PRIVREDNA BANKA SARAJEVO D.D. SARAJEVO

Financial statements for the year ended
31 December 2023 and
Independent Auditor's Report

Contents

Responsibility for the financial statements

In accordance with the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina ("Official Gazette of the Federation of Bosnia and Herzegovina", number 15/21), the Management Board is obliged to ensure that for each financial period financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") which give a true and fair presentation of the position and results of operations of Privredna Banka Sarajevo d.d. Sarajevo ("Bank") for that period. The Law on Bank of the Federation of Bosnia and Herzegovina requires the preparation of annual financial statements in accordance with the previously mentioned Law on Accounting and Auditing of the FBiH, this law and by-laws of both laws. The Federal Banking Agency adopted the Decision on credit risk management and determination of expected credit losses (hereinafter referred to as the Decision), which applies from 1 January 2020.

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

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

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

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

Signed on behalf of the Management Board

Hamid Pršeš
President of the Management Board

Privredna banka Sarajevo d.d. Sarajevo
Obala Kulina bana 18
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Bosnia and Herzegovina

21 February 2024

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Privredna banka Sarajevo d.d. Sarajevo

Auditor's Report on financial statements

Opinion

We have audited the accompanying financial statements of Privredna banka Sarajevo d.d. Sarajevo (the "Bank"), which comprise the balance sheet as at 31 December 2023, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Decision on Credit Risk Management and Determination of Expected Credit Losses, issued by the Banking Agency of the Federation of Bosnia and Herzegovina.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

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Key Audit Matters (continued):

<table>
<tr><th>Key audit matter</th><th>How the key audit matter was addressed</th></tr>
<tr><td colspan="2">Estimate of loan loss impairment
As at 31 December 2023, the gross carrying amount of loans to customers amounted to BAM 279,971 thousand. The corresponding provisions for impairment amounted to BAM 21,917 thousand.</td></tr>
<tr><td>Key Audit Matter

In determining the time and amount of impairment for expected credit losses on loans to customers, the Bank's Management uses statistical models and makes estimates in the following areas:
- use of historical data in the process of determining risk parameters;
- credit risk exposure assessment;
- assessment of credit risk stage;
- an assessment of the importance of subsequent change of credit risk for the purpose of determining a significant increase in credit risk, which leads to changes in risk levels and the necessary measurement of lifetime expected credit losses;
- Expected future cash flows from operating activities;
- Evaluation of collateral and assessment of the realization period.

Since determination of appropriate impairment allowances for expected credit losses demands the usage of significant judgement from the Management, which relates to determining when to recognize impairments, as well as the measurement of impairment, reduction of the value of given loans is one of the key considerations which will be in the focus of the audit.

In regard to accounting policies see Note Impairment of financial assets in Section 3 Basis for presentation and summary of significant accounting policies. For more information about key audit matter see Note Impairment losses on loans and receivables in Section 4 Significant accounting estimates and key sources of estimation uncertainty.</td><td>Audit Procedures

Our audit procedures in regard to this area, among others, included as follows:

Performing substantive tests over recognition and measurement of impairment allowance for expected credit losses, we have considered ways and measurement techniques upon which the Bank classifies its loans, estimates impairment losses and manages impairment on the date of financial statements.
We have chosen a sample of individual loans, with emphasis on exposure with potentially the greatest impact on annual financial statements due to their value and risk, the highest exposure to clients who are in a special relationship with the Bank, and smaller exposures included on the "Watch List".
We have conducted substantive testing over selected sample so that we are able to verify validity of the classification of loans, based on the review of its documentation, as well as, discussions with managers of customer relations and employees in charge of risk management.
For exposures with identified indicators of impairment, we have evaluated key assumptions of the Management related to expected future cash flow of impairment calculation.
We have used our own judgement to the parameters for impairment loss calculation and compared our findings with recorded ones.
We have completed assessment and testing of the design, implementation and operative efficiency of selected controls related to approval, recording and monitoring of approved placements.
We have evaluated the complete model for expected credit losses calculation, including the calculation of main risk parameters and macroeconomic factors.</td></tr>
</table>

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Responsibility of Management and Those Charged with Governance for the Financial Statements

Management Board is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the Decision on credit risk management and determination of expected credit losses, issued by the Banking Agency of the Federation of Bosnia and Herzegovina, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process, which was established by the Bank.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report. Our opinion on the financial statements does not cover the other information, and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

In regard to the Annual Report, we have performed procedures according to the Law on accounting and auditing of the Federation of Bosnia and Herzegovina. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1) Information included in the other information is, in all material respects, consistent with the attached financial statements of the Bank.

2) Annual Report has been prepared, in all material respects, in accordance with the requirements of the Law on accounting and auditing of the Federation of Bosnia and Herzegovina. Based on the knowledge and understanding of the Bank and its environment, which we gained during our audit of the financial statements, we have not identified material misstatements in the other information.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence

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that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations or the override of internal controls.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner responsible for this independent auditor's report is Maja Hafizović.

BDO BH d.o.o.

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BDO BH d.o.o.
Sarajevo
Društvo za reviziju

Mislav Zidar, procurator
Sarajevo, 21 February 2024

Maja Hafizović, director and certified auditor

Income statement
for the year ended 31 December 2023
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	2023	2022
Interest income	5	18,204	15,273
Interest expense	6	(2,209)	(3,304)
Net interest income		**15,995**	**11,969**
Fee and commission income	7	11,247	9,713
Fee and commission expense	-	(3,263)	(2,387)
Net fee and commission income		**7,984**	**7,326**
Other gains, net	8	770	1,458
Other operating income	9	384	320
Income from operating activities		**25,133**	**21,073**
Personnel expenses	10	(7,998)	(7,002)
Depreciation expenses	22	(1,134)	(1,172)
Other administrative expenses	11	(5,596)	(4,846)
Operating expenses		**(14,728)**	**(13,020)**
PROFIT BEFORE IMPAIRMENT LOSSES, PROVISIONS AND TAXATION		**10,405**	**8,053**
Impairment losses and provisions, net	12	(2,114)	140
Collected written-off receivables	-	3,765	1,602
PROFIT BEFORE TAXATION		**12,056**	**9,795**
Income tax	13	(1,234)	(961)
Defferred tax expenses		(80)	(77)
PROFIT AFTER TAXATION		**10,742**	**8,757**
Earnings per share - basic and diluted (in BAM)	14	**28.70**	**23.48**

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

Statement of comprehensive income
for the year ended 31 December 2023
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	2023	2022
Net profit		**10,742**	**8,757**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of the debt securities	19	147	(54)
Items that may not be reclassified subsequently to profir or loss:			
Changes in fair value of the equity securities	19	(191)	246
TOTAL COMPREHENSIVE INCOME		**10,698**	**8,949**

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

Balance sheet
as at 31 December 2023

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

	Notes	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	15	157,821	228,609
Obligatory reserve with Central Bank B&H	16	52,078	57,852
Placements with other banks	17	19,491	19,057
Loans and receivables at amortized cost	18	358,054	327,652
Debt securities at fair value through other comprehensive income	19	26,190	19,196
Financial assets at amortized cost	20	991	991
Other assets and receivables, net	21	1,410	5,416
Tangible and intangible assets	22	18,297	17,246
TOTAL ASSETS		**634,332**	**676,019**
LIABILITIES			
Liabilities to the Government of FBIH	23	33,299	29,477
Liabilities for deposits	24	521,934	574,940
Provisions	25	2,609	1,072
Lease liabilities	26	790	992
Other liabilities	27	9,202	11,039
Deferred tax liabilities	-	332	252
Total liabilities		**568,166**	**617,772**
EQUITY			
Share capital	28	41,030	41,030
Share premium	-	4,629	4,629
Revaluation reserves - financial assets at fair value through other comprehensive income	-	328	372
Retained earnings	-	20,179	12,216
Total equity		**66,166**	**58,247**
TOTAL LIABILITIES AND EQUITY		**634,332**	**676,019**

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

Signed on behalf of the Bank on 21 February 2024

Hamid Pršeš
President of the Management Board

Bedina Jusičić - Musa
Member of the Management Board

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

	2023	2022
Operating Activities		
Profit before taxation	12,056	9,795
Adjustments:		
Depreciation	1,134	1,172
Correction of accumulated profit of the previous year	19	-
Impairment losses and provisions, net other assets, receivables	2,114	(140)
Gains on disposal of property and equipment, net	(644)	(1,282)
Foreign exchange gains, net	(139)	(173)
Changes in assets and liabilities:		
Increase in receivables from Central bank BH	5,779	(4,482)
Net (increase)/decrease of placements with other banks	(292)	(2,106)
Net increase in loans to customers, before allowance	(30,748)	(40,999)
Net decrease/(increase) in other assets, before allowance	3,940	497
Net increase in liabilities - deposits	(53,006)	77,231
Net increase in other liabilities	(3,071)	4,693
Payments from litigations	(103)	(52)
NET CASH FROM OPERATING ACTIVITIES	**(62,961)**	**43,470**
Investing activities		
Purchase of tangible and intangible assets	(2,315)	(1,950)
Increase in financial assets at fair value through other comprehensive income	(7,178)	(4,555)
Increase in financial assets at amortized cost	-	(1,001)
Gains from sale of property and equipment	774	1,326
NET CASH GENERATED/(USED) IN INVESTMENT ACTIVITIES	**(8,719)**	**(6,180)**
Financial activities		
Decrease in liabilities to the Government of FBIH	3,822	(15)
Lease repayment	(202)	(63)
Dividend payment	(2,798)	(2,574)
NET CASH USED IN FINANCIAL ACTIVITIES	**822**	**(2,652)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(70,858)**	**34,638**
CASH AND CASH EQUIVALENTS AT THE YEAR START	**228,825**	**194,187**
CASH AND CASH EQUIVALENTS AT THE YEAR END	**157,967**	**228,825**

The accompanying form an integral part of these financial statements.

