Raiffeisen Bank Group

Consolidated financial statements
for 2023

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a) All significant events that occurred in the period from the end of the business year to the date of submission of the consolidated financial statements

The Group did not have any significant events in the period from the end of the business year to the date of submission of financial statements.

b) Assessment of the expected future development of the legal entity

The business year 2023 was very challenging at the global and European level as it was a year of intense fight against inflation, which led to a historic shift in the monetary policy of the European Central Bank and other European banks, as a result of which benchmark interest rates reached record amounts, and led to an inevitable significant slowdown in economic activity and a technical recession in the Euro zone. Since the European economy as well as inflation experienced a significant slowdown in the second half of 2023, it is predicted that European and regional economies, on which BiH's economy is primarily reliant, will see economic stabilization in 2024.

In this context, **more dynamic economic growth is expected in Bosnia and Herzegovina in 2024, in such a way that the GDP growth rate should return to the historical average of the real growth of 3% per year**, following the below-average growth in 2023, which was estimated at the level of 1.8% per year. Inflation should also continue with a further process of slowing to the level of 3% of the annual average, after 6.1% recorded in 2023.

After a record year in terms of profitability and financial stability (a record level of NPLs accompanied by a high level of liquidity and capitalization) for the banking sector in 2023, positive growth dynamics are also expected in 2024. **Stable asset and lending growth in the banking sector is expected to continue without significant interest rate growth compared to 2023**. Therefore, the projected growth of loans is 4.5 - 5% per year and deposits of 7.5% per year, with a stable growth of household loans and possible enhanced corporate lending given the expected recovery in overall economic and investment activity. Additional growth stimulation could result from positive developments in the political field in terms of a more accelerated movement of Bosnia and Herzegovina on the EU integration path, bearing in mind the possibility of using the EU Growth Fund that is planned for the Western Balkans region. In line with the projected developments of key macroeconomic categories, **the Group adjusted the initial expectations of growth of key categories of its loans and deposits to the expected economic and political environment and the overall business plan and results for 2024, which is revised through the Group's regular quarterly financial forecasting processes ("quarterly forecasts").**

c) The most important activities related to research and development

In terms of research and development, one of the key elements of the Group's strategy is digital transformation and process automation, which includes activities to replace the Core Banking System (CBS) bank during 2024, which will enable significant improvement and speed of business in all segments of the Group and digitalization and automation of certain neutral and credit products. When it comes to all business segments, the Group is **working** rapidly **on projects of digitalization and automation of processes within the Group and the processes of doing business and processing of all types of client transactions, which will certainly contribute to a significant improvement of the overall volume of business and customer experience with the Group.**

The Group has also started certain activities to align **its operations with the ESG Business Principles and ESG Risk Management** in order to adapt its entire organization, processes and products **to the best ESG practices from the European Union**.

Based on the recommendations of Raiffeisen Bank International (hereinafter: RBI Group), a new organizational unit has been established: **Research, Strategy and ESG Management, as a center of competence for managing ESG business principles at the bank level,** and with the participation of senior management which will provide support, at advisory level, in the implementation of ESG standards in the Bank. Such a management and advisory structure at the Bank level will jointly define the priorities and objectives related to the integration of ESG risks and the principles of doing business with the Bank's clients, and the overall management of the Bank's sustainability, striving to apply the holistic approach of "ESG management under one roof" in practice.

For the purpose of implementation of the activities, three activity pillars have been established: **Pillar 1# Sustainable financial achievements; Pillar 2# Key business activities with clients; Pillar 3# Regulatory compliance, management and reporting**

The establishment of the process of collecting ESG data and ESG processes within the Bank has been initiated to assist sales staff in recognizing, 'labeling' and reporting on ESG credit and other products and transactions, as well as activities on harmonization of "Green" and "Social" credit products in accordance with eligibility standards for RBI Group ESG and local regulations.

The Bank also made the necessary preparations for detailed implementation and alignment with key regulatory decisions related to **the Guidelines for managing climate change and environment-related risks**, and **decisions on measures to strengthen the bank's financial inclusion and sustainable business**, which will surely mark the banking sector's operations in 2024.

d) Information on the repurchase of own shares, or stakes

In 2023, the Group did not repurchase its own shares or stakes.

e) Information on business segments

The Group operates in five basic business segments that are presented, in more detail, in Note 7.

f) Used financial instruments if significant to assess the financial position and performance of the legal entity

Sources of funding

The strategic funding framework is primarily based on providing the sources of funding according to the purpose and deadlines that would provide funds for planning the credit activity of business functions while maintaining a cost-effective, risk-free level of liquidity.

When drawing up the general annual funding plan, the following shall be taken into account:

a) the need for funding arising from the planned/budgeted strategic development of the balance sheet, i.e. planned business activities in the segment of credit placement.

b) planned deposit-based activities.

c) maintaining liquidity within the regulatory framework as well as within the Group.

d) the need for sources of funding from supranational institutions (credit lines).

In defining the general annual funding plan, the Bank has determined that the defined funding source plans are in line with the:

- business model of the bank
- comprehensive business strategy
- risk exposure tolerance
- assessment of the stability of funding sources

- available sources of funding on the market
- expected changes in the risk of funding sources
- adequate degree of reliance on public funding sources
- acceptable impact on the bank's lending activities, etc.

The analysis of historical data in comparison with the plan for the next period, taking into account possible additional findings, shows the degree of feasibility of the liquidity plan and funding sources. Based on historical indicators, it is estimated that the structure of funding sources is adequate and sufficient for the implementation of business plans and growth of the Group.

After the execution of the funding source plan, the Group monitors the assessment of the funding source and the funding source risk on a regular basis i.e. monthly, by back testing the funding source plan. Achieved values are compared with the planned ones, both in the part of sources and in the part of placements, as well as the fulfilment of regulatory and grouping requirements and restrictions.

Special attention is given to the back testing of the funding source plan after the end of the financial year. The subject testing should demonstrate whether the defined or planned sources of funding have been achieved, whether all regulatory and grouping requirements and restrictions have been met, as well as whether they were sufficient to maintain the existing active portfolio and enable its growth in accordance with business plans.

Through analysis, we arrive at a conclusion that the realized sources of funding enabled the fulfilment of all regulatory and group liquidity requirements and restrictions, and allowed the maintenance and growth of the active portfolio.

Cash and placements

As part of an ongoing liquidity optimization, the Group assesses the holding of required cash for business purposes, as well as cash held by the Group on accounts abroad, for payment and other transactions, taking into account current market interest rates, ratings and adequacy of banks with which the Group holds funds (Money Market or *nostro* accounts), as well as the calculation of RWA.

In this way, the maximum optimization of liquidity is achieved, taking into account the above elements, which ultimately has a positive impact on the financial position and overall performance of the Group. With regard to Markets operations, the Group has no derivative transactions (financial instruments), which would be relevant for the assessment of the financial position of the Bank. Namely, the Group offers FX Forward / Flexi Forward transactions to clients, but the said transactions are small in volume and insignificant in terms of revenue.

As for the portfolio of securities, as a type of financial instrument, the Bank does not keep them in the so-called "trading book" but "until maturity". The total portfolio of securities consists of the Markets portfolio and the Treasury portfolio, which primarily has the function of liquidity buffer. The financial result of i.e. the income from securities business for 2023, realized on the Market portfolio, is approximately BAM 874 thousand, while the income generated on the Treasury portfolio stands at approximately BAM 3,382 thousand.

Most of the "significant" portion of the Group's revenue relates to FX spot transactions, but these are standard currency exchange transactions.

The Group does not have financial instruments such as futures, options, etc., nor does it offer them as products.

g) Objectives and policies of the legal entity related to financial risk management; together with risk protection policies for each planned transaction for which protection is required

Credit risk

The credit risk taking and management strategy reflect the Group's profitability, credit quality and portfolio growth objectives and is in line with the Group's risk appetite framework and within the same credit risk, diversification policy and the Group's overall corporate strategy and business objectives.

The credit risk taking and management strategy includes:

- Establishing an appropriate credit risk management environment,
- Constant building of a strong credit culture,
- Continuity in the strategic approach so that it is sustainable in the long run and through different economic cycles
- Adequate and effective communication of credit risk strategy and policy throughout Group. All relevant staff should have a clear understanding of the Group s approach to approving and managing credit risk and should be responsible for adhering to internal policies and procedures.
- Identification of target markets and overall characteristics that the Group would like to achieve in its loan portfolio, including different levels of diversification and concentration tolerance,
- Sustainable and responsible investment through the application of ESG (Environmental, Social and Governance) factors
- Application of adequate policies and procedures for securing credit placements to mitigate credit risk,
- Minimize the negative consequences of investments with deteriorating credit quality implemented through:
    - lending in accordance with adopted policies,
    - continuous active and professional customer relationship management,
    - early identification and active management of increased credit risk
    - correct credit risk categorization,
    - defining appropriate strategies for non-performing loans,
    - an understandable and strong program for the collection of non-performing loans in the event of an obvious or potential loss to the Group.

The aim of credit risk management is to ensure that the appropriate level of risk required for sustainable development, which implies a macroeconomic environment, is not exceeded.

General principles for credit risk management:

- Risk awareness and understanding,
- Responsibility of the Business Segment,
- Separation and independence of risk functions.

Credit risk management is defined in current credit policies that are updated on an annual basis. The Credit Risk Management Unit creates credit policy proposals for individual business segments, which are subject to decision-making by Group Management Board and Supervisory Board.

Credit risk management includes the management of all sub-categories of credit risk to which the Group is exposed or could be exposed.

They are managed through:

- conducting the process of analysis, ranking of clients and risk assessment when approving placements
- making a decision on approving placements based on clearly defined criteria in credit policies, including cross-border transactions
- active portfolio monitoring and proposal for asset classification
- maintaining exposure by type of business, products, clients and industries at the desired level (it is defined through the annual budgeting process, defining credit policy, limits, etc.)
- maintaining the probability of default (PD) / Default rate at an acceptable level
- management of collateral instruments
- applying credit risk mitigation techniques (collateral instruments are one of the main strategies and measures used to reduce credit risk exposure)
- maintaining the coverage of the portfolio with eligible collateral at a satisfactory level (minimum coverage depending on the client's rating is defined annually through a respective credit policy, and it is maintained on a target level through control of credit policy exceptions, constant monitoring of value and collateral eligibility elements).
- implementation of collection strategy, as well as the recovery of problematic placements, by applying the technique of active management of problematic placements in all stages of delay, received special attention from individual organizational units Special Assets Management, Non-Retail & SE and Collateral and Collection of Receivables Retail.
- maintaining the final loss after collection at a satisfactory level (Loss Given Default), through adequate collateralisation and provisions

Liquidity risk

The strategic framework for liquidity management includes adjusted liquidity management, asset liquidity management and borrowed liquidity management (liabilities), respecting key principles of liquidity management as well as ILAAP principles in liquidity planning and funding sources (accountability, proportionality, continuity, risk significance, comprehensiveness and "forward looking").

Liquidity and liquidity risk management are built into strategies, policies, procedures, which ensure effective diversification both in terms of sources of funds and in terms of their maturity.

When forecasting and planning cash flows, special attention is paid to monitoring the local market environment, primarily from the aspect of clients' needs in the form of monitoring the maturity of large deposits and planning their reactivation. In planning its liquidity needs, the Group includes planning outflows against off-balance sheet liabilities (letters of credit, guarantees, agreed credit lines), while for maturity deposits it estimates potential outflows based on previous observations (experiences) based on annual trends and models developed internally.

In defining and maintaining an adequate level of liquidity, the Group pays special attention to providing sufficient capacity of liquidity reserves that would be used for short-term intervention in a situation of liquidity shock.

The amount of required and reserve liquidity is formed by the Group on the basis of the current and projected position and liquidity ratios, taking into account the general objectives set by the Group annual budget. Thus, an appropriate portfolio of liquid assets is planned, which can always:

(1) meet the current and expected liquidity needs,

(2) meet the regulatory liquid asset requirements.

Group's liquidity risk management is based on:

- Strategy and Plan for providing funds for the implementation of business plans and plans for difficult - to- predict and emergency situations, in the short and long terms, which should demonstrate the Bank's ability to preventively and effectively manage both routine and unexpected changes in its liquid position
- Clearly defined liquidity risk management process (identification, assessment, measurement, exposure monitoring and control of the entire process) with clearly defined roles and responsibilities, and documented in internal acts
- Developed information system that is the basis of successful liquidity risk management on a daily basis and its control.

Also, liquidity risk management implies the involvement of the Group bodies in the management of which management support is provided by committees and all employees who are indirectly or directly involved in the takeover and management and control of liquidity risk, primarily:

- *The Group's Management Board and the Supervisory Board*, which are responsible for the strategy for managing this risk, as well as deciding on a comprehensive framework for liquidity risk management at the group level
- *Senior management*, which is responsible for implementing risk management policies, overseeing the implementation, maintenance and management of information and other systems, and establishing effective internal control over the liquidity risk management process

- *Assets and Liabilities Management* Committee (ALCO Committee), composed of senior management, usually from the Treasury function and the Risk Management function (usually the liquidity risk management department), and
- *Risk management control functions* that have the necessary experience in controlling this risk, apply appropriate processes and procedures and perform relevant expertise.

Market risk

The strategy of market risk management is to limit the exposure to the same, i.e. to maintain the level of assumed risk within the planned propensity or planned risk profile for market risks, taking into account regulatory restrictions. In order to maintain an adequate level of exposure to market risks, restrictions on so-called internal limits have been defined, with priority given to regulatory limits.

The process of taking and managing market risks and the process of controlling these risks are clearly demarcated, which means that managing and taking over market risks is primarily carried out in the organizational unit Treasury, Financial Markets and Investment Banking, and their control is performed within the unit Market risk management groups.

The Market Risk Management Group performs daily controls of compliance of positions with internal and regulatory limits and they are defined in valid internal documents.

Market risk management policy is based on clearly defined roles and responsibilities, procedures and work processes, methods of identification, measurement, monitoring, control, reporting and escalation procedures.

The process of managing and taking market risk and the process of controlling this risk are clearly separated into different organizational units in charge of this risk, which means that managing and assuming market risk is primarily carried out in the organizational unit Treasury, Financial Markets and Investment Banking / Trade and Sales. its control is performed within the Risk Controlling Unit, i.e. the Market Risk Management Group.

The roles and responsibilities for identification, measurement, monitoring, control, reporting and escalation procedures are described in detail in the umbrella documents Risk Controlling / Market Risk Management Group, namely the Market Risk Management Rulebook and the Market Risk Management Procedure.

Interest rate risk in the banking book

The interest rate risk management strategy in the banking book is based on establishing a risk appetite framework taking into account current and future business plans and activities as well as the ability to assume this risk that respects regulatory constraints. In order to fulfil the strategy, the Group sets indicators and target values or limits. Controls and actions taken in case of violation of limits and internal indicators enable timely response and mitigation of this risk. Frequencies of control of this risk are organized on a daily basis (for defined internal RBI indicators), in order to enable timely verification of the status of utilization of limits and internal indicators, and to adequately take all corrective measures to mitigate risk, and in case of violation all necessary activities "return of positions" within the defined limits.

Interest rate risk management is based on the following principles:

- managing the balance in refinancing assets in terms of terms, currencies and types of interest rates in order to minimize the risk of changes in interest rates and the impact on business results
- defining the limit of interest rate risk exposure by analysing interest rate sensitive assets and liabilities, which are sensitive to changes in interest rates from the point of view of maturity and amount

- contracting interest rates as determined by the Group's Tariff
- determining the components of reference interest rates
- stress testing
- monitoring profitability indicators.

The process of controlling interest rate risk in the banking book consists of measuring and modelling risk, setting and monitoring limits, controlling and managing positions within the limit, as well as the process of escalating limits.

The interest rate risk management policy in the banking book is based on clearly defined roles and responsibilities, procedures and work processes, methods of identification, measurement, monitoring, control, reporting and escalation procedures.

Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems or external events, including legal risk.

