the employees of Raiffeisen banka continued their tradition of collecting New Year's presents for children coming from vulnerable social groups, children with developmental problems, disabled children or children without parental care placed in institutional homes. More than 600 presents were collected, containing educational toys, pieces of clothing and sweets, which brought joy to children living in these institutions in eight cities in Serbia.

In the course of 2016, the bank's employees came together to respond to a growing problem – the refugee crisis which Serbia has also been facing. We are witnessing that the greatest victims of this crisis are children who are alone in most cases and spend several months in refugee centers. In cooperation with the "H. Stepic CEE Charity", a voluntary project of collecting aid for children-refugees was organized for a refugee center near Subotica. The bank's employees collected a significant quantity of aid: materials for personal hygiene, second-hand toys and clothes, especially important during the winter months.

Since helping children, especially children from vulnerable social groups, is a key part of the bank's strategy as regards charitable activities, in 2016 a suitable project was organized to mark the International Children's Day, June 1st. The bank's employees volunteered for one day in "Radivoj Popović" school for children with impaired hearing and speech in Zemun.

In 2016, Raiffeisen banka celebrated an important jubilee – 15 years of successful business activities in Serbia. This jubilee was marked in a unique way, with a project that is a contribution to science and culture in itself and generally – contributed to educating the public as regards important topics for the Serbian society. The bank supported the organization of the unique exhibition "Tesla and Pupin – Sharing the Same Path" in the History Museum in Belgrade. This interactive exhibition showed our public for the first time not only the contribution of these two great men to human civilization, but also by presenting their scientific and spiritual legacy, offering a good role model for our society. After Belgrade, the exhibition continues its journey through Serbia, in five more cities (Kragujevac, Kruševac, Niš, Novi Sad and Idvor, where the exhibits will remain a permanent part of this house-museum).

As a logical next step of this project, Raiffeisen banka established an internet portal with educational and informative features, symbolically entitled „Veliki ljudi. rs“ ("Great People"), the aim of which is to contribute continuously to the popularization of the scientific, cultural and artistic legacy of Serbia and so become a virtual treasure trove of a daily dose of quality content.

Apart from its humanitarian activities, the bank recognizes the importance of responsible human resources management and so tries to provide a working environment where employees will be satisfied and work in positions that correspond to their skills and knowledge, with the possibility of further professional and personal development.

The ecological dimension relates to efforts the bank is investing in order to create a balance between the need for economic growth on the one hand, and maintaining a healthy environment on the other. Special attention is focused on saving energy, paper and electronic waste recycling, further, in designing installation systems of the bank's new headquarters, the principles of saving energy by applying modern energy recuperation systems and optimization of technical parameters for ventilation and cooling were taken into account.

Of course, the issue of business ethics is one of the most important, so the bank strives to make the following its basic business ethics: transparency and work ethics, quality service and a comprehensive product offer, constant client care and responsible marketing, as well as respecting the current legislative framework and competition integrity.

# Društvena odgovornost

Društveno odgovornim ponašanjem i aktivnostima Raiffeisen banka želi da etički i odgovorno pristupi svim segmentima društva, poslovne zajednice, ali i okoline u kojoj posluje.

Tokom proteklih 15 godina banka je svojim donacijama pružila podršku mnoštvu institucija i pojedincima kojima je pomoći bila najpotrebnija. Tendencija je uvek da se podrška odnosi na najugroženije ili najslabije debove zajednice, kao što su to deca, bolesni, pojedinci sa posebnim potrebama.

U društveno odgovorno ponašanje treba uvrstiti i delovanje banke preko dve humanitarne fondacije: „Budimir Boško Kostić“ (osnovane u znak sećanja na prvog direktora banke) i „H. Stepic CEE Charity“ (čiji osnivač je bivši predsednik Raiffeisen Bank International-a, dr Herbert Stepic).

U toku 2016. godine, humanitarna fondacija „H. Stepic CEE Charity“, uz podršku Raiffeisen banke u Srbiji, finansijski je pomogla tri projekta u našoj zemlji. U okviru njih podržan je rad Dnevnih centara za decu koja žive i/ili rade na ulici u Beogradu i Novom Sadu, te pružena podrška funkcionisanju Narodne kuhinje u Senti.

Nastavljajući veoma uspešne volonterske akcije realizovane prethodnih godina, zaposleni Raiffeisen banke su i u 2016. nastavili tradiciju prikupljanja novogodišnjih paketića za decu iz ugroženih socijalnih grupa, decu sa smetnjama u razvoju ili decu u domovima bez roditeljskog staranja. Prikupljeno je više od 600 paketića koji su sadržali odgovarajuće didaktičke igračke, garderobu i slatkiše, a koji su obradovali decu – štićenike institucija u čak osam gradova u Srbiji.

Tokom 2016. godine zaposleni banke odgovorili su i na rastući problem – izbegličku krizu sa kojom se suočila i Srbija. Svedoci smo da su najveće žrtve ove krize upravo deca, koja neretko sama provode i po više meseci u izbegličkim centrima. U saradnji sa fondacijom „H. Stepic CEE Charity“ organizovana je akcija dobrovoljnog prikupljanja pomoći upravo za decu-izbeglice u centru nadomak Subotice. Zaposleni banke prikupili su značajnu pomoći u vidu sredstava za ličnu higijenu, polovnih igračaka i garedrobe, posebno važne u dugim zimskim mesecima.

Kako pomoći deci, a posebno deci iz ugroženih društvenih grupa, čini ključni deo strategije humanitarnog delovanja banke, protekle godine je još jednom prigodom volonterskom akcijom zaposlenih obeležen i međunarodni dan dece (1. jun), i to u školi za decu oštećenog sluha i govora, „Radivoj Popović“ u Zemunu.

U 2016. godini Raiffeisen banka proslavila je važan jubilej – 15 godina uspešnog poslovanja u Srbiji. Jubilej je obeležen na jedinstven način, projektom koji je dao značajan doprinos kulturi i nauci, ali uopšte uzev – doprineo edukaciji javnosti o veoma važnim temama za srpsko društvo. Uz podršku banke organizovana je jedinstvena izložba „Tesla i Pupin na istom putu“ u Istorijском muzeju u Beogradu. Ova interaktivna postavka je na najbolji način i po prvi put u našoj javnosti prikazala ne samo doprinos ove dvojice velikana ljudskoj civilizaciji, već i predstavljanjem njihove naučne i duhovne zaostavštine, pružila dobar obrazac na koji se naše društvo može osloniti. Nakon Beograda, izložba nastavlja svoje proputovanje kroz Srbiju, i to postavkama u još pet gradova (Kragujevcu, Kruševcu, Nišu, Novom Sadu i Idvoru, gde će materijal i eksponati ostati kao deo stalne postavke ove kuće-muzeja).

Kao logičan sled ovog projekta, Raiffeisen banka je pokrenula i internet portal edukativno-informativnog karaktera, simboličnog naziva „Veliki ljudi.rs“, čiji je cilj da daje kontinuiran doprinos popularizaciji naučne, kulturne i umetničke baštine Srbije i time postane virtualna riznica dnevne doze kvalitetnog sadržaja.

Pored filantropskog i društveno odgovornog delovanja, banka prepoznaje i značaj odgovornog upravljanja ljudskim resursima, te se trudi da obezbedi radno okruženje u kome će zaposleni biti zadovoljni i raditi na pozicijama koje odgovaraju njihovim znanjima i veštinama, uz mogućnost daljeg profesionalnog i ličnog razvoja.

Ekološka dimenzija poslovanja odnosi se na napore koje banka ulaže kako bi uspostavila ravnotežu između potrebe za ekonomskim rastom sa jedne strane, i očuvanja zdravog okruženja sa druge. Vodi se računa o uštedi energije, reciklaži papira i elektronskog otpada, a instalacioni sistemi upravne zgrade banke funkcionišu po principima uštede energije primenom savremenih sistema rekuperacije energije i optimizacije tehničkih parametara za ventilaciju i hlađenje.

Svakako da je i pitanje poslovne etike jedno od najvažnijih, tako da banka teži da osnovni principi njenog poslovanja budu transparentnost i etičnost u radu, kvalitetna usluga i raznovrsna ponuda proizvoda, konstantna briga o klijentima i odgovoran marketing, uz poštovanje važeće regulative i integriteta konkurenčije.

# Corporate Banking

In 2016, Corporate Banking posted another very successful business year, with overall results in terms of profitability, asset volumes and portfolio quality coming well above targets, particularly taking into account still persistent challenges in the market such as low interest rate environment and highly competitive banking sector for corporate clients, characterized by high over-liquidity, as well as reducing client rates and margins.

Raiffeisen banka's main focus in corporate banking was maintaining the long-term partnerships with its primary credit portfolio clients, focus on well-structured deals, as well as supporting healthy business activities of its clients by continually providing quality services, and ensuring a prudent risk policy. Also, from year to year the bank is confirming its leading position in the multinational segment, with strongly developed multinational desk by servicing the most important and largest foreign investors in Serbia, also those main government partners in infrastructure and agricultural projects.

## Development of Key Products and Innovations

Business activities, initiatives and new product offers in the corporate banking segment in 2016 were in line with the business conditions in the market. The bank successfully met the needs of its clients, offering a comprehensive and high-quality product range of credit and other products and services in the following categories: corporate credits (incl. standard credit and revolving facilities, project financing, syndication loans, etc.), trade finance facilities (guarantees, letters of credit, factoring, bills of exchange products), deposits, treasury products (spot transactions, forward, quasi forward, interest rate swap, hedging instruments, broker and custody services), domestic and international payment transactions, POS-terminals, business payment cards and electronic banking.

The acquisition of quality clients through the offer of various financing possibilities was the main focus in 2016 as well. The bank successfully met the financing needs of its clients through an active offer of competitive lending conditions, both from its own resources, as well as in the domain of long-term financing, by offering price-attractive supranational credit lines. Raiffeisen banka was one of the leading banks on the market as far as the sale of these products is concerned.

Special emphasis was put on capital-light products: documentary business and fee-based products (such as cash management which grew 8.9 percent y-o-y in 2016 and treasury products, improved by 1.7 y-o-y, while almost 96 percent of domestic payment orders and 73 percent of international payment orders are being effected via electronic channels).

At the same time, a successful sales management approach was maintained, reflected in the concept of proactive planning and execution monitoring, as well as through the account planning and joint strategy development towards large GCC groups, as well as systematic sales campaigns and pricing actions.

This is confirmed by the bank's leading market position and stable business development with large multinational corporates which are active in more countries, with special focus on tailor-made products and services (e.g. escrow accounts, credit cards, treasury products, etc.).