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

	Share capital	Share premium	Revalorization reserves for assets at fair value through profit or loss	Retained earnings	Total
Balance as at 31 December 2021	**41,030**	**4,629**	**180**	**6,033**	**51,872**
Dividend payment	-	-	-	(2,574)	(2,574)
Net income	-	-	-	8,757	8,757
Other comprehensive income	-	-	192	-	192
Total comprehensive income	-	-	***192***	-	***192***
Balance as at 31 December 2022	**41,030**	**4,629**	**372**	**12,216**	**58,247**
Dividend payment	-	-	-	(2,798)	(2,798)
Correction in accordance with tax balance sheet for 2022	-	-	-	19	19
Net income	-	-	-	10,742	10,742
Other comprehensive income	-	-	(44)	-	(44)
Other comprehensive income	-	-	***(44)***	-	-
Balance as at 31 December 2023	**41,030**	**4,629**	**328**	**20,179**	**66,166**

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

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

1. GENERAL

Privredna banka Sarajevo d.d. Sarajevo (the "Bank") is registered at the Municipality court in Sarajevo, registration No. UFI/1 2609/95 dated 27 December 1995, under name Banka za obnovu i razvoj Bosne i Hercegovine. Based on the court registration No. UFI/I-3730/00, dated 9 January 2007, the Bank has changed its name into BOR banka d.d. Sarajevo.

As at 30 September 2016, BOR banka d.d. Sarajevo acquired Privredna banka Sarajevo d.d. Sarajevo. Municipality Court in Sarajevo issued the Decision no. 065-0-Reg-16-004985, dated 21 December 2016, which registered the status change, and the Decision no. 065-0-Reg-16-004986, dated 21 December 2016, based on which Privredna banka Sarajevo d.d. Sarajevo was deleted from the court registry due to acquisition. Based on the Decision of the Municipality Court in Sarajevo, no. 065-0-Reg-16-005588 dated 24 February 2017, change of Bank's name was entered (from BOR banka d.d. to Privredna banka Sarajevo d.d.).

Principal activities of the Bank are:

1. Receiving and placing of deposits;
2. Purchase and selling of securities;
3. Receiving of demand and term deposits;
4. Placement and receiving of loans;
5. Buying and selling foreign currencies;
6. Cash transactions in interbank market;
7. Cash payment and transfer both national and abroad; and
8. Debit/credit card operations.

The Bank dominantly operates in Federation of Bosnia and Herzegovina and Brčko district, with availability of banking services to all retail and corporate clients in Bosnia and Herzegovina.

The registered address of the Bank is Obala Kulina Bana 18, 71000 Sarajevo. As at 31 December 2023, the Bank had 196 employees (31 December 2022: 186 employees).

Supervisory and Management Board

Supervisory Board

Rijad Raščić	President from 19 August 2023
Aziz Šunje	President until 19 August 2023
Mehmet Siner	Member
Almir Badnjević	Member
Hasan Đozo	Member from 19 August 2023
Aziz Šunje	Member from 19 August 2023
Zdravko Rajić	Member until 19 August 2023
Ademir Abdić	Member until 19 August 2023

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

1. GENERAL (CONTINUED)

Supervisory and Management *Board* (continued)

Management Board

Hamid Pršeš	President of the Management Board
Bedina Jusičić Musa	Member of the Management Board
Edin Kreštalica	Member of the Management Board
Kemal Džabija	Member of the Management Board

Audit Committee

Muhamed Hubanić	President
Dragan Prusina	Member
Midhat Oković	Member
Rehad Deljo	Member
Kenan Kanlić	Member from 1 September 2023
Hasan Đozo	Member until 1 September 2023

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretation effective in the current period

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board are effective for the current period:

- IFRS 17 "Insurance Contracts" – IFRS 17 creates a single accounting model for all insurance contracts in all jurisdictions applying IFRS (effective for annual periods beginning on or after 1 January 2023)
- IAS 1 "Presentation of Financial Statements" - Disclosure of accounting policies, that is amendments to IAS 1 and IFRS Practice Statement 2 (effective for annual periods beginning on or after 1 January 2023)
- IAS 8 "Accounting policies, changes in accounting estimates and errors" - Definition of accounting estimates - amendments to IAS 8 (effective for annual periods beginning on or after 1 January 2023)
- IAS 12 "Income Taxes" – Deferred tax related to assets and liabilities arising from one transaction, that is amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023)
- International Tax Reform – Pillar 2 Model Rules (amendments to IAS 12, effective immediately and retrospectively)

2.2 Standards and Interpretations in issue, not yet adopted

At the date of authorization of these financial statements the following standards, amendments to existing standards and interpretations were issued, but not yet effective:

- IFRS 16 "Leases" – liabilities from sale and sale-and-lease-back transactions - amendments to IFRS 16 (effective for annual periods beginning on or after 1 January 2024)
- IAS 1 "Presentation of financial statements" - Classification of liabilities as current or long-term - amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024)

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue, not yet adopted (continued)

- IAS 1 "Presentation of financial statements" (long-term liabilities with clauses in the contract - supplements to IAS 1) - these supplements explain how the binding conditions that the entity must fulfill in the period of 12 months after the reporting date affect the classification of liabilities (effective for annual periods that start on or after 1 January 2024)
- IAS 7 and IFRS 7 „Statement of cash flows“ and „Financial instruments: Disclosure“ - Supplier Finance Arrangements (effective for annual periods that start on or after 1 January 2024)
- IAS 21 „The effects of changes in foreign exchange rate“ - amendments to IAS 21, lack of exchangeability (effective for annual periods that start on or after 1 January 2025)

The Bank has selected not to adopt these standards, amendments and interpretations before its effective dates. The Bank anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Bank.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina ("FBiH"), based on the FBiH Accounting and Audit Act, the FBiH Bank Act and by-laws of the Federal Banking Agency adopted under these laws. The FBiH Accounting and Audit Act determines the preparation of financial statements in accordance with International Financial Reporting Standards ('IFRS'). The FBiH Bank Act establishes the preparation of annual financial statements in accordance with the aforementioned FBiH Accounting and Audit Act, this law and bylaws adopted under both laws.

The Federal Banking Agency has adopted a Decision on credit risk management and the identification of expected credit losses (hereinafter: Decision) applicable from 1 January 2020 resulting in differences arising from the calculation of the value correction for credit losses by applying the minimum rates laid down in the Decision, which IFRS 9 does not require: 'Financial instruments' ('IFRS 9').

In accordance with the provisions of the Decision, the Bank has formed greater allowances for credit losses of BAM 4,942 thousand as at 31 December 2023 in relation to the amount obtained by calculation stemming from the Bank's internal model, as required in IFRS 9. This difference arises from the application of minimum rates of expected credit losses as follows:

- the application of the minimum rates of expected credit losses laid down in Article 23 of Decision for credit risk exposure stage 1 - the difference of BAM 108 thousand as at 31 December 2023.
- the application of the minimum rates of expected credit losses laid down in Article 24 of Decision for exposure credit risk stage 2 - the difference of BAM 1,414 thousand as at 31 December 2023.
- the application of the minimum rates of expected credit losses laid down in Article 25 of Decision for credit risk exposure stage 3 (non-performing assets) - difference of BAM 3,420 thousand as at 31 December 2023.

Going concern

Financial statements are prepared under the going concern basis which assumes that the Bank will be able to realize the assets and settle the liabilities in the normal course of business.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparations

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

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

Fair value is the price that would be received for sale or be paid for the transfer of assets in a regular transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation techniques. In estimating the fair value of assets or liabilities, the Bank takes into account the characteristics of the asset or liability which would be taken into account by market participants when determining the price of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for measurements that have some similarities to fair value, but are not affair value, such as value in use in IAS 36.

In addition to financial reporting, fair value indicators are classified at stages 1, 2 or 3 based on the degree to which the evaluation of the fair value can be seen and of the importance of evaluating the fair value in a whole, as follows:

- Stage 1 inputs are quoted prices (uncorrected) on active markets for identical assets or liabilities that the Bank may access on the measurement date; fair value indicators are those derived from quoted prices in active markets;
- Stage 2 inputs, other than quoted prices included in Stage 1 that are observable for the asset or liability, either directly or indirectly; and
- Stage 3 inputs are not observable inputs for the asset or liability.

The financial statements are presented in convertible marks (BAM), since that is the currency in which the majority of the Bank's business events is expressed. Convertible Mark is officially tied to the euro (EUR 1 = BAM 1.95583).

Preparation of financial statements in accordance with IFRS requires the Management to use judgments, estimates and assumptions that affect the application of accounting policies, as well as published amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are changed, and eventually in future periods, if they have an impact on them.

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

Accounting policies are adequately adopted and implemented for all periods presented in these financial statements.

Interest income and expense

Interest income / expense is recognized in the income statement for the period it relates to, at the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts / payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset / liability, or, where appropriate, a shorter period. Interest income is calculated on the gross book value of the financial instrument for Stage 1 and Stage 2, while for Stage 3 the Bank calculates interest on the net amortized amount of the financial instrument.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income and expense (continued)

For the POCI assets, interest income is calculated using the adjusted effective interest rate on the net amortized amount.

Calculation of the effective interest rate includes all paid or received transaction costs, fees and points, which are an integral part of the effective interest rate. Transaction costs include all incremental costs incurred directly in connection with the issuance or acquisition of financial assets or financial liabilities.

Fee and commission income and expense

Fees and commissions consist mainly of fees earned on domestic and foreign payment transactions, and fees for loans and other credit instruments issued by the Bank. Fees for payment transactions are recognized in the period when services are rendered.

Taxation

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Cash and cash equivalents

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

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognized when an entity becomes a party to the contractual provisions of the instruments, that is when funds are transferred to the customers' accounts, or when funds from balances due to customers are transferred to the Bank. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial assets and financial liabilities are initially measured at fair value, except in the case of financial assets and financial liabilities recorded at FVPL. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets at amortized cost

Bank measures financial assets at amortized costs using the effective interest method, if both of the following conditions are met:

a) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the stage that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on management's intentions for an individual instrument. Thus, this condition is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. However, a single entity may have more than one business model for managing its financial instruments. An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

Consequently, this assessment is performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called "worst case" or "stress case" scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario would not affect the entity's assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur. If cash flows are released in a way that is different from the entity's expectations at the date that the entity assessed the business model (for example, if the entity sells more or fewer financial assets than it expected when it classified the assets), that does not give rise to a prior period error in the entity's financial statements nor does it change the classification of the remaining financial assets held in that business model (i.e. those assets that the entity recognized in prior periods and still holds) as long as the entity considered all relevant information that was available at the time that it made the business model assessment. However, when an entity assesses the business model for newly originated or newly purchased financial assets, it must consider information about how cash flows were realized in the past, along with all other relevant information.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test. For the purpose of this test, definitions of principal and interest are presented below:

a) principal is fair value of the financial asset at initial recognition.

b) interest is consisted of consideration for the time value of money, for credit risk associated with outstanding amount of principal over a certain period of time and other basic risks and borrowing costs, as well as a profit margin.