The strategy related to operational risk management includes:

- clear internal organization with separate operational risk management functions (responsible specialists for operational risk - so-called DORS functions and operational risk managers - so-called ORM functions) as well as functions of control of these risks (Controlling operational risks - so-called ORC function, Executive Director for Risk - CRO, Operational Risk Management and Control Committee -ORMCC), and finally the internal audit function that oversees the complete operational risk management / control system
- clearly defined, transparent and consistent lines of responsibility,
- raising awareness of the existence of operational risk,
- consistent adherence to internal documents as well as external regulatory guidelines governing the subject area.

Operational risk management strategy:

- Monitoring the maintenance of losses in accordance with the "shadow budget".
- Organization of implementation of individual activities (risk assessment, general ledger analysis, revision of early warning indicators) in accordance with the group's plan.
- Organization of training for new employees regarding minimum standards of operational risk management.
- Organization of training for ORM / DORS functions.
- Focus on further raising awareness of the importance of operational risk management

Operational risk management involves identifying, measuring, managing and monitoring exposures that result from inadequate or failed internal processes, human interactions and systems, or are the result of external events.

The operational risk management framework consists of processes, structures, controls and systems applied in operational risk management, thus ensuring the establishment of key management elements and operational activities. Managing and controlling operational risk contributes to strengthening business objectives and meeting regulatory requirements.

Resposibility of Management Bord for preparation and approval of consolidated financial statements

The Group Management Board is required to prepare consolidated financial statements, which give a true and fair view of the financial position of the Group 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 (FBiH), which are based on the Law on Accounting and Auditing in FBiH, Law on Banks of FBiH, and bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina (Agency or FBA), adopted pursuant to the aforementioned laws. The Management Board is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. Management has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Management Board is responsible for the submission to the Supervisory Board of its annual report of the Group together with the annual consolidated financial statements, following which the Supervisory Board and the General Assembly is required to approve the consolidated financial statements.

The financial statements set out on pages 24 to 126 were authorised by the Management Board on 07 May 2024 for issue to the Supervisory Board, and are signed bellow to signify this:

For and on the behalf of Group

RAIFFEISEN BANK DD BOSNA I HERCEGOVINA 0

Edin Hrnjica

President of Management Board	**Member of Management Board**
Rainer Schnabl	Edin Hrnjica

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May, 07 2024

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Independent auditor's report

To the Shareholder of Raiffeisen Bank dd Bosna i Hercegovina

Opinion

We have audited the consolidated financial statements of the Raiffeisen Bank d.d. BIH and its subsidiaries (hereinafter 'the Group'), which comprise the consolidated profit or loss statement and, consolidated statement of other comprehensive income, the consolidated statement of financial position as at 31 December 2023, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and their financial performance and 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 (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Federation of Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowances for loans to and receivables from customers (expected credit losses)

In its consolidated financial statements for the year ended 31 December 2023 the Group presented financing to customers in the amount of BAM 3,042,370 thousand and total expected credit loss in the amount of BAM 151,515 thousand.

Key Audit Matter	**How the Key Audit Matter Was Addressed in Our Audit**
For accounting policies, see Note 3. For additional information regarding the identified key audit matter see notes 6, 12, and 24.3.	
Credit risk represents one of the most important types of financial risks which the Bank is exposed to. Determining appropriate methods and models by the Management to measure and manage credit risk is therefore one of the most important areas in safeguarding the Bank's capital. As part of the credit risk management process, appropriate determination and measurement of loss allowances for expected credit losses represents one of the key considerations for the Management. In determining both the timing and the amount of loss allowance for expected credit losses on loans to and receivables from customers, the Management exercises significant judgement in relation to the following areas: • Use of historical data in the process of determining risk parameters; • Estimation of the credit risk related to the exposure on loans and receivables from customers; • Assessment of credit risk stage allocation for loan exposures and receivables from customers; • Assessment on the significance of subsequent changes in credit risk of an exposure for the purposes of identifying whether significant increase in credit risk has occurred, leading to changes in stage allocation and the required measurement of lifetime expected credit losses; • Assessment of the forward-looking information; • Expected future cash flows from operations, which could be available for recovering given loans; • Valuation of collateral and assessment of the period in which a cash proceeds based on potential repossession and sale for individually assessed credit losses.	In order to address the risks associated with loss allowances for expected credit losses on loans to and receivables from customers, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient and appropriate audit evidence for our conclusion. We performed the following audit procedures with respect to area of financing: • Review and verification of the Bank's methodology for recognizing loss allowances for expected credit losses and comparing the reviewed methodology against the requirements of the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina; • Obtaining understanding of control environment and internal controls implemented by the Management within the process of measuring loss allowances for expected credit losses, including used applications and information technology tools and corresponding internal controls; • Evaluating design and inspecting implementation of identified internal controls relevant to the process of measuring loss allowances for expected credit losses; • Testing identified relevant controls for operating effectiveness; • Performing substantive tests over recognition and measurement of loss allowances for expected credit losses on sample of loans allocated to Stage 1 and Stage 2, focusing on: i. models applied in stage allocation and transitions between stages; ii. assumptions used by the Management in the expected credit loss measurement models;

Since determination of appropriate loss allowances for expected credit losses on loans and receivables requires the use of complex models (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to Management bias. This fact led to the determination of loss allowances for expected credit losses on loans and receivables from customers, recognized in accordance with the statutory accounting regulations applicable to banks in Federation of Bosnia and Herzegovina as a key audit matter in our audit of the financial statements for the year ended 31 December 2023.

iii. criteria used for determination of significant increase in credit risk;
iv. assumptions applied to calculate lifetime probability of default;
v. methods applied to calculate loss given default;
vi. methods applied to incorporate forward-looking information;
vii. re-performing calculation of expected credit losses on a selected sample.

- Performing substantive tests over recognition and measurement of loss allowance for expected credit losses on sample of individually assessed loans allocated to Stage 3 (non-performing loans), which included:
  i. assessment of customer's financial position and performance following latest credit reports and available information
  ii. review of judgements and assumptions applied in the calculation and measurement of expected future cash flows from operations, taking into consideration customer's financial position and performance in the current economic environment;
  iii. reviewing and assessing expected future cash flows and periods in which cash proceeds from potential repossession and sale from collateral and estimated realization period;
  iv. assessment of appropriateness of transition of financing exposures between stages and allocation of credit exposures with granted moratoria.
  v. recalculation of expected credit losses on a sample selected using the following criteria: assessment of customer credit risk, industry risk, days of delay in payment of overdue loan receivables and other receivables, etc.
  vi. Assessed the completeness and accuracy of disclosures related to expected credit losses in the context of the requirements statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

Other information

Management is responsible for the other information. The other information comprises the information included in Management's business report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 International Standards on Auditing 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal controls.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 we decide, in extremely rare circumstances, that the matter should not be reported in our independent auditor's report because the negative consequences of reporting could 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 Adna Valjevac.

Yuri Sidorovich, Procurator

Adna Valjevac, Licensed auditor

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7 May 2024

	Note	2023	2022
Interest and similar income calculated using the effective interest rate	8	182,388	140,893
Interest and similar expense calculated using the effective interest rate	9	(16,752)	(18,302)
Net interest and similar income calculated using the effective interest rate		**165,636**	**122,591**
Fee and commission income	10	130,577	126,779
Fee and commission expense	11	(37,221)	(30,324)
Net fee and commission income		**93,356**	**96,455**
Impairment losses and provisions	12	(4,682)	(13,136)
Other losses from financial assets, net	13	(1,259)	(285)
Net positive foreign exchange gains	14	18,080	21,497
Net loss from non-current non-financial assets	15	2,878	1,592
Other income	16	14,823	13,715
Employee expenses	17	(64,454)	(57,522)
Depreciation costs	24, 25, 26, 27, 28,	(17,327)	(16,420)
Other expenses and costs	18	(72,879)	(66,025)
Loss from share at joint venture	29	-	(1,225)
PROFIT BEFORE TAX		**134,172**	**101,237**
Income tax	19	(6,319)	(7,103)
Net profit for the year		**127,853**	**94,134**
Other comprehensive gain / (loss)		11	(1)
Total comprehensive income		**127,864**	**94,133**
Earnings per share (BAM)	36	**129.33**	**95.21**

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

Consolidated Statement of financial position as at 31 December 2023
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	20	1,181,110	1,334,817
Financial assets at fair value through PL	21	16,341	17,359
Financial assets at fair value through other comprehensive income	22	538	526
Financial assets at amortized cost	23	3,915,364	3,593,488
Obligatory reserves at the Central Bank of BiH	*23.1*	437,791	422,204
Deposits in other banks	*23.2*	205,002	319,130
Loans and receivables to customers	*23.3*	2,890,855	2,573,218
Other financial assets at amortized cost	*23.4*	381,716	278,936
Prepaid income tax		163	1,355
Deferred tax assets	19	10,240	4,253
Property, plant and equipment	24	98,653	93,885
Right-of-use assets	25	8,323	8,526
Investment property	26	7,563	6,285
Intangible assets	27	27,811	28,344
Investments in subsidiaries	28	33,085	23,469
Investments in joint ventures	29	-	-
Non-current assets for sale and assets to be discontinued		850	1,379
Other assets and receivables	30	6,674	6,863
TOTAL ASSETS		**5,306,715**	**5,120,550**

Consolidated Statement of financial position as at 31 December 2023
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	31 December 2023	31 December 2022
LIABILITIES			
Financial liabilities at amortized cost	31	4,559,561	4,422,081
Deposits from banks and other financial institutions	*31.1*	131,739	144,404
Client deposits	*31.2*	4,172,349	3,971,702
Borrowings	*31.3*	211,352	276,079
Lease liabilities	*31.4*	7,731	6,434
Other financial liabilities at amortized cost	*31.5*	36,390	23,462
Income tax liabilities		1,565	-
Deferred tax liabilities	19	2,003	1,705
Provisions	32	36,568	42,077
Credit risk of commitments and guarantees	*32.1*	9,785	16,845
Court litigation	*32.2*	12,553	12,542
Other provisions	*32.3*	14,230	12,690
Other liabilities	33	24,526	24,475
TOTAL LIABILITIES		**4,624,223**	**4,490,337**
EQUITY			
Share capital	34	247,167	247,167
Share premium		4,473	4,473
Reserves		1,230	1,230
Revalorization reserves		278	268
Retained earnings		429,344	377,075
TOTAL EQUITY		**682,492**	**630,213**
TOTAL LIABILITIES AND EQUITY		**5,306,715**	**5,120,550**

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

For and on the behalf of the Group:

Chairman of the Management Board
Rainer Schnabl

Raiffeisen BANK DD BOSNA I HERCEGOVINA 0

Edin Hrnjica

Management Board member
Edin Hrnjica

Raiffeisen Bank dd Bosna i Hercegovina

Zmaja od Bosne bb

71000 Sarajevo

Bosnia and Herzegovina

May 07, 2024

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

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflow from interest and similar income calculated at effective interest rate		181,017	139,933
Outflow from interest and similar income calculated at effective interest rate		(17,052)	(20,796)
Inflow from fee and commission income		140,338	127,384
Outflow from fee and commission expense		(41,594)	(30,654)
Inflow from collection of previously written off loans and interests		5,425	5,206
Outflow from employee payments		(64,421)	(57,553)
Outflow from operating cost and expenses		(78,189)	(58,990)
Other inflow from operating activities		36,614	38,438
Other outflow from operating activities		(5,538)	(5,442)
Paid income tax		(10,605)	(4,695)
Net cash flow from operating activities before changes in operating assets and operating liabilities		**145,995**	**132,831**
Net (increase) in obligatory reserves with CBBiH		(15,602)	(6,252)
Net decrease / (increase) in bank placements		110,718	(136,484)
Net (increase) in loans given to customers loans		(274,259)	(115,221)
Net (increase) / decrease in other assets and receivables		(138,833)	296
Net (decrease) / increase in deposits from banks and other financial institutions		(12,593)	5,070
Net increase in customer deposits		200,646	59,426
Net increase / (decrease) in other liabilities at amortized cost		3,078	(80,409)
Net increase for provisions		461	586
Net (decrease) / increase in other liabilities		(1,953)	123
Net cash flow from operating activities		**17,658**	**(140,021)**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	24,25,27	(15,515)	(11,481)
Proceeds from sale of property, plant and equipment		1,311	-
Acquisition of intangible assets	29	(13,548)	(10,635)
Net cash flow from investing activities		**(24,886)**	**(22,116)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(75.583)	(58.458)
Inflows from bank loans		92.678	79.817
Payment of loan principals		(87.172)	(82.009)
Inflows from loans from other financial institutions		-	9.779
Payment of principal of loan from other financial institutions		(8.343)	(19.209)
Subordinated loan inflows		(61.804)	44.984
Repayment of principals on leases	31.4	(6.255)	(6.014)
Net cash flow from financing activities		**(146.479)**	**(31.110)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(153.707)**	**(193.246)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	20	**1.334.817**	**1.528.063**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20	**1.181.110**	**1.334.817**

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

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

	Share capital	Share premium	Revalorization reserves	Reserves	Retained earnings	Total
Balance as at 31 December 2021	**247,167**	**4,473**	**268**	**1,230**	**328,171**	**581,310**
Profit for the year	-	-	-	-	94,134	94,134
Other comprehensive loss	-	-	(1)	-	-	(1)
Total comprehensive income	-	-	***(1)***	-	***94,134***	***94,133***
Published dividends	-	-	-	-	(45,230)	(45,230)
Balance as at 31 December 2022	**247,167**	**4,473**	**267**	**1,230**	**377,075**	**630,213**
Profit for the year	-	-	-	-	127,853	127,853
Other comprehensive income	-	-	11	-	-	11
Total comprehensive income	-	-	***11***	-	***127,853***	***127,864***
Published dividends	-	-	-	-	(75,583)	(75,583)
Balance as at 31 December 2023	**247,167**	**4,473**	**278**	**1,230**	**429,345**	**682,492**

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

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

1. GENERAL INFORMATION

History and incorporation

Raiffeisen Bank dd Bosnia and Herzegovina, Sarajevo (the "Bank") is a joint stock company incorporated in Bosnia and Herzegovina which commenced its operations in 1993.

Principal activities of the Bank are:

1. accepting and placing of deposits;
2. receiving demand and time deposits
3. supplying short- term and long-term loans and guarantees to the local authorities, companies, private (physical) persons, and other credit institutions involved in finance lease and foreign exchange transactions;
4. money market (interbank market) activities;
5. performing local and international payments;
6. foreign currency exchange and other regular banking services;
7. providing banking services through an extensive branch network in Bosnia and Herzegovina.

The bank is the parent company of Raiffeisen Bank Group.

The Group operates through one business and geographical segment, which is the provision of financial services in Bosnia and Herzegovina.

Within the Group there are the following companies, which are connected on the basis of joint ownership and the Management Board:

Company name	Reporting date	Activities	% participation in equity and voting
Raiffeisen Leasing d.o.o. Sarajevo	31 December	Financial and operating lease	100
Raiffeisen Assistance d.o.o. Sarajevo	31 December	Vehicle insurance agent	100
Raiffeisen Invest d.o.o Sarajevo	31 December	Management of investment funds	100
Raiffeisen Capital a.d. Banja Luka	31 December	Brokerage services in securities business	100

The registered address of the Bank and Group is Zmaja od Bosne bb, Sarajevo, besides Raiffiesen Capital a.d. whose address is Banja Luka, Vase Pelagica 2. As of 31 December 2023, the Group had 1,449 employees (31 December 2022: 1,406 employees).