Related to new initiatives and innovations, the main emphasis has been placed on new developments in the area of cash management and account service, as well as further enhancements of RaiffeisenOnLine electronic platform and implementation of digital banking strategy for electronic banking. The main achievements and focus areas in 2016/2017 include:

- Continuing to improve the RaiffeisenOnLine platform (guarantee platform development in process, the security concept is developed in accordance with the Raiffeisen Group Directive, etc);
- Exploring synergies between RaiffeisenOnLine and mBanking. Sales campaign for mBanking;
- Maintaining/increasing the number of payment orders which are being processed via electronic channels, continuous actions from the bank side in terms of client education of all advantages of the e-banking platform;
- Further exploiting all of the advantages of the existing CRM Siebel platform, in order to give an additional boost to the loan process automation, qualitative client targeting as well as to encourage proactive sales and cross-selling.

Along with an active sales approach, corporate segment focused on additional measures to improve the process and reduce operational cost. New projects were initiated in order to explore additional possibilities to increase earnings as well as to parallel improve organizational structure, in order to maintain the CIR on a budgeted level. This resulted with the creation of a more efficient and leaner organization within the overall corporate segment.

## Client Relationship Quality

High trust and stability of cooperation between the bank and its corporate clients were the key factor in overcoming challenges caused by the still unstable and complex market environment. By its committed approach, based primarily on quality, Raiffeisen banka will remain a reliable long-term partner to its clients in the future as well.

# Poslovanje sa privredom

U 2016. godini, poslovanje sa privredom zabeležilo je još jednu veoma uspešnu poslovnu godinu, sa ukupnim rezultatima koji su u velikoj meri iznad predviđenih ciljeva, što se tiče profitabilnosti, aktive i kvaliteta portfolija, posebno imajući u vidu još uvek prisutne izazove na tržištu, kao što su okruženje niskih kamatnih stopa i izuzetno konkurentan bankarski sektor za klijente iz privrede za koji su karakteristični prevelika likvidnost, manje kamatne stope i marge.

Osnovni fokus Raiffeisen banke u poslovanju sa privredom bilo je održavanje dugoročnih partnerstava sa klijentima iz svog primarnog kreditnog portfolija, usmerenje na dobro strukturisane poslove, kao i podrška zdravim poslovnim aktivnostima klijenata stalnim pružanjem kvalitetnih usluga i osiguravanjem stroge upravljanja rizikom. Takođe, iz godine u godinu, banka potvrđuje svoju lidersku poziciju u multinacionalnom segmentu, sa veoma razvijenom platformom za multinacionalne klijente, koja opslužuje najvažnije i najveće investitore u Srbiji, kao i najvažnije partnere Vlade u infrastrukturnim i poljoprivrednim projektima.

## Razvoj ključnih proizvoda i inovacije

Poslovne aktivnosti, inicijative i nove ponude proizvoda u segmentu privrednog bankarstva u 2016. bili su u skladu sa uslovima poslovanja na tržištu. Banka je uspešno izašla u susret potrebama svojih klijenata, nudeći sveobuhvatnu i visoko kvalitetnu ponudu proizvoda kredita, kao i ostalih proizvoda i usluga u sledećim kategorijama: krediti za privedu (uključujući standardne kredite i kreditne linije na revolving osnovi, finansiranje projekata, sindicirane kredite, itd), finansiranje trgovine (garancije, akreditivi, faktoring, menični proizvodi, depoziti, proizvodi sredstava (spot transakcije, forvard, kvazi forvard, kamatni svop, hedging instrumenti, brokerske i kastodi usluge), domaće i međunarodne platne transakcije, POS-terminali, poslovne platne kartice i elektronsko bankarstvo).

Akvizicija kvalitetnih klijenata putem ponude različitih mogućnosti finansiranja bila je usmerenje i u 2016. godini. Banka je uspešno odgovorila na potrebe klijenata za finansiranjem putem aktivne ponude konkurentnih kreditnih uslova, kako iz sopstvenih sredstava, tako i u domenu dugoročnog finansiranja putem ponude cenovno atraktivnih nadnacionalnih kreditnih linija. Raiffeisen banka bila je jedna od vodećih banaka na tržištu što se tiče prodaje ovih proizvoda.

Poseban akcenat stavljen je na capital-light proizvode: dokumentarne poslove i proizvode na bazi tarife (kao što je upravljanje gotovim novcem, koje je poraslo za 8,9% g-n-g u 2016., kao i proizvodi sredstava, poboljšani za 1,7 g-n-g, dok se skoro 96% domaćih platnih naloga i 73% međunarodnih platnih naloga izvršava preko elektronskih kanala).

U isto vreme, segment za poslovanje sa privredom održao je uspešan prodajni pristup, koji se ogleda u konceptu proaktivnog planiranja/praćenja izvršavanja, kao i putem razvoja planiranja zajedničke strategije prema velikim grupacijama povezanih lica, kao i sistematskim prodajnim kampanjama i cenovnim akcijama.

Ovaj pristup potvrđen je vodećom pozicijom banke na tržištu i stabilnim razvojem poslovanja sa velikim multinacionalnim kompanijama koje su aktivne u više zemalja, sa posebnim fokusom na namenski osmišljene proizvode i usluge (npr. računi za posebne namene, kreditne kartice, proizvodi sredstava, itd.).

U vezi sa novim inicijativama i inovacijama, osnovno usmerenje je na daljem razvoju celog segmenta keš menadžmenta, kao i na dalja unapređenja elektronske platforme RaiffeisenOnLine i uvođenja strategije digitalnog bankarstva za elektronsko bankarstvo. Najvažnija dostignuća i segmenti usmerenja u 2016./2017. uključuju:

- Nastavak poboljšanja platforme RaiffeisenOnLine (u toku je razvoj platforme za garancije, koncept sigurnosti razvija se u skladu sa direktivama Raiffeisen grupacije, itd);
- Istraživanje sinergije između platformi RaiffeisenOnLine i mBanking, kao i prodajna kampanja za mBanking;
- Održavanje, tj. povećanje broja platnih naloga koji se obrađuju elektronski, stalna edukacija klijenata od strane banke u smislu predstavljanja svih prednosti platforme za elektronsko bankarstvo;
- Dalje korišćenje svih prednosti postojeće CRM Siebel platforme, kako bi se dodatno podstaknula automatizacija procesa kreditiranja, kvalitativno targetiranje klijenata, kao i aktivna podrška proaktivnoj i unakrsnoj prodaji.

Pored aktivnog prodajnog pristupa, sektor za poslovanje sa privredom bio je dodatno usmeren na mere koje unapređuju proces i smanjuju operativne troškove. Novi projekti inicirani su kako bi se istražile dodatne mogućnosti za uvećanje zarada, kao i da se, istovremeno, poboljša organizaciona struktura, sa ciljem da se CIR održi na budžetiranom nivou. Rezultat ovoga je kreiranje efikasnije organizacije u okviru celokupnog segmenta poslovanja sa privredom.

## Kvalitet odnosa sa klijentima

Veliko poverenje i stabilnost saradnje između banke i njenih klijenata iz privrede bili su ključni faktori u prevazilaženju izazova koje je uzrokovalo još uvek nestabilno i složeno tržišno okruženje. Svojim posvećenim pristupom, zasnovanim prvenstveno na kvalitetu, Raiffeisen banka će ostati pouzdan dugoročni partner svojim klijentima i u budućnosti.

# Retail Banking

Retail business activities recorded the best results in 2016 since the bank's establishment in 2001.

In 2016, the focus was on developing the bank's digital channels (internet, telephone and mobile banking), opening new and redesigning existing branch offices, introducing the most up to date multifunctional machines, which enable a broad range of services and significantly reduce the time of effecting a transaction. Apart from all of the above mentioned, further steps on improving the loan products offer were continued. All these activities were followed by continuous work on improving the bank's service quality. The results of these efforts are reflected in the fact that the number of clients in 2016 grew by 5.69 percent compared to the year before, despite even stronger competition in the banking industry.

Raiffeisen banka, with a market share of approx. 11 percent in the cash loan segment, maintains one of the leading positions in the market. In the loan products segment, most activities focussed on broadening the offer of innovative products, as well as finding the optimal pricing and product combination. In the course of 2016, a special promotion of cash loans was organized and further activities were undertaken to create personalized loan offers. As regards digital channels, a cash loan model with the maximum amount of RSD 100,000 was launched at the end of the year, which could be applied for exclusively via the bank's web page. The loan approval procedure was simplified and made more efficient to a great extent, having in mind that at the moment of applying for a loan, no certification of employment nor salary amount is necessary.

In the segment of deposit products, it is a confirmed fact that security and tradition are the main features when choosing a savings bank, which is reflected in the fact that the level of deposits from private individuals rose significantly, almost by 7 percent in relation to the end of 2015.

Raiffeisen banka continued its innovative approach as regards card business, both in the segment of acceptance, as well as concerning the issuing of cards. As a result, a growth of the credit card market share as per transaction volume was realized – from 15.2 percent in 2015 to 17.9 percent in the last quarter of 2016.

Raiffeisen banka issues its complete card portfolio with the additional function of contactless payment. The number of POS terminals in the bank's acceptance network is growing continually and in 2016 it reached 2,500. The acceptance of payment cards through the internet is enabled for all merchants who are clients of Raiffeisen banka, and the secure payment service was implemented for all Visa and MasterCard cards issued by Raiffeisen banka.

In June 2016, Raiffeisen banka enabled all new users of the Visa revolving credit card an additional benefit – purchase in installments without interest, where the bank does not calculate interest rate on any entire payment of the installment due.

## Premium Banking

The Premium Banking service focussed in 2016 on strengthening and broadening its cooperation with existing clients, as well as on the acquisition of new clients. A growth of the client base by 6 percent was achieved. Continuous efforts to increase market awareness on alternative modalities of savings and investment possibilities again resulted in sales growth of investment funds. Total assets under management in funds grew by 37 percent compared to the year before, while the share of funds in total assets under management of Premium clients grew from 18 percent to 22 percent.

In the course of 2016, the attractive offer of the bank's loan products lead to an increase in new volumes by 69 percent compared to the year before, the end result of which was a 9-percent growth of the loan portfolio. In accordance with current trends, activities are underway to create new channels for doing business with Premium clients and we expect that, upon the implementation of these new activities, the bank's clients will be able to receive new, modern services, that fully meet the requirements of this client segment.

## Small Enterprises and Entrepreneurs

The segment of small enterprises and entrepreneurs realized a very successful business year. New loan volumes increased by 29 percent through organized acquisitions and campaigns, which resulted in greater loan exposure with quality clients.

Clients' deposits increased by 14 percent, which shows that clients constantly increase their business activities with Raiffeisen banka, considering it a secure and reliable partner.

The new sales concept in the micro segment resulted in an increase in the number of new clients by 16 percent, and the loan portfolio grew by 45 percent compared to the year before. Continuous efforts were made to improve services offered to clients, primarily electronic payment channels, so that the percentage of electronic payment orders increased from 73 percent (at the end of 2015) to 82 percent at the end of 2016 for the whole segment of small enterprises. In the segment of electronic payment channels, clients reacted very positively especially to the improved mobile banking service through which 14 percent of payment transactions were realized (at the end of 2015, this percentage was 2.3 percent).