Debt instruments at fair value through other comprehensive income (FVOCI)

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

a) the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and

b) contractual terms of a financial asset arise, on a specific date, cash flows that are solely payments of principal and interest on the principal outstanding.

These instruments had previously been classified as financial instruments available for sale.

FVOCI debt instruments are subsequently measured at fair value. Gains and losses arising due to changes in fair value of instrument should be presented in other comprehensive income until the financial assets are derecognized or their reclassification in other categories of financial assets.

Interest income are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. Upon initial recognition, the Bank can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of particular investments in equity instrument that is not held for trading and it is not contingent consideration granted in a business combination within the scope of IFRS 3.

Gains and losses from measuring fair value of these instruments are never recognized through profit or loss. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial assets at fair value through profit or loss (FVPL)

Financial assets should be measured at fair value through profit and loss unless it is measured at amortized cost or at fair value through other comprehensive income. However, the Bank may make an irrevocable election for certain investments in equity instruments, that should be measured at fair value through profit and loss, to reflect fair value adjustments in other comprehensive income.

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The Bank is required to apply impairment requirements for the recognition and measurement of provisions for financial assets measured at fair value through other comprehensive income. However, impairment provisions should be recognized in other comprehensive income and may not reduce the carrying amount of financial assets in the balance sheet.

At each reporting date, the Bank is required to measure impairment provisions for a financial instrument in the amount equal to the duration of expected loan losses if the credit risk for that financial instrument has increased significantly from initial recognition.

Lifetime expected credit losses (LTECL) are credit losses arising from all possible unfulfilled obligations during the expected life of a financial instrument.

12-month expected credit losses (12m ECL) are a portion of the lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

According to the Internal Methodology for loan impairment which is updated in accordance with the requirements of the Decision on credit risk management and determination of expected credit losses, the Bank has defined the minimum criteria for measuring expected credit losses described below.

In accordance with the schedule of exposures to credit risk stages, the Bank is required to apply the following minimum rates for expected credit losses:

1. Stage 1: For exposure allocated to credit risk Stage 1, the Bank is required to determine and record expected credit losses in the amount greater of:

   a) 0.5% of exposure, or

   b) amount determined in accordance with internal methodology of the Bank

2. Stage 2: For exposure allocated to credit risk Stage 2, the Bank is required to determine and record expected credit losses in the amount greater of:

   a) 5% of exposure, or

   b) amount determined in accordance with internal methodology of the Bank

3. Stage 3: The minimum rates of expected credit losses allocated to Stage 3 depend on the fact whether the exposure is secured by acceptable collateral or not, and accordingly the minimum rates are as follows:

a) exposures secured by acceptable collateral:

Ordinal number	Overdue days	Minimum expected credit loss
1.	from 180 days	15%
2.	from 181 to 270 days	25%
3.	from 271 to 365 days	40%
4.	from 366 to 730 days	60%
5.	from 731 to 1460 days	80%
6.	over 1460 days	100%

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

b) exposures not secured by acceptable collateral:

Ordinal number	Overdue days	Minimum expected credit loss
1.	from 180 days	15%
2.	from 181 to 270 days	45%
3.	from 271 to 365 days	75%
4.	from 366 to 456 days	85%
5.	over 465 days	100%

Minimum rates of expected credit losses for trade receivables, factoring and financial leasing receivables, and other receivables, contracted assets arising from transactions that are within the scope of IFRS 15 and that do not contain a significant financial component are applied according to the table as follows:

Ordinal number	Overdue days	Minimum expected credit loss
1.	from 0 to 30 days	2%
2.	from 31 to 90 days	10%
3.	from 91 to 180 days	50%
4.	from 181 to 365 days	75%
5.	over 365 days	100%

Parameters of credit risk

Credit loss for exposures on individual basis is determined as positive difference between gross carrying amount of exposures and the estimated future cash flows (from operating income and/or realization of collateral) during expected useful life of the financial asset item, discounted at the effective interest rate which is valid at the reporting date. The Bank may use a number of different scenarios (from operating income and/or realization of collateral) when assessing certainty of future cash flows with a probability of their realization.

The Bank determines expected credit loss for exposures on group basis in accordance with the following general formula:

$$ECL = PD \times LGD \times EaD$$

Probability of default status (PD parameter)

The Bank determined the value of PD parameter on the basis on defined segments of credit exposures or PD of homogeneous group, which are appropriately (in accordance with its internal methodology) assigned the value of the PD parameter. The PD parameter for homogeneous group is estimated as the ratio of the number of placements at which default status occurred during the observation period (historical data for 5 years) and the total number of placements that were not in default at the beginning of the observed period.

Loss given default (LGD parameter)

Loss given default (LGD parameter) represents the banks internal estimate of the stage of expected loss related to exposure in the event of default status. LGD parameter is also calculated at the stage of the relevant homogenous group, based on historical data on collections from collateral or other sources after the occurrence of default status for identified homogenous groups for a period of a least recent five years.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

If the Bank does not have adequate time series, and/or quantity or quality of historical relevant data, and is unable to determine a value of PD parameter using its model in an adequate and documented manner, then the Bank uses fixed values of this parameter based on conservative estimates, which cannot be lower than:

a. 45% for exposures secured by acceptable collateral,

b. 75% for exposures not secured by acceptable collateral.

Derecognition of financial assets

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset in the case of transfers of financial assets that meet the definition of derecognition:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset.

- The Bank retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows to one or more recipients.

When the bank transfers the financial assets, it is obliged to assess the extent to which it retains the risks and rewards the asset. In this case:

- if the Bank has transferred substantially all the risks and rewards of the assets, it is obliged to derecognize the financial assets and recognize separately like assets or liabilities all rights and obligations that are incurred or retained by transfer

- if the Bank has retained substantially all the risks and rewards of the assets, it is obliged to continue to recognize the financial assets

- If the Bank has neither transferred nor retained substantially all the risks and rewards of the assets, it is obliged to determine whether it has retained control over financial assets. In this case:

(i) if the Bank has not retained the control, it is obliged to derecognize the financial assets and recognize separately like assets or liabilities all rights and obligations that are incurred or retained by transfer.

(ii) if the Bank retained the control, it is obliged to continue to recognize the financial assets in the amount of its part in financial assets, net for eventual impairment. Interest income is recognized using the effective interest rate, except for short-term receivables when interest would be immaterial.

Financial liabilities and equity instruments issued by the Bank

Classification as debt or equity

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

Equity instruments

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial guarantee contract liabilities

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

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

Financial liabilities

Financial liabilities are classified as either financial liabilities "at FVTPL", or "other financial liabilities".

Other financial liabilities

Other financial liabilities, including liabilities to banks, customers and subordinated debt, are initially recognized at fair value less transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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

Derecognition of financial liabilities

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

Leases

At inception of the contract the Bank assesses whether a contract is or contains a lease,. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, expect for short-term leases and leases of low value assets. For these leases, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease or any other systematic basis.

At the commencement date, the lease liability is initially measured at the present value of the lease payments that are not paid. Those payments are discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) *fixed payments,* less any lease incentives receivable;

(b) *variable lease payments* that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Bank adjusts the value of the lease liability determined by remeasurement and recognizes it as an adjustment to the right-use of asset using the effective interest method.

The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee. Asset with the right-of-use is subsequently measure at cost less any accumulated depreciation and any accumulated impairment losses.

Property and equipment

Equipment is initially stated at cost less any allowance for impairment and accumulated impairment losses, if any. The acquisition cost includes the purchase price and all costs directly related to bringing the asset into working condition for the intended use.

Assets under construction, which are built for the purpose of providing services or for administrative purposes, are stated at acquisition cost less any impairment losses. The acquisition cost includes professional fees and, for qualified assets, borrowing costs capitalized in accordance with the Bank's accounting policy. Such assets are reclassified to the appropriate property and equipment categories once they are completed and ready for their intended use.

The calculation of depreciation begins at the moment when the asset is ready for its intended use. Depreciation is calculated using the straight-line method based on the estimated useful life of the asset.

Estimated useful lives were as follows:

	2023	2022
Buildings	1.30%	1.30% - 1.74%
Computers	33.33%	33.33%
Vehicles	15%	15%
Furniture and other office equipment	15%	15%

The gains and losses arising on the disposal or retirement of an asset is recognized in the statement of profit and loss in the period they occur.

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment

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

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

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

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

Intangible assets

Intangible assets are measured initially at purchase cost and are amortized on a straight-line basis over their estimated useful lives using rate of 33.33% annually.

Employee benefits

On behalf of its employees, the Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank pays the tax and contributions in the favor of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels). In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognized in the income statement in the period in which the salary expense is incurred.

Foreign currency translation

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

The Bank values its assets and liabilities by middle rate of CBBH valid at the date of balance sheet, which approximates market rates. The principal rates of exchange set forth by CBBH and used in the preparation of the Bank's balance sheet at the reporting dates were as follows:

31 December 2023	1 EUR = 1.95583 BAM	1 USD = 1.769982 BAM	1 CHF = 2.112127 BAM
31 December 2022	1 EUR = 1.95583 BAM	1 USD = 1.833705 BAM	1 CHF = 1.986219 BAM

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are included in the cost of procurement of assets until the assets are substantially ready for its intended use or sale.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

Equity and reserves

Share capital

Share capital includes paid ordinary shares and is expressed in BAM at nominal value.

Revaluation reserves for investments

Revaluation reserves for investments include changes in the fair value of financial assets through other comprehensive income.

