PRIVREDNA BANKA SARAJEVO D.D. SARAJEVO

Financial statements prepared in accordance with
the statutory accounting regulations applicable to banks
in the Federation of Bosnia and Herzegovina
for the year ended 31 December 2024
and the Independent Auditor's Report

Contents

Responsibilities of the Management Board and the Supervisory Board for the preparation and approval of annual financial statements

The Management Board of Privredna banka Sarajevo d.d. Sarajevo (the "Bank") is required to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Bank and of the results of its operations and cash flows in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina which are based on the Law on Accounting and Auditing in the FBiH, Law on Banks of FBiH, and bylaws of the FBA, based on aforementioned laws. Furthermore, the Management Board is also responsible for maintaining appropriate accounting records that enable the preparation of financial reports at any time.

After conducting appropriate research, the Management Board reasonably expects that the Bank will have adequate resources for the foreseeable future and therefore continues to adopt the going concern basis in preparing the financial statements.

Management's responsibilities in preparing the financial statements include the following:

- selection and consistent application of appropriate accounting policies
- making justified and prudent judgments and assessments
- adhering to applicable accounting standards, with disclosure and explanation of all material departures in the financial statements; and
- preparing financial statements on a going concern basis unless it is deemed inappropriate to presume that the Bank will continue in business.

The Management is responsible for keeping appropriate accounting records, which at all times show the Bank's financial position with justified accuracy. Also, the Management is responsible for safeguarding the Banks property and for taking reasonable steps to prevent and detect fraud and other irregularities.

The Management Board is responsible for submitting the annual report to the Supervisory Board, together with the annual financial statements, after which the Supervisory Board must approve the annual financial statements for submission to the Bank's Assembly for adoption.

The Bank's financial statements for the year ended 31 December 2024, presented on pages 7 to 54, were approved by the Management Board for submission to the Supervisory Board.

Signed on behalf of the Bank:

Hamid Pršeš
Chairman of the Management Board

PRIVREDNA BANKA SARAJEVO DD
1
SARAJEVO

Bedina Jusičić - Musa
Member of the Management Board

27 February 2025

Tel: +387 33 295 295
E-mail: info@bdobh.ba

BDO BH d.o.o.
Fra Anđela Zvizdovića 1
71000 Sarajevo

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Privredna banka Sarajevo d.d. Sarajevo (the "Bank"), which comprise the balance sheet as of 31 December 2024, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, which contain information on significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Bank as of 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants (including the International Standards on Independence) issued by the International Ethics Standards Board for Accountants (IESBA Code), and the ethical requirements of the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina that are relevant to our audit of the financial statements in the Federation of Bosnia and Herzegovina. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina. 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.

Key audit matter	How our audit addressed the key audit matter
Estimate of allowance for expected credit losses from loans and receivables from customers	Procedures performed
Refer to notes: 3. "Critical accounting judgments and key sources of estimation uncertainty", 6.3 "Loans and advances to customers", 8. "(Release of)/impairment losses and provisions" and 27. b) "Credit risk management", to the financial statements, for detailed information on the expected credit losses ("ECL") for loans and advances to customers.	We obtained an in-depth understanding of the ECL calculation methodology applied by the Bank and the adjustments made to the model as a result of the implementation of the Decision
As of 31 December 2024, gross loans and advances to customers and credit loss allowances amounted to BAM 406,508 thousand and BAM 20,614 thousand, respectively.	We evaluated control activities in credit risk management and lending business processes and tested controls that we considered relevant for our audit approach, as appropriate.
We focused on this area during the audit due to the significance of the amounts involved for the financial statements and also because the Management Board makes complex and subjective judgements over both the timing and size of ECL, which makes ii a complex area of accounting.	We evaluated control activities and tested selected controls in the area of critical data, including the process of allocating loans and advances to customers to proper ECL stages and valuation of collaterals.
ECL is determined by using the key assumptions being the probability of an account falling into arrears and subsequently defaulting ("PD"), definition of significant increase in credit risk, exposure at the moment of default ("EAD") and the estimated losses from defaulted loans ("LGD").	We tested the accuracy of the critical data in the source systems and their input in the ECL calculation.
For defaulted loans considered to be significant at customer level, ECL is determined on an individual basis. In these cases, ECL is determined by using key assumptions being the scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral (where applicable).	We assessed the process of incorporating the forward-looking information in the ECL estimate.
The Banking Agency of the Federation of Bosnia and Herzegovina ("FBA") has issued the Decision on credit risk management and determining expected credit losses (the "Decision"), prescribing the minimum impairment rates in the calculation of ECL. This Decision became effective from 1 January 2020 onward. The rates prescribed by the Decision override the results of the estimates of the statistical models as explained above in those cases where the rates given by the Decision give rise to higher ECL levels.	We tested the statistical models used by the Management Board to determine key assumptions (PD, LGD, EAD) to assess whether the calculation process was consistent with our expectations.
	We tested, on a sample basis, the appropriateness of loans staging allocation in accordance with the Bank's internal methodology.
	We used our own judgment to determine the parameters for calculating ECL, and compared our calculations with the Bank's calculations.

Other information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is the Annual business report as prescribed by the Law on accounting and auditing of the Federation of Bosnia and Herzegovina (but does not include the separate financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and 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 identified above 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.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Supervisory Board.

Responsibilities of Management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

As an integral part of an audit in accordance with International Standards on Auditing, we make professional judgments and maintain professional scepticism during the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and disclosures made by the Management.
- Conclude on adequacy the going concern basis of accounting used by the Management and, based on the audit evidence obtained, conclude 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 to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Bank to cease to be a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

For and on behalf of BDO BH d.o.o. Sarajevo:

Lejla Kaknjo
Director

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

Mirza Bihorac
Licensed auditor

Sarajevo, 27 February 2025

Balance sheet
as of 31 December 2024

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

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	4	126,492	157,821
Financial assets at fair value through OCI	5	37,541	26,190
Financial assets at amortized cost	6	474,725	430,614
Obligatory reserve with Central Bank B&H	*6.1*	*55,700*	*52,078*
Deposits with other banks	*6.2*	*32,140*	*19,491*
Loans and advances to customers	*6.3*	*385,894*	*358,054*
Other financial assets at amortized cost	*6.4*	*991*	*991*
Property, plant and equipment	7	17,389	17,023
Right-of-use assets	8	1,319	768
Intangible assets	9	2,378	506
Non-current assets held for sale	-	325	
Other assets and receivables	10	2,848	1,410
TOTAL ASSETS		**663,017**	**634,332**
LIABILITIES			
Financial liabilities at amortized cost	11	543,753	525,685
Deposits from customers	*11.1*	*536,804*	*521,934*
Lease liabilities	*11.2*	*1,391*	*790*
Other financial liabilities at amortized cost	*11.3*	*5,558*	*2,961*
Liabilities toward the Government of FB&H	12	33,629	33,299
Provisions	13	2,674	2,609
Credit risk for loan commitments and guarantees given	13.1	*212*	*154*
Legal disputes	13.2	*1,877*	*1,925*
Other provisions		*585*	*530*
Income tax liability		7	373
Deferred tax liabilities	22	414	332
Other liabilities	14	5,069	5,868
Total liabilities		**585,546**	**568,166**
EQUITY			
Share capital	15	43,030	41,030
Share premium	15	4,629	4,629
Revaluation reserves for financial assets at fair value through OCI		1,095	328
Retained earnings		28,717	20,179
Total equity		**77,471**	**66,166**
TOTAL LIABILITIES AND EQUITY		**663,017**	**634,332**

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

Income statement
for the year ended 31 December 2024
(All amounts are expressed in thousands of BAM, unless otherwise stated)

	Note	2024	2023
Interest income and similar income at the effective interest rate	16.1	20,548	18,204
Interest expense and similar expense at the effective interest rate	16.2	(3,355)	(2,209)
Net interest income and similar income at the effective interest rate		**17,193**	**15,995**
Fee and commission income	17.1	10,203	11,247
Fee and commission expense	17.2	(2,114)	(3,263)
Net fee and commission income		**8,089**	**7,984**
Release of/(impairment losses and provisions)	18	374	(2,114)
Other gains/(losses) from financial assets		159	(13)
Net positive/(negative) exchange rate differences		352	139
Gains/(losses) from non-current non-financial assets		2,475	644
Other income and gains	19	1,352	4,149
Staff costs	20	(9,735)	(7,998)
Depreciation and amortization costs	7,8,9	(1,367)	(1,134)
Other expenses and costs	21	(6,056)	(5,596)
PROFIT BEFORE TAXATION		**12,836**	**12,056**
Current income tax		(1,217)	(1,234)
Deferred income tax		(82)	(80)
INCOME TAX	22	**1,299**	**1,314**
PROFIT AFTER TAXATION		**11,537**	**10,742**
Earnings per share - basic and diluted (in BAM)	23	**29.49**	**28.80**

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

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

	Note	2024	2023
PROFIT AFTER TAXATION		**11,537**	**10,742**
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to income statement:			
- Changes in fair value of debt financial instruments	5	107	147
Items that will not be reclassified to income statement:			
- Changes in fair value of equity financial instruments	5	660	(191)
		767	**(44)**
TOTAL COMPREHENSIVE INCOME		**12,304**	**10,698**