Supervisory Board, Management and Audit committee board

During 2023 and on the date of this report, the members of the Supervisory Board were:

Group Supervisory Board

Peter Jacenko	Chairman
Markus Kirchmair	Deputy Chairman
Markus Plank	Member until 14 January 2024
Matthias Dekan	Member from 15 January 2024
Johannes Kellner	Member to 28 September 2023
Elisabeth Geyer - Schall	Member
Zinka Grbo	Member
Jasmina Selimović	Member

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

1. GENERAL INFORMATION (CONTINUED)

During 2023 and on the date of this report, the members of the Audit Committee were:

Group Audit Committee Board

Alda Shehu	Chairman from 17 March 2023
Biljana Ekinović	Member from 17 March 2023
Meliha Bašić	Member from 17 March 2023
Renate Kattinger	Chairman to 16 March 2023
Nedžad Madžak	Member to 16 March 2023
Abid Jusić	Member to 16 March 2023
Vojislav Puškarević	Member to 16 March 2023
Benina Veledar	Member to 16 March 2023

During the period covered by this report and on 31 December 2023, the Management Board consists of the Chairman of the Management Board and Management Board members. The following persons performed these functions during the year and on the day of this report:

Group Management Board

Rainer Schnabl	Chairman
Edin Hrnjica	Member
Andreea Achim	Member to 31 January 2024
Amna Gabela	Acting Member from 1 February 2024 to 30 April 2024, i.e. until the appointment of a new member of the Management Board responsible for risks
Mirha Krivdić	Member
Kreshnik Halili	Member

2. BASIS OF PREPARATION

2.1. Reporting framework

The financial statements have been prepared in accordance with the legal accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina ("FBiH"), which are based on the FBiH Law on Accounting and Auditing, the FBiH Banking Law and bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina ("Agency" or "FBA") adopted on the basis of the laws referred to above.

- The FBiH Law on Accounting and Auditing prescribes the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").
- The Law on Banks of the FBiH prescribes the preparation of annual financial statements in accordance with the aforementioned Law on Accounting and Auditing of the FBiH, this law, and the bylaws adopted on the basis of both laws.
- The Agency adopted the *Decision on Credit Risk Management and Determination of Expected Credit Losses* (the "Decision"), applicable from January 1 2020, which resulted in certain differences arising from the calculation of impairment for credit losses due to the application of minimum rates prescribed by the Decision, which are not required by IFRS 9: "Financial Instruments" ("IFRS 9"). The decision also has an impact on the valuation of non-financial assets arising from credit operations (acquired tangible assets whose valuation is within the scope of other relevant IFRSs).

The main differences between the legal accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina (i.e. primarily the requirements of the Decision) and the requirements for recognition and measurement under IFRS are explained below.

In accordance with the provisions of the Decision, as at 31 December 2023 the Bank calculated impairment for credit losses in the amount of BAM 36,951 thousand against the amount obtained by calculation, which is the result of the Bank's internal model for calculating expected credit losses, compliant with the requirements of IFRS 9, with the details as follows:

- Application of Article 23 of the Decision prescribing the application of minimum impairment rates for all exposures allocated to credit risk level 1 - calculated difference in the amount of BAM 10,997 thousand,
- Application of Article 24 of the Decision prescribing the application of minimum impairment rates for all credit exposures in credit risk level 2 - calculated difference in the amount of BAM 12,374 thousand,
- Application of minimum impairment rates prescribed in Article 25 of the Decision for exposures at credit risk level 3 (non-performing assets) - calculated difference in the amount of BAM 8,870 thousand.
- Application of the minimum impairment rates prescribed in Article 26 of the Decision for trade receivables, receivables based on factoring and financial leasing and other receivables - the difference in the amount of BAM 4,350 thousand.

The table below presents the effects of the previously described difference between the legal accounting regulations applicable to banks in the FBiH and the requirements for recognition and measurement under the International Financial Reporting Standards:

2. BASIS OF PRESENTATION (CONTINUED)

2.1. Reporting framework (continued)

	1 January 2022	31 December 2022	31 December 2023
Assets	(24,726)	(25,544)	(24,727)
Liabilities	9,657	9,212	8,451
Equity	(34,382)	(34,755)	(33,178)

Where accounting policies correspond to the International Financial Reporting Standards, in these financial statements we refer to relevant IFRSs when describing the Group's accounting policies.

These consolidated financial statements were authorised by the Group Management Board on 07 May 2024 for submission to the Supervisory Board.

2.2. Basis for measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, 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, Group 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 consolidated financial statements is determined on such a basis.

The principal accounting policies adopted are set out below.

2.3. Functional and presentation currency

These consolidated financial statements are presented in thousands of Bosnian marks ('000 BAM) which is the functional currency of the Group. Bosnian Mark is pegged to Euro (1 EUR = 1.95583 BAM).

2.4. Use of judgments and estimates

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods. Information on areas with significant uncertainty in the estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are disclosed in Note 4.

2. BASIS OF PRESENTATION (CONTINUED)

2.5. Basis of consolidation

The consolidated financial statements are the financial statements of the Bank and its subsidiaries, and the Bank's shares in associated companies. Control is exercised if the Group has the power to manage an entity's fina5cial and business policies in a way that benefits from its activities.

The results of subsidiaries acquired or disposed of during the year shall be included in the consolidated income statement from the date of acquisition, i.e. until the actual date of disposal if applicable.

If necessary, adjustments have been made to the financial statements of the branches in order to align their accounting policies with those used by other members of the Group.

All transactions within the Group, as well as all balances, revenues and expenses were eliminated during consolidation.

Minority holdings in the acquired entity are initially expressed in the amount of minority holdings in the net fair value of recognised assets, recognised liabilities and unforeseen liabilities.

Transactions that are eliminated when consolidating

Intragroup balances and transactions, as well as unrealised income and expenses (with the exception of exchange rate gains or losses), arising from intra-group transactions, are eliminated when compiling consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only on condition that there is no evidence of impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the previously described changes in Note 2.5, the Group has consistently applied the accounting policies further described below to all periods disclosed in these consolidated financial statements.

3.1 Foreign currency transactions

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

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

31 December 2023	EUR 1 = BAM 1.95583	USD 1 = BAM 1.76998
31 December 2022	EUR 1 = BAM 1.95583	USD 1 = BAM 1.83370

3.2. Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- gross carrying amount of the financial asset; or
- the amortized costs of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, Group estimates future cash flows considering all contractual terms of the financial instruments, but not expected credit loss ("ECL"). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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 incurred directly in connection with the issuance or acquisition of financial assets or financial liabilities.

Amortised cost and gross carrying value

The amortised cost of a financial asset or a financial liability is the amount at which the financial assets or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance (or impairment).

"Gross carrying amount of financial assets" is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Interest income and expense (continued)

Calculation of interest income and expense

Effective interest rate on a financial asset or financial liability is calculated on initial recognition of a financial asset or liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect the movements in market rates of interest.

However, for financial assets that have been credit-impaired sustainably to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of financial assets. If the asset is no longer credit-impaired, the calculation of interest income returns to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate on the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense is recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounted estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms, but not future credit losses.

Calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs included incremental costs that are directly attributed to the acquisition or issue of a financial asset or financial liability.

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss are recognized in net profit or loss from other financial instruments at fair value through profit or loss.

3.3. Fee and commission income and expenses

Fee and commission income and expenses that are integral part of the effective interest rate on a financial asset or liability are included in the effective interest rate, and are recognised in interest income and expense.

Group provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.

Fees for ongoing account management are charged to the customer's account on a monthly basis. Group sets the rates separately for retail and corporate banking customers on an annual basis.

Fee and commission income and expenses, reported as such, comprise mainly fees related to credit card transactions, the issuance of guarantees and letters of credit, domestic and foreign payment transactions and other services and are recognised in the profit and loss statement upon performance of the relevant service.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. Group recognizes revenue when it transfers controls over a service to a customer.

Revenue from account service and servicing fees is recognised over time as the services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3. Fee and commission income and expenses (continued)

Revenue related to transactions is recognised at the point in time when the transaction takes place.

A contract with a customer that results in a recognised financial instrument in the Group financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9, and then applies IFRS 15 to the residual.

3.4. Net trading gains

"Net trading gains" comprises gains less losses, related to trading assets and liabilities, and includes all fair value changes, interest, dividends and exchange rate differences.

3.5. Net income from other financial instruments at fair value through profit and loss

Net income from other financial instruments at fair value through profit and loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit and loss and, from 1 January 2019, also non-trading assets mandatorily measured at fair value through profit and loss. This line item includes fair value changes, interest, dividends and foreign exchange differences.

3.6. Dividend income

Dividend income is recognised in the income statement when the right to receive income is established and when the amount of dividends can be reliably measured.

3.7. Leases

At inception of a contract, the Group assesses whether a contact is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Group uses the definiton of a lease in accordance with IFRS 16 „Leases“.

i) As a lessee

Group recognizes right-of-use asset and a lease liabiliy from the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlzing asset or the site on which it is located, less any lease incentives recevied.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, or over the period for which the lease is expected to be active. In addition, right-of-use asset is periodicaly reduced by impairment losses, if applicable, or adjusted for a particular remeasurement of lease obligations.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Group incremental borrowing rate. Group applies an incremental borrowing rate of 2% as a discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7. **Leases (continued)**

The Group determines the incremental borrowing rate by obtaining data on interest rates from various external sources of financing and makes certain adjustments to reflect the terms of the lease and the types of assets that are subject of the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; less any prepayments received in connection with the lease; variable payments that depend on a particular index or rate and that are initially measured against that index or rate on the first day of the lease;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in Group estimate of the amount expected to be payable under a residual value guarantee, if Group changes its assessment of whether it will exercise purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, the carrying amount of the asset is properly adjusted for use or the difference is recorded in the income statement if the carrying amount of the asset is reduced to zero.

The Group discloses assets with the right of use and the lease liability as a separate item in the statement of financial position.

i) Group as a lessee

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (limited amount of assets are 5,000 EUR) and short-term leases.

The income statement and other comprehensive income show interest expense on the lease liability separately from the depreciation of the right of use asset. Interest expense on a lease liability is a component of finance costs.

ii) Group as a Lessor

Payments made under operating leases are recognized as income using the straight-line method over the life of the lease, and are recognized in the statement of financial position in the event of a mismatch between the actual time of payment and the lease expense.

3.8. Income tax

Tax expense, on income tax base, is the sum of current tax liabilities and deferred taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current income tax

Tax expense is based on a taxable profit for the year. Net income differs from taxable income of the period reported in Income Statement and Other Comprehensive Income Report, as it includes items of income and expense that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. The Bank's current tax liabilities are calculated by applying tax rates that are in effect or in the process of being adopted at the reporting date.

Deferred income tax

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

The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent where it is no longer probable that sufficient taxable profit will be available to allow all or part of the tax assets to be recovered.

3.9. Investments in subsidiaries

A subsidiary is an entity which is controlled by the Group. Control is achieved in such a way that the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity.

Investments in subsidiaries in these consolidated financial statements are stated at cost less any impairment, if needed.

3.10. Investments in associates and joint ventures

An associate is an entity, including an unincorporated entity such as a partnership, over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint ventures refers to the investment into jointly controlled entity. A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures in these consolidated financial statements are stated at cost of acquisition less any impairment, if they exist.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities

Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus any transaction costs that are directly attributable to its acquisition or issue, except for financial assets and liabilities at fair value through profit and loss.

3.11.1. Financial assets

(i) Classification and subsequent measurement

During initial recognition, Group classifies its financial assets in the following measurement categories:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit and loss (FVPL)

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, bonds and receivables.

Classification and subsequent measurement of debt instruments depend on:

(i) The purpose of managing financial assets (business model)

(ii) The contractual characteristics of cash flows ("Solely Payments of Principle and Interest", further "SPPI test" or "SPPI")

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Financial assets at amortised cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI"), and that are not designated at fair value through profit and loss, are measured at amortized cost. After initial recognition, the carrying amount of these assets is adjusted by any expected credit loss (ECL) allowance recognised and measured as described in Note 3.11.1 (iv).

Interest income is calculated using the effective interest rate and it is included in the line *„Interest income calculated using the effective interest rate method"*.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables occur when Group grants cash to customers without the intent to trade these receivables and includes placements and loans to banks, given loans and receivables from customers and assets with the Central Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

(i) Classification and subsequent measurement (continued)

- **Financial assets at fair value through other comprehensive income**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit and loss, are measured at fair value through other comprehensive income.

Measurements in fair value of a financial asset measured through other comprehensive income are recognised through other comprehensive income except for recognition of gains or losses on impairment, interest income and foreign exchange differences that are recognised in profit or loss, except in case of equity investments where unrealised gains/losses are never reclassified to profit or loss.

When the financial asset through other comprehensive income is derecognised, the cumulative gain or loss previously recognised through other comprehensive income is reclassified from equity to income statement. Interest income is calculated using the effective interest rate method.

- **Financial assets at fair value through profit and loss**

Financial assets are subsequently measured at fair value through profit or loss unless subsequently measured at amortised cost or at fair value through other comprehensive income. Gains and losses arising from changes in the fair value of a financial asset at fair value through profit or loss are recognised in the income statement.

In addition, Group has the option to designate, on initial recognition, financial assets that otherwise meet the requirements to be measured at amortised cost or at FVOCI at fair value through profit and loss, if doing so significantly reduces the accounting mismatch that would otherwise arise.

Purpose of managing financial assets (Business model)

All financial assets, except for equity securities that fall into the category of investments in associates and subsidiaries, joint investments and associates, are grouped into business models that indicate the way in which a group of financial assets are jointly managed as a whole to achieve a particular business objective and define the way in which financial assets are expected to generate cash flows.

Business models of Group are:

- Business model whose objective is to hold assets for the collection of contractual cash flows – it includes all financial assets held for the purpose of collection of contractual cash flows over the lifetime of the financial instrument. For the purpose of classification in this business model, financial assets go through the SPPI test, and the following financial assets are allocated to this model:
  - cash on transaction accounts with other banks,
  - placements with other banks,
  - loans to customers,
  - other receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Credit risk is the underlying risk that is managed under this business model.

- Business model aimed to collect the contractual cash flows and sale of financial assets – it includes financial assets held for the purpose of collecting the agreed cash flows and sale of financial assets. The following financial assets are allocated to the business model for collection and sale:
  - debt securities (pass SPPI test),
  - equity securities (fail SPPI test),

Liquidity risk is the underlying risk that is managed under this business model.

- The business model within which financial assets are measured at fair value through profit and loss (fail SPPI test) - combines all financial assets that are not held under the two previously mentioned business models. Financial assets in this business model are managed in order to realise cash flows by selling assets and making short-term profits.

Contractual cash flow characteristics (SPPI)

Test of features of contractual cash flows from the point of view of solely payment of principal and interest is one of the criteria for the classification of financial assets in an individual category of measurement. SPPI test is implemented for the purpose of establishing whether the interest rate on unsettled principle reflects the fee for time value of money, credit risk and other basic risks of borrowing, lending costs and profit margin.

SPPI test is performed:

- for each financial asset, allocated to a business model whose purpose is to hold financial assets for the payment of contractual cash flows and a business model for the purpose of collecting contractual cash flows and selling financial asset on the date of its initial recognition,
- for each financial asset in cases where the original asset has been significantly modified and therefore re-recognised as new assets,
- when introducing new models and/or loan programs to determine in advance the eligibility of the considered loan term and conditions in relation to the need to subsequently monitor the value of any financial assets that would arise from them.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments (continued)

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group policy is to designate equity investments as at fair value through other comprehensive income when those investments are held for purposes other than to generate investment returns. When this choice is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including disposals. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group right to receive payments is established.

Gains and losses on equity investments at fair value through profit and loss are included in the "Net trading income" line in the statement of profit or loss.

(ii) Derecognition of financial assets

The Group derecognizes financial assets (in whole or in part) when the contractual rights to receive the cash flows from the financial instrument expire or when it loses control over contractual rights over that financial asset. This occurs when Group transfers substantially all the risks and rewards of ownership to another business entity or when rights have been realized, transferred or expired.

When the financial assets is derecognised, the difference between the carrying amount (or the carrying amount allocated to the portion of the assets that is derecognised) and the amount received (including any new assets less any new liabilities) and any cumulative gain or loss previously recognized through comprehensive income is recognised in the income statement.

Any cumulative gain or loss recognised through comprehensive earnings for equity securities marked at fair value through other comprehensive income is not recognised in the loss of recognition balance of such securities, but is directly recognised as retained earnings.