Earnings per share

The Bank publishes basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. During 2021, the Bank emitted new shares.

Reporting by Segment

International financial reporting standard 8: ¨Business segments¨ ("IFRS 8"), the Bank has identified two main segments: private individuals and legal entities.A description of the business dimensions and their financial overview is shown in Note 18 of these financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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

Key sources of estimation uncertainty

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

Useful lives of property and equipment

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

Impairment losses on loans and receivables

As described in Note 3, the Bank assesses indicators for impairment of loans and receivables and their impact on the estimated future cash flows from the loans and receivables.

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

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

In assessing collective impairment, the following guidelines are used:

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

As explained below, the Bank also calculates provisions in accordance with FBA regulations, in addition to assessing impairment in accordance with IFRS. Namely, the Federal Banking Agency ("FBA") adopted a Decision on credit risk management and determination of expected credit losses ("Decision"), which applies from January 1, 2020 and which resulted in certain differences arising from the calculation of value adjustments for credit losses due to the application of the minimum rates prescribed by the Decision, which are not required by IFRS 9.

During 2023, the Bank validated the methodology and in accordance with the validation, on 28 December 2023, it adopted the amended Impairment Methodology according to IFRS 9.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value of derivatives and other financial instruments

As described in Note 32, the Management use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments are valued using a discounted cash flow analysis based on assumptions supported where possible by observable market prices or rates. Estimating the fair value of unquoted shares involves some assumptions that are not supported by observable market prices or rates.

Estimate of the provisions for court disputes

The amount recognized as a provision for litigation is the best estimate of the fee necessary to settle the current obligation at the date of the reporting period, when the likelihood of settlement is greater than the likelihood that there will be no settlement of obligations. For details on the court disputes brought against the Company on 31 December 2023 see Note 34.

5. INTEREST INCOME

	2023	2022
Interest on corporate loans	9,409	8,272
Interest on retail loans	7,560	6,887
Other interest income	1,235	114
	18,204	**15,273**

6. INTEREST EXPENSES

	2023	2022
Interest on corporate deposits	801	718
Interest on retail deposits	667	760
Interest on the Government of FBH funds	629	588
Interest on lease liabilities	17	23
Other interest expenses	95	1,215
	2,209	**3,304**

7. FEE AND COMMISSION INCOME

	2023	2022
Fees from payment transactions	7,021	6,237
Fees from conversion transactions	1,138	1,225
Fees from managed funds	570	371
Fees from off-balance sheet transactions	374	184
Other fee and commission income	2,144	1,696
	11,247	**9,713**

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

8. OTHER GAINS, NET

	2023	2022
Gains on disposal of fixed assets	644	1,282
Foreign exchange gains, net	139	173
Other gains	(13)	3
	770	**1,458**

9. OTHER OPERATING INCOME

	2023	2022
Rent income	100	86
Deferred income	109	90
Other income	175	144
	384	**320**

10. PERSONNEL EXPENSES

	2023	2022
Net salaries	3,761	3,321
Taxes and contributions	2,941	2,603
Meal allowance and transport	616	546
Other	680	532
	7,998	**7,002**

The average number of personnel employed by the Bank during the year ended 31 December 2023 and 2022 was 190 and 186, respectively.

11. OTHER ADMINISTRATIVE EXPENSES

	2023	2022
Service costs	2,072	1,850
Memberships	851	727
Maintenance	463	487
Energy costs	373	409
Advertising and entertainment	444	239
Court and administrative commissions and other taxes	238	249
Telecommunication	241	241
Material costs	191	165
Fees to the members of Supervisory Board and Audit Committee	118	105
Insurance	68	62
Other expenses	537	312
	5,596	**4,846**

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

12. IMPAIRMENT LOSSES AND PROVISIONS

	Note	2023	2022
Cash and cash equivalents	15	(70)	(20)
Obligatory reserve with CBBiH	16	(5)	58
Placements with other banks	17	(3)	6
Loans to customers	18	346	(124)
Financial assets at FVOCI	19	140	8
Financial assets at amortized cost	20	-	10
Other assets	21	66	(3)
Provisions	25	1,640	(75)
		2,114	**(140)**

13. INCOME TAX

Total income tax recognized in income statement may be presented as follows:

	2023	2022
Current income tax	1,234	961
Deferred income tax	80	77
	1,314	**1,038**

Adjustment between income tax presented in tax balance sheet and accounting income tax is presented as follows:

	2023	2022
Profit before income tax	**12,056**	**9,795**
Income tax expense. at the statutory rate of 10%	1,206	979
Effects of non-deductible expenses	169	10
Effects of non-deductible income	-	(1)
Effects of tax-deductible depreciation	(80)	(76)
Effects of capital gains and losses	1	-
Profit tax according to the regulations of Brčko District	(62)	49
Current income tax	**1,234**	**961**
Effective income tax rate	**10.24**	**9.81**

Changes in temporary differences of deferred tax liabilities in income statement are presented below:

	Deferred tax liabilities
As 1 January 2022	**176**
Increase of deferred tax liabilities based on depreciation	76
As 31 December 2022	**252**
Increase of deferred tax liabilities based on depreciation	80
As 31 December 2023	**332**

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

14. EARNINGS PER SHARE

	2023	2022
Net profit (in 000 BAM)	10,742	8,757
Weighted average number of shares for the purpose of basic earnings per share	373,000	373,000
Basic earnings per share (in BAM)	**28.80**	**23.48**

15. CASH AND CASH EQUIVALENTS

	31 December 2023				31 December 2022
	Stage 1	Stage 2	Stage 3	Total	
Current account in domestic currency with the Central Bank of BH	145,557	-	-	145,557	216,111
Cash at hand in domestic currency	4,268	-	-	4,268	4,824
Cash at hand in foreign currencies	6,054	-	-	6,054	5,973
Cash at ATMs	2,088	-	-	2,088	1,917
Impairment based on group assessment	(146)	-	-	(146)	(216)
	157,821	-	-	**157,821**	**228,609**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as 1 January 2023	**228,825**	-	-	**228,825**
New financial assets	(70,858)	-	-	(70,858)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As 31 December 2023	**157,967**	-	-	**157,967**

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as 1 January 2022	**194,187**	-	-	**194,187**
New financial assets	34,638	-	-	34,638
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As 31 December 2022	**228,825**	-	-	**228,825**

Changes in related impairments are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as 1 January 2023	**216**	-	-	**216**
Reduction in provisions (Note 12)	(70)	-	-	(70)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As 31 December 2023	**146**	-	-	**146**

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

15. CASH AND CASH EQUIVALENTS (CONTINUED)

	Stage 1	Stage 2	Stage 3	Total
Impairments as 1 January 2022	***236***	-	-	***236***
Release in provisions from changes in risk parameters (Note 12)	(20)	-	-	(20)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As 31 December 2022	**216**	-	-	**216**

Cash and cash equivalents are expected to be repaid within 12 months after the reporting date.

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

Basis for the calculation of mandatory reserve are deposits and borrowed funds regardless of the currency. Also, single rate of 10% is determined which is applied by CBBiH in calculation of the obligatory reserve.

For obligatory reserve funds formed on the basis of domestic currency, fee is charged by rate of 0.5%, whileas obligatory reserve funds formed on the basis of foreign currency and domestic currency with foreign exchange clause, fee is charged by rate of 0.30%. Funds above obligatory reserve have no fee charged.

	31 December 2023	31 December 2022
Obligatory reserve with CBBH	52,131	57,910
Less: Impairment	(53)	(58)
	52,078	**57,852**

Movement of the allowance can be shown as follows:

	Stage 1	Stage 2	Stage 3	Total
Impairment as 1 January 2022	-	-	-	-
Decrease of value	58	-	-	58
As 31 December 2022	***58***	-	-	***58***
Increase/Decrease of value	(5)	-	-	(5)
As 31 December 2023	***53***	-	-	***53***

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

17. PLACEMENTS WITH OTHER BANKS

	31 December 2023	31 December 2022
On demand placements in foreign currencies:		
Landesbank Baden-Wuerttemberg Stuttgart	11,671	5,813
Zagrebačka banka d.d. Zagreb	4,377	4,082
Raiffeisen Bank International AG Vienna	1,124	2,771
Unicredit Bank Austria Vienna	663	4,512
Unicredit Spa Milano, Italy	914	831
Nordea Bank AB Stockholm Sweden	67	35
	18,816	**18,044**
On demand placements in domestic currency:		
Sparkasse bank d.d. BH	288	626
	288	**626**
Term placements in foreign currencies:		
Union bank of Swizerland	384	387
	384	**387**
Term placements in domestic currency:		
Sparkasse bank d.d. BH	25	25
	25	**25**
Total placements before allowance for impairment losses	***19,513***	***19,082***
Less: Impairment		
Landesbank Baden-Wuerttemberg Stuttgart	(12)	(4)
Zagrebačka banka d.d.,Hrvatska	(4)	(3)
Raiffeisen Bank International AG Viena	(1)	(6)
Sparkasse bank dd BiH	(3)	(6)
Unicredit Bank Austria Vienna	(1)	(5)
Unicredit Spa Milano, Italy	(1)	(1)
	(22)	(25)
	19,491	**19,057**

	31 December 2023	31 December 2022
Maturity:		
Less than twelve months after the reporting period date	19,129	18,695
Over twelve months	384	387
Less: Allowance for impairment losses	(22)	(25)
	19,491	***19,057***

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

17. PLACEMENTS WITH OTHER BANKS (CONTINUED)

Annual interest rates for foreign currency placements may be presented as follows:

	2023	2022
	% p.a	% p.a
Placements EUR	0.01 to 0.91	(0.60) to 0.902
Placements USD	1.82 to 3.70	0.00 to 3.70
Placements SEK	0.00 to 0.01	(0.01) to 0.01
Placements CHF	(0.80) to 0.01	(0.80) to 0.01
Placements NOK	0.00 to 0.01	0.00 to 0.01

Movements in impairment during the year 2023:

	Stage 1	Stage 2	Stage 3	Total
Impairments as 1 January 2023	***25***	-	-	***25***
Decrease in impairment (Note 12)	(3)	-	-	(3)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As 31 December 2023	***22***	-	-	***22***

Movements in impairments during the year 2022:

	Stage 1	Stage 2	Stage 3	Total
Impairments as 1 January 2022	***19***	-	-	***19***
Increase in impairment (Note 12)	6	-	-	6
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As 31 December 2022	***25***	-	-	***25***

18. LOANS AND RECEIVABLES

	31 December 2023	31 December 2022
Short-term loans:		
Corporate	61,293	51,596
Retail	3,171	3,180
Current portion of long-term loans	63,569	67,666
	128,033	*122,442*
Long-term loans:		
Corporate	157,420	151,796
Retail	158,087	145,304
Current portion of long -term loans	(63,569)	(67,666)
	251,938	*229,434*
Total loans before allowance for impairment	***379,971***	***351,876***
Less: Long-term accrued income	-	(781)
Less: Allowance for impairment losses based on individual assessment	(13,427)	(14,528)
Less: Allowance for impairment losses based on group assessment	(8,490)	(8,915)
	358,054	**327,652**

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

18. LOANS AND RECEIVABLES (CONTINUED)

The Bank approves both short-term and long-term loans. Majority of short-term loans has been approved to customers for current assets portfolio. Long-term loans mostly have been approved to legal entities for different investment activities, as well as for current assets portfolio.