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

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

	Share capital	Share premium	Revaluation reserves for financial assets at fair value through OCI	Retained earnings	Total
Balance as of 1 January 2023	**41,030**	**4,629**	**372**	**12,216**	**58,247**
Net profit	-	-	-	10,742	10,742
Other comprehensive income	-	-	(44)	-	(44)
Total comprehensive income	**-**	**-**	***(44)***	***10,742***	***10,698***
Dividends paid	-	-	-	(2,798)	(2,798)
Correction with regard to Tax statement for 2022			-	19	19
Balance as of 31 December 2023	**41,030**	**4,629**	**328**	**20,179**	**66,166**
Net profit	-	-	-	11,537	11,537
Other comprehensive income	-	-	767	-	767
Total comprehensive income	**-**	**-**	***767***	***11,537***	***12,304***
9th share issuance	2,000	-	-	-	2,000
Dividends paid	-	-	-	(2,999)	(2,999)
Balance as of 31 December 2024	**43,030**	**4,629**	**1,095**	**28,717**	**77,741**

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

Statement of cash flows

for the year ended 31 December 2024

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

	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES		
Inflows from interest and similar income at the effective interest rate	19,572	17,302
Outflows from interest and similar income at the effective Interest rate	(2,442)	(2,214)
Inflows from fees and commissions	9,097	9,321
Outflows from fees and commissions	(2,114)	(3,264)
Inflows from the collection of previously written-off loans and interest receivables	980	3,765
Payments to employees	(9,735)	(7,989)
Payment of operating expenses and costs	(4,628)	(5,174)
Other inflows from operating activities	248	397
Income tax paid	(1,210)	(861)
Cash flows from operating activities before changes in operating assets and operating liabilities	**9,768**	**11,283**
Net (increase)/decrease in obligatory reserve with Central Bank B&H	(3,622)	5,773
Net (increase)/decrease in deposits with other banks	(7)	338
Net (increase)/decrease in loans and advances to customers	(27,840)	(29,528)
Net (increase)/decrease in other assets and receivables	(1,211)	4,060
Net increase/(decrease) in deposits from customers	14,870	(53,007)
Net increase/(decrease) in other financial liabilities at amortized cost	1,925	2,729
Net increase/(decrease) in provisions	65	1,537
Net increase/(decrease) in other liabilities	204	(1,293)
Net cash flow from operating activities	**(5,848)**	**(58,108)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of debt instruments at fair value through OCI	(23,429)	(11,352)
Proceeds from collection of debt instruments at fair value through OCI	12,841	4,110
Purchases of property, plant and equipment	(1,142)	(2,022)
Proceeds from disposal of property, plant and equipment	2,475	645
Purchases of intangible assets	(2,103)	(92)
Dividends received	146	9
Net cash flow from investing activities	**(11,212)**	**(8,702)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from regular share issuance	2,000	-
Dividends paid	(2,948)	(2,661)
Payment of principal on leases	(318)	(373)
Net cash flow from financing activities	**(1,266)**	**(3,034)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(18,326)**	**(69,844)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**177,395**	**247,358**
EFFECTS OF CHANGES IN EXCHANGE RATES OF CASH AND CASH EQUIVALENTS	**(134)**	**(119)**
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**158,935**	**177,395**

The accompanying accounting policies and 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. UFl/l-3730/00, dated 9 January 2007, the Bank has changed its name into BOR banka d.d. Sarajevo.

As of 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 registered (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 customers in Bosnia and Herzegovina.

The registered address of the Bank is Obala Kulina Bana 18, 71000 Sarajevo. As of 31 December 2024, the Bank had 22 employees (31 December 2023: 196 employees).

Bodies of the Bank

Supervisory Board

Rijad Raščić	Chairman
Aziz Šunje	Member
Mehmet Siner	Member
Almir Badnjević	Member
Hasan Đozo	Member

Management Board

Hamid Pršeš	Chairman
Bedina Jusičić Musa	Member
Edin Kreštalica	Member
Kemal Džabija	Member

Audit Committee

Muhamed Hubanić	Chairman
Dragan Prusina	Member
Midhat Oković	Member
Rehad Deljo	Member
Kenan Kanlić	Member

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

a) Reporting framework

The financial statements of the Bank have been prepared in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina (hereinafter "FBiH"), which are based on the Law on Accounting and Auditing in the FBiH, Law on Banks of FBiH, and bylaws of the FBA, passed based on aforementioned laws.

- The Law on Accounting and Auditing in FBiH stipulates preparation of the financial statements in accordance with the International Financial Reporting Standards (hereinafter "IFRS").
- The Law on Banks of FBiH stipulates preparation of annual financial statements in accordance with the aforementioned Law on Accounting and Auditing in the FBiH, this law and bylaws passed based on both laws.
- FBA adopted the Decision on Credit Risk Management and Determining Expected Credit Losses (hereinafter the "Decision"), which is in force as of 1 January 2020, and which resulted in certain differences arising from calculation of allowances for credit losses due to application of minimum rates stipulated by the Decision, which are not required by IFRS 9: Financial Instruments ("IFRS 9"). The Decision has an effect on valuation of non-financial assets arising from credit operations (repossessed collaterals whose valuation is within the scope of other relevant IFRSs).
- By decision of the Management Board of the Association of Accountants, Auditors and Financial Workers of the FB&H dated 19 September 2022, the application of IFRS 17 begins with annual periods beginning on or after 1 January 2026. However, if IFRS 17 had been applied in 2024, there would be no material impact on these financial statements.

In accordance with the provisions of the Decision, as of 31 December 2024, the Bank created higher allowances for credit losses in the amount of 3,299 thousand compared to the amount calculated by using the Bank's internal model in line with the requirements of IFRS 9. This difference arose from the following reasons:

- application of minimum impairment rates stipulated by the Article 23 of the Decision for exposures in Stage 1 of credit risk - difference in the amount of BAM 223 thousand as of 31 December 2024,
- application of minimum impairment rates stipulated by the Article 24 of the Decision for exposures in Stage 2 of credit risk - difference in the amount of BAM 282 thousand as of 31 December 2024,
- application of minimum impairment rates stipulated by the Article 25 of the Decision for exposures in Stage 3 and POCI of credit risk (non-performing assets) - difference in the amount of 2,974 thousand as at 31 December 2024, of which amount of BAM 1,459 thousand refers to exposures not secured by acceptable collateral and the amount of BAM 1,335 thousand refers to exposures secured by acceptable collateral.

FBA adopted also the Decision on temporary measured to mitigate the risk of an interest rate increase, effective as of October 2022, based on which the Bank applies different, more strict regulatory minimum impairment rates for contracts which fulfil the conditions stipulated by the Decision. By supplementing the decision from October 2023, the validity of the decision was extended until June 2024.

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

a) Reporting framework (continued)

The previously described differences between the statutory accounting regulations applicable to banks in FBiH and the requirements for recognition and measurement under International Financial Reporting Standards have resulted in the following effects:

	31 December 2022	31 December 2023	31 December 2024
Decrease of assets	4,550	4,616	3,261
Increase of liabilities	38	8	38
Decrease of equity	4,588	4,624	3,299

b) Basis of presentation

These financial statements have been prepared on a historical cost basis, except for certain 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 to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except leasing transactions that are within the scope of IFRS 16 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

c) Functional and presentation currency

The financial statements are presented in Bosnian convertible marks ("BAM"), which is the functional currency. Amounts are rounded to the nearest thousand (unless otherwise noted).

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

d) Foreign currency translation

Transactions in currencies other than 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 statement of profit or loss and other comprehensive income for the period.

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

31 December 2024	EUR 1 = BAM 1.95583	USD 1 = BAM 1.872683	CHF 1 = BAM 2.072952
31 December 2023	EUR 1 = BAM 1.95583	USD 1 = BAM 1.769982	CHF 1 = BAM 2.112127

e) Use of estimates and judgments

The preparation of financial statements in accordance with accounting regulations applicable to banks in FBiH (including IFRS requirements) requires management to make judgments, estimates and assumptions that affect the application of accounting policies in use and the amounts of disclosed 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 possibly in future periods if they are affected.

Information on areas with significant uncertainties in estimates, and information on critical judgments in application of accounting policies which have most significant effect on the amounts disclosed in these financial statements of the Bank are presented in Note 3.

f) Going concern

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

g) New and amended standards adopted by the Bank

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

- Amendments to IFRS 16: Lease Liability in Sale and Leaseback Transactions
- Classification of liabilities as current or non-current - Amendments to IAS
- Amendments to IAS 7 and IFRS 7: Supplier Financing Arrangements
- Amendment to IAS 1: Long-term liabilities linked to financial indicators (“covenants”).

These standards and amendments did not have an impact on the amounts recognized in prior periods and are not expected to have a significant impact on current or future periods.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

h) Standards issued but not yet effective

As of the date of issuance of these financial statements, the following standards, amendments to existing standards and interpretations have been published, but are not yet effective:

- Amendments to IAS 21: Exchange Impossibilities (effective for annual periods beginning on or after 1 January 2025).
- Changes in the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)
- Amendments to IFRS 9 and IFRS 7 relating to contingent electricity contracts (effective for annual periods beginning on or after 1 January 2026)
- Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2026)
- IFRS 18: “Presentation and Disclosure in Financial Statements” (effective for annual periods beginning on or after 1 January 2027)
- IFRS 19: "Subsidiaries without public liability: Disclosures" (effective for annual periods beginning on or after 1 January 2027)

The Bank has elected not to adopt these standards, amendments and interpretations before they become effective. The Bank anticipates that the adoption of these standards, amendments and interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing 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.

SPPI assessment

The assessment of whether the contractual cash flows of financial assets lead to cash flows that are solely payments of principal and interest (“SPPI“) are subject to the application of significant judgments based on IFRS 9 guidance. These judgments are crucial to the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVTPL or, depending on the business model estimate, at amortized cost or at FVOCI.