# Poslovanje sa stanovništvom

Poslovanje sa stanovništvom je u 2016. godini zabeležilo najbolje rezultate od osnivanja banke 2001. godine.

Fokus u 2016. godini bio je na razvoju digitalnih kanala banke (internet, telefonsko i mobilno bankarstvo), otvaranju novih i redizajnu postojećih ekspozitura, uz uvođenje najsvremenijih multifunkcionalnih mašina, koje omogućuju širok spektar usluga i značajno skraćuju vreme obavljanja transakcija. Pored navedenog, nastavljen je rad na daljem unapređenju ponude kreditnih proizvoda. Sve ove aktivnosti praćene su kontinuiranim radom na unapređenju kvaliteta usluga banke. Rezultati ovih napora su vidljivi u činjenici da je broj klijenata u 2016. porastao za 5,69% u odnosu na prethodnu godinu, uprkos sve jačoj konkurenциji u bankarskom sektoru.

Raiffeisen banka, sa tržišnim učešćem od oko 11% u segmentu gotovinskih kredita, zauzima jednu od vodećih pozicija na tržištu. U domenu kreditnih proizvoda, većina aktivnosti bila je usmerena na proširenje ponude inovativnih proizvoda, pronaalaženje optimalnog nivoa cena i kombinacije proizvoda. U toku godine organizovana je specijalna akcija za gotovinske kredite, a nastavljen je i rad na izradi personalizovanih ponuda kredita. Što se tiče digitalnih kanala, krajem godine lansiran je model gotovinskog kredita sa maksimalnim iznosom do RSD 100.000, za koji se zahtev podnosi isključivo putem sajta banke. Procedura odobravanja kredita bitno je pojednostavljena i ubrzana, budući da u momentu podnošenja zahteva nije potrebna potvrda o zaposlenju i visini primanja.

U segmentu depozitnih proizvoda, potvrđena je činjenica da su sigurnost i tradicija glavni faktori prilikom izbora banke za štednju, što se ogleda u tome da je nivo depozita fizičkih lica značajno porastao, i to za skoro 7% u odnosu na kraj 2015. godine.

Raiffeisen banka je nastavila sa svojim inovativnim pristupom kada je kartično poslovanje u pitanju, kako u oblasti prihvata, tako i kad je reč o izdavanju kartica. To je za rezultat imalo rast tržišnog učešća kreditnih kartica po obimu transakcija sa 15,2% u 2015. godini na 17,9% u poslednjem kvartalu 2016. godine.

Raiffeisen banka kompletan kartični portfolio izdaje sa dodatnom funkcijom beskontaktnog plaćanja. Broj POS terminala u akceptantskoj mreži banke kontinuirano raste i u 2016. dospitao je 2.500. Prihvat platnih kartica preko interneta omogućen je za sve trgovce koji su klijenti Raiffeisen banke, a uveden je i servis sigurnog plaćanja preko interneta po svim Visa i MasterCard karticama izdanja Raiffeisen banke.

Raiffeisen banka je u junu 2016. omogućila svim novim korisnicima Visa revolving kreditne kartice dodatnu pogodnost – kupovinu na rate bez kamate, gde pri uplati dospeli rate u celosti, banka ne obračunava kamatu.

## Premium bankarstvo

Usluga Premium bankarstva je i u 2016. godini u svom fokusu imala jačanje i proširenje saradnje sa postojećim klijentima, kao i akviziciju novih klijenata. Ostvaren je rast klijentske baze za 6%. Stalni napor da se uveća svest tržišta o alternativnim vrstama štednje i mogućnostima investiranja ponovo su rezultirali rastom prodaje investicionih fondova. Ukupna sredstva pod upravljanjem u okviru fondova porasla su za 37% u odnosu na prethodnu godinu, dok je udeo fondova u ukupnim sredstvima pod upravljanjem Premium klijenata porastao sa 18% na 22%.

Tokom 2016. godine, atraktivna ponuda kreditnih proizvoda banke doveo je do povećanja novih volumena za 69% u odnosu na prethodnu godinu, što je kao krajnji rezultat imalo rast kreditnog portfolija od 9%. U skladu sa savremenim trendovima, u toku su aktivnosti na stvaranju novih kanala za rad sa Premium klijentima i očekujemo da će, sa realizacijom istih, klijenti banke dobiti novu, savremenu uslugu koja ispunjava očekivanja klijenata ovog segmenta.

## Mala preduzeća i preduzetnici

Segment poslovanja sa malim preduzećima i preduzetnicima imao je veoma uspešnu poslovnu godinu. Novi kreditni volumeni povećani su za 29% kroz organizovane akvizicije i kampanje, što je uslovilo veću kreditnu izloženost kod kvalitetnih klijenata.

Depoziti klijenata su povećani za 14%, što pokazuje da klijenti konstantno povećavaju svoje poslovanje preko Raiffeisen banke, smatrajući je za sigurnog i pouzdanog partnera.

Novi prodajni koncept u segmentu mikro preduzeća i preduzetnika rezultirao je povećanjem broja novih klijenata za 16%, a kreditni portfolio porastao je za 45% u odnosu na prethodnu godinu. Konstantno je rađeno i na poboljšanju usluga koje se pružaju klijentima, prvenstveno na elektronskim kanalima plaćanja, tako da je procenat elektronskih naloga za ceo segment malih preduzeća i preduzetnika povećan sa 73% (koliko je iznosilo na kraju 2015. godine) na 82% na kraju 2016. godine. Među elektronskim kanalima plaćanja, klijenti su posebno pozitivno reagovali na unapređenu uslugu mobilnog bankarstva preko koje je realizovano 14% platnih transakcija (na kraju 2015. godine, ovaj procenat iznosio je 2,3%).

U 2016. godini uvedena je nova usluga za mala preduzeća u vidu koncepta „360 stepeni Vašeg poslovanja“, čija je suština sagledavanje svih poslovnih potreba klijenta na vrlo transparentan način.

In 2016, a new service for small enterprises was introduced, the "360 Degrees of Your Business" concept, the essence of which is creating a comprehensive and very transparent overview of all the client's business needs.

In the second half of the year, the so-called "Onboarding" program was introduced, which resulted in an increase in the number of products used by clients in the segment of small enterprises and entrepreneurs.

In the time of low interest rates, the small business segment adjusted to market conditions and recognized that only by improving service quality it would be possible to gain and keep clients' trust, as well as to increase business activity volume through Raiffeisen banka. The fact that income from fees increased by 14 percent on an annual level is proof of the soundness of this approach.

## Innovative Banking

Direct sales, which comprises sales outside of branch offices through crediting retail chains, as well as sales through direct agents, realized the best results since this mode of doing business with clients was established.

Through the channel of retail chains crediting, the good practice of cooperating with merchants was continued and the distribution in more than 350 retail shops was provided in 2016, with a supporting team of 200 agents and presence in more than 70 cities throughout Serbia. Sales growth by 45.7 percent was achieved compared to 2015.

The direct sales agents network realized significant results in selling cash loans, where a growth of 36 percent was achieved in relation to 2015, with a share of 14.1 percent in the total product placement through all the bank's channels.

The digitalization of processes and products in all business segments with retail and corporate clients, as well as further development and improvement of already existing solutions within the digital banking platform remained the basic priority for the further planning of business growth and maintaining the market position in 2016. Clients' needs incline towards greater comfort and faster communication with the bank, which is possible to achieve only through digital channels and digital sales.

In the course of 2016, as part of the digital program of welcoming clients, the new mobile banking platform was successfully popularized (introduced at the end of 2015), with a very impressive increase in the base of users exceeding 400 percent. An even more significant piece of data is the fact that, in the course of the year, the base of internet banking users grew significantly, showing an even more important dynamics than in previous years, which shows that the growth of mobile banking is not a result of client migration.

The gradual change in habits and needs of clients, as well as timely follow up of changes and the application of new technologies, resulted in the fact that approx. 27 percent of the total transactions that were usually performed in branch offices were transferred to the digital sales channel.

A novelty in the segment of digital channels in 2016 were also new marketing campaigns designed for this channel exclusively. The results achieved this way in the sales of credit cards and the small cash loan, justify the investments planned in the further development of this process and product in the year 2017.

## Service Quality

In 2016, constant efforts were continued in improving quality service research, performed in all the bank's branch offices, where the focus was on the process of showing the functionalities of various products.

Also, in order to improve user experience of clients through greater availability, the bank widened its branch office network and is present on a total of 85 locations.

## Improving Processes in Branch Offices

In 2016, Raiffeisen banka started the process of branch transformation of its network, in order to enable to its clients to perform transactions through a much wider network of branch offices.

Innovation, modern design, modern technologies in branch offices, while keeping the human touch in working with clients, were the basic guidelines the bank followed in defining its new concept of a modern branch office. 24-hour services were enabled seven days a week, as part of self-service zones where clients can perform various transactions on multifunctional machines – drawing cash from their accounts in RSD and EUR, payments to accounts in currencies RSD and EUR, account transfers, exchange transactions and payment of monthly bills.

Clients can perform all these transactions on new multifunctional devices, with significantly lower fees and without having to queue in branch offices. The result of this process were ten completely renovated branch offices, as well as three new branch offices opened in 2016.

U drugoj polovini godine, uspešno je uveden program takozvane „dobrodošlice za klijente“, koji je za rezultat imao povećanje broja proizvoda u korišćenju od strane klijenata u segmentu mikro preduzeća i preduzetnika.

U vremenu niskih kamatnih stopa, segment malih preduzeća prilagodio se uslovima poslovanja i prepoznao da samo poboljšanjem kvaliteta usluga može da zadobije i održi poverenje klijenata, te da poveća obim poslovne aktivnosti preko Raiffeisen banke. Podatak da su prihodi od naknada povećani za 14% na godišnjem nivou potvrda je ispravnosti ovakvog pristupa.

## Inovativno bankarstvo

U okviru direktnе prodaje, koja obuhvata prodaju izvan filijala kroz kreditiranje u maloprodaji, kao i prodaju proizvoda preko direktnih agenata, zabeleženi su najbolji rezultati od uspostavljanja ovog modela rada sa klijentima.

Kroz kanal kreditiranja u maloprodaji nastavljena je dobra praksa saradnje sa trgovcima i u 2016. godini obezbeđena distribucija u više od 350 maloprodajnih objekata, sa timom od 200 agenata i prisustvom u više od 70 gradova u zemlji. Postignut je rast prodaje u odnosu na 2015. godinu za 45,7%.

Mreža agenata direktnе prodaje je ostvarila značajan rezultat u delu prodaje gotovinskih kredita, pri čemu se beleži rast od 36% u odnosu na 2015. godinu, sa učešćem od 14,1% u ukupnom plasmanu proizvoda kroz sve kanale banke.

Digitalizacija procesa i proizvoda u svim segmentima rada sa stanovništвом i pravnim licima, kao i dalji razvoj i unapređenje već postojećih rešenja u okviru digitalnog bankarstva postalo je tokom 2016. godine osnovni prioritet za dalje planiranje rasta poslovanja i očuvanja tržišne pozicije. Potrebe klijenata idu u pravcu sve većeg komfora i što brže komunikacije sa bankom, što je moguće ostvariti isključivo kroz ove kanale komunikacije i prodaje.