Long-term accrued income

The Bank signed contracts with Ministry of Finance of the Federation of Bosnia and Herzegovina on the purchase of loan receivables. Discount that represents difference between nominal value of portfolio and purchase price is recognized as interest income at maturity, based on individual repayment of separate loans.

	31 December 2023	31 December 2022
Ministry of Finance of FB&H	-	781
	-	**781**

Below is the overview of loans given to customers by segment and stage of credit risk as at December 31, 2023 and 2022:

	Stage 1	Stage 2	Stage 3		
31 December 2023	**Collective assessment**	**Collective assessment**	**Individually assessed**	**Collective assessment**	**Total**
Loans to individuals					
Housing loan	16,634	212	-	44	16,890
Other loans to individuals	142,165	2,605	219	2,387	147,376
	158,799	**2,817**	**219**	**2,431**	**164,266**
Loans to corporate					
Public companies	312	-	-	-	312
Private companies	185,562	15,130	14,436	265	215,393
	185,874	**15,130**	**14,436**	**265**	**215,705**
Less: Impairment	3,710	2,443	13,427	2,337	21,917
Less: Long-term accrued income	-	-	-	-	-
	340,963	**15,504**	**1,228**	**360**	**358,054**

	Stage 1	Stage 2	Stage 3		
31 December 2022	**Collective assessment**	**Collective assessment**	**Individually assessed**	**Collective assessment**	**Total**
Loans to individuals					
Housing loan	20,643	268	221	57	21,189
Other loans to individuals	125,073	2,111	296	2,236	129,716
	145,716	**2,379**	**517**	**2,293**	**150,905**
Loans to corporate					
Public companies	394	-	-	-	394
Private companies	160,060	24,537	15,841	139	200,577
	160,454	**24,537**	**15,841**	**139**	**200,971**
Less: Impairment	(4,278)	(2,943)	(14,083)	(2,139)	(23,443)
Less: Long-term accrued income	(781)	-	-	-	(781)
	301,111	**23,973**	**2,275**	**293**	**327,652**

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

18. LOANS AND RECEIVABLES (CONTINUED)

Changes in gross carrying amount for loans in 2023 and 2022 are shown below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as 1 January 2023	***306,170***	***26,916***	***18,790***	***351,876***
New financial assets	41,446	(9,355)	23,188	55,279
Transfer to Stage 1	1,597	(1,473)	(124)	-
Transfer to Stage 2	(2,320)	2,511	(191)	-
Transfer to Stage 3	(2,221)	(651)	2,872	-
Write off, transfer to assets and exchange rate differences	-	-	(27,184)	(27,184)
As 31 December 2023	***344,672***	***17,948***	***17,351***	***379,971***

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2022	***263,941***	***27,597***	***33,523***	***325,061***
New financial assets	146,158	6,817	122	153,097
Derecognition or proceeds from collection (excluding write off)	(102,405)	(7,979)	(3,000)	(113,384)
Increase exposure under existing contracts	1,195	-	-	1,195
Transfer to Stage 1	4,966	(4,921)	(45)	-
Transfer to Stage 2	(7,066)	7,443	(377)	-
Transfer to Stage 3	(619)	(2,041)	2,660	-
Write off, transfer to assets and exchange rate differences	-	-	(14,093)	(14,093)
As at 31 December 2022	***306,170***	***26,916***	***18,790***	***351,876***

Movement in impairment for loans in 2023 and 2022 are shown below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as 1 January 2023	***3,746***	***2,995***	***16,702***	***23,443***
Decrease (Note 12)	(168)	(428)	942	346
Transfer to Stage 1	184	(140)	(44)	-
Transfer to Stage 2	(27)	94	(67)	-
Transfer to Stage 3	(23)	(78)	101	-
Write off	-	-	(1,872)	(1,872)
As 31 December 2023	***3,712***	***2,443***	***15,762***	***21,917***

	Stage 1	Stage 2	Stage 3	Total
Impairments as 1 January 2022	***4,096***	***3,880***	***29,684***	***37,660***
Decrease (Note 12)	652	(89)	(687)	(124)
Transfer to Stage 1	62	(61)	(1)	-
Transfer to Stage 2	(613)	645	(32)	-
Transfer to Stage 3	(451)	(1,380)	1,831	-
Write off	-	-	(14,093)	(14,093)
As 31 December 2022	***3,746***	***2,995***	***16,702***	***23,443***

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

18. LOANS AND RECEIVABLES (CONTINUED)

Weighted average interest rate can be presented as follows:

	31 December 2023	31 December 2022
Corporate	3.68%-4.78%	3.77%-4.70%
Retails	4.17%-6.16%	3.97%-5.96%

An overview of the average parameters used to calculate impairments can be shown as follows:

31 December 2023	Average PD%		Average LGD%	
	Stage 1	Stage 2	Stage 1	Stage 2
Corporate	0.28%	0.41%	58.22%	59.11%
Retails	0.07%	0.15%	73.90%	71.26%
31 December 2022				
Corporate	0.28%	0.4%	61.4%	61.4%
Retails	0.1%	0.2%	73%	74%

Analysis of loans before allowance for impairment losses by industry:

	31 December 2023	31 December 2022
Citizens	164,138	150,528
Agriculture, forestry, mining, and industry	61,476	66,164
Trade	48,262	53,845
Construction industry	28,470	21,411
Services, finance, sport, and tourism	30,354	17,462
Transport and communications	6,018	6,485
Administration and other public institutions	10,536	10,016
Other	29,277	25,109
Interest	1,440	856
	379,971	**351,876**

Reprograms and restructuring

Restructuring measures include a “compromise” to the debtor as a result of the deterioration in the economic and financial position of the client and the impossibility of repaying the debt under the initially agreed terms. The “compromise” can refer to the changed conditions of the original contract (annex) or a new contract (refinancing). Restructuring of the liabilities aims to enable the client to repay the obligations according to his real possibilities, and ensuring more efficient and secure collection of the Bank's receivables. According to this, restructuring of the liabilities represents a change in the terms and conditions agreed in the moment of loan approving (extension of repayment deadlines, changes of repayment schedule etc.). Decision on loan restructuring is enacted by authorized body of the Bank. Restructured exposures can be identified both in the non-performing and performing parts of the portfolio.

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

18. LOANS AND RECEIVABLES (CONTINUED)

31 December 2023	Number of reprogramed loans	Gross credit exposure	Stage 1	Stage 2	Stage 3
Corporate	14	6,279	1,431	1,244	3,604
Retail	3	22	0	3	19
	17	**6,301**	**1,431**	**1,247**	**3,623**
31 December 2022					
Corporate	17	6,778	2,069	1,014	3,694
Retail	3	26	-	22	4
	20	**6,804**	**2,069**	**1,036**	**3,698**

Portfolio under special measures

As of December 31, 2023, the Bank had in its credit portfolio 198 (December 31, 2022, 253) retail loans under special measures, and whose balance sheet gross exposure was 6,335 thousand BAM on December 31, 2023 (8,263 thousand BAM on December 31, 2022), balance sheet net exposure of 5,564 thousand BAM (on December 31, 2022, 7,303 thousand BAM). In the segment of the corporate loans portfolio, the number of loans under special measures was 35 (December 31, 2022 was 53), with a balance sheet gross exposure of 25,587 thousand BAM (December 31, 2022, 31,617 thousand BAM), a balance sheet with a net exposure of 17,521 thousand BAM (December 31, 2022, 23,542 thousand BAM).

Syndicated loans

In 2023, the bank presented 2 syndicated loans (2022: 2 syndicated loans) together with other commercial banks within the credit portfolio. The bank bears the risk only for its participation in the syndication. The total amount of placement based on syndicated loans as of December 31, 2023 is 5,199 thousand BAM (2022: 6,121 thousand BAM).