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

Key sources of estimation uncertainty (continued)

Business model assessment

For each financial asset that is matched with SPPI at initial recognition, the Bank must assess whether it is part of the business model in which the asset is held for the purpose of collecting contractual cash flows, collecting contractual cash flows and sales, or being held in other business models. As a consequence, the critical aspect in differentiating business models is the frequency and importance of selling property in the appropriate business model. Since asset allocation to business models is based on an initial estimate, cash flows may occur differently than originally expected in subsequent periods, and it may seem that a different measurement method is applicable. In accordance with IFRS 9, such subsequent changes generally do not lead to reclassification or correction of previous period errors in relation to existing financial assets. New information on how to make cash flows can, however, point to the fact that the business model, and thus the measurement method, are changing for new property.

Impairment of financial instruments

The expected credit loss impairment model is inherently based on the estimate, as it requires an assessment of significant credit risk increases and measurement of expected credit losses without providing detailed guidance. With regard to a significant increase in credit risk, the Bank has established special valuation rules that consist of qualitative information and quantitative thresholds.

The bank continuously monitors the creditworthiness of its clients. The need for impairment of the Bank's balance sheet and off-balance sheet exposures to credit risk is assessed monthly.

For details on credit risk management, see Note 27. b).

Fair value of financial instruments

As described in Note 28, 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, other than loans and receivables, are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

Estimation of the provision for legal disputes

The amount recognized as a provision for legal disputes is the best estimate of the compensation required to settle the present obligation at the date of the reporting period, when the probability of settlement is greater than the probability that the obligation will not be settled. For details on legal disputes pending against the Bank as of 31 December 2024, see Note 13.2.

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

4. CASH AND CASH EQUIVALENTS

	31 December 2024	31 December 2023
Current account in domestic currency with the Central Bank of BH	109,645	145,557
Cash at hand in foreign currencies	7,692	6,054
Cash at hand in domestic currency	6,271	4,268
Cash at ATMs	2,994	2,088
Less: Allowances for expected credit losses	(110)	(146)
	126,492	**157,821**

All items of cash and cash equivalents are classified in Stage 1 credit risk.

Movements in allowances for expected credit losses are shown below:

	2024	2023
As of 1 January	146	216
Decrease in allowances (Note 18)	(36)	(70)
As of 31 December	**110**	**146**

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt financial instruments are valued at fair value through other comprehensive income (OCI) if the contractual cash flows are in accordance with the "SPPI" test and if they are held within the framework of a business model whose goal is achieved by collecting contractual cash flows and eventually selling assets.

Interest income on debt financial instruments is calculated using the effective interest rate method and is included in the item "Interest income and similar income at effective interest rate" in the income statement. Gains and losses from allowances for expected credit losses are recognized in the income statement under the item "Impairments and provisions". The difference between the fair value at which this asset is reported in the balance sheet and the amortized cost component is recognized as a change in revaluation reserves for this asset, through OCI.

Equity financial instruments are valued at fair value through OCI when the Bank's Management irrevocably chooses to present gains and losses from the fair value of equity instruments through OCI. Dividends from such investments are recognized in the income statement as other income, after the Bank's right to receive payments is established.

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

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

	31 December 2024	31 December 2023
Debt instruments:		
Bonds of the Government of FBiH	26,782	19,585
Treasury bills of the Government of FBiH	7,254	3,760
	34,036	***23,345***
Equity instruments:		
Sarajevo Osiguranje d.d. Sarajevo	1,791	1,787
ASA Banka d.d. Sarajevo	1,623	967
Registar vrijednosnih papira FBIH d.d.	57	57
Bosna Reosiguranje d.d. Sarajevo	32	32
Bamcard d.d. Sarajevo	2	2
	3,505	***2,845***
	37,541	**26,190**

Expected maturity of debt instruments:

	31 December 2024	31 December 2023
- No more than 12 months after the reporting period	7,754	5,960
- More than 12 months after the reporting period	26,282	17,385
	34,036	23,345

Changes in gross book value are presented as follows:

	Level 1	Level 2	Level 3	Total
As of 1 January 2023	19,196	-	-	19,196
Increase/decrease, net	7,038	-	-	7,038
Change in fair value, net	(44)	-	-	(44)
As of 31 December 2023	**26,190**	-	-	**26,190**
Increase/decrease, net	10,584	-	-	10,584
Change in fair value, net	767	-	-	767
As of 31 December 2024	**37,541**	-	-	**37,541**

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

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

Movements in allowances for expected credit losses from debt instruments were as follows:

	2024	2023
As of 1 January	274	134
Increase in allowances (Note 18)	4	140
As of 31 December	**278**	**274**

6. FINANCIAL ASSETS AT AMORTIZED COSTS

Financial assets are measured at amortized cost if they are held in a business model whose goal is to collect contractual cash flows, and for which the "SPPI" test is satisfied.

In the balance sheet, these assets is presented at amortized cost, i.e. gross book value less the allowance for expected credit losses, and is presented under the items "Obligatory reserve with Central Bank B&H", "Deposits with other banks", "Loans and advances to customers", and "Other financial assets at amortized cost".

Interest income on these assets is calculated using the effective interest method and included in the item "Interest income and similar income at effective interest rate" in the income statement. Gains and losses from allowances for expected credit losses are recognized in the income statement under the item "Impairments and provisions".

6.1 Obligatory reserve with Central Bank B&H

The basis for calculating the obligatory reserve is made up of deposits and borrowed funds, regardless of the currency in which they are expressed. Also, a single obligatory reserve rate of 10% was established, which the CBB&H applies to the basis for calculating the obligatory reserve.

A fee of 0.50% is charged on obligatory reserve assets based on the base in the domestic currency, BAM, a fee of 0.30% is charged on assets of the obligatory reserve based on the base in foreign currencies and in the domestic currency with a currency clause, while no fee is charged on assets above the obligatory reserve.

The obligatory reserve with CBB&H is classified as Stage 1 credit risk.

	31 December 2024	31 December 2023
Obligatory reserve with CBB&H	55,744	52,111
Interest on obligatory reserve	12	20
Less: Allowances for expected credit losses	(56)	(53)
	55,700	**52,078**

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

6. FINANCIAL ASSETS AT AMORTIZED COSTS (CONTINUED)

6.1 Obligatory reserve with Central Bank B&H (continued)

Movements in allowances for expected credit losses were as follows:

	2024	2023
As of 1 January	53	58
Increase in allowances (Note 18)	3	-
Decrease in allowances (Note 18)	-	(5)
As of 31 December	**56**	**53**

6.2 Deposits with other banks

	31 December 2024	31 December 2023
A vista deposits in foreign currencies:		
Landesbank Baden-Württemberg, Stuttgart, Germany	12,621	11,671
Zagrebačka banka d.d. Zagreb, Croatia	4,196	4,377
Raiffeisen Bank International AG, Vienna, Austria	5,721	1,124
UniCredit SpA, Milan, Italia	2,197	914
UniCredit Bank Austria AG, Vienna, Austria	6,650	663
Nordea Bank AB, Stockholm, Sweden	43	67
	31,428	***18,816***
A vista deposits in local currency:		
Sparkasse Bank d.d. BiH	317	288
	317	***288***
Term deposits in foreign currencies:		
Union Bank of Switzerland (UBS), Zurich, Switzerland	362	384
	362	***384***
Term deposits in local currency:		
Sparkasse Bank d.d. BiH	25	25
	25	***25***
Total deposits withother banks before the allowances	***32,132***	***19,513***
Receivables from banks for cards and remittances	43	-
Less: Allowances for expected credit losses	(35)	(22)
	32,140	19,491

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

6. FINANCIAL ASSETS AT AMORTIZED COSTS (CONTINUED)

6.2 Deposits with other banks (continued)

Expected maturity of deposits with other banks:

	31 December 2024	31 December 2023
- No more than 12 months after the reporting period	31,813	19,129
- More than 12 months after the reporting period	362	384
Less: Allowances for expected credit losses	(35)	(22)
	32,140	**19,491**

Annual interest rates on deposits with other banks in foreign currencies can be presented as follows:

	2024	2023
Currency:	% p.a.	% p.a.
- EUR	1.17 to 1.91	0.01 to 0.91
- USD	1.82 to 2.33	1.82 to 3.70
- SEK	0.00 to 0.01	0.00 to 0.01
- CHF	(0.80) to 0.01	(0.80) to 0.01
- NOK	0.00 to 0.01	0.00 to 0.01

Deposits with other banks are classified as Stage 1 credit risk.

Movements in allowances for expected credit losses were as follows:

	2024	2023
As of 1 January	22	25
Increase in allowances (Note 18)	13	-
Decrease in allowances (Note 18)	-	(3)
As of 31 December	**35**	**22**

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

6. FINANCIAL ASSETS AT AMORTIZED COSTS (CONTINUED)

6.3 Loans and advances to customers

The bank approves both short-term and long-term loans. Most short-term loans are granted to clients for working capital. Long-term loans are mainly granted to legal entities for various investment activities, as well as for working capital.