Tokom 2016. godine, u okviru digitalnog programa dobrodošlice za klijente, uspešno je popularizovana nova platforma za mobilno bankarstvo (uvedena krajem 2015. godine), sa impozantnim povećanjem baze korisnika za više od 400%. Možda je još značajniji podatak činjenica da je tokom godine i baza korisnika internet bankarstva konstantno rasla, i to značajnijom dinamikom nego prethodnih godina, što ukazuje na to da rast mobilnog bankarstva nije rezultat migracije klijenata.

Postepena promena navika i potreba klijenata, kao i pravovremeno praćenje promena i primena novih tehnologija, za rezultat su imali činjenicu da je oko 27% ukupnih transakcija koje se obavljaju u filijalama prebačeno na digitalni servisni kanal.

Tokom 2016. godine novinu u oblasti digitalnih kanala predstavljaju i marketinške kampanje kreirane isključivo za ovaj kanal. Rezultati koji su postignuti na ovaj način u prodaji kreditnih kartica i malog gotovinskog kredita, opravdavaju planirana ulaganja u dalji razvoj procesa i proizvoda u 2017. godini.

## Kvalitet usluga

U 2016. godini nastavljeni su konstantni naporci na unapređenju istraživanja kvaliteta usluge, koje se sprovodi u svim ekspoziturama banke, pri čemu je poseban akcenat stavljen na proces predstavljanja funkcionalnosti različitih proizvoda.

Takođe, radi poboljšanja korisničkog iskustva klijenata kroz veću dostupnost, banka je u 2016. godini proširila mrežu filijala i obezbedila prisutnost na ukupno 85 lokacija.

## Unapređenje procesa u ekspoziturama

Tokom 2016. godine Raiffeisen banka započela je proces transformacije svoje mreže, kako bi svojim klijentima omogućila da kroz znatno širu mrežu ekspozitura obavljaju transakcije.

Inovativnost, moderan dizajn i savremene tehnologije u ekspoziturama, uz zadržavanje humane note u radu sa klijentima, bila su osnovna načela kojima se banka vodila prilikom definisanja novog koncepta moderne ekspoziture. Omogućeno je pružanje usluga 24 časa dnevno, sedam dana u nedelji, i to u okviru zona samousluživanja u kojima klijenti na multifunkcionalnim uređajima mogu da obavljaju različite transakcije – podizanje novca sa računa u valutama RSD i EUR, uplate na račune u valutama RSD i EUR, prenose sa računa, menjačke poslove i plaćanje mesečnih računa.

Sve ovo klijenti mogu da čine na novim multifunkcionalnim uređajima, bez čekanja u redovima na šalterima i uz znatno niže provizije. Rezultat ovog procesa je deset potpuno renoviranih ekspozitura i tri nove ekspoziture koje su otvorene tokom 2016. godine.

# Treasury and Investment Banking

The Treasury and Investment Banking Division greatly contributed to the achievement of the bank's total results and maintaining one of the leading positions in the market in 2016. The bank realized a high level of dinar and foreign currency liquidity during the whole year, as a result of professional management of the bank's assets.

## Money Market and Foreign Exchange Trading

The National Bank of Serbia continued the monetary policy of inflation rate targeting in 2016 as well. The NBS' Executive Board lowered the key interest rate in 2016 twice by 25 percentage points both times, so the rate fell from 4.5 per cent to 4.0 per cent at the end of the year. The NBS' decision to correct the key interest rate only twice, was a result of the NBS' expectations that inflation would start to grow from May 2016. However, at the end of the year, inflation reached only 1.6 per cent year-on-year and was significantly below target (4 per cent +/-1.5 per cent). The very slow inflation growth was a result of slower growth of oil prices and food than was expected on global markets, stable foreign currency exchange rate, as well as the government's decision to correct prices controlled by the state in a smaller volume than initially planned.

The exchange rate ranged from 121.51 dinars for the euro at the beginning of the year, to 123.47 euros at the end of 2016. The total turnover on the interbank market was reduced from 15.06 billion euros in 2015 to 11.71 billion euros in 2016. The NBS intervened in the course of 2016 with 1.8 billion euros (820 million euros of which relate to buying, and 980 million euros for the sale of foreign currency), which is 380 million euros more than in relation to the total intervention in 2015.

Raiffeisen banka was in 2016 among the leading banks in foreign currency trading and foreign currency banknote trading on the interbank foreign currency market. The Treasury and IB Division of Raiffeisen banka realized a market share of 13.68 per cent in trading products with corporate clients, thereby confirming its leading position in the market.

The Ministry of Finance invested efforts during the previous year to boost investments into dinar bills, actively taking on debt in the local currency, with an interest rate dictated by demand at auctions and in the secondary market, where Raiffeisen banka realized a significant share in the sales of T-bills with local and foreign investors. The one-year T-bill finished the year at the discount rate level of 3.49 per cent, while the one-month Belibor finished the year at 3.35 per cent. With the aim of successful liquidity management, Raiffeisen banka continued the diversification of its dinar investment portfolio by investing into T-bills of the Ministry of Finance.

## Financial Institutions Correspondence

Raiffeisen banka provided an adequate level of liquidity for financing the needs of its clients in the course of 2016. Apart from its own sources, funds from APEX lines were also used, which the European Investment Bank approved through the National Bank of Serbia.

The head office Raiffeisen Bank International AG greatly contributed to supporting clients needs. Raiffeisen banka is permanently developing and improving relations with a great number of international and domestic financial institutions. In the course of 2016, the bank maintained contacts with leading financial institutions, all with the aim of realizing possible cooperation in the forthcoming period.

In the segment of correspondence relations, the ALM&Funding Department contributed to maintaining and further expansion of the adequate network of loro and nostro accounts, aiming to support the successful effecting of transactions by the bank's clients.

# Sektor sredstava i investicionog bankarstva

Sektor sredstava i investicionog bankarstva značajno je doprineo ostvarenju ukupnih rezultata banke i očuvanju pozicije među liderima na tržištu u 2016. godini. Banka je tokom cele godine imala visok nivo dinarske i devizne likvidnosti kao rezultat profesionalnog upravljanja sredstvima banke.

## Tržište novca, trgovanje devizama i upravljanje aktivom i pasivom banke

Narodna banka Srbije (NBS) je i u 2016. godini nastavila sa monetarnom politikom targetiranja stope inflacije. Izvršni odbor NBS je u toku 2016. godine snizio referentnu kamatnu stopu dva puta za po 25 procentnih poena, tako da je stopa pala sa 4,5% na 4,0% na kraju godine. Odluka NBS da samo dva puta koriguje referentnu kamatnu stopu bila je rezultat očekivanja NBS da će inflacija početi da raste od maja 2016. godine. Međutim, na kraju godine, inflacija je dostigla svega 1,6% godina na godinu i bila je značajno ispod targeta (4% +/- 1,5%). Vrlo spor rast inflacije rezultat je sporijeg rasta cena naftne i hrane od očekivanog na svetskim tržištima, stabilnog deviznog kursa, kao i odluke Vlade da koriguje cene pod kontrolom države u manjem obimu nego što je to inicijalno bilo planirano.

Kurs se u 2016. godini krećao od 121,51 dinara za evro na početku godine, do 123,47 na kraju 2016. godine. Ukupan promet na međubankarskom tržištu smanjen je sa 15,06 milijardi evra u 2015. na 11,71 milijardi evra u 2016. godini. NBS je u toku 2016. godine intervenisala sa 1,8 milijardi evra (od čega se 820 miliona evra odnosi na kupovinu, a 980 miliona evra na prodaju deviza), što je za 380 miliona evra više u odnosu na ukupnu intervenciju tokom 2015. godine.

Raiffeisen banka je i tokom 2016. godine bila među vodećim bankama u trgovani devizama i efektivnim stranim novcem na međubankarskom deviznom tržištu. Sektor sredstava i investicionog bankarstva Raiffeisen banke realizovao je tržišno učešće od 13,68 % u trgovani proizvodima sa korporativnim klijentima, čime je potvrdio lidersku poziciju na tržištu.

Na podsticanju investiranja u dinarske zapise u toku prošle godine napore je uložilo i Ministarstvo finansija aktivno se zadužujući u domaćoj valuti, sa kamatom koju je diktirala tražnja na aukcijama i na sekundarnom tržištu, gde je Raiffeisen banka ostvarila značajno učešće u kupoprodaji zapisa Trezora sa domaćim i stranim investitorima. Jednogodišnja hartija Trezora godinu je završila na nivou diskontne stope od 3,49 %, dok je jednomesečni Belibor godinu završio na nivou od 3,35%. U cilju uspešnog upravljanja likvidnošću, Raiffeisen banka je nastavila diversifikaciju svog dinarskog investicionog portfolija ulaganjem u trezorske zapise Ministarstva finansija.

## Odnosi sa finansijskim institucijama

Raiffeisen banka je tokom godine obezbedila adekvatan nivo likvidnosti za finansiranje potreba svojih klijenata. Pored sopstvenih izvora, korišćena su sredstva iz APEX linija koje je Evropska investiciona banka odobrila preko Narodne banke Srbije.

Značajan doprinos zadovoljenju potreba klijenata pružila je centrala Raiffeisen Bank International AG. Raiffeisen banka stalno razvija i unapređuje odnose sa zavidnim brojem međunarodnih i domaćih finansijskih institucija. Banka je tokom 2016. godine ostala u kontaktima sa vodećim finansijskim institucijama, u cilju sagledavanja mogućih oblika saradnje u narednom periodu.

U delu korespondentskih odnosa, Odeljenje za upravljanje aktivom i pasivom i finansiranjem banke svojim aktivnostima doprinelo je održavanju uspešne saradnje sa inobankama u cilju podrške uspešnom obavljanju transakcija klijenata banke.

## Brokerage Operations

Raiffeisen banka successfully finished the procedure of issuing the first issue of bonds denominated in dinars for the issuer EBRD. The bonds were registered in the Central Securities Depository and listed on the Belgrade Stock Exchange. Raiffeisen banka provided the services of underwriter in this complex project.

Due to the continuing trend of decreasing yield on state bonds, foreign investors reduced investments in these instruments in 2016. In a dynamic environment, Raiffeisen banka succeeded in expanding its client base in trading on the secondary market and thus exceed the results realized in the year before.

The Belgrade Stock Exchange saw a further trend of turnover shrinking. Even in this more difficult environment, Raiffeisen banka continued offering great support to clients and maintained one of the leading positions in the market.

## Research

The Raiffeisen Research analyst network of Raiffeisen Group continued its work on improving the general understanding of economic trends in a period of significant volatilities in the global financial markets caused by geopolitical events and announcements of a change in course of the monetary policies of the central banks of the USA and the European Union (reports: CEE Strategy, Financial Markets & Global Strategy, CEE Banking Report), as well as offering a more comprehensive view of local economic trends in its publications ("Short Note", "Monthly Economic Report").