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023	31 December 2022
Debt securities:		
Bonds of FBiH Government	19,585	12,116
Treasury bills of FBiH Government	3,760	3,981
	23,345	***16,097***
Equity securities:		
Sarajevo Osiguranje d.d. Sarajevo	1,787	2,046
ASA Banka d.d. Sarajevo	967	909
Registar vrijednosnih papira FBIH d.d.	57	57
JUBMES Banka a.d. Beograd, Srbija (Alta banka)	-	53
Bosna Reosiguranje d.d. Sarajevo	32	32
Bamcard d.d. Sarajevo	2	2
	2,845	*3,099*
	26,190	19,196

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

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movement in gross carrying amount in 2023 and 2022 are shown below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as 1 January 2023	**19,196**	-	-	**19,196**
Increase / decrease, net	7,038	-	-	7,038
Unrealized gain from fair value adjustment, net	(44)	-	-	(44)
As 31 December 2023	**26,190**	-	-	**26,190**

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as 1 January 2022	**14,649**	-	-	**14,649**
Increase / decrease, net	4,355	-	-	4,355
Unrealized gain from fair value adjustment, net	192	-	-	192
As 31 December 2022	**19,196**	-	-	**19,196**

Movement in expected losses are shown below:

	31 December 2023	31 December 2022
January 1	**134**	**126**
Additional reservations/release due to sale (Note 12.)	140	8
December 31	**274**	**134**

20. FINANCIAL ASSETS AT AMORTISED COST

	31 December 2023	31 December 2022
Bonds::		
JP Autoceste FBIH	1,001	1,001
	1,001	***1,001***
Less: Impairment, net	(10)	(10)
	991	**991**

During 2023 there were no changes in gross carrying amount. Changes in gross carrying amount during 2022 are shown below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as 1 January 2022	-	-	-	-
Newly created assets (purchased)	1,001	-	-	1,001
As 31 December 2022	**1,001**	-	-	**1,001**

	Stage 1	Stage 2	Stage 3	Total
Impairment as ***January 1 2022***	-	-	-	-
New impairment	10	-	-	10
As 31 December 2022	10	-	-	10

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

21. OTHER ASSETS AND RECEIVABLES, NET

	31 December 2023	31 December 2022
Precious metals	776	724
Prepaid expenses	228	295
Fees receivables	184	146
Advances for fixed assets	1	159
Receivables from the sale of the property	-	3,820
Other	391	381
	1,580	***5,525***
Less: Impairment, net	(170)	(109)
	1,410	5,416

Changes in impairment of other assets and receivables can be presented as follows:

	2023	2022
Balance as 1 January	109	112
(Decrease)/increase of impairment (Note 12)	66	(3)
Write-off	(5)	-
Balance as 31 December	170	109

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

22. PROPERTY, EQUIPMENT, AND INTANGIBLE ASSETS

	Land	Buildings	Assets with right of use (IFRS 16)	Computer and other equipment	Intangible assets	Investments in progress	Total
COST							
On 31 December 2021	**451**	**20,561**	**1,854**	**6,074**	**1,195**	**507**	**30,642**
Additions	-	-	405	-	-	1,545	1,950
Transfer (from)/ to	-	585	2	576	120	(1,283)	-
Disposals	-	-	(242)	(565)	-	-	(807)
On 31 December 2022	**451**	**21,146**	**2,019**	**6,085**	**1,315**	**769**	**31,785**
Additions	-	-	201	-	-	2,114	2,315
Transfer (from)/ to	-	927	86	646	304	(1,963)	-
Disposals	-	-	(84)	(198)	-	(74)	(356)
On 31 December 2023	**451**	**22,073**	**2,222**	**6,533**	**1,619**	**846**	**33,744**
ACCUMULATED DEPRECIATION							
On 31 December 2021	**-**	**7,447**	**699**	**4,930**	**1,054**	**-**	**14,130**
Depreciation	-	269	485	335	83	-	1,172
Disposals	-	-	(236)	(527)	-	-	(763)
On 31 December 2022	**-**	**7,716**	**948**	**4,738**	**1,137**	**-**	**14,539**
Depreciation	-	280	367	381	106	-	1,134
Disposals	-	-	(29)	(197)	-	-	(226)
On 31 December 2023	**-**	**7,996**	**1,286**	**4,922**	**1,243**	**-**	**15,447**
NET BOOK VALUE							
On 31 December 2023	**451**	**14,077**	**936**	**1,611**	**376**	**846**	**18,297**
On 31 December 2022	**451**	**13,430**	**1,071**	**1,347**	**178**	**769**	**17,246**

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

22. PROPERTY, EQUIPMENT, AND INTANGIBLE ASSETS (CONTINUED)

Assets with right of use in accordance with International Financial Reporting Standard 16 „Leases“ are presented below:

	Property	Vehicles
Net book value on 31 December 2023 (BAM 000)	698	70
New investment in assets with right of use (BAM 000)	168	-
Depreciation rate	from 10% to 50%	25%
Number of lease contracts	8	7
Period of right of use	from 2 to 10 years	4 years

23. LIABILITIES TO THE GOVERNMENT OF FBIH

	31 December 2023	31 December 2022
Liabilities toward Government of FBIH - available funds	21,298	19,223
Liabilities toward Government of FBIH - invested funds	10,003	8,923
Liabilities toward Government of FBIH - interest	1,998	1,331
	33,299	***29,477***
Amount of approved resources through years:		
Long term corporate loans at interest rate of 4.75% p.a.(2022: interest rate 4,75% p.a.)	3,255	7,755
Short term corporate loans at interest rate of 4.5% p.a. (2022: interest rate 4.5% p.a.)	830	260
	4,085	**8,105**

Based on agreement dated 1 March 2005, between Council of Ministry of Bosnia and Herzegovina and the Government of the Federation of Bosnia and Herzegovina, on 22 August 2005 the Bank signed "Agreement for Permanent Fund Management" (the "Agreement") with the Ministry of Finance of the Federation of Bosnia and Herzegovina. In accordance with the Agreement, Bank accepts credit risk for loans granted from this fund and charges interest payable of 2% p.a. No actual interest payments are made - the credit balance is increased on 28 February every year by the amount of annual interest accrued. The Agreement is valid as long as the Bank possesses the banking license from FBA and is performing its regular banking procedures. On 18 January 2012, the Government of the Federation of Bosnia and Herzegovina paid into the Fund the amount of BAM 3 million (Japanese grant). On 11 March 2013 the Government of the Federation of Bosnia and Herzegovina made additional payment in the amount of BAM 4 million (Japanese grant – 2 KR). In November 2016, the Bank signed Annex 2 to the Agreement for fund management of Japanese Grant for Federation of Bosnia and Herzegovina (PVF), dated 18 August 2005. The annex approved use of free monetary funds from Japanese grants, which were placed in three commission loans with counter value of BAM 8,100 thousand. There were no changes in 2017 that would require new annexes to the Agreement for Fund Management of Japanese grant for Federation of Bosnia and Herzegovina (PVF). Annex 3 was signed on April 16, 2018 which anticipates that the interest rate on commission credits will amount to 4.75% p.a., of which the fund's income is 4% and 0.75% represents the Bank's income. In 2021, a placement was agreed from the Anti-Value Fund was agreed and an annex to the contract was drawn up defining the allocation of interest in a way that 3% could touch the Japanese FBiH Fund and 1.75% of the bank's regular interest. During 2022 and 2023, there were no new annexes to the Agreement.

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

24. LIABILITIES FOR DEPOSITS

	31 December 2023	31 December 2022
Demand deposits		
Retail:		
In domestic currency	78,250	66,398
In foreign currencies	56,250	52,442
	134,500	**118,840**
Corporate:		
In domestic currency	198,696	254,705
In foreign currencies	12,496	9,747
	211,192	**264,452**
	345,692	**383,292**
Term deposits:		
Retail:		
In domestic currency	27,227	27,045
In foreign currencies	38,180	41,150
	65,407	**68,195**
Corporate:		
In domestic currency	98,513	111,131
In foreign currencies	12,322	12,322
	110,835	**123,453**
	176,242	**191,648**
	521,934	**574,940**

Interest rate during the year can be presented as follows:

	2023	2022
Demand deposits in BAM and foreign currencies	0.00% - 0.2%	0.00% - 0.01%
Short-term deposits	0.08% - 0.40%	0.01% - 0.30%
Long-term deposits	0.20% - 2.90%	0.05% - 2.30%

25. PROVISIONS

Movement in provisions can be presented as follows:

	Commitments and contingencies	Employee benefits	Court proceedings	Other provisions
Balance as of 1 January 2022	**181**	**395**	**623**	**1,199**
Increase / (release) of provisions (Note 12)	(65)	69	(79)	(75)
Decrease due to payment	-	-	(52)	(52)
Balance as of 31 December 2022	**116**	**464**	**492**	**1,072**
Increase / (release) of provisions (Note 12)	38	66	1,536	1,640
Decrease due to payment	-	-	(103)	(103)
Balance as of 31 December 2023	**154**	**530**	**1,925**	**2,609**

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

25. PROVISIONS (CONTINUED)

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

	31 December 2023	31 December 2022
Performance guarantees	14,001	12,092
Unused approved loans	16,363	15,069
Payment guarantees	1,940	2,659
Bidding guarantees	1,223	208
	33,527	30,028

Movement in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount at 1 January 2023	29,592	419	17	30,028
New financial instrument	3,469	30	-	3,499
Transfer to Stage 1	9	9	(18)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(4)	-	4	-
Balance at 31 December 2023	33,066	458	3	33,527

	Stage 1	Stage 2	Stage 3	Ukupno
Gross carrying amount at 1 January 2022	24,291	712	79	25,082
New financial instrument	23,070	7	1	23,078
Derecognition or proceeds from collection (excluding write off)	(17,758)	(309)	(65)	(18,132)
Transfer to Stage 1	3	(3)	-	-
Transfer to Stage 2	(12)	12	-	-
Transfer to Stage 3	(2)	-	2	-
Balance as 31 December 2022	29,592	419	17	30,028

Movement in impairments are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments at 1 January 2023	97	17	2	116
Release of provisions	47	(7)	(2)	38
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December 2023	144	10	-	154

	Stage 1	Stage 2	Stage 3	Total
Impairments at 1 January 2022	143	25	13	181
Release of provisions	(46)	(8)	(11)	(65)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Balance at 31 December 2022	97	17	2	116

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

26. LEASE LIABILITIES

	31 December 2023	31 December 2022
Long term liabilities	515	642
Short term liabilities	275	350
	790	*992*
Maturity analysis:		
Within one year	275	350
In the second year	139	265
In the third year	71	125
In the fourth year	68	56
After five years	237	196
	790	**992**

Lease contracts are signed on a period from 2 to 10 years. The Bank used incremental borrowing rate of 2% p.a.

27. OTHER LIABILITIES

	31 December 2023	31 December 2022
Liabilities for paid funds for loans and cards	2,381	1,903
Transitional account for forced collection	2,024	1,682
Liabilities for unallocated proceeds	191	4,268
Liabilities toward suppliers	389	426
Liabilities for managed funds (Note 31)	281	262
Other	3,936	2,498
	9,202	**11,039**

28. SHARE CAPITAL

Share capital as of 31 December 2023 consists of 373,000 ordinary shares (31.12.2022.: 373,000) at nominal value of 110 BAM.