	31 December 2024	31 December 2023
Corporate	231,525	215,705
Retail	174,983	164,266
	406,508	***379,971***
Less: Allowances for expected credit losses based on individual assessment	(11,564)	(13,427)
Less: Allowances for expected credit losses based on group assessment	(9,050)	(8,490)
	385,894	**358,054**

The following is an overview of loans given to clients by segment and credit risk level:

31 December 2024	**Stage 1**	**Stage 2**	**Stage 3**		
	Group assessment	**Group assessment**	**Individual assessment**	**Group assessment**	**Total**
Corporate					
Private companies	180,573	32,256	11,876	199	224,904
Public companies	6,621	-	-	-	6,621
	187,194	***32,256***	***11,876***	***199***	***231,525***
Retail					
Housing loans	20,028	151	155	67	20,401
Other loans	149,406	2,544	129	2,503	154,583
	169,434	***2,695***	***284***	***2,570***	***174,983***
Less: Allowances for expected credit losses	(3,653)	(3,206)	(11,564)	(2,191)	(20,614)
	352,975	**31,745**	**596**	**578**	**385,894**

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

6. FINANCIAL ASSETS AT AMORTIZED COSTS (CONTINUED)

6.3 Loans and advances to customers (continued)

31 December 2023	Stage 1	Stage 2	Stage 3		
	Group assessment	Group assessment	Individual assessment	Group assessment	Group assessment
Corporate					
Private companies	185,562	15,130	14,436	265	215,393
Public companies	312	-	-	-	312
	185,874	***15,130***	***14,436***	***265***	***215,705***
Retail					
Housing loans	16,634	212	-	44	16,890
Other loans	142,165	2,605	219	2,387	147,376
	158,799	***2,817***	***219***	***2,431***	***164,266***
Less: Allowances for expected credit losses	(3,712)	(2,443)	(13,427)	(2,335)	(21,917)
	340,961	**15,504**	**1,228**	**361**	**358,054**

Changes in gross book value are presented as follows:

	Stage 1	Stage 2	Stage 3	Total
As of 1 January 2023	306,170	26,916	18,790	351,876
Newly created assets	41,446	(9,355)	23,188	55,279
Transfer to Level 1	1,597	(1,473)	(124)	-
Transfer to Level 2	(2,320)	2,511	(191)	-
Transfer to Level 3	(2,221)	(651)	2,872	-
Write-offs	-	-	(27,184)	(27,184)
As of 31 December 2023	**344,672**	**17,948**	**17,351**	**379,971**
Newly created assets	27,318	3,007	(3,280)	27,045
Transfer to Level 1	1,951	(1,951)	-	-
Transfer to Level 2	(16,740)	16,762	(22)	-
Transfer to Level 3	(568)	(816)	1,384	-
Write-offs	-	-	(508)	(508)
As of 31 December 2024	**356,633**	**34,950**	**14,925**	**406,508**

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

6. FINANCIAL ASSETS AT AMORTIZED COSTS (CONTINUED)

6.3 Loans and advances to customers (continued)

Movements in allowances for expected credit losses are presented as follows:

	Stage 1	Stage 2	Stage 3	Total
As of 1 January 2023	3,746	2,995	16,702	23,443
Expected credit losses (Note 18)	(168)	(428)	942	346
Transfer to Level 1	184	(140)	(44)	-
Transfer to Level 2	(27)	94	(67)	-
Transfer to Level 3	(23)	(78)	101	-
Write-offs	-	-	(1,872)	(1,872)
As of 31 December 2023	**3,712**	**2,443**	**15,762**	**21,917**
Expected credit losses (Note 18)	27	817	(1,637)	(793)
Transfer to Level 1	112	(112)	-	-
Transfer to Level 2	(193)	210	(17)	-
Transfer to Level 3	(5)	(152)	157	-
Write-offs	-	-	(508)	(508)
As of 31 December 2024	**3,653**	**3,206**	**13,755**	**20,614**

The weighted average interest rate is summarized as follows:

	31 December 2024	31 December 2023
Corporate	3.96%-4.93%	3.68%-4.78%
Retail	4.17%-6.26%	4.17%-6.16%

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

	Average PD		Average LGD	
	Level 1	Level 2	Level 1	Level 2
31 December 2024				
Corporate	0.26%	0.46%	61.25%	56.44%
Retail	0.08%	0.28%	72.81%	72.83%
31 December 2023				
Corporate	0.28%	0.41%	58.22%	59.11%
Retail	0.07%	0.15%	73.90%	71.26%

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

6. FINANCIAL ASSETS AT AMORTIZED COSTS (CONTINUED)

6.3 Loans and advances to customers (continued)

Analysis of gross loans before allowances for expected credit losses by industry:

	31 December 2024	31 December 2023
Retail - citizens	174,923	164,138
Agriculture, forestry, mining, and industry	65,765	61,476
Trade	45,180	48,262
Services, finance, sport, and tourism	26,161	30,354
Construction industry	34,509	28,470
Administration and other public institutions	12,250	10,536
Transport and communications	5,496	6,018
Other	40,984	29,277
Interest	1,240	1,440
	406,508	**379,971**

Reprogramming and restructuring

Restructuring measures include a "concession" to the debtor that is a consequence of the deterioration of the client's economic and financial position and the impossibility of repaying the debt under the originally agreed terms. "Concession" can be changed terms of the original contract (annex) or a new contract (refinancing). Restructuring of liabilities aims to enable the client to pay off liabilities in accordance with his real capabilities, while ensuring more efficient and secure collection of the Bank's claims. In this sense, the restructuring of obligations represents a change in the conditions agreed upon when granting a loan (eg extension of repayment terms, change in the repayment plan, etc.). The decision on the restructuring of the client's obligations is made by the competent authority of the Bank. Restructured exposures can be identified in both the non-collectible and the collectible part of the portfolio.

	Number of renegotiated loans	Gross loan exposure	Stage 1	Stage 2	Stage 3
31 December 2024					
Corporate	17	8,944	300	5,135	3,509
Retail	3	18	-	1	17
	20	**8,962**	**300**	**5,136**	**3,526**
31 December 2023					
Corporate	14	6,279	1,431	1,244	3,604
Retail	3	22	-	3	19
	17	**6,301**	**1,431**	**1,247**	**3,623**

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

6. FINANCIAL ASSETS AT AMORTIZED COSTS (CONTINUED)

6.3 Loans and advances to customers (continued)

Syndicated loans

In 2024, the Bank presented 1 syndicated loan (2023: 2 syndicated loans) together with other commercial banks within the loan portfolio. The Bank bears the risk only for its participation in the syndication. The total amount of placement based on syndicated loans as of 31 December 2024 is BAM 3,095 thousand (2023: BAM 5,199 thousand).

6.4 Other financial assets at amortized cost

	31 December 2024	31 December 2023
Bonds:		
JP Autoceste FBiH d.o.o. Mostar	1,001	1,001
	1,001	***1,001***
Less: Allowances for expected credit losses	(10)	(10)
	991	**991**

Other financial assets at amortized cost are classified as Stage 1 credit risk.

During 2023 and 2024, there were no movements in allowances for expected credit losses.

6.5 Derecognition of financial assets at amortized cost

A financial asset at amortized cost 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.

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

7. PROPERTY, PLAND AND EQUIPMENT

Property, plant and equipment are initially recognized at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation begins when the asset is ready for its intended use. Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset.

The estimated depreciation rates were as follows:

	2024	2023
Buildings	1.30%	1.30%
Leasehold improvements	10%-33.33%	10%-33.33%
Vehicles, computers and other equipment	15% - 33.33%	15% - 33.33%

Gains and losses arising from the disposal or disposal of assets are recognised in the income statement in the period in which they arise.

	Land	Buildings	Leasehold improvements	Vehicles, computers and other equipment	Assets in progress	Total
COST						
As of 1 January 2023	**451**	**21,146**	**143**	**6,085**	**352**	**28,177**
Purchases	-	-	-	-	2,097	2,097
Transfers (from) / to	-	927	86	646	(1,659)	-
Disposals	-	-	-	(198)	(74)	(272)
As of 31 December 2023	**451**	**22,073**	**229**	**6,533**	**716**	**30,002**
Purchases	-	-	-	-	1,142	1,142
Transfers (from) / to	-	460	238	1,148	(1,846)	-
Disposals	-	-	-	(8)	-	(8)
As of 31 December 2024	**451**	**22,533**	**467**	**7,673**	**12**	**31,136**
ACCUMULATED DEPRECIATION						
As of 1 January 2023	-	**7,716**	**46**	**4,738**	-	**12,500**
Depreciation	-	280	15	381	-	676
Disposals	-	-	-	(197)	-	(197)
As of 31 December 2023	-	**7,996**	**61**	**4,922**	-	**12,979**
Depreciation	-	289	30	457	-	776
Disposals	-	-	-	(8)	-	(8)
As of 31 December 2024	-	**8,285**	**91**	**5,371**	-	**13,747**
NET BOOK VALUE						
As of 31 December 2024	**451**	**14,248**	**376**	**2,302**	**12**	**17,389**
As of 31 December 2023	**451**	**14,077**	**168**	**1,611**	**716**	**17,023**
As of 1 January 2023	**451**	**13,430**	**97**	**1,347**	**352**	**15,677**

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

8. RIGHT-OF-USE ASSETS

Right-of-use assets are initially measured at cost, which consists of the amount of the initial measurement of the lease liability (Note 11.2).

Subsequently, right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of lease liabilities due to reassessments or lease modifications.

Right-of-use assets are depreciated over the shorter of the useful life of the asset or the lease term, using the straight-line method. The depreciation rates for right-of-use assets are as follows:

- building 10% - 33.33%
- vehicles 25%.

	31 December 2024	31 December 2023
Right-of-use assets:		
Buildings	904	698
Vehicles	415	70
	1,319	**768**

	Buildings	Vehicles	Total
As of 1 January 2023	804	170	974
New lease contracts	202	-	202
Modifications of lease contract	(56)	-	(56)
Depreciation	(252)	(100)	(352)
As of 31 December 2023	**698**	**70**	**768**
New lease contracts	452	580	1,032
Modifications of lease contract	(4)	(118)	(122)
Depreciation	(242)	(117)	(359)
As of 31 December 2024	**904**	**415**	**1,319**

9. INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any.

Amortization begins when the asset is ready for its intended use. Amortization is calculated on a straight-line basis over the estimated useful lives of the asset.