(iii) Modification of financial assets

Modification of financial assets is a process where the terms of the original contract are modified as a result of:

1) caused by current borrowers' needs (for example a reduction in the effective interest rate due to market changes, collateral substitution) and not caused by financial difficulties of the borrower,

2) caused by the current financial difficulties of the borrower or the difficulties that will arise soon, or by deteriorating the borrowers creditworthiness.

Modification of financial assets occurs when changes to some or all of the contract's provisions have been made.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

(ii) (iii) Modification of financial assets (continued)

If the modification is significant, the Group ceases to recognize the original financial asset and begins to recognize new financial assets at fair value plus transaction costs and recalculates the new effective interest rate for the asset. The modification date is consequently considered to be the date of initial recognition for the purpose of calculating the impairment, including the purpose of determining whether a significant increase in credit risk has occurred.

However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to meet the originally agreed payments. The differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the modification of the financial asset is not significant and the modification did not result in derecognition of the financial asset, then Group recalculates the gross carrying amount of the asset based on the revised cash flows of the financial asset and recognizes the modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting modified cash flows at the original effective interest rate (or using an effective interest rate adjusted for credit risk in the case of POCI assets). If the modification occurs because of the financial difficulties of the debtor, the gain or loss is recorded together with the impairment loss. In other cases, it is recorded as interest income calculated using the effective interest rate method.

(iv) Impairment

The Agency's decision which is based on IFRS 9 outlines a "three-stage" model for impairment of financial assets based on changes in credit quality since initial recognition of financial assets.

Impairment of financial assets is recognized on the basis of the expected credit loss model (ECL) for assets subsequently measured at amortized cost and assets subsequently measured at fair value through other comprehensive income (other than equity instruments).

The Agency's decision which is based on IFRS 9 requires companies to enter the expected losses at the level of losses expected in the next 12 months (Stage 1) from the initial entry of the financial instrument. The time period for calculating the expected loss becomes the entire remaining life of the asset that is the subject of the valuation where the credit quality of the financial instrument has experienced a "significant" deterioration in relation to the initial measurement (Stage 2) or in case the asset is partially or fully non-performing (Stage 3). More specifically, the introduction of new impairment provisions includes:

- allocation of performing financial assets at different levels of credit risk ("staging"), corresponding to value adjustments based on expected losses over the next 12 months (the so-called "Stage 1") or lifetime for the entire remaining duration of the instrument (the so-called "Stage 2"), in the presence of a significant increase in credit risk;
- allocation of partially or fully non-performing financial assets in the so-called "Stage 3", always with value adjustments based on expected losses over the entire duration of the instrument;
- inclusion of Expected Credit Losses in the calculation, as well as the expected future changes of the macroeconomic scenario.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

(iv) Impairment

ECL measurement

Expected credit losses under the internal impairment model are measured as follows:

- *financial assets that are not impaired at the reporting date*: as the present value of the missing cash (ie the difference between the cash flows to the entity under the contract and the cash flows that the Group expects to receive);
- *financial assets that are impaired at the reporting date:* as the difference between the gross carrying amount and the present value of expected future cash flows;
- *undrawn credit liabilities:* as the present value of the difference between the agreed cash flow to the Group if the liability is unused and the cash flow that the Group expects to receive; and
- *financial guarantee agreements:* expected payments to settle the guarantee holder less the amount that the Group expects to reimburse.

See Note 5.1.3. which explains in detail the internal impairment model

Policy applicable from 1 January 2020 – Decision on credit risk management and determination of expected credit losses.

As of January 1, 2020, the Group measures expected credit losses in accordance with the requirements of the Decision on Credit Risk Management and Determination of Expected Credit Losses. The impairment requirements of the Decision are based on the ifrs 9 expected credit loss model, but it has certain specificities (for example, the prescribed minimum expected credit loss rate for credit risk levels)." Following regulatory requirements, the Group updated the impairment methodology in line with the requirements of the Decision as of 1 January 2020, and defined minimum criteria for measuring expected losses in accordance with the schedule of exposures to credit risk levels, as described below.

Until 1 January 2020, the Group applied rules for measuring and valuing credit losses based solely on IFRS 9 models, while from 1 January 2020, in addition to the existing requirements of IFRS 9, it implemented the rules of the Decision setting certain minimum percentages of provisions, as listed below.

1 Credit risk level 1:

The Group shall determine and recognize expected credit losses for exposures allocated to the credit risk level 1 at least in the following amounts:

a) for low risk exposures - 0.1% of exposure,

b) for exposures to central governments and central banks outside Bosnia and Herzegovina for which there is a credit assessment by a recognized external credit rating institution which is assigned to credit quality level 3 and 4 in accordance with Article 69 of the Decision on calculation of bank's capital - 0.1 % of exposure,

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

ECL measurement

c) for exposures to banks and other entities of the financial sector for which there is a credit assessment by a recognized external credit rating institution which is assigned to credit quality level 1, 2 or 3 in accordance with Article 69 of the Decision on calculation of bank's capital - 0.1 % of exposure,

d) for other exposures - 0.5% of exposures.

If the Group, in accordance with its internal methodology, determines the amount of expected credit losses higher than those arising from the above provisions of the Decision, Group shall apply the higher amount

2 Credit risk level 2:

For exposures allocated to credit risk level 2, Group determines and recognizes the expected credit losses in the amount higher of the following:

a) 5% of exposure,

b) the amount determined in accordance with Group internal methodology.

3 Credit risk level 3:

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

a) exposures secured by eligible collateral:

Days past due	Minimum expected credit loss
Up to 180 days	15%
from 181 to 270 days	25%
from 271 to 365 days	40%
from 366 to 730 days	60%
from 731 to 1460 days	80%
over 1460 days	100%

Exceptionally, if the Group has taken appropriate legal action and can document the certainty of collection from eligible collateral in the next three years, the increase in the level of expected credit losses is not required to exceed 80% of the exposure. In doing so, the estimate of future cash flows from eligible collateral reduced to present value must be greater than 20% of that receivable. In the event that the Group does not collect receivables in the specified period of three years, it is obliged to record the expected credit losses in the amount of 100% of the exposure.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

(iv) Impairment (continued)

Policy applicable from 1 January 2020 – Decision on credit risk management and determination of expected credit losses.

a) exposures not secured by eligible collateral:

Days past due	Minimum expected credit loss
Up to 180 days	15%
from 181 to 270 days	45%
from 271 to 365 days	75%
from 366 to 456 days	85%
over 456 days	100%

In the case of restructured exposures, the Group will maintain the expected credit losses at the level of coverage formed on the date of approval of the restructuring, which cannot be lower than 15% of the exposure, for all 12 months of the recovery period. For the third and each subsequent restructuring of a previously restructured exposure that was allocated to credit risk level 3 or POCI assets at the time of restructuring, Group determines and recognizes the expected credit losses in the amount of 100% of the exposure.

For exposures related to cases when the debtor has not fulfilled its obligation to the bank no later than 60 days from the day when the protest was performed on the basis of a previously issued guarantee, the Group determines and recognizes the expected credit loss in the amount of 100% of the exposure.

If the Group, in accordance with its internal methodology, determines the amount of expected credit losses higher than the amounts arising from the provisions of the Decision, the Group determines and recognizes these amounts in the books.

The minimum rates of expected credit losses for trade receivables, factoring and financial leasing receivables and other receivables are applied according to the table bellow:

Days past due	Minimum expected credit loss
there is no material past due amount	0,5%
up to 30 days	2%
from 31 to 60 days	5%
from 61 to 90 days	10%
from 91 to 120 days	15%
from 121 to 180 days	50%
from 181 to 365 days	75%
over 365 days	100%

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

(iv) Impairment (continued)

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is impaired include the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by Group on terms that Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the* Group *cannot identify the ECL on the loan commitment component separately from those on the drawn component:* Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *financial assets measured at FVOCI:* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

See also Note 5.1.3.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.1. Financial assets (continued)

POCI assets – purchased or originated credit-impaired assets

Purchased or originated credit-impaired financial asset is an asset where there is objective evidence of impairment (default) at initial recognition.

Such assets are identified in the following cases:

- bank repurchases at a significant discount an asset for which there is objective evidence of impairment, or
- there is a significant modification of the instrument which is already in default, or
- the significant modification of the instrument is a reason for default, or
- bank grants a new loan to a customer whose significant portion of the portfolio is already in default

Group does not purchase any impaired assets (bad debts), therefore POCI assets are instruments that are initially recognised, or, subsequently recognised due to a significant modification, which were in default at recognition.

Write-offs

Write-off of loan receivables is performed when all sources of collection of receivables have been exhausted, i.e. when future positive and negative cash flows are no longer expected on credit placements.

Write-off of loan receivables represents a loss. The consequence of writing off loan receivables is their derecognition from the accounting records, except in cases of accounting write-off, when the Group acts in accordance with regulations by deciding on credit risk management and determining expected credit losses.

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in impairment losses on financial instrument in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures.

The Group writes off a loan or an investment in debt security, either partially or in full, and any related allowance for impairment losses, when Group Credit Board determines that there are no realistic prospect of recovery.

Policy applicable from 1 January 2020 - Decision on credit risk management and determination of expected credit losses

In accordance with the Decision on Credit Risk Management and Determination of Expected Credit Losses, effective from 1 January 2020, the Group writes off the balance sheet exposure two years after Group has recognized expected credit losses in the amount of 100% of the gross book value of that exposure. and declared it fully due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.2. Financial liabilities

(i) Classification

The Group classifies financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. The classification depends on the intention for which the financial instruments have been acquired. The Management determines the classification of financial instruments at initial recognition and reviews that classification at each reporting date.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss have two sub-categories: financial instruments held for trading (including derivatives) and those designated by management as at fair value through profit or loss at inception. A financial instrument is classified in this category only if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term for the purpose of short-term profit taking or designated as such by management at initial recognition. Group has no financial liabilities classified at fair value through profit or loss.

Other financial liabilities

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

(ii) Initial and subsequent measurement

Financial liabilities at fair value through profit or loss are initially recognised at fair value, while transaction costs are immediately expensed. Subsequent measurement is also at fair value.

(iv) Modification of financial liabilities

Gains and losses arising from a change in the fair value of financial liabilities at fair value through profit or loss are recognised in the income statement.

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

(iii) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group obligations are discharged, cancelled or they expire.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.2. Financial liabilities (continued)

3.11.3 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in Group trading activity.

3.11.4 Fair value measurement of financial assets and financial liabilities

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

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis (Level 1 of the fair value hierarchy).

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (Level 2 and Level 3 of the fair value hierarchy). The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustments of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.4. Fair value measurement of financial assets and financial liabilities (continued)

The Group recognises transfers between levels of the fair value hierarchy as of the reporting period during which the change occurred.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.4. Measuring the fair value of financial assets and liabilities (continued)

Classification of assets and liabilities is presented as follows:

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued by FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2023
Cash and cash equivalents	1,181,110	-	-	-	-	-	-	-	1,181,110
Financial assets at fair value through PL	-	16,341	-	-	-	-	-	-	16,341
Financial assets at fair value through OCI	-	-	538	-	-	-	-	-	538
Financial assets at amortized cost	3,915,364	-	-	-	-	-	-	-	3,915,364
Pre-paid income tax	-	-	-	-	-	-	163	-	163
Deferred tax assets	-	-	-	-	-	-	10,240	-	10,240
Tangible assets	-	-	-	-	-	-	142,350	-	142,350
Intangible assets	-	-	-	-	-	-	33,085	-	33,085
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	850	-	850
Other assets and receivables	-	-	-	-	-	-	6,674	-	6,674
TOTAL ASSETS	**5,096,474**	**16,341**	**538**	-	-	-	**193,361**	-	**5,306,715**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3.11. Financial assets and liabilities (continued)

3.11.4. Measuring the fair value of financial assets and liabilities (continued)

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued at FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2023.
Financial liabilities at amortized cost	-	-	-	4,559,561	-	-	-	-	4,559,561
Income tax liabilities	-	-	-	-	-	-	1,565	-	1,565
Deferred tax liabilities	-	-	-	-	-	-	2,003	-	2,003
Provisions	-	-	-	-	-	-	36,568	-	36,568
Other liabilities	-	-	-	-	-	-	24,526	-	24,526
TOTAL LIABILITIES	**-**	**-**	**-**	**4,559,561**	**-**	**-**	**64,662**	**-**	**4,624,223**

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued at FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2023.
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	277	277
Accumulated earnings	-	-	-	-	-	-	-	429,345	429,345
TOTAL EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**682,492**	**682,492**

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.4. Measuring the fair value of financial assets and liabilities (continued)

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued at FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2022.
Cash and cash equivalents	1,334,817	-	-	-	-	-	-	-	1,334,817
Financial assets at fair value through PL	-	17,359	-	-	-	-	-	-	17,359
Financial assets at fair value through OCI	-	-	526	-	-	-	-	-	526
Financial assets at amortized cost	3,593,488	-	-	-	-	-	-	-	3,593,488
Pre-paid income tax	-	-	-	-	-	-	1,355	-	1,355
Deferred tax assets	-	-	-	-	-	-	4,253	-	4,253
Tangible assets	-	-	-	-	-	-	136,973	-	136,973
Intangible assets	-	-	-	-	-	-	23,469	-	23,469
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	1,379	-	1,379
Other assets and receivables	-	-	-	-	-	-	6,931	-	6,931
TOTAL ASSETS	**4,928,305**	**17,359**	**526**	-	-	-	**174,360**	-	**5,120,550**

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.4. Measuring the fair value of financial assets and liabilities (continued)

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued at FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2022.
Financial liabilities at amortized cost	-	-	-	4,422,081	-	-	-	-	4,422,081
Deferred tax liabilities	-	-	-	-	-	-	1,705	-	1,705
Provisions	-	-	-	-	-	-	42,077	-	42,077
Other liabilities	-	-	-	-	-	-	24,475	-	24,475
TOTAL LIABILITIES	**-**	**-**	**-**	**4,422,081**	**-**	**-**	**68,257**	**-**	**4,490,338**

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued at FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2022.
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	267	267
Accumulated earnings	-	-	-	-	-	-	-	377,075	377,075
TOTAL EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**630,213**	**630,213**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.5. Specific financial instruments

Cash and cash equivalents

For the purpose of cash flow reporting, the cash and cash equivalents include cash with the Central Bank, balances and funds held at the current accounts with other banks and financial assets in other banks with original maturities of 3 months from the date of acquisition.

The cash and cash equivalents are carried at amortized cost in the statement of financial position.

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

Placements with banks and the obligatory reserve with the Central Bank

Placements with banks with maturity over 3 months and the obligatory reserve with the Central Bank are classified as loans and receivables and are carried at amortized cost less impairment losses.

Loans and receivables

Loans and receivables are presented at amortized cost net of impairment allowances to reflect the estimated recoverable amounts.

The "Loans and receivables" caption in the statement of financial position include:

- loans and receivables measured at amortized cost (see Note 3.11.1), that are initially measured at fair value plus initial costs, and subsequently at their amortized cost using the effective interest method;

- loans and receivables at fair value through profit or loss, measured at fair value with changes in fair value that are recognized in profit or loss.

The 'Financial assets at fair value through profit and loss" caption in the statement of financial position includes:

- debt securities measured at fair value through profit or loss.

The 'Financial assets at amortized cost" caption in the statement of financial position includes:

- debt securities measured at amortized cost

The 'Financial assets at fair value thru other comprehensive income" caption in the statement of financial position includes:

- equity securities measured at fair value through other comprehensive income; and

The Group elects to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Financial assets and liabilities (continued)

3.11.5. Specific financial instruments (continued)

Gains and losses on equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

Financial guarantees and loan commitments

'Financial guarantees' are the contracts that require the Bank to perform specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the contractual terms of a debt instrument. 'Loan commitments' are the Bank's commitments to provide a loan under the pre-specified terms and conditions.

Borrowings and subordinated debt

Interest-bearing borrowings and subordinated debt are classified as other financial liabilities and are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between proceeds (net of transaction costs) and redemption value being recognized in the profit or loss statement over the period of the borrowings using the effective interest rate method.