By regular monitoring and a thorough analysis of key indicators, key events on the macroeconomic scene were promptly reported on ("Research Alert") and then, in accordance with new tendencies, models developed for the forecast of future economic trends were suitably adjusted.

## Custody Services

In accordance with the Raiffeisen Group initiative, Raiffeisen banka is devoted to improving the quality and standardization of custody services. At the moment, a successful cooperation has been established between Raiffeisen Bank International AG and the local depositors and clearing companies in eight markets of Central and Eastern Europe. In 2016, the process was begun of establishing cooperation with the Serbian Central Securities Depository and Raiffeisen Bank International AG.

Wishing to offer to its clients the most comprehensive information, Raiffeisen Group also publishes the monthly magazine "GSS Press", which gives a detailed overview of Central and Eastern European markets. In its December issue, "GSS Press" focused on the Serbian market. This publication is an important marketing tool for GSS business activities.

## Brokersko-dilerski poslovi

Raiffeisen banka uspešno je završila postupak izdavanja prve emisije obveznica denominovanih u dinarima za izdavaoca EBRD. Obveznice su registrovane u Centralnom registru i listirane na Beogradskoj berzi. U ovom kompleksnom projektu, Raiffeisen banka je pružila usluge pokrovitelja emisije.

Usled nastavka trenda pada prinosa na državne obveznice, strani investitori su u 2016. godini smanjili ulaganje u ove instrumente. U dinamičnom okruženju, u trgovaniju na sekundarnom tržištu Raiffeisen banka uspela je da proširi bazu klijenata i nadmaši ostvarene rezultate iz prethodne godine.

Na Beogradskoj berzi nastavljen je trend smanjenja prometa. I u tim otežanim uslovima, Raiffeisen banka je nastavila da pruža veliku podršku klijentima i zadržala jedno od vodećih mesta na tržištu.

## Kastodi usluge

U skladu sa grupnom inicijativom Raiffeisen banka čvrsto je posvećena unapređenju kvaliteta i standardizaciji kastodi usluga. Trenutno je na osam tržišta centralne i istočne Evrope upešno uspostavljena veza između Raiffeisen Bank International AG i lokalnih centralnih depozitara i klirinških kuća. Ove godine započet je proces uspostavljanja saradnje Centralnog registra hartija od vrednosti u Srbiji i kompanije Raiffeisen Bank International AG.

U želji da svojim klijentima pruži što sveobuhvatnije informacije, Raiffeisen grupacija objavljuje mesečni magazin „GSS Press“ koji pruža detaljan pregled tržišta centralne i istočne Evrope. U svom decembarskom izdanju, „GSS Press“ posvetio je najviše prostora srpskom tržištu. Ova publikacija važan je marketinški alat za GSS poslovanje.

## Istraživanja

Mreža analitičara Raiffeisen grupacije – „Raiffeisen Research“ nastavila je sa radom na unapređenju opštег razumevanja ekonomskih tokova u periodu značajnih volatilnosti na globalnim finansijskim tržištima uzrokovanih geopolitičkim dešavanjima i najavama promene kursa monetarne politike centralnih banaka SAD i Evropske unije (izveštaji CEE Strategy, Financial Markets & Global Strategy, CEE Banking Report), kao i celishodnjem sagledavanju lokalnih ekonomskih trendova u okviru publikacija („Short Note“ i „Monthly Economic Report“).

Redovnim praćenjem i temeljnom analizom ključnih indikatora, promptno se izveštavalo o ključnim makroekonomskim indikatorima („Research Alert“), a zatim su se, u skladu sa novim tendencijama, adekvatno prilagođavali modeli razvijeni za procenu budućih ekonomskih tokova.

# Raiffeisen Leasing

The company Raiffeisen Leasing maintained again in 2016 its high position in the market where the leasing industry shows growth of sales in recent years, especially with regard to passenger vehicles.

The special focus of Raiffeisen Leasing is on improving long-term cooperation with its clients, so that the company continued to pursue its development strategy, reflected in recognizing its clients' needs and, consequently, finding the optimal financing structure. In order to offer to its clients even more competitive terms, Raiffeisen Leasing especially focused on further developing the partnerships with its network of the most important dealers, as well as developing strategic cooperation with the best selling vehicle brands in Serbia through an array of mutual projects.

In accordance with market demands, Raiffeisen Leasing was mostly focused on vehicle financing in 2016. The total value of new sales at the end of the year amounted to 39.53 million euros, of which vehicles were financed with 31.05 million euros. It should be stressed that in the course of 2016, financing of truck and cargo vehicles recorded a significant growth, whereby the total value of contracts amounted to 10.53 million euros and this segment thus makes up 27 percent of the value of new sales.

In 2016, Raiffeisen Leasing was also dedicated to a further improvement of the procedures and organization in the risk management area. A stable and sustainable portfolio growth was enabled through professional risk management, reaching 65.59 million euros. Also, special attention was directed towards constant improvement of processes with the aim of increasing efficiency and cost reduction.

The key goals set by Raiffeisen Leasing for the year 2017 include maintaining one of the leading positions in the market, achieving optimal balance between growth of business volume and keeping the costs of risk and profitability at an adequate level, strengthening cooperation with existing clients, dealers and insurance companies, as well as constant improvement and developing products in line with high professional standards.

# Raiffeisen Leasing

Kompanija Raiffeisen Leasing je i tokom 2016. godine zadržala visoku poziciju na tržištu, na kome lizing industrija poslednjih godina pokazuje rast plasmana, posebno u sektoru putničkih vozila.

Raiffeisen Leasing je nastavio strategiju razvoja i unapređenje dugoročnih odnosa sa svojim klijentima, koja se ogleda u prepoznavanju njihovih potreba, i u skladu sa tim, pronađenja optimalne strukture finansiranja. Kako bi klijentima ponudio još atraktivnije uslove, Raiffeisen Leasing je posebnu pažnju posvetio daljem jačanju partnerskih odnosa sa mrežom najznačajnijih dilerova, kao i razvijanju strateške saradnje sa najprodavanijim automobilskim brendovima u Srbiji kroz niz zajedničkih akcija.

U skladu sa zahtevima tržišta, Raiffeisen Leasing je i tokom 2016. godine pre svega bio usmeren na finansiranje vozila. Ukupna vrednost novih plasmana na kraju godine iznosila je 39,53 miliona evra, od čega su vozila finansirana sa 31,05 miliona evra. Treba istaći da je tokom 2016. godine zabeležen značajan rast finansiranja teretnih vozila, pri čemu je ukupna vrednost ugovora iznosila 10,53 miliona evra, te ovaj segment čini 27% vrednosti novih plasmana.

Raiffeisen Leasing je tokom 2016. godine bio posvećen i daljem unapređenju procedura i organizacije u segmentu upravljanja rizicima. Kroz profesionalno upravljanje rizicima obezbeđen je stabilan i održiv rast portfolija, koji je dostigao nivo od 65,59 miliona evra. Takođe, posebna pažnja usmerena je na konstantno unapređenje procesa sa ciljem povećanja efikasnosti i smanjenja troškova.

Očuvanje jedne od vodećih pozicija na tržištu, postizanje optimalnog balansa između rasta obima poslovanja i održavanja troškova rizika i profitabilnosti na adekvatnom nivou, jačanje saradnje sa postojećim klijentima, dilerima i osiguravajućim kućama, te stalno unapređenje i kreiranje proizvoda u skladu sa visokim standardima, predstavljaju ključne ciljeve koje je Raiffeisen Leasing odredio za 2017. godinu.

# Raiffeisen FUTURE

## Voluntary Pension Fund Management Company

Raiffeisen FUTURE a.d. Beograd, VPFAMC, manages two voluntary pension funds: Raiffeisen FUTURE VPF and Raiffeisen EURO FUTURE VPF.

Raiffeisen FUTURE VPF has a variable currency structure of assets and invests mainly into debt securities. The fund has been successfully operating for ten years with the rate of return since inception at 10.53% on an annual basis. The annual rate of return in 2016 was 7.49%. The fund's investment unit has the highest value in the industry and it amounted to RSD 2,721.46 as at December 31, 2016. The net assets of the fund amounted to RSD 3.8 billion as at December 31, 2016, which represented an annual growth of 15.19%.

Raiffeisen EURO FUTURE VPF started operating on July 24, 2015. The fund is most suitable for those clients who prefer their long-term savings to be invested in euro-denominated securities. In accordance with the fund's investment policy, 99% of the assets are invested in euro-denominated investment instruments, while 1% of the assets consists of money deposits in this fund's account. The annual rate of return in 2016 was 7.05% in RSD and 5.45% in EUR. The realized rate of return since inception as at December 31, 2016, was 6.28% in RSD and 4.38% in EUR on an annual basis.

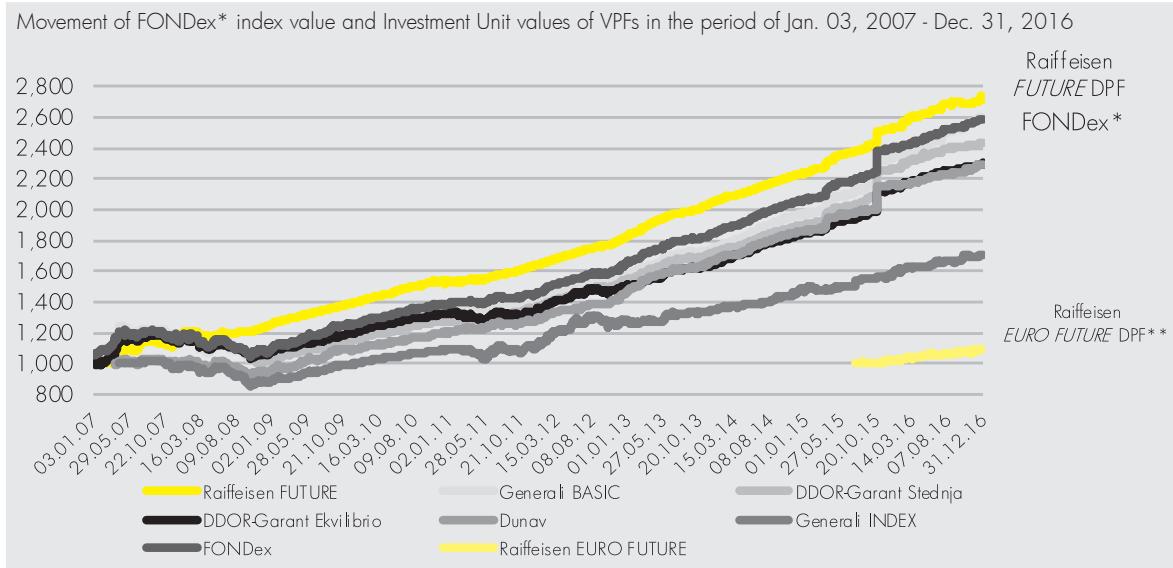
The net assets of the fund on December 31, 2016, exceeded RSD 34 million.