The estimated amortization rates were as follows.

	2024	2023
Software	33.33%	33.33%

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

9. INTANGIBLE ASSETS (CONTINUED)

	Software	Assets in progress	Total
COST			
As of 1 January 2023	**1,315**	417	**1,732**
Purchases	-	17	17
Transfers (from) / to	304	(304)	-
As of 31 December 2023	**1,619**	**130**	**1,749**
Purchases	-	2,103	2,103
Transfers (from) / to	407	(407)	-
Disposals	(112)	-	(112)
As of 31 December 2024	**1,914**	**1,826**	**3,740**
ACCUMULATED AMORTIZATION			
As of 1 January 2023	**1,137**	**-**	**1,137**
Amortization	106	-	106
As of 31 December 2023	**1,243**	**-**	**1,243**
Amortization	231	-	231
Disposals	(112)	-	(112)
As of 31 December 2024	**1,362**	**-**	**1,362**
NETO KNJIGOVODSTVENA VRIJEDNOST			
As of 31 December 2024	**552**	**1,826**	**2,378**
As of 31 December 2023	**376**	**130**	**506**
As of 1 January 2023	**178**	**417**	**595**

10. OTHER ASSETS AND RECEIVABLES

	31 December 2024	31 December 2023
Precious metals	1,047	776
Prepaid costs	185	204
Fee and commission receivables	216	186
Other	1,648	414
	3,096	***1,580***
Less: Impairment losses	(248)	(170)
	2,848	**1,410**

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

10. OTHER ASSETS AND RECEIVABLES (CONTINUED)

Movements in impairment losses are presented as follows:

	2024	2023
As of 1 January	**170**	**109**
Additional impairment losses (Note 18)	78	66
Write-offs	-	(5)
As of 31 December	**248**	**170**

11. FINANCIAL LIABILITIES AT AMORTIZED COST

Financial liabilities measured at amortized cost are presented in the balance sheet under the position "Financial liabilities at amortized cost", which includes "Deposits from customers", "Lease liabilities" and "Other financial liabilities at amortized cost".

In the subsequent measurement of financial liabilities at amortized cost, interest costs are recognized using the effective interest rate method, and are presented in the position "Interest expenses and similar expenses at effective interest rate" in the income statement.

11.1 Deposits from customers

	31 December 2024	31 December 2023
A vista deposits:		
Retail:		
In local currency	100,123	78,250
In foreign currencies	59,609	56,250
	159,732	***134,500***
Corporate:		
In local currency	193,655	198,377
In foreign currencies	12,249	12,496
	205,904	***210,873***
	365,636	**345,373**
Term deposits:		
Retail:		
In local currency	30,674	27,227
In foreign currencies	41,204	38,180
	71,878	***65,407***
Corporate:		
In local currency	89,902	98,832
In foreign currencies	9,388	12,322
	99,290	***111,154***
	171,168	**176,561**
	536,804	**521,934**

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

11. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)

11.1 Deposits from customers (continued)

During the year, interest rates moved within the following ranges:

	2024	2023
A vista deposits	0.00% - 0.014%	0.00% - 0.20%
Short-term deposits	0.13% - 2.62%	0.08% - 0.40%
Long-term deposits	1.05% – 2.07%	0.20% - 2.90%

11.2 Lease liabilities

	31 December 2024	31 December 2023
Lease liabilites from the right-of-use assets		
- Long-term liabilities	1,062	515
- Short-term liabilities	329	275
	1,391	**790**
Maturity analysis:		
- First year	329	275
- Second year	259	139
- Third year	255	71
- Forth year	167	68
- Fifth year	123	68
- After five years	258	169
	1,391	**790**

The bank lease real estate - business premises and vehicles. Leases are negotiated on an individual basis. The main characteristics of the leases are presented below:

- Business premises are rented for a fixed period of 3 to 10 years. Contracts contain an option to extend the lease. Rental payments are fixed.
- Vehicles are leased for a fixed term of 4 years. Lease payments are fixed.

Interest expense on lease liabilities for the year ended 31 December 2024 amounted to BAM 23 thousand.

Equipment leases are short-term leases and expenses are recognized on a straight-line basis over the reporting period. The total cost of short-term leases is disclosed in Note 11.2. The total amount of the Company's short-term leases is BAM 215 thousand.

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

11. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)

11.2 Lease liabilities (continued)

The following amounts have been recognized in the income statement:

	2024	2023
Interest expense from lease liabilities	23	17
Short-term leases costs	215	180
	238	**197**

The following amounts have been recognized in the statement of cash flows:

	2024	2023
Cash outflows from leases - within financing activities		
Principal	319	373
Interest	23	17
Cash outflows from leases - within operating activities	215	180
	557	**580**

11.3 Other financial liabilities at amortized costs

	31 December 2024	31 December 2023
Liabilities for unallocated inflows	4,046	2,572
Liabilities toward suppliers	1,512	389
	5,558	**2,961**

12. LIABILITIES TOWARD THE GOVERNMENT OF FB&H

	31 December 2024	31 December 2023
Liabilities toward Government of FB&H - available funds	20,814	21,298
Liabilities toward Government of FB&H - invested funds	10,628	10,003
Liabilities toward Government of FB&H - interest	2,187	1,998
	33,629	**33,299**
Amount of placements during the year:		
- Corporate long-term placements, with annual interest rate of 5.32% (2023: 4.75%)	3,909	3,255
- Corporate short-term placements, with annual interest rate of 4.50% (2023: 4.75%)	260	830
	4,169	**4,085**

12. LIABILITIES TOWARD THE GOVERNMENT OF FB&H (CONTINUED)

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 FB&H paid into the Fund the amount of BAM 3 million (Japanese grant).

On 11 March 2013 the Government of FB&H made additional payment in the amount of BAM 4 million (Japanese grant – 2 KR).

In November 2016, the Bank signed Annex No. 2 to the Agreement for fund management of Japanese Grant for FB&H (Counterpart fund - 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 FB&H (PVF).

Annex No. 3 was signed on 16 April 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 from the Counterpart Fund was agreed, and an annex was drawn up to the Agreement on the Management of the Japanese Grant Funds for FB&H, which defined the distribution of interest in such a way that 3% belonged to the Counterpart Fund and 1.75% to the Bank.

During 2022, 2023 and 2024, there were no new annexes to the Agreement on the Management of Japanese Grant Funds.

13. PROVISIONS

Provisions are recognized if the Bank currently has a legal or derived obligation as a result of events from the past period, if there is a probability that the Bank will have to settle the stated obligation and if the amount of this obligation can be reliably determined.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the date of the reporting period, taking into account the risks and uncertainties of the obligation. Where provisions are measured using cash flows estimated to settle present obligations, their carrying amount is the present value of those cash flows. Provisions are cancelled only for those costs for which the provision was originally recognized. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is cancelled

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

13. PROVISIONS (CONTINUED)

Changes in provisions can be presented as follows:

	Credit risk for loan commitments and guarantees given	Legal disputes	Other provisions (employee benefits)	Total
As of 1 January 2023	**116**	**492**	**464**	**1,072**
Additional provisions (Note 18)	38	1,536	66	1,640
Usage	-	(103)	-	(103)
As of 31 December 2023	**154**	**1,925**	**530**	**2,609**
Additional provisions (Note 18)	57	221	79	357
Usage		(268)	(24)	(292)
As of 31 December 2024	**211**	**1,878**	**585**	**2,674**

13.1 Credit risk for loan commitments and guarantees given.

In the course of its operations, the Bank also assumes credit obligations that are kept on accounts in the off-balance sheet records, which refer to guarantees and loan commitments.

	31 December 2024	31 December 2023
Loan commitments	12,973	16,363
Performance bonds	21,517	14,001
Payment guarantees	1,674	1,940
Bidding guarantees	591	1,223
	36,755	**33,527**

Changes in gross book value are presented as follows:

	Level 1	Level 2	Level 3	Total
As of 1 January 2023	29,592	419	17	30,028
Newly created assets	3,469	30	-	3,499
Transfer to Level 1	9	9	(18)	-
Transfer to Level 2	-	-	-	-
Transfer to Level 3	(4)	-	4	-
As of 31 December 2023	**33,066**	**458**	**3**	**33,527**
Newly created assets	1,693	1,537	(2)	3,228
Transfer to Level 1	3	(3)	-	-
Transfer to Level 2	(1,494)	1,494	-	-
Transfer to Level 3	(1)	-	1	-
As of 31 December 2024	**33,267**	**3,486**	**2**	**36,755**

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

13. PROVISIONS (CONTINUED)

13.1 Credit risk for loan commitments and guarantees given (continued)

Movements in provisions for expected credit losses are presented as follows:

	Level 1	Level 2	Level 3	Total
As of 1 January 2023	97	17	2	116
Additiona provisions (Note 18)	47	(7)	(2)	38
Transfer to Level 1	-	-	-	-
Transfer to Level 2	-	-	-	-
Transfer to Level 3	-	-	-	-
As of 31 December 2023	**144**	**10**	**-**	**154**
Additiona provisions (Note 18)	64	-8	1	57
Transfer to Level 1	(31)	31	-	-
Transfer to Level 2	(10)	10	-	-
Transfer to Level 3	-	-	-	-
As of 31 December 2024	**167**	**43**	**1**	**211**

13.2 Legal disputes

Provisions for legal disputes mostly refer to the 5 largest passive disputes in terms of the estimated value of the dispute and the amount of the provision:

No.	No. of case	Date of filing the lawsuit	Amount of the claim filed	Estimated value of the dispute	Provision made
1	65 0 Ps 848804 20 Ps	19. juni 2020.	1,568	1,568	1,456
2	58 0 Rs 270680 23 Rs	11. maj 2023	30	87	83
3	65 0 P 845892 20 P	12. juni 2020.	40	85	82
4	65 0 Rs 1094685 24 Rs	6. juni 2024	72	86	82
5	65 0 Rs 617935 24 Rs 2	9. decembar 2016.	42	45	44
			1,752	**1,871**	**1,747**

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

14. OTHER LIABILITIES

	31 December 2024	31 December 2023
Liabilities for pensions' returns	2,181	781
Long-term accruals	1,432	1,325
Transitional account for forced collection	658	2,024
Managed funds liabilities (Note 14.)	318	281
Payables to shareholders	290	239
Other	189	1,218
	5,069	**5,868**

15. SHARE CAPITAL

The share capital of the Bank consists of 391,182 ordinary shares with an individual nominal value of BAM 110.