Current accounts and deposits from banks and customers (bank and client deposits)

Current accounts and deposits are classified as other liabilities and initially measured at fair value plus transaction costs and subsequently stated at their amortized cost using the effective interest method.

3.12. Property and equipment

Recognition and measurement

Property and equipment are initially stated at cost less accumulated depreciation and impairment losses. The purchase cost includes the purchase price and all costs directly attributable to bringing the asset into operating condition for its intended use. Subsequent cost is included in net book value or is accounted for as separate assets only if it is probable that the future economic benefits embodied within the part will flow to the Group and that its cost can be measured reliably. The costs of day-to-day repairs and maintenance are recognized in the income statement as incurred.

Depreciation is charged from the moment the asset is ready for its intended use. It is calculated on the basis of the estimated useful life of the asset, using the straight-line method as follows.

Estimated depreciation rates in 2022 and 2023 were as follows:

Buildings	2%
Vehicles	14%
Office equipment	7% - 33.3%

The gain or loss arising on the retirement or disposal of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss and other comprehensive income in the period in which they occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Intangible assets

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

Estimated depreciation rates were as follows:

Lease hold improvements	20 %
Other intangible assets	16.6 %- 33.3 %

3.14. Investment property

Investment property includes the property held to earn rental income or for capital appreciation, or both, and are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is stated at its cost, less accumulated depreciation and any accumulated impairment losses. Depreciation commences when the assets are ready for their intended use and is calculated on the basis of the estimated useful life of the asset, using the straight-line method as follows:

Buildings	2 %

3.15. Impairment of non-financial assets

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

Recoverable amount is the fair value of asset less the costs of sale or the value in use, depending on which is higher. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense in profit or loss.

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

3.16. Provisions for liabilities and charges

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events for which it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation will be made.

Provisions for liabilities and charges are maintained at the level that the Group's management considers sufficient for absorption of incurred losses. Management determines the sufficiency of provisions on the basis of insight into specific items; current economic circumstances of the risk, characteristics of certain transaction categories, as well as other relevant factors.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16. Provisions for liabilities and charges (continued)

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

3.17. Employee benefits

On behalf of its employees, the Group pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Group pays above tax and contributions for the benefit of the pension and health insurance fund of the Federation of Bosnia and Herzegovina (on federal and cantonal levels), Republic of Srpska and Brčko District.

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognized in the statement of profit or loss and other comprehensive income in the period in which the salary expense is incurred.

Retirement severance payments

The Group makes provision for retirement severance payments in line with the actuary report. When retiring, the employees receive the severance payment in the amount of 6 average employee salaries, or 6 average salaries at the level of the Federation of Bosnia and Herzegovina/ Republic of Srpska/ Brčko District (depending on the place of employee's work), depending on what is more favorable for an employee.

The Group recognizes the cost of retirement severance payments in the period in which severance payments were earned.

3.18. Equity and reserves

Share capital

Share capital includes the paid-in ordinary shares and is denominated in BAM at nominal value.

Retained earnings

Profit for the year after appropriations to owners is allocated to retained earnings.

Fair value reserves

Fair value reserves comprise changes in fair value of financial assets available-for-sale (from January 1, financial assets at fair value through other comprehensive income).

Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the Bank's shareholders.

3.19. Earnings per share

The Group publishes basic and diluted earnings per share (in English - EPS) data. Basic EPS is calculated by dividing the profit or loss in the current period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The Group does not have preference shares.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20. Adoption of new and revised standards

3.20.1 Initial application of new amendments to the existing standards effective for the current reporting period

The following new amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by Association of accountants, auditors and financial workers of the Federation of Bosnia and Herzegovina are effective for the current reporting period:

Standard	Title
MSFI 17*	New standard IFRS 17 „Insurance Contracts", originally issued in May 2017, including amendments of IFRS 17 issued in June 2020 (Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023) and amendments in December 2021 (Amendments regarding the initial application of IFRS 17 and IFRS 9)
Amendments to IFRS 4	Amendments regarding the expiry date of the deferral approach, issued in June 2020
Amendments to IAS 1	Disclosure of accounting policies, issued in February 2021
Amendments to IAS 8	Definition of accounting estimates, issued in February 2021
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction, published in May 2021
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules, issued in May 2023

* The Board of Directors of the Association of Accountants, Auditors and Financial Professionals of FBiH made a decision on September 19, 2022, that IFRS 17 "Insurance Contracts" will be applied to accounting periods beginning on or after January 1, 2026, with the possibility of earlier application in cases where IFRS 9 "Financial Instruments" is also applied.

The adoption of the new standards, amendments to the existing standards and interpretation has not resulted in any material changes in the Group's consolidated financial statements.

3.20.2 New standards and amendments to existing standards in issue not yet adopted

At the date of authorization of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback - issued in September 2022	1 January 2024
Amendments IAS 1	Classification of Liabilities as Current or Non-current – issued in October 2022	1 January 2024
Amendments to IAS 21	Lack of Exchangeability – issued in August 2023	1 January 20245
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements – issued in May 2023	1 January 2024
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – issued in September 2014	Deferred indefinitely

The Group opted not to adopt these new standards, amendments to existing standards and new interpretation before their effective dates. The Group believes that the adoption of these standards, amendments to existing standards and new interpretations will have no material impact on the financial statements of the Group in the future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated and are based on historical experience and other factors such as the expected flow of future events that can be reasonably assumed in existing circumstances, but nevertheless necessarily represent sources of estimation uncertainty. The estimation of impairment losses in Group credit risk portfolio represents the major source of estimation uncertainty. This and other key sources of estimation uncertainty, that have a significant risk of causing a possible material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment losses on loans and receivables

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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Note 3.11.1 (i): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 5.1.3 (i): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 and 31 December 2022 are included in the following notes.

- Note 5.1.3: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 3.11.4: determination of the fair value of financial instruments with significant unobservable inputs
- Note 3.11.1.(iv): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

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

Interest rate-induced risk

In accordance with 7. In decision on credit risk management and determination of expected credit losses, the Group is obliged to assess the debtor's exposure to interest-induced credit risk based on receivables contracted with a variable interest rate. In doing so, Group assesses credit risk from the aspect of possible changes in the financial position of the borrower due to changes in the interest rate, i.e. assesses the ability of the debtor to settle obligations to Group in the event of a potential change in the interest rate in accordance with the agreed conditions. Significant judgments and estimates relating to impairment of expected credit losses are particularly complex in the current uncertain environment triggered by negative macroeconomic developments, geopolitical situation, rising energy prices and inflation, and money market changes. All of the above led to an increase in interest rates, which is described in more detail in Note 5.1.1. *Credit quality analysis*. Interest rates continue to rise and the economic environment in which Group operates is subject to volatility and uncertainty, which could have a negative impact on Group ability to settle liabilities and the Group's financial performance.

Taxation

The Group provides for tax liabilities in accordance with the tax laws of the Federation of Bosnia and Herzegovina. Tax returns are subject to the approval of the tax authorities which are entitled to carry out subsequent inspections of taxpayers' records.

Regulatory requirements

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

Litigation and claims

The total amount of legal proceedings is BAM 101,616 thousand (31 December 2022: BAM 128,869 thousand). Group performs an individual assessment of all court cases and creates provisions in accordance with the assessment. The assessment of risks and proposal for provisions for legal cases is performed by the Legal Affairs Department and Finance Division, and a decision on the creation of provisions is made by Group management.

As stated in Note 32, the Group provided BAM 12,533 thousand (31 December 2022: BAM 11,542 thousand), which management estimates as sufficient. Since the estimate is made considering the specifics of each individual case, it is not practicable for management to evaluate the financial impact of changes to the assumptions based on which provisions are quantified as at the reporting date.

Provisions for severance payments

In calculating provisions for severance payments, the Group discounts expected future cash flows on those payments, using discount rates that, according to the management's judgment, best reflect the time value of money.

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

The Group has established an integrated system of risk management by introducing a set of policies and procedures for analysis, evaluation, acceptance and risk management. Taking risk is core to the financial services business and the operational risks are an inevitable consequence of being in business.
The Management Board has overall responsibility for the establishment and oversight of Group risk management framework.
Risk management is carried out by the Risk Management Division whose main purpose is to support financial operations, coordinate access to domestic and international financial markets, and oversee and manage financial risk through internal risk reports including analysis by size and level of the risk.

5.1 Credit risk

Risk limit control and mitigation policies

The Group takes on exposure to credit risk which is the risk that the counterparty will be unable to pay amounts in full when due. Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a revolving basis and are subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest payment and capital repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The Group activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transaction, Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from Bank Risk.

The Supervisory Board of Group makes a decision on the composition and authorizations of the Credit Committee and the Credit Committee for problematic loans. The Credit Committee, within its authority, may delegate credit approvals to lower levels of decision making and appoint credit decision-makers. Credentials and procedures of the Credit Committee and the Credit Committee for Problematic Loans are defined in the Rulebook on the Work of these Bodies.

Off-balance-sheet credit instruments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letter of credits carry the same risk as loans and are secured with similar collateral as are loans.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements

The maximum credit risk exposure of the statement of financial position line items is stated as follows:

	Notes	31 December 2023	31 December 2022
Cash and accounts with banks (except cash at treasury)	20	860,128	623,197
Loans to and receivables from customers at fair value	21	16,341	17,359
Obligatory reserves at the Central Bank of BiH	23.1	437,791	422,204
Bank deposits	23.2	205,002	319,130
Loans and advances to customers at amortized cost	23.3	2,890,855	2,573,218
Debt instruments at amortized cost	23.4	341,474	248,082
Other financial assets	23.4	40,242	28,933
		4,791,833	**4,232,123**

The maximum credit risk exposure of off-balance sheet items is stated as follows:

	Notes	31 December 2023	31 December 2022
Loan commitments	31	788,231	707,068
Other off-balance exposure items	31	383,707	328,977
		1,171,938	**1,036,045**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

The following table presents the information on credit quality of financial assets measured at amortized cost. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

Explanation of terms „Stage 1", „Stage 2" and „Stage 3" is included in Note 3.11.1.

	31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and accounts with banks (except cash at treasury)					
Excellent	-	-	-	-	-
Strong	333,985	25,387	-	-	359,372
Good	35,289	-	-	-	35,289
Satisfactory	467,857	-	-	-	467,857
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**837,131**	**25,387**	**-**	**-**	**862,518**
Less: loss allowance	**(1,121)**	**(1,269)**	**-**	**-**	**(2,390)**
Net carrying amount	**836,010**	**24,118**	**-**	**-**	**860,128**

	31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and accounts with banks (except cash at treasury)					
Excellent	19,028	-	-	-	19,028
Strong	203,070	-	-	-	203,070
Good	-	-	-	-	-
Satisfactory	401,900	-	-	-	401,900
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**623,998**	**-**	**-**	**-**	**623,998**
Less: loss allowance	**(801)**	**-**	**-**	**-**	**(801)**
Net carrying amount	**623,197**	**-**	**-**	**-**	**623,197**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

	31 December 2023	31 December 2022
Loans to and receivables from customers at fair value		
Excellent	-	-
Strong	15	-
Good	6,276	14,319
Satisfactory	8,569	2,827
Substandard	1,496	370
Credit impaired	334	152
Unrated	-	1
Total gross	**16,690**	**17,669**
Less: Impairment of value	**(349)**	**(310)**
Total	**16,341**	**17,359**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

	31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Obligatory reserves with Central Bank					
Excellent	-	-	-	-	-
Strong	38	-	-	-	38
Good	-	-	-	-	-
Satisfactory	438,191	-	-	-	438,191
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**438,229**	**-**	**-**	**-**	**438,229**
Less: loss allowance	**(438)**	**-**	**-**	**-**	**(438)**
Net carrying amount	**437,791**	**-**	**-**	**-**	**437,791**

	31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Obligatory reserves with Central Bank					
Excellent	-	-	-	-	-
Strong	-	-	-	-	-
Good	-	-	-	-	-
Satisfactory	422,627	-	-	-	422,627
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**422,627**	**-**	**-**	**-**	**422,627**
Less: loss allowance	**(423)**	**-**	**-**	**-**	**(423)**
Net carrying amount	**422,204**	**-**	**-**	**-**	**422,204**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

	31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Deposits with banks					
Excellent	-	-	-	-	-
Strong	205,325	-	-	-	205,325
Good	-	-	-	-	-
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**205,325**	**-**	**-**	**-**	**205,325**
Less: loss allowance	**(323)**	**-**	**-**	**-**	**(323)**
Net carrying amount	**205,002**	**-**	**-**	**-**	**205,002**

	31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Deposits with banks					
Excellent	-	-	-	-	-
Strong	319,567	-	-	-	319,567
Good	-	-	-	-	-
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**319,567**	**-**	**-**	**-**	**319,567**
Less: loss allowance	**(436)**	**-**	**-**	**-**	**(436)**
Net carrying amount	**319,130**	**-**	**-**	**-**	**319,130**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

	31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to and receivables from customers at amortized cost					
Excellent	2,580	-	-	-	2,580
Strong	155,697	996	-	7	156,700
Good	1,447,205	48,796	-	722	1,496,723
Satisfactory	924,773	117,414	-	1,267	1,043,454
Substandard	41,147	136,940	391	1,041	179,519
Credit impaired	-	-	112,749	9,138	121,887
Unrated	40,822	287	398	-	41,507
Total gross amount	**2,612,224**	**304,433**	**113,538**	**12,175**	**3,042,370**
Less: loss allowance	**(19,884)**	**(31,362)**	**(94,743)**	**(5,526)**	**(151,515)**
Net carrying amount	**2,592,340**	**273,071**	**18,795**	**6,649**	**2,890,855**

In 2023, the Group changed the scale used as a basis for assessment of the credit quality of financial assets, resulting in differences in amounts at the level of individual ratings in 2023 compared to 2022, as stated in the table above.

	31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to and receivables from customers at amortized cost *					
Excellent	128	-	-	-	128
Strong	113,843	726	-	-	114,569
Good	1,225,648	62,011	-	435	1,288,093
Satisfactory	831,880	128,368	-	709	960,957
Substandard	59,845	142,103	-	675	202,623
Credit impaired	-	-	129,234	10,595	139,829
Unrated	36,175	2,214	452	-	38,841
Total gross amount	**2,267,518**	**335,421**	**129,686**	**12,414**	**2,745,040**
Less: loss allowance	**(17,341)**	**(36,964)**	**(111,182)**	**(6,335)**	**(171,822)**
Net carrying amount	**2,250,177**	**298,457**	**18,504**	**6,079**	**2,573,218**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

	31 December 2023				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt instruments at amortized cost					
Excellent	160,215	-	-	-	160,215
Strong	141,147	-	-	-	141,147
Good	31,187	-	-	-	31,187
Satisfactory	-	-	-	-	-
Substandard	9,797	-	-	-	9,797
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**342,346**	**-**	**-**	**-**	**342,346**
Less: loss allowance	**(872)**	**-**	**-**	**-**	**(872)**
Net carrying amount	**341,474**	**-**	**-**	**-**	**341,474**

	31 December 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Debt instruments at amortized cost					
Excellent	82,832	-	-	-	82,832
Strong	91,738	-	-	-	91,738
Good	40,143	-	-	-	40,143
Satisfactory	-	35,376	-	-	35,376
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**214,713**	**35,376**	**-**	**-**	**250,089**
Less: loss allowance	**(246)**	**(1,761)**	**-**	**-**	**(2,007)**
Net carrying amount	**214,467**	**33,615**	**-**	**-**	**248,082**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
(Irrevocable) Loan commitments				
Excellent	32,236	78	-	32,314
Strong	166,440	1,676	-	168,116
Good	430,414	9,513	-	439,927
Satisfactory	137,351	10,434	-	147,785
Substandard	1,888	988	-	2,876
Credit impaired	-	-	280	280
Unrated	1,955	307	815	3,077
Total gross amount	**770,284**	**22,996**	**1,095**	**794,375**
Less: loss allowance	**(3,970)**	**(1,166)**	**(1,008)**	**(6,144)**
Net carrying amount	**766,314**	**21,830**	**87**	**788,231**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
(Irrevocable) Loan commitments				
Excellent	262	-	-	262
Strong	56,413	10,460	-	66,873
Good	351,236	11,411	-	362,647
Satisfactory	257,918	22,330	258	280,506
Substandard i	1,319	1,261	-	2,580
Credit impaired	-	-	271	271
Unrated	-	171	-	171
Total gross amount	**667,148**	**45,633**	**529**	**713,310**
Less: loss allowance	**(3,482)**	**(2,306)**	**(454)**	**(6,242)**
Net carrying amount	**663,666**	**43,327**	**75**	**707,068**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Other off-balance exposures				
Excellent	129	-	-	129
Strong	102,482	602	-	103,084
Good	148,569	3,311	-	151,880
Satisfactory	107,834	5,393	-	113,227
Substandard	5,685	11,944	-	17,629
Credit impaired	-	-	-	-
Unrated	21	-	1,379	1,400
Total gross amount	**364,720**	**21,250**	**1,379**	**387,349**
Less: loss allowance	**(1,747)**	**(1,097)**	**(798)**	**(3,642)**
Net carrying amount	**362,973**	**20,153**	**581**	**383,707**

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Other off-balance exposures				
Excellent	672	47	-	719
Strong	48,736	4,813	-	53,549
Good	122,914	5,015	-	127,929
Satisfactory	106,154	36,023	-	142,177
Substandard	1,911	10,245	-	12,156
Credit impaired	-	-	1,158	1,158
Unrated	1,849	44	-	1,893
Total gross amount	**282,236**	**56,187**	**1,158**	**339,581**
Less: loss allowance	**(1,591)**	**(8,298)**	**(715)**	**(10,604)**
Net carrying amount	**280,645**	**47,889**	**443**	**328,977**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)

Following table presents information on the balance of loans and receivables from customer advances that were received in stages 1, 2 and 3.