	31 December 2023			31 December 2022		
Common shares:	**000**	**Number of shares**	**%**	**000**	**Number of shares**	**%**
Hamid Piršeš	5,882	53,470	14.34%	5,882	53,470	14.34%
Pobjeda - Rudet d.d. Goražde	5,204	47,311	12.68%	5,204	47,311	12.68%
Halil Oković	4,505	40,955	10.98%	4,505	40,955	10.98%
Asa banka d.d. Sarajevo	4.005	36,411	9.76%	4,005	36,411	9.76%
Zijad Deljo	3,512	31,925	8,56%	3,512	31,925	8.56%
Okac d.o.o. Goražde	2,815	25,590	6.86%	2,815	25,590	6.86%
Hasan Đozo	2,601	23,645	6.34%	2,601	23,645	6.34%
Enver Piršeš	2,096	19,050	5.11%	2,096	19,050	5.11%
Goraždeputevi d.d. Goražde	1,783	16,205	4.34%	1,783	16,205	4.34%
Rijad Raščić	1,356	12,329	3.31%	1,356	12,329	3.31%
ZIF "prevent INVEST" d.d. Sarajevo	1,019	9,267	2.48%	-	-	-
ASA Finance d.d. Sarajevo	-	-	-	1,019	9,267	2.48%
Other shareholders	6,252	56,842	15.24%	6,252	56,842	15.24%
	41,030	**373,000**	**100%**	**41,030**	**373,000**	**100%**

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

29. RELATED PARTY TRANSACTIONS

In accordance with the requirements of the International Accounting Standard 24 "Related Party Disclosures", a related party is a person or entity that is related to the entity that is preparing its financial statements:

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

All of the transactions stated above have been made under commercial and banking terms and conditions:

	2023		2022	
	Income	**Expense**	**Income**	**Expense**
Shareholders	320	19	298	24
Members of Management Board and their family members	10	3	14	4
Members of Supervisory Board and their family members	4	2	3	1
	334	**24**	**315**	**29**

	31 December 2023		31 December 2022	
	Receivables	**Liabilities**	**Receivables**	**Liabilities**
Shareholders	4,288	7,720	7,966	24,745
Member of Management Board and their family members	163	679	266	319
Member of Supervisory Board and their family members	70	1,554	71	144
	4,521	**9,953**	**8,303**	**25,208**

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

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Management Board and Supervisory Board remuneration

The remuneration of the members of Management Board and Supervisory Board during the year ended 31 December 2023 and the year ended 31 December 2022 was as follows:

	2023	2022
Gross salaries of the members of Management Board	911	853
Other benefits of the members of Management Board	50	43
Fees to the members of Supervisory Board	67	60
	1,028	**956**

30. MANAGED FUNDS

Funds managed by the Bank on behalf of individuals, trusts and other institutions are not assets of the Bank and, therefore, are not included in its balance sheet. The table below provides analysis of the funds managed on behalf of customers:

	31 December 2023	31 December 2022
LOANS		
Corporate	20,982	24,756
Individuals	1,137	809
	22,119	**25,565**
LIABILITIES		
Government of Federation of Bosnia and Herzegovina	20,982	24,456
Non-profit and non-bank organizations	888	835
Government of Bosnia and Herzegovina (Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina)	500	500
Construction Institute of Sarajevo Canton	30	36
	22,400	**25,827**
Current liabilities from managed funds activities (Note 27)	**(281)**	**(262)**

The Bank does not bear the risk for these placements and charges a fee for its services.

31. RISK MANAGEMENT

a) Capital risk management

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

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

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

31. RISK MANAGEMENT (CONTINUED)

a) Capital risk management (continued)

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

	31 December 2023	31 December 2022
Debt	574,023	605,409
Equity	66,166	58,247
Net debt to capital ratio	**8.68**	**10.39**

Debt is defined as due to financial institutions, due to the Government of the Federation of Bosnia and Herzegovina and due to customers as presented in detail in Notes 23, 24 and 26. Capital includes total share capital, share premium, other reserves, revaluation reserves and retained earnings.

The regulatory capital of the Bank consists of core capital.

The core capital of the Bank (fully equal to ordinary core equity) consists of paid shares, own treasury shares, share premium, retained unallocated profit and other reserves formed from profit after taxation on the basis of the decision of the Bank's General Assembly, net revaluation reserves based on changes in fair value of assets (accumulated comprehensive income), net of the amount of treasury shares, intangible assets and deferred tax assets.

The minimum capital requirements are as follows:

- regular core capital rate 6.75%
- core capital rate 9%
- regulatory capital rate 12%

In addition to the statutory minimum adequacy rate, the Bank is also required to provide a protection layer for capital preservation that is to be maintained in the form of regular core capital in the amount of 2.5% of the total exposure amount.

The total weighted risk used to calculate capital adequacy includes:

- the risk of weighted assets and credit equivalents,
- position, currency, commodity risk and
- operational risk.

One of the basic processes that the Bank implements in the context of strategic risk management is the internal capital adequacy assessment process ("ICAAP"). The main objective of this process is to determine the positive level of capital that is sufficient to cover all risks that the Bank is exposed to and that are assessed as material. ICAAP serves as an internal capital adequacy assessment tool in relation to the risk profile of the Bank and the implementation of the Bank's strategy appropriate to maintaining an adequate level of internal capital. As 31 December 2023, the rates and levels of capital were as follows:

The rate of core capital	19.16%
The rate of ordinary core capital	19.16%
The rate of regulatory capital	19.16%
The rate of ordinary core capital including adjustments from Pillar 2	8.25%
The rate of core capital including adjustments from Pillar 2	10.50%

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

31. RISK MANAGEMENT (CONTINUED)

a) Capital risk management (continued)

The table below shows the capital structure and capital indicators as 31 December 2023 and 2022:

	31 December 2023	31 December 2022
Regulatory capital	**62,637**	**54,845**
Core capital	*62,637*	*54,845*
Regular core capital	*62,637*	*54,845*
Paid capital instruments	41,030	41,030
Share premium	4,629	4,629
Accumulated income	17,157	9,409
Other comprehensive income - revaluation reserves	328	372
Deductions from regular core capital		
intangible assets	(507)	(595)
deductions from regular core capital - missing reserves		
Total regular core capital	**62,637**	**54,845**
Additional core capital		
Core capital	**62,637**	**54,845**
Supplementary capital	-	-
General credit risk allowances	-	-
Deductions from supplementary capital - missing provision	-	-
Total regulatory capital	**62,637**	**54,845**
Risk weighted assets (unaudited)	326,912	306,414
Capital adequacy ratio	**19.16%**	**17.90%**

As 31 December 2023, the ratio “tangible assets / Core capital” amounted to 28.40% (31st December 2022: 30.36%) which is in accordance with Article 94 of the Law on Banks, which stipulates that Bank's total investments in fixed assets cannot exceed 40% of recognized core capital.

The Bank is obliged to ensure and maintain the financial leverage ratio, as well as additional safety and simplified measures for capital maintenance, in amount of at least 6%.

The Bank's financial leverage ratio is the ratio of the amount of the core capital to the total risk exposure of the Bank as at the reporting date, expressed as a percentage. The financial leverage ratio as 31 December 2023 amounted to 9.60% (2022: 7.89%)

b) Significant accounting policies

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

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

31. RISK MANAGEMENT (CONTINUED)

c) Categories of financial instruments

	31 December 2023	31 December 2022
Categories of financial instruments		
Loans and receivables:	588,626	638,287
Cash and cash equivalents (including Obligatory reserves with the CBBH)	*209,899*	*286,461*
Placements with other banks	*19,491*	*19,057*
Loans and receivables, net	*358,054*	*327,652*
Other receivables	*1,182*	*5,117*
Debt instruments at fair value through other comprehensive income	26,190	19,196
Financial assets at amortized cost	991	991
	615,807	**658,474**
Financial liabilities		
At amortized cost:		
Due to the Government of FBiH	33,299	29,477
Due to customers	521,934	574,940
Lease liabilities	790	992
Other liabilities	7,820	11,026
	563,843	**616,435**

d) Financial risk management objectives

The Bank's Treasury and Assets Management function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and interest rate risk.

e) Market risk

During the course of its activities, Bank is exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below points f and g).

Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Bank's exposure to market risks or the manner in which it manages and measures the risk.

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

31. RISK MANAGEMENT (CONTINUED)

f) Foreign currency risk management

The Bank undertakes certain transactions denominated in foreign currencies. The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	BAM	EUR	USD	CHF	Other	Total
As 31 December 2023						
ASSETS						
Cash and cash equivalents	151,767	3,220	363	2,240	231	157,821
Obligatory reserve with Central bank B&H	52,078	-	-	-	-	52,078
Placements with other banks	309	8,536	5,516	4,225	905	19,491
Loans to customers, net	240,450	117,372	232	-	-	358,054
Debt instruments at fair value through other comprehensive income	26,190	-	-	-	-	26,190
Debt instruments at AT	-	991	-	-	-	991
Other receivables	312	42	-	-	828	1,182
Total	**471,106**	**130,161**	**6,111**	**6,465**	**1,964**	**615,807**
LIABILITIES						
Due to the Government of FBiH	33,299	-	-	-	-	33,299
Due to customers	379,588	128,686	6,084	6,479	1,097	521,934
Lease liabilities	790	-	-	-	-	790
Other financial liabilities	6,218	1,518	33	6	45	7,820
Total	**419,895**	**130,204**	**6,117**	**6,485**	**1,142**	**563,843**
As 31 December 2021						
Total monetary assets	**522,446**	**123,617**	**4,905**	**5,815**	**1,691**	**658,474**
Total monetary liabilities	**481,269**	**123,387**	**4,915**	**5,836**	**1,028**	**616,435**

Foreign currency sensitivity analysis

The Bank is mainly exposed to EUR, USD and CHF. Since Convertible Mark (BAM) is pegged to EUR, the Bank is not exposed to risk of change of EUR exchange rate.