The ownership structure can be shown as follows:

	31 December 2024			31 December 2023		
Shareholder	**BAM '000**	**No. of shares**	**%**	**BAM '000**	**No. of shares**	**%**
Hamid Pršeš	6,207	56,426	14.42%	5,882	53,470	14.34%
Pobjeda - Rudet d.d. Goražde	5,458	49,617	12.68%	5,204	47,311	12.68%
Halil Oković	4,754	43,220	11.05%	4,505	40,955	10.98%
ASA banka d.d. Sarajevo	4,200	38,186	9.76%	4,005	36,411	9.76%
Zijad Deljo	3,706	33,690	8.61%	3,512	31,925	8.56%
Okac d.o.o. Goražde	2,971	27,005	6.90%	2,815	25,590	6.86%
Hasan Đozo	2,745	24,953	6.38%	2,601	23,645	6.34%
Enver Pršeš	2,211	20,104	5.14%	2,096	19,050	5.11%
Goraždeputevi d.d. Goražde	1,881	17,101	4.37%	1,783	16,205	4.34%
Rijad Raščić	1,431	13,011	3.33%	1,356	12,329	3.31%
ZIF „Prevent Invest" d.d. Sarajevo	1,069	9,719	2.48%	1,019	9,267	2.48%
Ostali dioničari	6,397	58,150	14.88%	6,252	56,842	15.24%
	43,030	**391,182**	**100%**	**41,030**	**373,000**	**100%**

The share premium represents the accumulated positive difference between the nominal value and the amount received for the issued shares.

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

16. NET INTEREST INCOME AND SIMILAR INCOME AT THE EFFECTIVE INTEREST RATE

Interest income and expenses are recognized in the income statement for the accounting period to which it relates using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash flows of the financial asset or liability through the expected life of the financial instrument (or if appropriate a shorter period) to its book value. Interest income is calculated on the gross book value of the financial instrument for Level 1 and 2 credit risk, while for Level 3 the Bank calculates interest income on the net amortized amount of the financial instrument.

For POCI assets, interest income is calculated by applying the adjusted effective interest rate to the net amortized amount.

The 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 that arise directly in connection with the issuance or acquisition of a financial asset or financial liability.

16.1 Interest income and similar income at the effective interest rate

	2024	2023
Interest income and similar income from the financial assets at amortized cost	20,065	17,992
- Interest on corporate loans	*10,677*	*9,409*
- Interest on retail loans	*8,433*	*7,560*
- Interest on other financial assets at amortized cost	*943*	*1,016*
- Other interest	*12*	*7*
Interest income and similar income from the financial assets at fair value through OCI	483	212
	20,548	**18,204**

16.2 Interest expense and similar expense at the effective interest rate

	2024	2023
Interest expense and similar expense from the financial liabilities at amortized cost		
- Interest on corporate deposits	1,679	801
- Interest on retail deposits	964	667
- Interest on funds of the Government of FB&H	663	629
- Interest on lease liabilities	23	17
- Other	26	95
	3,355	**2,209**

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

17. NET FEE AND COMMISSION INCOME

Fees and commissions consist mainly of commissions in domestic and foreign payment transactions, as well as fees for the approval of guarantees and other credit instruments of the Bank. Fees and commissions are recognized in the period in which the services are provided.

17.1 Fee and commission income

	2024	2023
Payment transactions	7,368	6,942
Conversion transactions	1,162	1,138
Managed funds activities	254	570
Off-balance sheet transactions	464	374
Other fee and commission income	955	2,223
	10,203	**11,247**

17.2 Fee and commission expense

	2024	2023
Card transactions	1,118	2,356
Payment transactions - CBB&H	420	373
Payment transactions - foreign banks	249	240
SWIFT	191	152
Electronic banking	62	56
Reuters	11	11
Other fee and commission expense	63	75
	2,114	**3,263**

18. (RELEASE OF)/IMPAIRMENT LOSSES AND PROVISIONS

	Note	2024	2023
Net expected credit losses /(release of previously recognized expected credit losses):			
- Cash and cash equivalents	4	(36)	(70)
- Financial assets at fair value through OCI	5	4	140
- Financial assets at amortized cost		(777)	338
Obligatory reserve with Central Bank B&H	6.1	3	*(5)*
Deposits with other banks	6.2	13	*(3)*
Loans and advances to customers	6.3	(793)	*346*
Other financial assets at amortized cost	6.4	-	-
Net increase / (release of):			
- Impairment of Other assets and receivables	10	78	66
- Provisions for credit risk for loan commitments and guarantees given	13	57	38
- Provisions for legal disputes	13	221	1,536
- Other provisions	13	79	66
		(374)	**2,114**

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

19. OTHER INCOME AND GAINS

	2024	2023
Collected previously written-off receivables	980	3,765
Rent	112	100
Other	260	284
	1,352	**4,149**

20. STAFF COSTS

The average number of employees in the Bank during 2024 was 209 (2023: 190).

On behalf of its employees, the Bank pays income tax, as well as contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated at legal rates during the year on the gross salary. The Bank pays the specified tax and contributions in favor of the institutions of the Federation of Bosnia and Herzegovina, at the federal and cantonal levels. Furthermore, meal, transportation to and from work and holiday allowances are paid in accordance with local legislation. These costs are recognized in the income statement in the period in which the salary costs were incurred.

	2024	2023
Net salaries	4,301	3,761
Taxes and contribution	3,394	2,941
Meal and transportation allowances	718	616
Other	1,322	680
	9,735	**7,998**

21. OTHER EXPENSES AND COSTS

	2024	2023
Services	2,327	2,072
Memberships	940	851
Maintenance	604	463
Advertising and entertaining	452	444
Energy costs	320	373
Telecommunications	240	241
Court and administrative dues and other taxes	259	238
Material costs	238	191
Fees to the members of Supervisory Board and Audit Committee	140	118
Insurance	60	68
Other	476	537
	6,056	**5,596**

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

22. INCOME TAX

Total income tax recognized in the income statement can be presented as follows:

	2024	2023
Current income tax	1,217	1,234
Deferred income tax	(82)	(80)
	1,299	**1,314**

The reconciliation of the taxable profit shown in the tax statement with the accounting profit can be shown as follows:

	2024	2023
Profit before taxation	**12,836**	**12,056**
Income tax, at statutory rate of 10%	**1,284**	**1,206**
Adjusted for:		
- Effect of non-deductible expenses	105	169
- Effect of deductible depreciation	(82)	(80)
- Effect of income tax in Brčko Distrikt	-	1
- Effect of tax incentives for newly hired employees	(90)	(62)
Current income tax	**1,217**	**1,234**
Effective tax rate	**9.48%**	**10.24%**

Deferred tax liabilities consist of temporary differences arising from depreciation. Changes in temporary differences in deferred tax liabilities in the income statement are presented below:

	Deferred tax liabilities
As of 1 January 2023	**252**
Deferred tax that affects income tax for the year:	
- depreciation	80
Deferred tax related to items recognized in OCI during the year:	-
As of 31 December 2023	**332**
Deferred tax that affects income tax for the year:	
- depreciation	82
Deferred tax related to items recognized in OCI during the year:	-
As of 31 December 2024	**414**

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

23. EARNINGS PER SHARE

The Bank publishes basic and diluted earnings per share.

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to shareholders of the Bank, and
- the weighted average number of ordinary shares outstanding during the financial year.

To calculate diluted earnings per share, the management adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	2024	2023
Profit attributable to ordinary shareholders	11,537	10,742
Weighted average number of ordinary shares	391,182	373,000
Basic earning per share (in BAM)	**29.49**	**28.80**

During 2023 and 2024 there were no dilution effects, therefore diluted earnings per share equals basic earnings per share.

24. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The related parties of the Bank are:

- shareholders of the Bank and their related parties (owners of legal entities that are shareholders and their families, subsidiaries and associated companies of legal entities that are shareholders);
- members of the Management Board of the Bank and their families;
- members of the Supervisory Board of the Bank and their families.

Remuneration to the Management Board and Supervisory Bord

During 2024 and 2023, the following remuneration were paid to the members of the Management Board and the Supervisory Board:

	2024	2023
Gross salaries of the Management Board members	1,060	911
Other benefits of the Management Board members	54	50
Fees to the Supervisory Board members	76	67
	1,190	**1,028**

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

24. RELATED PARTY TRANSACTIONS (CONTINUED)

Detailed related party transactions

The following transactions occurred with related parties:

	2024		2023	
	Income	Expense	Income	Expense
Shareholders and their related parties	292	54	320	19
Members of the Management Board and their families	7	2	10	3
Members of the Supervisory Board and their families	3	35	4	2
	302	**91**	**334**	**24**

All transactions listed below were carried out according to commercial and banking conditions.