	31 December 2023				
Customer loans and receivables at amortized cost – gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
Current	2,557,734	224,598	12,782	4,017	2,799,131
Overdue < 30 days	54,347	67,230	4,586	564	126,727
Overdue > 30 days < 90 days	144	12,604	3,501	294	16,543
Overdue > 90 days	-	-	92,669	7,300	99,969
Less: loss allowance	**(19,884)**	**(31,362)**	**(94,743)**	**(5,526)**	**(151,515)**
Total	**2,592,341**	**273,070**	**18,795**	**6,649**	**2,890,855**

	31 December 2022				
Customer loans and receivables at amortized cost – gross carrying amount	Stage 1	Stage 2	Stage 3	POCI	Total
Current	2,212,468	261,965	15,210	3,133	2,492,777
Overdue < 30 days	55,045	61,423	5,516	663	122,648
Overdue > 30 days < 90 days	-	12,027	3,624	185	15,836
Overdue > 90 days	5	6	105,336	8,433	113,780
Less: loss allowance	**(17,341)**	**(36,964)**	**(111,182)**	**(6,335)**	**(171,822)**
Total	**2,250,177**	**298,457**	**18,504**	**6,079**	**2,573,218**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

Interest rate-induced credit risk

In line with the Article 7 of the Decision on Credit Risk Management and Determination of Expected Credit Losses, the Bank is obliged to assess the debtor's exposure to interest-induced credit risk based on receivables contracted at a variable interest rate. In doing so, the Bank assesses credit risk in terms of possible changes in the financial position of the borrower due to interest rate changes, i.e. assesses the ability of the debtor to settle obligations to the Bank in accordance with the agreed conditions, in the event of a potential change in the interest rate.

When assessing the client's creditworthiness, the Bank assesses the effects of interest-induced credit risk based on receivables contracted at variable interest rates, whereby the Bank assesses credit risk, i.e. the debtor's ability to settle liabilities to the Bank in accordance with the agreed conditions, in the event of a potential change in the interest rate.

The Bank performs regular reporting to the stakeholders on the effects of the Interest rate-induced credit risk and portfolio quality. Furthermore, in accordance with the Decision on interim measures to mitigate the risks of interest rate growth, the Bank is obligated to report, on the monthly basis, to the Regulator on the application of measures referred to in the said decision, and on the effects on the credit portfolio through pre-defined patterns. Global disruptions caused by the energy crisis and deepened by the breakout of war in Ukraine, have resulted in continuous inflationary pressures that shaped both economic and banking environment in Europe and in Bosnia and Herzegovina. Attempting to rein in the growing inflation, the leading global banks resorted to an unprecedented shift in monetary policy, by intensively increasing reference (benchmark) interest rates, aiming to slow down economic activities which would eventually lead to assuming control over inflation surge. In this context, the FED (US Federal Reserve System) raised its reference (benchmark) rate 11 times in the period 2022 – 2023, by 525 basis-points in total (from 0.25% to 5.50% level), whereas the European Central Bank (ECB) followed the lead of the Federal Reserve with raising the interest rates 10 times, in total volume of 400 basis-points (from 0.50% to 4.50% level). However, the significant spillover effect of the strong rise in interest rates from the global level to the level of the banking sector of Bosnia and Herzegovina was not recorded due to several reasons. The first reason includes decisions of regulators in BiH (entity banking agencies) that limited the increase of interest rates up to 200 basis points and this limit was set compared to 30 June 2022. However, if a bank were to go with the increase in the level of interest rate that exceeds the set limit, then it would be obliged to perform a significantly higher level of provisioning. The aforementioned measure of the regulator had a positive impact on the banking market of Bosnia and Herzegovina, considering that the average growth of the effective interest rate on credit placements in the volume of 124 basis points (as of the third quarter of 2023) was recorded, which is significantly lower than the regulatory limit set. Another reason why there has not been a significant increase in interest rates in BiH is the fact that the local banking market primarily relies on domestic deposits in financing and has no significant sources of funding from the EU, while the third reason is reflected in the strong competition in the banking market in the sense that banks operating in BiH have to be mindful of possible interest rate increases in the context of their market position.

The Plan for the application of temporary measures aimed at mitigating the risk that may result from a significant increase in interest rates for loan exposures of Raiffeisen BANK dd Bosnia and Herzegovina defines:

- Comparison of the current level of interest rates against the interest rate levels on the reference date 30 June 2022 (new and current exposures);

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

Interest rate-induced credit risk (continued)

- Interest rate growth forecasts and effects of this growth on credit risk;
- Measures to be taken by the bank to mitigate the credit risk and ramifications for credit users;
- Communication with clients;
- Manner of documenting/recording the credit activities;
- Effect of measures on IFRS 9 and expected credit losses;
- Special internal control system measures;
- The monitoring and reporting system in the Bank and reporting to the Agency on the activities and measures under the Decision.

In accordance with the Decision on temporary measures to mitigate the risk of interest rate growth ("Official Gazette of the Federation of BiH", No. 79/22) and Strategic Decision of the Bank, the increase in interest rates is limited to the maximum amount of 200 basis-points, compared to the reference rates on 30 June 2022, save for specific cases relating to:

- syndicated loans,
- Credits approved through tender (bid invitation) procedure,
- credit placements where the client agrees to contracted price (higher than 189 bps) and which, based on the assessment of the effect of contracted price, will not expose the financial service user to the probable situation where one is unable to settle his/her obligations.

In the segment of business entities, the Bank has applied this approach of limiting the growth of interest rates on all placements, taking into account the above exceptions. For all changes in the interest rate over 200 bps compared to the reference date of June 30, 2022, the Bank is obliged to calculate the increased amount of expected credit losses for lots that are in the Stage of credit risk 1 minimum 2% instead of 0.5% and for the Stage of credit risk 2 minimum 12% instead of 5%.

In accordance with the above, on the reporting date December 31 2023, in the corporate client portfolio, 156 lots with a total exposure of BAM 48.94 million recorded an increase in interest rates over 200bps, and produced an overall effect on the increase of ECL of BAM 997.9 thousand (Stage 2 amount of BAM 379.2 thousand, Stage 1 amount of BAM 618.7 thousand) for non - retail segment and BAM 49 thousand (Stage 2 amount of BAM 16 thousand, Stage 1 amount of BAM 33 thousand) for the Retail (Micro) segment. On the reporting date December 31, 2023, the portfolio of 53 individuals with a total exposure of BAM 801 thousand, recorded an increase in interest rates over 200bps, and produced an overall effect on the increase of ECL of BAM 30.5 thousand (Stage 2 amount of BAM 17 thousand, Stage 1 amount of 13 BAM thousand) for the Retail (PI) segment.

During the year, the Group holds in positions of financial and non-financial assets items that it acquired by taking possession of collateral that served as credit exposure insurance, in case of non-repayment of debt by the debtor. This acquisition process mainly relates to real estate, equipment, vehicles and deposits. The reacquired assets are presented as such in Group Financial Position Report at the time when the conditions for its acquisition are met in accordance with IFRS and local regulations. It is the Group policy to sell such acquired assets, and during the time of possession of these assets until the moment of sale to third parties, the assets may be temporarily used for Group operational activities or for lease sleases to third parties.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.2 Collateral and other credit improvements

The Group's policy regarding the acquisition of collateral did not change significantly during the reporting period. During 2023, there were no significant changes in the conditions of acceptability of collateral, nor were there significant changes in the quality of collateral compared to the previous period. The process of regularly assessing the market value of collateral in the time periods defined by the applicable collateral procedures is continuously carried out. Also, Group does a regular analysis of collateral sold on an annual basis and depending on the results of the realized sales values corrective factors (discount rates) that it applies to collateral adjusts (increases or decreases)- during 2022 it was not necessary to correct corrective factors (discount rates) for collateral.

In 2023, as an additional measure of improving or reducing problematic receivables (NpLs), Group established a strategy of acquiring assets on court sales (enforcement proceedings) in the debt collection process. The strategy is reflected in a way that defines the protective price of the asset (depending on the receivables that Group has) and below which Group does not allow the sale of assets. In this way, it is impossible to sell property for free.

For the purpose of this, a new position has been established in Group – asset manager, a person expert in the sale of acquired assets under market conditions, i.e. prices. The new position is common to the Late Collection and Court Collection services, the asset management manager makes the sale of assets acquired by both services.

Residential mortgage lending

The tables below outline credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination, and market value is monitored and adjusted to market trends, once a year at minimum. For credit-impaired loans, the value of collateral is based on the most recent market value appraisals.

	31 December 2023	31 December 2022
LTV ratio		
Less than 50%	31,653	21,999
51–70%	77,049	73,584
71–90%	169,579	146,329
91–100%	15,006	15,237
More than 100%	27,104	21,737
Total	**320,390**	**278,886**

	31 December 2023	31 December 2022
Credit-impaired loans		
Less than 50%	-	-
91%-100	4,757	5,723
More than 100%	-	-
Total	**4,757**	**5,723**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.2 Collateral and other credit improvements

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

i. Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the quantitative or qualitative criteria have been met. The criteria for determining a significant increase in credit risk are defined for the proper allocation of exposure in Stage 1 or Stage 2.

Quantitative criteria

With regard to corporate clients, the quantitative criteria assesses whether the risk of default on liabilities has increased significantly from the initial recognition through the threshold of 250% (250%-threshold is temporally dependent) increase in the likelihood of default. Quantitative criteria are set individually for each product. No grouping of exposure is performed, i.e. measuring a significant increase in credit risk on a collective basis.

As a quantitative measure in case of retail clients, a comparison is made of the remaining probability of default on the reporting date, with the corresponding expected conditional PD from the original vintage curve (i.e. consideration of the PD at the beginning, given the condition that the observed risk line survives, i.e., fully repayable or defaulted, until the reporting date). This increase in credit risk is measured through a relative approach and compared to a fixed threshold value (SICR threshold). Threshold levels are calculated at the portfolio level, for all portfolios that are included in a life-based PD models based on estimates.

Qualitative criteria

Elements that will be the main determinants that need to be considered for the purpose of assessing the steps between the various stages are the following:

- Eventual presence of due amount which remains overdue over 30 days. In such a case, the credit risk of such exposure is considered "significantly increased" and is classified to Stage 2;
- Existence of "forbearance" measures;
- Qualitative information on credit quality deterioration due to which the client is placed on monitoring list;
- Certain indicators of the internal credit risk monitoring system and early warning system.

Determining the presence of any of the above mentioned determinants constitutes a prerequisite for change of credit risk level.

ii. Credit risk grades

Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counteparties. Group uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of loan application is fed into this rating model. In addition, the model enables expert judgement form the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by Group.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

i. Significant increase in credit risk (SICR) (continued)

Corporate clients

For corporate business, the rating is determined at the borrower level. An underwriter will incorporate any updated or new infromation/credit assessments into the credit system on an ongoing basis. In addition the Underwriter will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Clients that meet a definition of a corporate client are treated through Corporate rating model that includes: the Large Corporate Rating Model and the Regular Corporate Rating Model. According to the general concept, borrower rating scale within corporate clients includes 27 rating grades for non-default clients and 1 grade for default clients.

In addition, for the category of small and medium-sized businesses, Group uses the SMB rating model. According to the general concept, the SMB client ranking scale includes a total of 27 rating grades for non-default clients in order to obtain all of the foreseen risk categories according to the internal rating system and 1 grade for default clients.

Local and regional governments

For local and regional government, Group uses the Local and Regional Governments rating model. According to the general concept of the LRG ranking scale, client includes 27 rating grades for non-default clients and 1 grade for default client.

Project financing

For project financing purposes, Group uses the Project finance rating model. According to the general concept of rating scale PF clients include 4 rating ratings for non-default clients and one rating for default clients.

For financial institutions, Group uses the following rating models: FI (Bank) Rating Model, Insurance Rating Model, Sovereigns Rating Model and Funds Rating Model. In the process of ranking clients in the category of financial institutions, the final rating is determined at the level of the RBI Responsible Unit. According to the general concept, the client rating scale for the given rating model has 9 grades for non-defaulted clients, and one grade for default clients, with the exception of FI Rating model that includes 27 grades for non-default and 1 for default.

Retail clients (Private Individuals and Micro)

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness - such as unemployment and previous delinquency history - is also incorporated into the behavioural score. This score is mapped to a PD.

Micro client is a legal entity whose annual income is less than EUR 1 million and exposure less than EUR 100 thousand, and persons organized as independent employees.

. **5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

5.1 1 Credit risk (continued)

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

iii. Definition of default

The status of non-fulfilment of obligations under Group placements is determined based on rbi guidelines based on the requirements defined by EU Regulation 575/2013 (CRR), Article 178, EBA Guidelines for the application of the definition of default status pursuant to Article 178. Regulation (EU) No. Regulation (EU) No 575/2013 and EBA Regulatory Technical Standards relating to materiality thresholds for overdue claims referred to in Article 178 of EU Regulation 575/2013. Following the above guidelines, Group applied the new definition of default as of 30 November 2020, as explained in more detail below. The instructions for identifying and managing a business relationship with non Retail & SE default clients specify other details.

In the retail segment, the default is determined on the facility level for private individuals, whereas, for all legal entities (including Micro and SME customers), the default status is determined on the obligor level.

Non-retail portfolio

The staging criteria are selected in line with IFRS 9, and based on risk parameters available in the Bank. After being assigned a default status, the client undergoes an individual estimate of potential losses (ILLP), thus also obtaining the Stage 3 status under IFRS 9 methodology, which at that moment represents a non-performing asset.

The default status, i.e. individual loan loss provision, is granted for all debt placements of the borrower or to a group of debtors who:

- in settling obligations to the Bank, are more than 90 days overdue, taking into account the materiality threshold of EUR 500 and 1.0% (for details see below) of the value of total contracted credit placements (quantitative criterion)
- are very likely to be unable to settle the obligations to the Bank from their primary sources of funding (qualitative criterion).

The Group (i.e. RBI Group) has defined qualitative indicators that are currently being used to identify the likelihood that a client will not be able to settle his/her obligations to the Bank (e.g. initiated bankruptcy proceedings, partial bed debt write-off, cessation of interest payments, cross-default etc.)