The following table details the Bank's sensitivity to a 10% increase and decrease in BAM against USD and CHF, 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in USD. A positive number below indicates an increase in profit where BAM appreciates 10% against USD. For a 10% depreciation of BAM against USD and CHF, there would be an equal and opposite impact on the profit, and the balances below would be negative. As of 31 December 2023, the effects are minimal, considering that the Bank had adjusted receivables and liabilities.

	USD Effect		CHF Effect	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Profit/(loss)	1	1	1	2

31. RISK MANAGEMENT (CONTINUED)

g) Interest rate risk management

Considering that in the loan and deposit portfolio of the Bank prevails fixed interest rate, interest rate risk management relates primarily to maturity matching of interest sensitive assets and liabilities of the Bank.

The Bank's exposures to interest rates on financial assets and financial liabilities are shown in detail in the liquidity risk management section (see point i).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the reporting period date. The analysis is prepared assuming the amount of financial instruments outstanding at the reporting period date was outstanding for the whole year. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank' net result for the year ended 31 December 2023 would increase by BAM 780 thousand (for the year ended 31 December 2022 BAM 1,171 thousand).

h) Credit risk management

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

The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

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

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

31. RISK MANAGEMENT (CONTINUED)

h) Credit risk management (continued)

Financial assets

	Total gross carrying amount	Unimpaired assets	Impaired assets	Individual impairment allowance	Collective impairment allowance	Total net carrying amount
As 31 December 2023						
Cash and cash equivalents	157,967	12,411	145,556	-	(146)	157,821
Obligatory reserve with Central bank B&H	52,131	52,131	-	-	(53)	52,078
Placements with other banks	19,513	-	19,513	-	(22)	19,491
Loans to customers, net	379,971	5,319	374,652	(13,427)	(8,490)	358,054
Debt instruments at FVTOCI	26,464	2,845	23,619	-	(274)	26,190
Debt instruments at AC	1,001	-	1,001	-	(10)	991
Other receivables	1,352	776	576	-	(170)	1,182
	638,399	**73,482**	**564,917**	**(13,427)**	**(9,165)**	**615,807**
As 31 December 2022						
Cash and cash equivalents	228,825	12,714	216,111	-	(216)	228,609
Obligatory reserve with Central bank B&H	57,910	-	57,910	-	(58)	57,852
Placements with other banks	19,082	-	19,082	-	(25)	19,057
Loans to customers, net	351,095	3,040	348,055	(14,528)	(8,915)	327,652
Debt instruments at FVTOCI	19,196	19,196	-	-	-	19,196
Debt instruments at AC	1,001	-	1,001	-	(10)	991
Other receivables	5,226	724	4,502	-	(109)	5,117
	682,335	**35,674**	**646,661**	**(14,528)**	**(9,333)**	**658,474**

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

31. RISK MANAGEMENT (CONTINUED)

h) Credit risk management (continued)

Credit exposure and collateral

	Credit risk exposure		Fair value of collateral
	Net exposure	Loan commitments / Guarantees	
As 31 December 2023			
Cash and cash equivalents	157,821	-	-
Obligatory reserve with Central bank B&H	52,078	-	-
Placements with other banks	19,491	-	-
Loans to customers, net	358,054	33,527	501,045
Debt instruments at FVTOCI	26,190	-	-
Debt instruments at AC	991	-	-
Other receivables	1,182	-	-
	615,807	**33,527**	**501,045**
As 31 December 2022			
Cash and cash equivalents	228,609	-	-
Obligatory reserve with Central bank B&H	57,852	-	-
Placements with other banks	19,057	-	-
Loans to customers, net	327,652	30,082	485,283
Debt instruments at FVTOCI	19,196	-	-
Debt instruments at AC	991	-	-
Other receivables	5,117	-	-
	658,474	**30,082**	**485,283**

Fair value of the collaterals

	31 December 2023	31 December 2022
Real estate and movable properties	476,069	454,949
Deposits	10,212	13,723
Other	14,764	16,611
Total	**501,045**	**485,283**

Overdue

	Total gross loans to clients	Impairment	Not due	Up to 30 days	31 to 90 days	91 to 180 days	181 to 270 days	Over 270 days
31 December 2023								
Corporate	214,393	17,939	198,968	1,175	375	77	47	13,751
Retail	164,138	3,505	162,733	63	21	28	18	1,275
Total	**378,531**	**21,444**	**361,701**	**1,238**	**396**	**105**	**65**	**15,026**
31 December 2022								
Corporate	200,492	(18,712)	186,747	999	954	88	567	11,136
Retail	150,528	(3,786)	148,777	159	194	158	97	1,144
Total	**351,020**	**(22,498)**	**335,524**	**1,157**	**1,148**	**246**	**664**	**12,280**

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

31. RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves and other financing sources, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Bank's remaining contractual maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

Maturity for financial assets

	Weighted average effective interest rate	Less than 1 month	2 to 6 months	7 months to 1 year	2 to 5 years	5+ years	Total
31 December 2023							
Non-interest bearing	-	160,022	487	1,037	3,405	19	164,970
Fixed interest rate instruments	4.03%	64,066	56,414	51,108	181,080	74,333	427,001
Variable interest rate instruments	5.20%	18,857	184	229	1,890	3,664	24,824
		242,945	**57,085**	**52,374**	**186,375**	**78,016**	**616,795**
31 December 2022							
Non-interest bearing		57,852	59	137	3,500	-	61,548
Fixed interest rate instruments	4.37%	40,437	46,595	45,325	154,875	73,593	360,825
Variable interest rate instruments	0.25%	238,363	-	-	-	-	238,363
		336,652	**46,654**	**45,462**	**158,375**	**73,593**	**660,736**

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

Maturity of financial liabilities

	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	5+ years	Total
31 December 2023							
Non-interest bearing		352,379	172	85	1,287	4,161	358,084
Fixed interest rate instruments	1.10%	13,297	59,737	55,005	44,072	32,994	205,105
		365,676	**59,909**	**55,090**	**45,359**	**37,155**	**563,189**
31 December 2022							
Non-interest bearing		237,559	1,404	6,097	567	2,251	247,878
Fixed interest rate instruments	0.58%	158,197	20,394	86,828	66,685	30,051	362,155
Variable interest rate instruments	1.03%	273	453	1,899	1,539	50	4,214
		396,029	**22,251**	**94,824**	**68,791**	**32,352**	**614,247**

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

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

32. FAIR VALUE MEASUREMENT

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

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

Financial assets / financial liabilities	Fair value as at 31 December 2023	Fair value as at 31 December 2022	Fair value hierarchy	Valuation techniques and key inputs
1) Financial assets at FVTOCI	Equity securities listed on a stock exchange in Bosnia and Herzegovina: • Sarajevo Osiguranje d.d. Sarajevo - BAM 1,787 thousand • ASA Banka d.d. Sarajevo - BAM 967 thousand • Bamcard d.d. Sarajevo - BAM 2 thousand • Bosna Reosiguranje d.d. Sarajevo - BAM 32 thousand	Equity securities listed on a stock exchange in Bosnia and Herzegovina: • Sarajevo Osiguranje d.d. Sarajevo - BAM 2,045 thousand • ASA Banka d.d. Sarajevo - BAM 909 thousand • Bamcard d.d. Sarajevo - BAM 2 thousand • Bosna Reosiguranje d.d. Sarajevo - BAM 32 thousand Equity securities listed on stock exchange in other countries: • JUBMES BANKA A.D. Belgrade, Serbia - BAM 53 thousand	Stage 1	Quoted bid prices in an active market.
	Equity securities listed on the stock exchange in Bosnia and Herzegovina, not actively traded: • Securities register FBiH d.d. Sarajevo - BAM 57 thousand	Equity securities listed on the stock exchange in Bosnia and Herzegovina without trading: • Securities register FBiH d.d. Sarajevo - BAM 57 thousand	Stage 2	Prices derived from prices of other similar assets quoted on active market.
	Debt securities listed on the stock exchange in BiH: • FBIH Government - BAM 19,585 thousand	Debt securities listed on the stock exchange in BiH: • FBIH Government - BAM 12,116 thousand	Stage 1	Quoted bid prices in an active market.
2) Financial assets at amortized cost	Debt securities listed on the stock exchange in BiH: • JP Autoceste FBIH - BAM 1,001 thousand	Debt securities listed on the stock exchange in BiH: • JP Autoceste FBIH - BAM 1,001 thousand	Stage 1	Quoted bid prices in an active market.

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

32. FAIR VALUE MEASUREMENT (CONTINUED)

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

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

	31 December 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
- Loans to customers	358,054	366,260	327,652	335,161
- Financial assets at AC	1,001	966	1,001	966
- Debt instruments at FVTOCI	26,190	26,190	19,196	19,196
Financial liabilities				
At amortized cost:				
- Deposits of clients and other banks; loans from other banks and financial institutions	521,934	524,125	574,940	572,536

	Fair value hierarchy as of 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Loans and receivables:				
- Loans to customers	-	366,260	-	366,260
- Debt instruments at FVTOCI	26,190	-	-	26,190
	26,190	**366,260**	**-**	**392,450**
Financial liabilities				
At amortized cost:				
- Deposits of clients and other banks; loans from other banks and financial institutions	-	524,125	-	524,125
	-	**524,125**	**-**	**524,125**

The fair value of financial assets and liabilities included in the above categories of Stage 2 were determined according to generally accepted models of assessment based on an analysis of discounted cash flows, the discount rate as most important input data, which reflects the credit risk of counterparties. Discount rate used in the weighted average interest rate is weighted average interest rate on the state level, published by CBBH separately for legal entities and natural persons.

33. SUBSEQUENT EVENTS

According to the statement of the Bank's Management, there were no events that required corrections or disclosures in the financial statements or notes to the financial statements as of 31 December 2023.

34. CONTINGENCIES AND COMMITMENTS

At the time of reporting there were 42 active legal disputes valued at BAM 8,426 thousand against the Bank, for which the Bank has recognized provision in amount of BAM 1,925 thousand.

35. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management as of 21 February 2024.

Hamid Pršeš
President of the Management Board

PRIVREDNA BANKA SARAJEVO DD
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SARAJEVO

Bedina Jusičić - Musa
Member of the Management Board