Outstanding amounts arising from transactions

	31 December 2024		31 December 2023	
	Receivables	Payables	Receivables	Payables
Shareholders and their related parties	7,812	14,827	4,288	7,720
Members of the Management Board and their families	130	408	163	679
Members of the Supervisory Board and their families	44	1,812	70	1,554
	7,986	**17,047**	**4,521**	**9,953**

25. MANAGED FUNDS

Assets managed by the Bank as a trustee for and on behalf of third parties do not represent the Bank's assets, therefore they are not included in its balance sheet. The table below analyses the funds that the Bank manages for and on behalf of clients:

	31 December 2024	31 December 2023
PLACEMENTS:		
Corporate	20,653	20,982
Retail	1,161	1,137
	21,814	**22,119**
SOURCES:		
Government of FB&H	20,767	20,982
Non-profit and non-banking organizations	840	888
Council of Ministers of B&H (Ministry of Foreign Trade and Economic Relations)	500	500
Construction Institute of Sarajevo Canton	25	30
	22,132	**22,400**
Current liabilities based on managed funds (Note 14.)	**(318)**	**(281)**

The bank bears no risk for these placements, and receives compensation for its services.

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

26. REGULATORY CAPITAL AND CAPITAL REQUIREMENTS

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

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

	31 December 2024	31 December 2023
Debt	570,433	555,233
Equity	72,104	66,166
Net debt to capital ratio	**7.91**	**8.39**

Debt is defined as liabilities for deposits from customers, lease liabilities, other financial liabilities at amortized cost, and liabilities toward the Government of FB&H, as presented in Notes 11 and 12. Capital includes total share capital, share premium, revaluation reserves and retained earnings.

The capital adequacy and the use of net capital is monitored on a daily basis by the Bank's Management, taking into account the FBA guidelines, which were developed for the purpose of supervision. The required information is submitted to FBA quarterly.

Through its reporting, the Bank carries out regular monitoring of the movement of capital, achieved adequacy rates, as well as the effect of all methodological changes that have an impact on capital.

The Bank's regulatory capital consists of core (Tier 1) and supplemental (Tier 2) capital.

The Bank's core capital (fully equal to the regular share capital) consists of paid-in shares, share premium, retained earnings and other reserves formed from profit after taxation based on the decision of the Bank's Assembly, net revaluation reserves based on changes in the fair value of assets (accumulated comprehensive income), minus the amounts of treasury shares, intangible assets and deferred tax assets.

The bank has no supplemental capital items

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.

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

26. REGULATORY CAPITAL AND CAPITAL REQUIREMENTS (CONTINUED)

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 2024, the rates and levels of capital were as follows

	31 December 2024	31 December 2023
The rate of core capital	18.60%	19.16%
The rate of ordinary core capital	18.60%	19.16%
The rate of regulatory capital	18.60%	19.16%
The rate of ordinary core capital including adjustments from Pillar 2	8.25%	8.25%
The rate of core capital including adjustments from Pillar 2	10.50%	10.50%
The rate of regulatory capital including adjustments from Pillar 2	13.50%	13.50%

As of 31 December 2024 and 2023, the Bank was in compliance with all external requirements related to capital.

The table below shows the capital structure and capital indicators as of 31 December 2024 and 2023:

	31 December 2024	31 December 2023
Core capital - Tier		
Paid capital instruments	43,030	41,030
Share premium	4,629	4,629
Other reserves	17,176	9,409
Retained earnings	8,000	7,748
Other comprehensive income - revaluation reserves	1,095	328
Deductions from regular core capital:		
- intangible assets	(1,826)	(507)
Total Core capital	**72,104**	**62,637**
Supplemental capital		
	-	-
Total Supplemental capital	-	-
Total Regulatory capital	**72,104**	**62,637**
Risk weighted assets and credit equivalents	360,632	304,322
Positional, currency and commodity risk	1,491	824
Operational risk	25,498	21,766
Total Weighted risks	**387,621**	**326,912**
Capital adequacy ratio	**18.60%**	**19.16%**

27. RISK MANAGEMENT

a) Risk management policies and strategies

A key function of each bank is to consciously and selectively take risks and professionally manage such risks. The Bank aims to establish a balanced ratio of assumed risks and returns in order to achieve sustainable and adequate returns on equity.

The Bank uses risk management and control functions that are proactive and tailored to their business profile and risk profile, based on a clear risk-taking strategy that is consistent with the business strategy of Group that Bank belongs and focused on the early identification and management of risks and trends. In addition to meeting the internal objectives of effective and efficient risk management, risk management structures and control functions of the Bank have been developed to meet external and regulatory requirements.

In accordance with the Bank's business strategy, the key risks are credit, market, operational and liquidity risk. The Bank also focuses on managing macroeconomic risk as well as concentrations within and between different types of risk.

b) 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. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board.

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 the value of any collateral obtained.

Credit risk stages

The bank assigns each exposure to one of the following credit risk categories:
- Stage 1 - low level of credit risk (performing),
- Stage 2 - increased level of credit risk (underperforming),
- Stage 3 - exposures in default status (nonperforming).

The Bank allocates the following exposures to Stage 1:
- exposures with low credit risk;
- exposures in which the credit risk has not significantly increased after initial recognition, and for which the debtor is not late with repayment in a materially significant amount for more than 30 days;
- modifications of the exposure from this level of credit risk that are not caused by the debtor's financial difficulties, but by its current needs (e.g. reduction of the effective interest rate due to changes in the market, replacement of collateral, etc.), and for which the debtor is not late with repayment in a materially significant amount for more than 30 days.

The basic assessment of the significant deterioration of credit quality since initial recognition, and the classification in Stage 2, is based on the following:
- Days of delay - if they amount to 31-90 days, the client/contract is classified in Stage 2.
- Stage 2 proposal on Watch Lists 1 and 2.
- Active debts in CRK database with other banks are at Stage 3.

27. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk stages (continued)

- Collected loans in Stage 3 in CRK database and that for:
    - Corporate - within last 12 months,
    - Retail - within last 6 months.
- Restructuring - if within a maximum of 12 months significant improvements in the financial situation are achieved, and the same must be confirmed through a Risk opinion.
- If the Risk-relevant condition is not met, where the Risk-relevant conditions are:
    - Ensuring of a creditworthy co-borrower;
    - Structuring credit transactions for individuals in such a way that the creditworthiness is sufficient;
    - Provision of documentation that fulfills the legal security of collateral and/or additional collateral.
- Consecutive loss in the last 3 (three) business years.
- Blocked client accounts continuously from 8 to 60 days on the financial classification date.

The bank considers that the exposure is in default status (Stage 3) when any of the events listed below occur that have an unfavourable impact on the estimated future cash flows:

- The debtor is in arrears for more than 90 days in a materially significant amount.
- The bank considers it unlikely that the debtor will fully settle his obligation towards it, regardless of the possibility of collection on the basis of the activation of the security instrument, especially valuing the following elements:
    a) Cessation of interest calculation.
    b) Partial or complete write-off of receivables.
    c) The loan was restructured due to the debtor's financial difficulties, whereby the restructuring will not improve the financial situation for a period of up to 12 months.
    d) Restructuring that has a reduction in the debtor's financial obligations of more than 1%.
    e) Protesting the guarantee.
    f) The debtor has lost its license to perform activities.
    g) Liquidation or bankruptcy of the debtor, except if repayment is not predominantly based on cash flows from the debtor.
    h) The bank sold another exposure of the same debtor with a significant financial loss. In this case, a significant loss is understood if the price at which the exposure is sold is lower by more than 5% of the net value of the exposure (including interest and fees).
    i) In the case of project financing, i.e. a newly founded company, if the review of the business determines that the client has deviated significantly from the business plan and projections.
    j) Cases of fraud have occurred.
    k) In the case of a citizen, if the company or craftsman is in Stage 3 status, and the debtor guarantees with personal property.
    l) The foreclosure procedure from the collateral has been initiated.
    m) The bank initiated a lawsuit against the debtor before the competent court.
    n) The debtor is a co-debtor or guarantor of a loan that is in default, and the installment is so large that it can significantly affect its ability to pay.
    o) The debtor is over-indebted.
    p) Death of the debtor - a natural person where there is no insurance policy or in case the insurance policy is uncollectible.
    q) Loss of the debtor's job - a natural person where there is no insurance policy or in case the insurance policy is uncollectible.

27. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk parameters

When calculating expected credit losses ("ECL"), the Bank uses the following parameters:

- PD - Probability of Default,
- LGD - Loss Given Default,
- EAD - Exposure at Default.

For the purposes of determining the value of the PD parameter, the Bank classifies all segments of credit exposures into homogeneous groups and groups of days past due. The calculation of PD parameters is performed using statistical methods, through migration matrices, and based on historical data over a period of five years. The PD parameter for homogeneous groups is estimated as the ratio of the number of placements in which the status of default occurred during the observed time period (historical data for 5 years), and the total number of placements that were not in the status of default at the beginning of the observed time period. The Bank adapts the obtained parameters to the Forward-looking information.

The LGD parameter represents the Bank's internal assessment of the level of expected loss related to the exposure in the event of default status. The LGD parameter is also calculated at the level of the relevant homogenous group, based on historical data on collections from collateral or other sources after the occurrence of the status of non-payment of obligations by determined homogenous groups, for a period of at least five recent years. If the bank does not have an adequate time series, quantity and/or quality of relevant historical data, and is unable to determine the value of the LGD parameter using its model in an adequate and documented manner, then it uses fixed values of that parameter based on conservative estimates, and they cannot be lower than:

- 45% for exposures secured by acceptable collateral,
- 75% for exposures that are not secured by acceptable collateral.