In non-retail segment, the Bank implemented a new default definition for non-retail customers as at November 30 2020. The major change pertains to the change in the materiality threshold used to calculate days past due as one of the default indicators (overdue payment), as explained above.

The instructions for identifying and managing the business relationship with non-Retail & SE default clients specify other details.

IFRS 9 requires the use of several scenarios (minimum 2) within ILLP calculation, taking into account the following principles:

- Certainty of scenarios
- Possibility of documenting these scenarios
- Historical parameters / indicators

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

iii. Definition of default (continued)

The scenario that is certain to happen/to be realized in the next period will be assigned a weight of 90% probability, while scenarios whose likelihood is less realistic will be given the weight of 10% probability, as a unified rule for all clients. The weights will be revised annually. In the case of a client who is going concern as a second scenario, it is possible to use collateral through a court proceedings where on the basis of historical observations it is concluded that a weighting of 10% should be used (analysis based on historical changes in the last 5 years, the transfer of clients from the early stage to the late stage - analysis will be revised annually).

IFRS 9 distinguishes loans valued at fair value and amortized cost.

Portfolio of Retail Clients (Physical Entities and Micro clients)

As in the case of non-Retail clients, in the Retail segment, once assigned the default status, the client is moved to Stage 3 under the IFRS 9 methodology, which at that moment represents a non-performing asset.

Provisions for loan losses must be assigned to all placements of a debtor or group of debtors who:

- in settling obligations to the Bank, are more than 90 days overdue, taking into account the materiality threshold of EUR 100 and 1.0% of the value of total contracted credit placements (quantitative criterion)
- are very likely to be unable to settle the obligations to the Bank (qualitative criterion).

The Group's internal procedures define qualitative criteria under which credit exposure is assigned a status of the client who is very likely not to be able to meet his/her obligations towards the Bank (e.g. bankruptcy of the debtor, cross-default, poor restructuring, etc.)

The Group also implemented the new default definition in the Retail segment as of November 30 2020, by conducting a retrospective calculation of historical daily default data for the past 10 years for physical entities and 5 years for the Micro segment. Based on these data, the Bank determined default data as at 30 November 2020 and the corresponding detailed information on default events.

The major methodological change in the default definition in the Retail segment relates to:

1. Change in days past due counter:

- Materiality threshold of past due amount for the calculation of days past due (DPD) as previously specified
- The logic of counting of days past due (DPD) has changed, and, rather than considering the actual age of the amount past due, the counter counts for how many days the debt exceeds the materiality threshold. This change is reflected in the fact that, when partial settlement is made on an obligation, the number of days past due cannot be reduced, i.e., the new counter can only be reset to zero when the debt due falls below one of the materiality thresholds (absolute or relative).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

iii. Definition of default (continued)

2. Introduction of the so called pulling effect – if a private individual's exposure in default exceeds 20% of this obligor's total exposure, all other exposures of that individual should be also considered defaulted;

3. Change in the distressed restructuring rules and introduction of additional indicators of collection uncertainty, such as excessive indebtedness indicators and the loss of other income.

4. Determination of the default status at the client level for the Micro segment.

The rules for fulfilment of the criteria for exiting the default status have also changed.

iv. Inclusion of prediction factors

In 2022, due to the harmonization of the Decision of the FBIH Banking Agency "Decision on credit risk management and determination of expected credit losses", Article 22 "Allocation of exposure to lower level of credit risk" and "Default definition of Raiffeisen Bank International", the recovery period was updated for transfer from credit risk level 3 to credit risk level 2 for a period of at least 6 months (previously 3 months), provided that the DPDEBA counter has not exceeded 60 days (previously 30 days) during the observed period. With the above harmonization, the local regulations have been fully complied with.

Multiple macroeconomic scenarios are also included in ECL calculation. The Group applies three perspective global economic scenarios (baseline, upside and downside) and this approach is considered sufficient for the calculation of an unbiased expected loss in most economic environments. In calculating the expected credit loss, the Group allocates weights of 50%: 25%: 25% for each of the three macroeconomic scenarios (baseline, upside and downside).

The Probability of Default (PD) is, where relevant, adapted to the macroeconomic status. The macroeconomic model also includes information about the future. The baseline macroeconomic forecasts with a two year horizon are reviewed and updated at least once every quarter and are submitted to the responsible units within the RBI Group.

Forward-looking information is considered in the credit risk assessment. This means that lifelong PD, historical rating and its accompanying PD include information about the future.

Adjustment is made using macroeconomic perspectives in the observed period.

The basic scenario with the prescribed addendum, aimed to reflect the effects arising from the probability of realization of alternative macroeconomic scenarios.

v. Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policies disclosed in Note 3.11.1. (iii).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

v. Modified financial assets (continued)

When the terms of financial asset are modified and the modification does not result in derecognition, determination of whether the asset's credit risk has increased significantly reflects the comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; and
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When the modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers experiencing financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is guaranteed on a selective basis if the debtor is currently in default on its debt, or if there is a high default risk, or if there is an evidence that the debtor made all reasonable efforts to pay under the original contractual terms and that the debtor is expected to be able to meet the revised terms.

The revised terms mostly include extension of the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action.

In general terms, forbearance is a qualitative indicator of a significant increase in credit risk. Expectation of forbearance may constitute evidence that exposure is credit-impaired (see Note 3.11.1). A customer needs to demonstrate consistently good payment behaviour over a period of time, before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased so that the loss allowance reverts to being measured again at an amount equal to Stage 1.

vi. Expected Credit Loss Measurement

The credit risk and ECL assessments are unbiased and probability-adjusted, and incorporate all available information relevant to the assessment, including the information about past events, current conditions and reasonable and sustainable forecasts of future events and economic conditions at the reporting date. In addition, the ECL assessment should consider the time value of money. In general, the Bank calculates ECL using thee three main components: a probability of default (hereinafter: PD); loss given default (hereinafter: LGD); and exposure at default (hereinafter: EAD).

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

vii. Loss allowance

The following table outlines the changes in the credit risk stage for customer loans and receivables, and changes in impairment by class of financial instrument.

Loans to and receivables from customers at amortized cost			**2023**		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2023	**17,272**	**36,884**	**111,332**	**6,335**	**171,822**
New approvals	10,307	6,498	5,588	1,100	23,493
Derecognition	(4,121)	(6,350)	(712)	(401)	(11,584)
Write offs	-	-	(28,139)	-	(28,139)
Collection	-	-	(13,676)	-	(13,676)
Transfer to Stage 1	(1,652)	(7,967)	(1,173)	-	(10,792)
Transfer to Stage 2	(1,773)	9,286	(1,821)	(504)	5,188
Transfer to Stage 3	(306)	(7,309)	23,778	(961)	15,202
Balance at December 31, 2023	**19,727**	**31,042**	**95,177**	**5,569**	**151,515**

Loans to and receivables from customers at amortized cost			**2022**		
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Balance at 1 January 2022	17,050	23,272	140,143	14,387	194,852
New approvals	8,246	7,868	4,063	742	20,918
Derecognition	(4,323)	(8,306)	-	(8,070)	(20,699)
Write offs	-	-	(32,508)	-	(32,508)
Collection	-	-	(1,590)	-	(1,590)
Transfer to Stage 1	(1,663)	(5,063)	(5,346)	-	(12,072)
Transfer to Stage 2	(1,832)	19,900	(4,080)	(204)	13,784
Transfer to Stage 3	(206)	(786)	10,650	(521)	9,137
Balance at December 31, 2022	**17,272**	**36,884**	**111,332**	**6,335**	**171,822**

A significant increase in impairment in Phase 2 was mainly caused by the application of the "overlay model" for exposures for which Group estimated that the impairment calculated according to the internal model of calculating expected credit losses did not adequately reflect the increased level of risk, and applied a higher amount that was determined by the best estimate to be sufficient.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.4 Concentration of credit risk by geographic location

The Group monitors concentrations of credit risk by sector and by geographic region.

Geographic concentration in net carrying amounts of credit exposure is as follows:

	Bosnia & Herzegovina	EU countries	Non-EU countries	Total
31 December 2023				
Cash and current accounts with banks	467,390	268,927	123,811	860,128
Loans and receivables at fair value	16,341	-	-	16,341
Financial assets at fair value through other comprehensive income	355	183	-	538
Obligatory reserve with the BiH Central Bank	437,791	-	-	437,791
Deposits with banks	-	185,386	19,616	205,002
Loans and receivables at amortized cost	2,890,855	-	-	2,890,855
Debt instruments at amortized cost	9,566	292,535	39,373	341,474
Other financial assets	24,497	2,907	12,838	40,242
	3,846,795	**749,938**	**195,638**	**4,792,371**
31 December 2022				
Cash and current accounts with banks	401,498	194,975	26,724	623,197
Loans and receivables at fair value	17,359	-	-	17,359
Financial assets at fair value through other comprehensive income	355	171	-	526
Obligatory reserve with the BiH Central Bank	422,204	-	-	422,204
Deposits with banks	28,875	174,858	115,398	319,131
Loans and receivables at amortized cost	2,573,218	-	-	2,573,218
Debt instruments at amortized cost	33,614	157,401	57,067	248,082
Other financial assets	25,212	3,684	37	28,933
	3,502,335	**531,089**	**199,226**	**4,232,650**

Economic sector risk concentration in presented in Note 23.2.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk

Liquidity risk is the loss risk arising from the existing or expected inability of the Bank to settle its due financial obligations.

- The Group is exposed to daily calls for disbursement of funds that it settles with available cash resources consisting of: overnight deposits,
- funds on current accounts,
- maturing deposits,
- withdrawal of loan funds,
- guarantees and other derivatives that are settled from margins and
- other amounts on demand for monetary derivatives.

The Group does not maintain cash resources in the amount necessary to cover all these needs that may arise. From experience, it can predict with high reliability the minimum amounts of reinvestment of overdue funds. The Group sets limits on the minimum amounts due, which should be available to settle the amount payable on demand, as well as the minimum amounts of interbank and other loans to cover unexpected amounts of funds withdrawn on demand.

The Group maintains liquidity in accordance with the regulations of the FBiH Banking Agency governing liquidity risk, and group and internal acts related to maintaining the adequate liquidity reserve.

Special consideration is given to liquidity measures set by regulatory requirements:

- Liquidity Coverage Ratio (LCR) is monitored on a daily basis and reported to the regulator on a monthly basis; it represents the liquidity coverage ratio over a 30-day stress period
- Net Stable Funding Ratio (NSFR), which is monitored monthly and reported to the regulator on a quarterly basis, is the ratio of available stable financing to the required stable financing, for the purpose of ensuring the bank's long-term resilience to liquidity risk.

LCR is maintained at the level above regulatory and internally defined limits (internally defined limits are >120%).

The NSFR coefficient is maintained at a level above the internally defined limit (internally defined limits for the NSFR above 110%).

Regulatory limits for maturity compliance of financial assets and financial liabilities, which defines:

- due adjustment of the remaining deadlines until the agreed maturity of assets and liabilities instruments, in such a way that Group:
    - at least 65% of sources of funds with a maturity of up to 30 days are engaged in placements (asset instruments) with a maturity of up to 30 days;
    - at least 60% of sources of funds with a maturity of up to 90 days are engaged in placements (asset instruments) with a maturity of up to 90 days;
    - at least 55% of sources of funds with a maturity of up to 180 days are engaged in placements (asset instruments) with a maturity of up to 180 days.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (continued)

	31 December 2023	31 December 2022
Liquidity buffer	1,039,528	1,266,875
Net cash outflows	464,720	495,393
Liquidity Coverage Ratio (LCR)	**224%**	**255.73%**

	31 December 2023	31 December 2022
Stable financing available	3,853,583	3,783,284
Stable financing needed	2,412,570	2,175,837
Net Stable Funding Ratio (NSFR)	**159.73%**	**173.88%**

Maturity analysis

The table below outlines the remaining contractual maturities of the Group's assets and liabilities as at December 31 2023 and December 31 2022, except for financial assets at fair value through other comprehensive income that are classified in accordance with their secondary liquidity characteristic as maturing within one month, and obligatory reserves which, although not short-term, depend on the liabilities on which it is calculated, and are classified in the maturity period within one month.

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2023						
Assets						
Cash and cash equivalents	860,128	-	-	-	-	860,128
Loans and receivables at fair value	7,180	1,805	3,924	1,828	1,604	16,341
Financial assets at fair value through other comprehensive income	538	-	-	-	-	538
Obligatory reserve with the BiH Central Bank	437,791	-	-	-	-	437,791
Deposits with banks	103,480	96,717	-	4,805	-	205,002
Loans and receivables at amortized cost	585,334	476,726	1,118,092	491,452	219,251	2,890,855
Debt instruments at amortized cost	19,397	-	67,719	254,358	-	341,474
Other financial assets	40,220	-	-	22	-	40,242
Total financial assets	**2,054,068**	**575,248**	**1,189,735**	**752,465**	**220,855**	**4,792,371**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (continued)

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Liabilities						
Due to banks and other financial institutions	35,315	27,820	10,810	57,794	-	131,739
Deposits from customers	3,473,711	49,383	183,208	463,347	2,700	4,172,349
Subordinated debt	210	-	-	-	44,983	45,193
Borrowings	1,938	7,941	56,476	99,804	-	166,159
Lease liabilities	392	503	2,225	4,411	200	7,731
Other financial liabilities	12,923	23,467	-	-	-	36,390
Total financial liabilities	**3,524,489**	**109,114**	**252,719**	**625,356**	**47,883**	**4,559,561**

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2022						
Assets						
Cash and cash equivalents	623,197	-	-	-	-	623,197
Loans and receivables at fair value	52	95	424	2,428	14,360	17,359
Financial assets at fair value through other comprehensive income	1	-	-	-	525	526
Obligatory reserve with the BiH Central Bank	422,204	-	-	-	-	422,204
Deposits with banks	177,048	135,916	-	6,167	-	319,131
Loans and receivables at amortized cost	237,567	151,375	556,736	1,119,053	508,487	2,573,259
Debt instruments at amortized cost	19,526	19,885	71,610	-	137,061	248,082
Other financial assets	28,933	-	-	-	-	28,933
Total financial assets	**1,508,528**	**307,271**	**628,770**	**1,127,648**	**660,433**	**4,232,650**
Liabilities						
Due to banks and other financial institutions	52,037	4,002	10,016	74,948	3,401	144,404
Deposits from customers	3,219,027	64,371	245,230	433,391	9,683	3,971,702
Subordinated debt	-	-	-	61,804	44,984	106,788
Borrowings	3,065	6,557	33,117	125,629	-	168,369
Lease liabilities	271	484	1,909	3,216	554	6,434
Other financial liabilities	6,574	16,295	593	-	-	23,462
Total financial liabilities	**3,280,974**	**91,710**	**290,866**	**698,988**	**58,622**	**4,422,081**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk (continued)

The table below outlines the Group's remaining contractual maturity for its non-derivative financial liabilities. The table was prepared based on the undiscounted cash flows of financial liabilities, in line with the earliest date on which Group may have an obligation to make the payment. Table includes the payment of interest and principal:

Maturity for non-derivative financial liabilities

	Net Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
31 December 2023							
Due to banks and other financial institutions	131,739	-	109	96	2,899	-	134,843
Deposits from customers	4,172,349	2	37	465	8,151	482	4,181,486
Subordinated debt	45,194	-	-	2,209	6,608	10,862	64,873
Borrowings	166,158	862	545	3,090	3,410	-	174,065
Lease liabilities	7,731	15	28	106	184	12	8,076
Other financial liabilities	36,390	-	-	-	5	-	36,395
	4,559,561	**879**	**719**	**5,966**	**21,257**	**11,356**	**4,599,738**

	Net Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
31 December 2022							
Due to banks and other financial institutions	144,404	-	8	31	4,276	78	148,797
Deposits from customers	3,971,702	2	15	748	4,755	1,937	3,979,159
Subordinated debt	106,803	680	558	3,565	7,855	11,037	130,498
Borrowings	168,354	203	310	2,382	3,637	9	174,895
Lease liabilities	6,434	14	24	91	161	25	6,749
Other financial liabilities	23,298	1	-	-	8	1	23,308
	4,420,995	**900**	**915**	**6,817**	**20,692**	**13,087**	**4,463,406**

The components of Bank's liquidity reserves are presented in the table in Note 20.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk

Market risks are defined as risks of possible losses due to changes in market prices of trading and banking book positions. Market risk estimates are based on changes in currency exchange rates, interest rates, credit spreads, the cost of equity and goods and other market parameters.