The number of members saving in both funds is over 24,400.

The market share measured by total assets under management in both funds is 11.84%.

High-quality service is provided to the members of both Raiffeisen FUTURE VPF and Raiffeisen EURO FUTURE VPF by a team of professionals with extensive experience in the VPF industry. In addition, there are 349 professionals licensed by the National Bank of Serbia at 85 Raiffeisen banka's branches throughout Serbia, who are at the disposal of our members.

Members may choose between the two funds with different investment policies, in terms of the currency structure, or they can pay contributions simultaneously into both funds.



Source: NBS www.nbs.rs / FONDex and VPF Investment Unit Values

\* The National Bank of Serbia created the FONDex index, which represents a unified indicator of movements in the value of investment units of all funds in the industry, proportionally to their asset share in relation to the industry. By monitoring the value movements of the funds' investment units in relation to the FONDex, comparisons of funds become possible.

# Raiffeisen FUTURE

## Društvo za upravljanje dobrovoljnim penzijskim fondom

Raiffeisen FUTURE a.d. Beograd, DUDPF upravlja sa dva dobrovoljna penzijska fonda-DPF: Raiffeisen FUTURE i Raiffeisen EURO FUTURE.

Raiffeisen FUTURE DPF ima promenljivu valutnu strukturu i pretežno ulaže imovinu u dužničke hartije od vrednosti. Fond uspešno posluje punih deset godina sa prinosom od početka poslovanja od 10,53% na godišnjem nivou. U 2016. godini, ostvaren je prinos od 7,49%. Investiciona jedinica fonda ima najveću vrednost u industriji i na dan 31.12.2016. godine iznosi 2.721,46 dinara. Neto imovina fonda na dan 31.12.2016. iznosi 3,8 milijardi dinara, što predstavlja godišnji rast od 15,19%.

Raiffeisen EURO FUTURE DPF počeo je sa radom 24.07.2015. godine. Fond je namenjen svim klijentima koji žele da njihova dugoročna štednja bude investirana u evro denominovane hartije od vrednosti. U skladu sa investicionom politikom, 99% imovine ulaže se u evro denominovane investicionne instrumente, dok 1% imovine čine dinarska sredstva na računu fonda. U 2016. godini, fond je ostvario prinos od 7,05% u RSD, odnosno 5,45% u EUR. Ostvaren prinos od početka poslovanja fonda na dan 31.12.2016. godine iznosi 6,28% u RSD, odnosno 4,38% u EUR na godišnjem nivou.

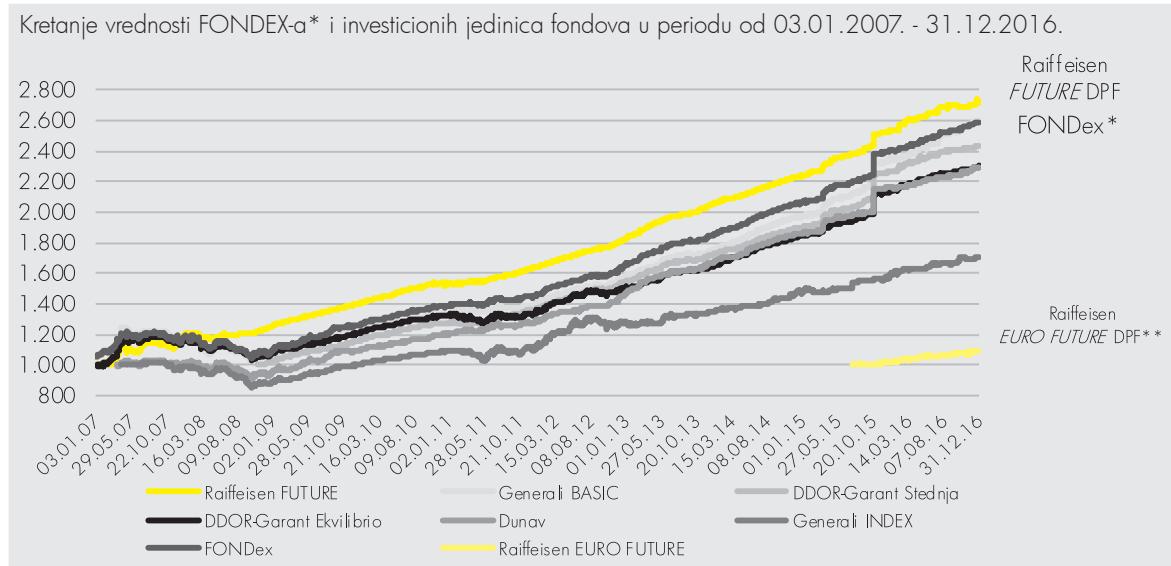
Neto imovina fonda na dan 31.12.2016. iznosi preko 34 miliona dinara.

Ukupan broj članova koji štedi u oba fonda iznosi preko 24.400.

Tržišno učešće neto imovine oba fonda kojima Društvo upravlja iznosi 11,84%.

Visok kvalitet usluge članovima DPF Raiffeisen FUTURE i Raiffeisen EURO FUTURE pruža tim profesionalaca sa dugogodišnjim iskustvom u industriji. Takođe, članovima je na raspolaganju 349 profesionalaca licenciranih od strane Narodne banke Srbije u 85 filijala Raiffeisen banke širom Srbije.

Članovi mogu birati između dva fonda sa različitom investicionom politikom u pogledu valutne strukture, ili pak mogu ulagati u oba fonda istovremeno.



Izvor: NBS www.nbs.rs / Vrednosti FONDex-a i investicionih jedinica DPF

\*Narodna banka Srbije izradila je indeks FONDex koji predstavlja jedinstven pokazatelj kretanja vrednosti investicionih jedinica svih fondova u industriji, srazmerno njihovom učešću imovine u odnosu na industriju. Praćenjem kretanja vrednosti investicionih jedinica fondova u odnosu na FONDex omogućeno je poređenje fondova.

# Raiffeisen INVEST

Raiffeisen INVEST a.d. Belgrade Investment Fund Management Company again successfully managed assets of open investment funds – Raiffeisen CASH, Raiffeisen WORLD and Raiffeisen EURO CASH in 2016 and confirmed its leading position in the market of investment funds in the country. At the end of 2016, the value of assets under management amounted to € 151.43 million, i.e. with a growth of 20 per cent, a market share of 90 per cent was realized, in relation to the total value of net assets of all open-ended investment funds in the country.

The open-ended investment fund **Raiffeisen CASH** – a money market fund, by investing funds into cash deposits and short-term debt securities, realized significant returns for its members in 2016 – the fund's investment unit (in dinars) rose by 4.05 per cent (p.a.) conclusive with December 31, 2016, while the fund's net assets reached a value of almost 60 million euros.

The open-ended investment fund **Raiffeisen EURO CASH** – a money market fund, by investing funds into money deposits with banks and short-term debt securities denominated in euros, realized stable returns for its members, on the one hand, as well as protecting dinar investments from oscillations of the foreign currency rate, on the other hand. In the course of 2016, the fund's investment unit grew by 2.41 per cent p.a. (in dinars), i.e. approx. 0.9 per cent p.a. (in euros), while the fund's net assets grew by 72 percent, so that they amounted to approx. 81 million euros at the end of 2016.

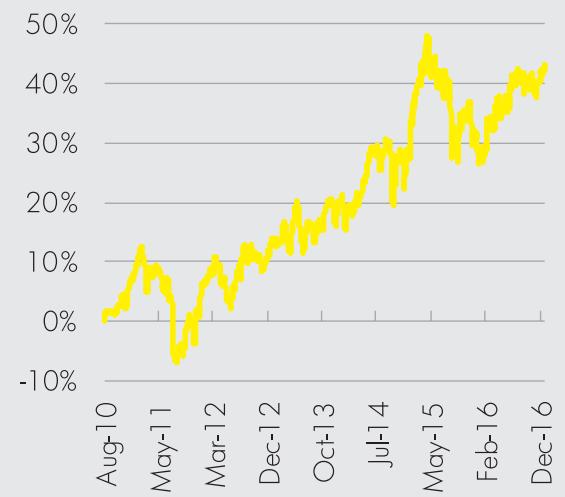
The open-ended investment fund **Raiffeisen WORLD**, established in August 2010 as an equity fund, but changed into a balanced fund in September 2015, with a multi-asset strategy of investing into various classes of assets (equities, bonds, deposits), regions, industries, currencies, with the aim of realizing positive returns in the long term by participating in investments in growing markets, but with accepting moderate risk, which is reduced by applying the capital preservation strategies in periods of market corrections. In line with successfully applied strategies, the

fund realized good returns for its members in 2016 – the fund's investment unit rose by almost 8.5 per cent (in euros) conclusive with December 31, 2016, while the fund's net asset value grew by 42.85 per cent, so that it amounted to 10.95 million euros at the end of the year.

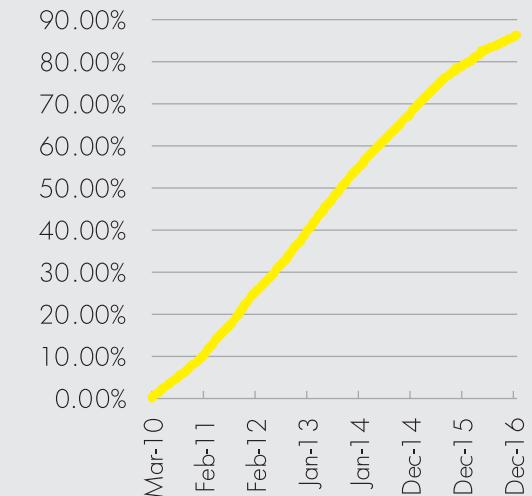
In the course of 2016, there appeared no new participants in the investment funds market in the country. According to the value of net assets of open-end investment funds, which amounted to approx. 170 million euros at the end of 2016, an annual market growth of 21.6 per cent was realized – the main generator of fund asset industry growth was the growth of assets managed by Raiffeisen INVEST.

Raiffeisen INVEST plans to continue its investing activities in 2017 as well, in order to make it possible for the clients of Raiffeisen banka, through investing into investment funds, to realize returns corresponding to their investment goals, depending on their risk appetite and the investment horizon.