Calculation of expected credit losses

In accordance with the schedule of exposure to credit risk stage, the Bank applies the following minimum rates of expected credit losses:

- Stage 1: For exposures classified in Stage 1, the Bank is obliged to determine and recognize expected credit losses in the amount greater than the two below:
  a) 0.5% exposure, in accordance with the FBA Decision,
  b) the amount determined on a group basis, in accordance with the Bank's internal methodology, according to the formula:
  ECL = EAD x PD x LGD
- Stage 2: For exposures classified in Stage 2, the Bank is obliged to determine and recognize expected credit losses in the amount greater than the two below:
  a) 5% exposure, in accordance with the FBA Decision,
  b) the amount determined on a group basis, in accordance with the Bank's internal methodology, according to the formula:
  ECL = EAD x PD x LGD
- Stage 3: For exposures classified in Stage 3, the Bank is obliged to determine and recognize expected credit losses in the amount greater than the two below:

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

27. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Calculation of expected credit losses (continued)

a) at the minimum rates of expected credit losses, in accordance with the Decision of the FBA, depending on the fact whether the exposure is secured by acceptable collateral or not:

i. exposures secured by acceptable collateral:

Overdue days	Minimum expected credit loss rate
up to 180 days	15%
181 to 270 days	25%
271 to 365 days	40%
366 to 730 days	60%
731 to 1460 days	80%
over 1460 days	100%

ii. exposures that are not secured by acceptable collateral:

Overdue days	Minimum expected credit loss rate
up to 180 days	15%
181 to 270 days	45%
271 to 365 days	75%
366 to 465 days	85%
over 465 days	100%

b) the amount determined in accordance with the Bank's internal methodology:

- on a group basis according to the formula: ***ECL = EAD x LGD***
- on an individual basis, as a positive difference between the gross book value of the exposure and the estimated future cash flows of the expected lifetime of the contract, discounted by the effective interest rate valid on the reporting date, whereby the Bank can use several different scenarios (from operating income and/or realization of collateral) when assessing the certainty of future cash flows with percentages of the probability of their realization.

The minimum expected credit loss rates for trade receivables and contractual 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 following table:

Overdue days	Minimum expected credit loss rate
up to 30 days	2%
31 to 90 days	10%
91 to 180 days	50%
181 to 365 days	75%
over 365 days	100%

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

27. RISK MANAGEMENT (CONTINUED)

c) Market risk management

Market risk is the risk of loss that may arise due to unfavourable changes in market prices and the resulting parameters. Market risk includes currency risk and fair value interest rate risk.

Currency risk

The Bank is exposed to various types of risks arising from the exchange rate. This includes the risk of an open currency position and other risks. The risk of open currency positions is the risk associated with the mismatch of assets and liabilities.

The book value of the Bank's monetary assets and liabilities denominated in foreign currency is as follows on the reporting date:

	BAM	EUR	USD	CHF	Other currencies	Total
As of 31 December 2024						
Total monetary assets	483,218	143,064	6,370	6,592	2,160	641,404
Total monetary liabilities	423,062	144,559	6,318	6,580	964	581,483
As of 31 December 2023						
Total monetary assets	471,106	130,161	6,111	6,465	1,964	615,807
Total monetary liabilities	419,895	130,204	6,117	6,485	1,142	563,843

The Bank is mainly exposed to risk in the currencies of EUR, USD and CHF. Since BAM is fixedly linked to EUR, the Bank is not exposed to changes in the EUR exchange rate.

Analysis of the Bank's sensitivity to a 10% increase and decrease compared to USD and CHF does not show materially significant effects since the Bank had harmonized receivables and liabilities. 10% is the sensitivity rate used in internal reporting to the Management's key personnel on foreign currency risk and represents the Management's assessment of reasonably possible changes in foreign exchange rates.

Interest rate risk

Given that the Bank's loan and deposit portfolio is dominated by a fixed interest rate, the exposure to interest rate risk is related predominantly to the term compliance of the Bank's interest-sensitive assets and liabilities.

Interest rate sensitivity analysis

The Bank prepares a sensitivity analysis of the exposure of financial instruments to interest rates on the date of the reporting period. The analysis was prepared under the assumption that the outstanding amount of financial instruments was outstanding for the entire year on the date of the reporting period. A 50 basis point reduction or increase is used in internal interest rate risk reporting to key management personnel and represents management's assessment of reasonably possible changes in interest rates.

If interest rates had been 50 basis points higher or lower and other variables had remained constant, the net result for the year ended 31 December 2024 would have increased/decreased by BAM 101 thousand (31 December 2023: BAM 178 thousand).

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

27. RISK MANAGEMENT (CONTINUED)

d) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate framework for liquidity risk management, for the purpose of managing the Bank's short-term, medium-term and long-term needs for liquid assets. The Bank manages this risk by maintaining adequate reserves, loans from other banks and other financial institutions, as well as other sources of financing, and by constantly monitoring forecasted and actual cash flows and comparing maturity dates of financial assets and liabilities.

The following table shows in detail the Bank's remaining contractual maturities for financial assets. The table is prepared on the basis of undiscounted cash flows of financial assets, including interest on these assets that will be earned.

	Weighted average effective interest rate	Less than 1 month	2 to 6 months	7 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2024							
Interest-free	-	160,928	16	17	3,674	160	164,795
Fixed interest rate instruments	4.19%	21,960	56,304	56,114	205,293	70,089	409,760
Variable interest rate instruments	2.00%	55,761	4,155	243	2,260	4,430	66,849
		238,649	**60,475**	**56,374**	**211,227**	**74,679**	**641,404**
31 December 2023							
Interest-free	-	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**

The following table shows in detail the remaining contractual maturities of the Bank for financial obligations. The table is prepared on the basis of undiscounted cash flows of financial obligations on the basis of the earliest date on which the Bank can be asked to pay. The table includes interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	2 to 6 months	7 months to 1 year	2 to 5 years	Over 5 years	Total
31 December 2024							
Interest-free	-	298,487	816	73	1,435	3,806	304,617
Fixed interest rate instruments	1.25%	83,058	18,748	72,709	68,314	33,139	275,968
		381,545	**19,564**	**72,782**	**69,749**	**36,945**	**580,585**
31 December 2023							
Interest-free	-	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**

The bank expects to fulfil other obligations from operating cash flows and inflows from due financial assets.

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

28. FAIR VALUE MEASUREMENT

28.1 Fair value of financial instruments that are measured at fair value on a recurring basis

Some items of the Bank's financial instruments are measured at fair value at the end of each reporting period. The following table provides information on how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used).

Financial instruments	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and input data**
	31 December 2024	**31 December 2023**		
1) Financial assets at fair value through OCI	Equity instruments listed on the stock exchange in Bosnia and Herzegovina: • Sarajevo Osiguranje d.d. Sarajevo - BAM 1,791 thousand • ASA Banka d.d. Sarajevo - BAM 1,623 thousand • Bamcard d.d. Sarajevo - BAM 2 thousand • Bosna Reosiguranje d.d. Sarajevo - BAM 32 thousand	Equity instruments listed on the 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	Level 1	Prices quoted on an active market
	Equity instruments listed on the stock exchange in Bosnia and Herzegovina, but not traded: Registar vrijednosnih papira FBIH d.d. Sarajevo - BAM 57 thousand	Equity instruments listed on the stock exchange in Bosnia and Herzegovina, but not traded: • Registar vrijednosnih papira FBIH d.d. Sarajevo - BAM 57 thousand	Level 2	Prices derived from the prices of other securities quoted on the active market
	Debt instruments listed on the stock exchange in Bosnia and Herzegovina: • Government of FB&H - BAM 34,036 thousand	Debt instruments listed on the stock exchange in Bosnia and Herzegovina: • Government of FB&H - BAM 23,345 thousand	Level 1	Prices quoted on an active market

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

28. FAIR VALUE MEASUREMENT (CONTINUED)

28.2 Fair value of financial instruments that that are not measured at fair value on a recurring basis (but fair value disclosures are required)

In addition to what is stated in the following table, the Management Board believes that the book amounts of financial assets and financial liabilities recognized in the financial statements approximately correspond to their fair values.

	31 December 2024				31 December 2023			
		Fair value				Fair value		
	Book value	Level 1	Level 2	Level 3	Book value	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents	126,492	126,492	-	-	157,821	157,821	-	-
Financial assets at amortized cost								
Obligatory reserve with Central Bank B&H	*55,700*	-	-	*52,078*	*52,078*	-	-	*52,078*
Deposits with other banks	*32,140*	-	-	*32,140*	*19,491*	-	-	*19,491*
Loans and advances to customers	*385,894*	-	*375,569*	-	*358,054*	-	*348,531*	-
Other financial assets at amortized cost	*991*	-	*1,018*	-	*991*	-	*1,019*	-
Financial liabilities								
Financial liabilities at amortized cost								
Deposits from customers	*536,804*	-	*527,375*	-	*521,934*	-	*513,052*	-
Lease liabilties	*1,391*	-	-	*1,391*	*790*	-	-	*790*
Other financial liabilities at amortized cost	*5,558*	-	-	*5,558*	*2,961*	-	-	*2,961*

29. EVENTS AFTER THE REPORTING PERIOD DATE

There were no material events after the reporting period date and until the date of approval of these financial statements requiring adjustment or disclosure in the financial statements.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Management Board on 27 February 2025.

PRIVREDNA BANKA SARAJEVO DD
1
SARAJEVO

Hamid Prses
Chairman of the Management Board

Bedina Jusičić - Musa
Member of the Management Board