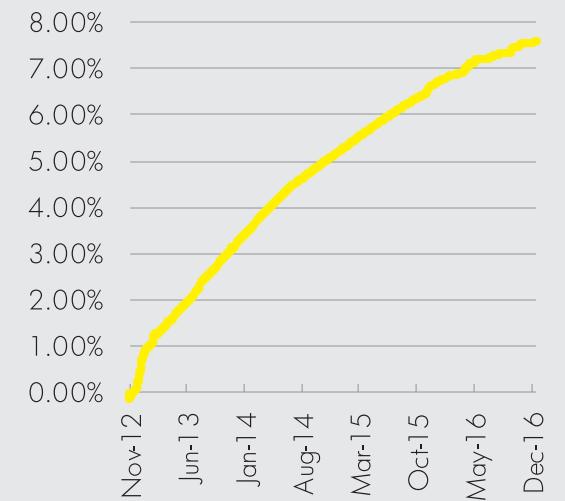
Movement of Returns - Raiffeisen WORLD fund



Movement of Returns - Raiffeisen CASH fund



Movement of Returns - Raiffeisen EURO CASH fund



# Raiffeisen INVEST

Raiffeisen INVEST a.d. Beograd Društvo za upravljanje investicionim fondovima je u 2016. godini uspešnim upravljanjem imovinom otvorenih investicionih fondova – Raiffeisen CASH, Raiffeisen WORLD i Raiffeisen EURO CASH zadržalo lidersku poziciju na tržištu investicionih fondova u zemlji. Krajem 2016. godine vrednost imovine pod upravljanjem iznosila je 151,43 miliona evra, odnosno rastom od skoro 20% ostvareno je tržišno učešće od 90% u odnosu na ukupnu vrednost neto imovine svih otvorenih investicionih fondova u zemlji.

Otvoreni investicioni fond **Raiffeisen CASH** – novčani fond, ulaganjem u dinarske novčane depozite i kratkoročne dužničke hartije od vrednosti, je u 2016. godini ostvario značajan prinos za svoje članove – investiciona jedinica fonda je, zaključno sa 31.12.2016. godine, porasla 4,05% (u dinarima), a neto imovina fonda dostigla je vrednost od skoro 60 miliona evra.

Otvoreni investicioni fond **Raiffeisen EURO CASH** – novčani fond, ulaganjem u novčane depozite kod banaka i kratkoročne dužničke hartije od vrednosti denominovane u evrima, obezbedio je ostvarenje stabilnog prinosa za svoje članove s jedne strane, kao i zaštitu dinarskih sredstava od oscilacija deviznog kursa, s druge strane. Investiciona jedinica fonda je u 2016. godini porasla 2,41% (u dinarima), odnosno približno 0,9% (u evrima), dok je neto imovina fonda porasla 72%, tako da je na kraju 2016. godine iznosila 81 milion evra.

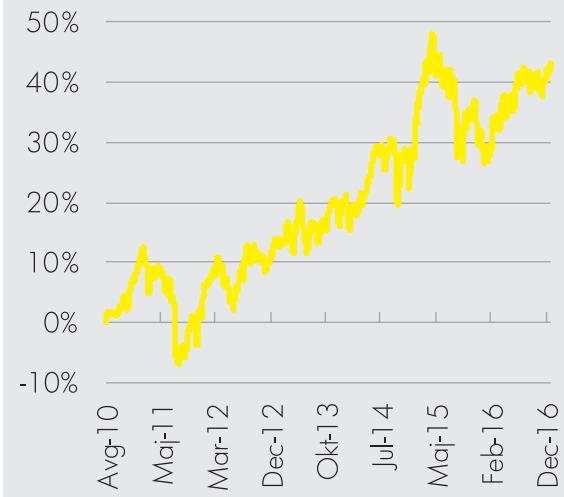
Otvoreni investicioni fond **Raiffeisen WORLD** organizovan je avgusta 2010. godine kao fond akcija, ali je u septembru 2015. godine promenjena vrsta fonda u balansirani fond, sa strategijom ulaganja u različite klase imovine (akcije, obveznice, depozite), regije, sektore, valute, a u cilju ostvarivanja pozitivnog prinosa u dugom roku učešćem u investiranju na rastućim tržištima, ali i uz prihvatanje umerenog rizika, koji je smanjen primenom strategije očuvanja kapitala u periodima korekcija tržišta. U skladu sa uspešno primenjenim strategijama, fond je u

2016. godini ostvario dobar prinos za svoje članove – investiciona jedinica fonda je zaključno sa 31.12.2016. godine porasla skoro 8,5% (u evrima), dok je vrednost neto imovina fonda porasla 42,85%, tako da je na kraju godine iznosila 10,95 miliona evra.

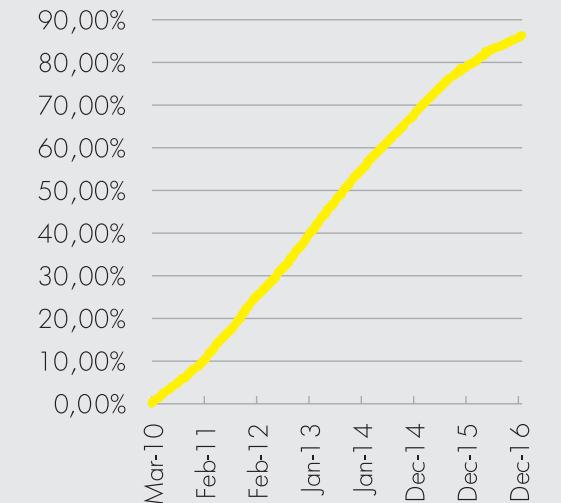
Tokom 2016. godine, na tržištu investicionih fondova u zemlji nije bilo novih učesnika. Gledajući prema visini neto imovine otvorenih investicionih fondova, koja je na kraju 2016. godine iznosila približno 170 miliona evra, ostvaren je godišnji rast tržišta od 21,6% – glavni generator rasta industrije bio je porast imovine fondova kojima upravlja Raiffeisen INVEST.

Raiffeisen INVEST planira da i u 2017. godini nastavi sa investicionim aktivnostima kako bi, odgovornim i profesionalnim upravljanjem, klijentima Raiffeisen banke omogućio da kroz ulaganje u investicione fondove, ostvare odgovarajući prinos u skladu sa investicionim ciljevima, zavisno od stepena rizika koji su spremni da prihvate i vremenskog horizonta investiranja.

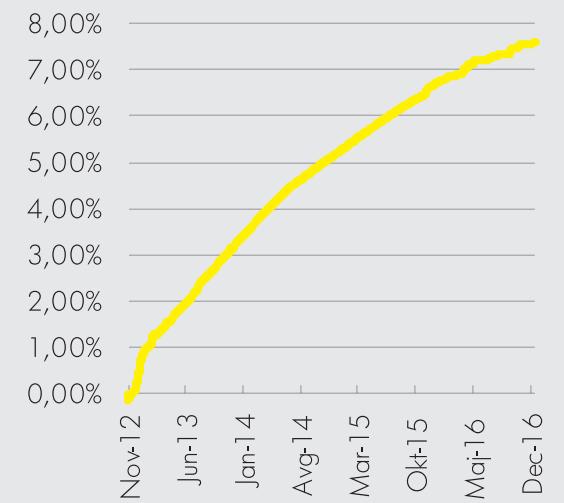
Kretanje prinosa fonda Raiffeisen WORLD



Kretanje prinosa fonda Raiffeisen CASH



Kretanje prinosa fonda Raiffeisen EURO CASH



# Branch Network

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SWIFT Code: RZBSRSBG

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### Sever

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Phone: (+381 21) 4880 000

## Belgrade I Region

### Beograd

- Bulevar kralja Aleksandra 171
- Bulevar kralja Aleksandra 328
- Bulevar oslobođenja 7-9
- Cara Dušana 78
- Kralja Petra 14
- 27. marta 31
- Kursulina 41
- Maksima Gorkog 75
- Marijane Gregoran 58
- Mirijevski venac 27
- Resavska 22
- Resavska 66
- Ruzveltova 10
- Sarajevska 3
- Terazije 27
- Braće Smić 3b
- Bratstva i jedinstva 73, Borča
- Grge Andrijanovića 2, Krnjača
- Srpsko-grčkog prijateljstva 1-3,  
Grocka
- Ustanička 64

### Požarevac

Moše Pijade 10

### Pančevo

Petra Drapšina 4-6

### Smederevo

Karađorđeva 18

### Smederevska Palanka

Prvog srpskog ustanka 3

### Vršac

Dvorska 1-3

## Belgrade II Region

### Beograd

- Bulevar Mihajla Pupina 4
- Bulevar Mihajla Pupina 181
- Bulevar umetnosti 4
- Bulevar vojvode Mišića 37
- Vojvode Stepe 199
- Bulevar Zorana Đindjića 64a
- Đorđa Stanojevića 16
- Jurija Gagarina 151
- Milutina Milankovića 134a
- Požeška 41
- Požeška 81a
- Trgovačka 5
- Glavna 13m
- Prvomajska 101
- Pilota Mihaila Petrovića 70a
- Mladenovac, Kralja Petra I 227,
- Obrenovac, Kneza Mihajla 6
- Lazarevac, Dimitrija Tucovića 1
- Crnotravska 7-9
- Milutina Milankovića 1ž
- Partizanske avijacije 12

### Stara Pazova

Kralja Petra I 1

### Loznica

Kneza Miloša 2

### Valjevo

Karađorđeva 114

### Šabac

Masarykova 7

# Mreža filijala

## Region „North“

### **Novi Sad**

- Bulevar oslobođenja 56a
- Bulevar oslobođenja 76a
- Bulevar cara Lazara bb
- Trg slobode 3, Apolo centar

### **Bačka Palanka**

Kralja Petra I 11

### **Indija**

Novosadska 9

### **Temerin**

Novosadska 348

### **Vrbas**

Ive Lole Ribara 16

### **Zrenjanin**

Kralja Aleksandra Karađorđevića 41

### **Kikinda**

Trg srpskih dobrovoljaca 28

### **Senta**

Glavni trg 8

### **Sombor**

Avrama Mrazovića 1

### **Subotica**

Trg slobode 5

### **Ruma**

Orlovićeva 4

### **Sremska Mitrovica**

Kralja Petra I 24

## Region „South“

### **Kragujevac**

- Srete Mladenovića 2
- Nikole Pašića 7

### **Aranđelovac**

Knjaza Miloša 259

### **Jagodina**

Kneginje Milice 12

### **Kruševac**

Majke Jugovića 8

### **Paraćin**

Vožda Karađorđa 31

### **Čačak**

- Brće Spasića bb
- Gospodar Jovanova 26

### **Kraljevo**

Hajduk Veljkova 16

### **Novi Pazar**

Stefana Nemanje bb

### **Užice**

Dimitrija Tucovića 91

### **Prijepolje**

Valterova 20

### **Bor**

Nikole Pašića 5

### **Leskovac**

Bulevar oslobođenja 154

### **Niš**

- Svetozara Markovića 12
- Vizantijski bulevar bb
- Obrenovićeva 35

### **Pirot**

Pirotskih oslobodilaca bb

### **Vranje**

Štefana Prvovenčanog 145

### **Zaječar**

Krfska 16

# Organizational Chart



# Organizaciona struktura banke



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# Financial Statements

RAIFFEISEN BANKA A.D. BEOGRAD

Separate financial statements  
for the year ended 31 December 2016  
prepared in accordance with  
International Financial Reporting Standards  
21. March 2017

# Finansijski izveštaj

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## Independent Auditors' Report

TO THE SHAREHOLDERS

RAIFFEISEN BANKA A.D. BEOGRAD

### *Report on separate financial statements*

We have audited the accompanying separate financial statements of Raiffeisen banka a.d. Beograd ("the Bank"), which comprise the separate balance sheet as at 31 December 2016, the separate income statement, separate statement of other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Separate Financial Statements*

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with audit standards applicable in the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the preparation and fair presentation of 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 separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2016, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beograd, 29 March 2017



KPMG d.o.o. Beograd

Dušan Tomić  
 Certified Auditor

# SEPARATE STATEMENT OF PROFIT OR LOSS

Year Ended December 31, 2016

<i>In thousands of RSD</i>	<i>Note</i>	<b>2016</b>	<b>2015</b>
Interest income	7, 3(c)	10,192,695	11,737,236
Interest expense	7,3(c)	(491,055)	(1,253,899)
<b>Net interest income</b>		<b>9,701,640</b>	<b>10,483,337</b>
Fee and commission income	8, 3(d)	4,868,541	4,639,999
Fee and commission expense	8, 3(d)	(1,265,941)	(1,099,520)
<b>Net fee and commission income</b>		<b>3,602,600</b>	<b>3,540,479</b>
Net gains/(losses) on financial assets held for trading	3(e)	50,617	(1,977)
Net losses on hedging	3(f)	(16,487)	(363)
Net losses on financial assets held for sale	3(i)	(1,558)	-
Net gains on foreign exchange differences and effects of foreign currency clause	3(b)	1,364,387	1,288,102
Other operating income	9	392,940	168,192
Net impairment loss on financial assets	10, 3(k)	(371,595)	(1,774,143)
<b>Operating income, net</b>		<b>14,722,544</b>	<b>13,703,627</b>
Personnel expenses	11	(3,061,860)	(3,006,802)
Depreciation expense	21, 22, 3(q), 3(r)	(593,196)	(711,664)
Other expenses	12	(4,895,780)	(5,139,841)
<b>Profit before income tax</b>		<b>6,171,708</b>	<b>4,845,320</b>
Income tax	13, 3(j)	(760,417)	(503,368)
<b>Profit for the year</b>		<b>5,411,291</b>	<b>4,341,952</b>

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

Belgrade, 21 March 2017

For and on behalf of the Management Raiffeisen banka a.d., Beograd

  
Zoran Petrović

Chairman of the Managing Board





Goran Kesić  
Member of the Managing Board

# SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2016

<i>In thousands of RSD</i>	Note	2016	2015
Other comprehensive income			
Items that may be reclassified to profit or loss			
<b>Profit for the year</b>	29	<b>5,411,291</b>	<b>4,341,952</b>
Available for sale financial assets valuation		(54,557)	861
Cash flow hedging valuation		9,923	160,979
Changes in deferred tax assets arising from other comprehensive income	13.3	7,959	(22,883)
<b>Total other comprehensive income</b>		<b>(36,675)</b>	<b>138,957</b>
<b>Total other comprehensive income for the period</b>		<b>5,374,616</b>	<b>4,480,909</b>

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

# SEPARATE STATEMENT OF FINANCIAL POSITION

As of December 31, 2016

<i>In thousands of RSD</i>	<i>Note</i>	<b>31.12.2016</b>	<b>31.12.2015</b>
<b>Asset</b>			
Cash and balances with central banks	14, 3(l)	56,508,815	52,143,951
Financial assets at fair value through profit or loss held for trading	15, 3(k), 3(m)	18,145	29,334
Financial assets available for sale	16, 3(k), 3(p)	13,666,763	6,146,661
Financial assets held to maturity	17, 3(k), 3(p)	33,826,609	23,275,760
Loans and receivables to banks and other financial institutions	18, 3(k), 3(o)	18,116,154	28,864,439
Loans and receivables to customers	19, 3(k), 3(o)	124,648,696	117,196,887
Receivables from financial derivatives held for hedging against risks	3(n)	87,075	59,703
Investments in joint ventures		-	113,195
Investments in subsidiaries	20	498,565	190,898
Intangible assets	22, 3(q)	522,121	429,079
Property, plant and equipment	21, 3(r)	4,577,274	4,420,084
Current tax assets	3(j)	-	32,876
Deferred tax assets	23, 3(i)	333,822	324,208
Other assets	24	1,220,688	1,199,376
<b>Total</b>		<b>254,024,727</b>	<b>234,426,451</b>
<b>Liabilities and equity</b>			
Financial liabilities at fair value through profit or loss held for trading	3(k)	6,807	33,123
Liabilities arising from financial derivatives held for hedging against risks	3(k), 3(n)	114,902	70,874
Deposits and other liabilities to banks, other financial institutions and central bank	25, 3(t)	3,433,429	3,078,982
Deposits and other liabilities to other customers	26, 3(t)	191,661,377	174,319,264
Provisions	27, 3(u)	1,131,606	894,821
Current tax liabilities	3(j)	252,249	-
Other liabilities	28	1,286,242	923,936
<b>Total liabilities</b>		<b>197,886,612</b>	<b>179,321,000</b>
Share capital	29, 3(w)	27,466,158	27,466,158
Profit for the year	29, 3(w)	5,411,291	4,341,952
Reserves	29, 3(w)	23,260,666	23,297,341
<b>Total equity</b>	<b>29, 3(w)</b>	<b>56,138,115</b>	<b>55,105,451</b>
<b>Total</b>		<b>254,024,727</b>	<b>234,426,451</b>

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

# SEPARATE STATEMENT OF CHANGES IN EQUITY

Year Ended December 31, 2016

<i>In thousands of RSD</i>	Share capital	Profit reserves	Revaluation reserves	Profit	Total
<b>Balance as at 1 January 2015</b>	<b>27,466,158</b>	<b>23,353,465</b>	<b>(195,081)</b>	<b>5,227,634</b>	<b>55,852,176</b>
Profit for the year	-	-	-	4,341,952	4,341,952
Total comprehensive income					
Available for sale financial assets valuation	-	-	861	-	861
Cash flow hedging valuation	-	-	160,979	-	160,979
Related tax	-	-	(22,883)	-	(22,883)
Transactions with owners of the Bank					
Dividends paid	-	-	-	(5,227,634)	(5,227,634)
<b>Balance as at 31 December 2015</b>	<b>27,466,158</b>	<b>23,353,465</b>	<b>(56,124)</b>	<b>4,341,952</b>	<b>55,105,451</b>
<b>Balance as at 1 January 2016</b>	<b>27,466,158</b>	<b>23,353,465</b>	<b>(56,124)</b>	<b>4,341,952</b>	<b>55,105,451</b>
Profit for the year	-	-	-	5,411,291	5,411,291
Total comprehensive income					
Cash flow hedging valuation	-	-	9,923	-	9,923
Available for sale financial assets valuation	-	-	(54,557)	-	(54,557)
Related tax	-	-	7,959	-	7,959
Transactions with owners of the Bank					
Dividends paid	-	-	-	(4,341,952)	(4,341,952)
<b>Balance as at 31 December 2016</b>	<b>27,466,158</b>	<b>23,353,465</b>	<b>(92,799)</b>	<b>5,411,291</b>	<b>56,138,115</b>

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

# SEPARATE STATEMENT OF CASH FLOWS

Year Ended December 31, 2016

<i>In thousands of RSD</i>	2016	2015
<b>Cash flows from operating activities</b>		
Cash inflow from operating activities	15,823,037	16,944,617
Inflow from interest	10,209,710	11,813,750
Inflow from fees	4,858,768	4,624,249
Inflow from other operating activities	754,559	506,173
Dividends received	-	445
<b>Cash outflow in operating activities</b>	(9,760,412)	(11,021,998)
Outflow from interest	(489,290)	(1,273,544)
Outflow from fees	(1,328,473)	(931,976)
Outflow from gross salaries, benefits and other personal expenses	(2,979,974)	(3,031,879)
Outflow from taxes, contributions and other duties charged to income	(796,502)	(849,718)
Outflow from other operating expenses	(4,166,173)	(4,934,881)
<b>Net cash inflow from operating activities before increase or decrease in placements and deposits</b>	6,062,625	5,922,619
<b>Decrease in placements, and increase in deposits taken</b>	21,117,369	20,360,087
Decrease in loans and placements with banks, other financial organizations, central bank and customers	5,635,604	4,066,021
Decrease in financial assets that are initially recognized at fair value through profit or loss, financial assets held for trading and other securities not intended to be invested	-	968,507
Increase in deposits and other liabilities to banks, other financial organisations, central bank and customers	15,438,821	15,305,269
Increase in liabilities arising from financial derivatives held for hedging against risks and change in fair value of hedged items	42,944	20,290
<b>Increase in placements and decrease in taken deposits and other liabilities</b>	(6,967,167)	(52,032)
Increase in financial assets that are initially recognized at fair value through profit or loss, financial assets held for trading and other securities not intended to be invested	(6,914,424)	-
Increase in receivables from financial derivatives held for hedging against risks and change in fair value of hedged items	(26,427)	(19,926)
Decrease of financial liabilities initially recognized at fair value through profit or loss and financial liabilities held for trading	(26,316)	(32,106)
<b>Net cash inflow from operating activities before profit tax</b>	20,212,827	26,230,674
Profit tax paid	(476,947)	(426,698)
Dividends paid	(4,124,854)	(4,966,252)
<b>Net cash inflow from operating activities</b>	15,611,026	20,837,724

# SEPARATE STATEMENT OF CASH FLOWS continued

Year Ended December 31, 2016

<i>In thousands of RSD</i>	2016	2015
<b>Cash flows from investing activities</b>		
<b>Cash inflow from investing activities</b>	21,448,336	18,622,435
Inflow from investments in investment securities	21,435,803	18,621,982
Inflow from sale of intangible assets, property, plant and equipment	12,533	453
<b>Cash outflow from investing activities</b>	(32,994,642)	(20,666,557)
Outflow from investments in investment securities	(31,941,615)	(20,195,812)
Outflow for purchase of investments in subsidiaries and associates and joint ventures	(194,472)	-
Outflow for purchase of intangible assets, property, plant and equipment	(858,555)	(470,745)
<b>Net cash outflow from investing activities</b>	(11,546,306)	(2,044,122)
<b>Cash flows from financing activities</b>		
Cash outflow from financing activities	(264,493)	(7,006,235)
Cash outflows from borrowings	(264,493)	(7,006,235)
Net cash outflow from financing activities	(264,493)	(7,006,235)
<b>Total cash inflow</b>	58,388,742	55,927,139
<b>Total cash outflow</b>	(54,588,515)	(44,139,772)
<b>Net increase in cash</b>	3,800,227	11,787,367
<b>Cash and cash equivalents at the beginning of the year</b>	40,467,143	28,283,566
<b>Positive exchange rate differences</b>	436,689	396,210
<b>Cash and cash equivalents at the end of the period</b>	44,704,059	40,467,143

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



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