Group market risk management is conducted in accordance with local law and the decisions and instructions of local regulators and in accordance with RBI Group standards (RBI Group regulatory framework and the decision of the RBI Board) and is defined in the internal rules, procedures and policies that are subject to regular internal audits with the aim of complying with regulatory changes, as well as improving the process of (market) risk management due to changes in market conditions, defined strategies and business goals. The process of managing market risk in itself includes mitigation, assessing and limiting exposure before taking risk, and the assessment and control of underwritten risk of the entire bank portfolio i.e. trading and banking book. Despite the existence of restrictions imposed by the regulator, Group limits the exposure to market risks in accordance with its business strategies harmonised at the level of RBI, the approval process of the product and a limit system on market risk positions, i.e. establishing limits on the open positions of market risk, limits on Group s portfolio sensitivity in accordance to changes of risk factors and establishing a system of limits on Value at Risk ("VaR") at the level of the book (trading and banking), at the level of segments (Assets and Liabilities management and Capital Markets) and at the level of the entire portfolio. In addition, for financial instruments carried at fair value, a limit is established on the reduction of their market value, so-called Stop loss limits.

Another important part in the process of managing market risk is stress testing of Group portfolio on extreme changes of market conditions and the calculation of portfolio sensitivity towards crisis scenarios, as well as the impact it has on the financial results. Stress testing of extreme changes in market conditions is performed by RBI on a daily basis.

The Group is exposed to financial results of foreign exchange, change of interest rates, and change of securities prices in its portfolio.

5.3.1 Foreign exchange risk

Foreign exchange risk is the risk that changes in currency exchange rates affecting Group s portfolio exists to the extent that assets and liabilities in one currency are not matched in value or maturity. Given that local currency BAM is pegged to EUR foreign exchange risk is limited.

The strategy of foreign exchange risk management is to limit the exposure, i.e. to maintain the level of assumed risk within the planned preference or planned risk profile for foreign exchange risk, taking into account regulatory restrictions. In order to maintain an adequate level of foreign exchange risk, restrictions on the so-called internal limits with primary consideration of regulatory limits.

In addition to the VaR limit system, Group limits its exposure with the use of foreign exchange limits on open positions for each currency, a limit on the entire long or short position of Group, as well as stop loss limits.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (continued)

5.3.1 Foreign exchange risk (continued)

The carrying amounts of the Group's monetary assets and liabilities per currency at the reporting period date were as follows:

As at 31 December 2023	BAM	EUR*	USD	Other currencies	Total
ASSETS					
Cash and cash equivalents	467,383	261,045	70,905	60,795	860,128
Loans and receivables at fair value	4,389	11,952	-	-	16,341
Financial assets at fair value through other comprehensive income	355	183	-	-	538
Obligatory reserve with the BiH Central Bank	437,791	-	-	-	437,791
Deposits with banks	(102)	205,104	-	-	205,002
Loans and receivables at amortized cost	2,063,936	826,919	-	-	2,890,855
Debt instruments	9,566	297,212	34,696	-	341,474
Other financial assets	19,679	20,367	81	115	40,242
	3,002,997	**1,622,782**	**105,682**	**60,910**	**4,792,371**
LIABILITIES					
Due to banks and other financial institutions	29,712	101,378	421	228	131,739
Due to customers	2,724,342	1,266,142	114,053	67,812	4,172,349
Subordinated debt	-	45,193	-	-	45,193
Borrowings	30,081	136,078	-	-	166,159
Lease liabilities	7,731	-	-	-	7,731
Other financial liabilities	31,710	1,458	2,421	801	36,390
	2,823,576	**1,550,249**	**116,895**	**68,841**	**4,559,561**

* The Group has a number of agreements with foreign currency clause. The BAM value of principal in such agreements is determined by foreign exchange rate developments. The principal balance of the related exposure is included in the table above in the column "EURO".

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (continued)

5.3.1 Foreign exchange risk (continued)

As at 31 December 2022	BAM	EUR*	USD	Other currencies	Total
ASSETS					
Cash and cash equivalents	401,097	109,102	93,954	19,044	623,197
Loans and receivables at fair value	-	17,359	-	-	17,359
Financial assets at fair value through other comprehensive income	355	171	-	-	526
Obligatory reserve with the BiH Central Bank	422,204	-	-	-	422,204
Deposits with banks	26,773	263,313	-	29,045	319,131
Loans and receivables at amortized cost	1,495,851	1,077,367	-	-	2,573,218
Debt instruments	13,800	208,941	25,341	-	248,082
Other financial assets	22,181	6,747	4	1	28,933
	2,382,261	**1,683,000**	**119,299**	**48,090**	**4,232,650**
LIABILITIES					
Due to banks and other financial institutions	120,954	22,642	794	14	144,404
Due to customers	2,526,546	1,257,931	119,112	68,113	3,971,702
Borrowings	-	106,803	-	-	106,803
Subordinated debt	-	169,276	-	-	169,276
Lease liabilities	26	6,408	-	-	6,435
Other financial liabilities	19,288	239	3,433	502	23,298
	2,666,814	**1,563,299**	**123,339**	**68,629**	**4,422,081**

* The Group has a number of agreements with foreign currency clause. The BAM value of principal in such agreements is determined by foreign exchange rate developments. The principal balance of the related exposure is included in the table above in the column "EURO".

The following table outlines five highest Values-at-Risk (VaR) recorded as at 31 December 2023 and their values as at 31 December 2022. VaR is a calculation based on 99% reliability statistical model and under presumption that portfolio is constant during 1 day.

(u '000 KM) **VaR**

Currency	**31 December 2023**	**Currency**	**31 December 2022**
USD	<1	USD	>1
JPY	<1	JPY	<1
HRK	<1	HRK	<1
GBP	<1	GBP	<1
NOK	<1	NOK	<1

The following table details the Bank's sensitivity to a 10% increase or decrease in foreign currency rates against the relevant local currency. The 10%- sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents assessment of the reasonably possible change in foreign exchange rates.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (continued)

5.3.1 Foreign exchange risk (continued)

(in BAM '000)	**USD result (BAM '000)**		**JPY result (BAM '000)**	
	2023	**2022**	**2023**	**2022**
Profit or loss	(6)	(113)	2	2

5.3.2 Interest rate risk

Interest rate risk reflects the possibility of loss of profit and/or erosion of capital due to the fluctuations of interest rates. It pertains to all balance and off-balance positions that are sensitive to fluctuations of interest rates. This risk comprises two components: income component and investment component.

The income component arises from the fact that passive and active interest rates of the Group are not harmonized (interest on placements is fixed, interest on liabilities is variable, and vice versa).

The investment component results from inverted relationship between the fluctuations of prices and interest rates on securities. The Group strives to ensure protection from interest risk by harmonizing the types of interest rates (fixed, floating and variable), currency, related interest rate and the date of interest rate change for all products covered under the contracts it concludes (which are sensitive to interest rate changes).

Any inconsistence between the abovementioned elements results in exposure of the Group to interest rate risk.

5.3.2.1 *BPV interest rate sensitivity analysis*

On the daily basis, positions of interest rate risk undergo sensitivity analysis for 1 basis point during the parallel shift of yield curve which provides values of gains and losses of portfolio for a particular day (1BPV=0,01%).

The table below presents the changes of the portfolio present value, with interest rate growth by 1 basis point as at December 31 2023 and December 31 2022, expressed in thousands of BAM for the following currencies: BAM, EUR and USD, while the changes of present values for other currencies are immaterial.

Currency	**31 December 2023**	**31 December 2022**
KM	(102)	(59)
EUR	(6)	(19)
USD	5	2
Total BPV (in BAM '000)	**(103)**	**(76)**

In the event of change (increase) of interest rates by 1 basis point (parallel shift of yield curve by +0.01%), the effects on the present value of Bank's portfolio as at 31 December 2023 would be the following:

- for BAM – portfolio present value in the amount of BAM 102 thousand

- for EUR – portfolio present value in the amount of BAM 6 thousand

- for USD – portfolio present value in the amount of BAM 5 thousand.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (continued)

5.3.2 Interest rate risk (continued)

5.3.2.1 *BPV interest rate sensitivity analysis (continued)*

The table below presents effects on present value of portfolio, in the event of yield curve shift by 50 bps, at 31 December 2023 and 31 December 2022, for the currencies with material exposure:

Currency	31 December 2023	31 December 2022
KM	(5,595)	(2,925)
EUR	(336)	(919)
USD	262	90
Total BPV (in BAM '000)	**(5,669)**	**(3,754)**

In the event of change (increase) of interest rates by 50 bps (parallel shift of yield curve by 0.05%), the Group would realize:

- for BAM - present value of portfolio is BAM 5,595 thousand as at 31 December 2023.

- for EUR - present value of portfolio is BAM 336 thousand as at 31 December 2023.

- for USD - present value of portfolio is BAM 262 thousand as at 31 December 2023.

5.4 Capital risk management

In compliance with laws, regulations and internal acts Group monitors and reports quarterly to regulators on its capital, risk-weighted exposures and capital adequacy ratios.

Through its management reporting Group also regularly monitors capital movements, capital adequacy ratios as well as all changes in methodology which will have an impact on its capital.

During 2022, Group has been in compliance with all regulatory capital requirements and according to the local regulations in line with Basel III methodology had a capital adequacy ratio of 17.32%.

The regulatory capital of the Bank consists of Tier 1 and Tier 2 capital. The Tier 1 capital consists of Common equity CET 1 capital and Additional Tier 1 capital AT 1. The Tier 1 capital of the Bank (fully equal to Common equity Tier 1) consists of issued share capital, share premium, retained earnings and other reserves formed from profit after taxation on the basis of the decision of the Bank's General Assembly, net revaluation reserves based on changes in fair value of assets (accumulated comprehensive income), reduced for intangible assets and deferred tax assets.

Tier 2 capital consists of subordinated debt, general credit risk adjustments for credit losses, calculated as 1.25% of the risk-weighted exposure amount, minus the missing loan loss provisions for credit losses under regulatory requirements.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Capital risk management (continued)

The minimum capital ratio requirements are as follows:

- Common Equity Tier 1 capital ratio 6.75%
- Tier 1 capital ratio 9.00 %
- Regulatory capital ratio 12.00%

In addition to the statutory minimum capital adequacy ratio, the Bank is also required to provide the buffer for capital preservation that is to be maintained in the form of Tier 1 capital in the amount of 2.5% of the total risk exposure amount.

The total risk weighted exposure used to calculate capital adequacy includes:

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

Under the prescribed methodology, the Bank's capital adequacy ratio, as at 31 December 2023 and 31 December 2021 is above the required limit of 13%. The following table presents the structure of equity and capital requirements of the Bank as at 31 December 2023 and 31 December 2022:

	31 December 2023	31 December 2022
Common equity CET 1 capital		
Issued share capital – ordinary shares	247,167	247,167
Share premium	4,473	4,473
Retained earnings and other statutory reserves	294,873	269,678
Accumulated comprehensive income	277	267
Other reserve	1,230	1,230
Common equity CET 1 capital – regulatory adjustments:		
Intangible assets	*(32,983)*	*(23,266)*
Deferred tax assets	*(10,240)*	*(4,253)*
Significant investments in financial sector entities	*(11,374)*	*(11,374)*
Total Common equity CET 1 capital	**493,423**	**483,922**
Additional Tier 1 equity	-	-
TOTAL TIER 1 EQUITY	**493,423**	**483,922**
Additional capital	-	-
Subordinated debt	44,984	69,713
General credit risk impairments	-	-
Missing loan loss provisions	-	-
TOTAL TIER 2 CAPITAL (T 2)	**44,984**	**69,713**
TOTAL REGULATORY CAPITAL *(unaudited)*	**538,407**	**553,635**
Total risk-weighted assets (unaudited)	**3,108,514**	**2,794,871**
Common Equity capital ratio	***15.87%***	***17.31%***
Tier 1 capital ratio	***15.87%***	***17.31%***
Total capital ratio	***17.32%***	***19.81%***

In June 2023, the Bank paid a dividend in the amount of BAM 75,583 (BAM 45,230 of retained earnings for 2022).The Bank is obligated to ensure and maintain financial leverage rate as an additional security and simple capital hedge, in the amount of at least 6%.The Bank's financial leverage ratio is the ratio of the amount of the Tier 1 capital to the total risk weighted exposure of the Bank as at the reporting date, presented as a percentage, and as at 31 December 2023 it is above the stated minimum, amounting to 9.10%.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

6.1 Valuation techniques

The Group measures fair values using the following fair value hierarchy, reflecting the significance of the inputs used in measurement.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and these parameters have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign exchange rates, equity prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group determines the fair value of debt securities (treasury bills and bonds) using an internal valuation model which considers their remaining maturity and the latest available auction prices of equivalent instruments.

Fair value of available-for-sale equity securities and securities at fair value through profit or loss traded on an active market is measured using the price of these instruments at the reporting date at closing bid prices.

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

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The following table analyses financial instruments measured at fair value at the reporting date distributed according to the fair value hierarchy. The amounts are based on the values recognized in the statement of financial position.

31 December 2023	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss					
Loans to customers	21	-	-	11,952	11,952
Other investments	21	-	-	4,389	4,389
Financial assets at fair value through other comprehensive income					
Equity securities issued by non-resident legal entities	22	-	-	538	538
Total		-	-	12,490	12,490

31 December 2022	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss					
Loans to customers	22	-	-	17,359	17,359
Financial assets at fair value through other comprehensive income					
Equity securities issued by non-resident legal entities	23	-	-	526	526
Total		-	-	17,885	17,885

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

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.3 Financial instruments not measured at fair value

The following table presents the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy where each fair value measurement is categorized.

31 December 2023	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	1,181,110	1,183,662	(2,552)	-	-	1,183,662
Obligatory reserve with the Central Bank of BiH	437,791	438,229	(438)	-	-	438,229
Deposits with other banks	205,002	205,566	(564)	-	-	205,566
Loans and receivables	2,890,855	3,029,887	(139,032)	-	-	3,029,887
Other financial assets at amortized cost	381,716	374,553	7,163	334,920	-	39,633
out of which: securities	*341,474*	*334,920*	*6,554*	*334,920*	-	-
Total	**5,096,474**	**5,231,897**	**(135,423)**	**334,920**	**-**	**4,896,977**
Liabilities						
Due to banks and other financial institutions	131,739	131,749	(10)	-	-	131,749
Deposits from customers	4,172,349	4,158,312	14,037	-	-	4,166,341
Borrowings	211,352	212,169	(816)	-	-	212,169
Lease liabilities	7,595	7,595	-	-	-	7,595
Other financial liabilities at amortized cost	36,390	36,390	-	-	-	36,390
Total	**4,559,425**	**4,546,214**	**13,211**	**-**	**-**	**4,554,243**

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

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.3 Financial instruments not measured at fair value (continued)

The following table presents the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy where each fair value measurement is categorized.

31 December 2022	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	1,334,817	1,335,650	(833)	-	-	1,335,650
Obligatory reserve with the Central Bank of BiH	422,204	422,627	(423)	-	-	422,627
Deposits with other banks	319,131	319,598	(467)	-	-	319,598
Loans and receivables	2,573,218	2,694,398	(121,180)	-	-	2,694,398
Other financial assets at amortized cost	278,936	268,385	10,551	237,531	-	30,854
out of which: securities	248,082	237,531	10,551	237,531	-	-
Total	**4,928,306**	**5,040,658**	**(112,352)**	**237,531**	**-**	**4,803,127**
Liabilities						
Deposits from banks and other financial institutions	144,404	137,381	7,023	-	-	137,381
Deposits from customers	3,971,702	3,947,267	24,435	-	-	3,947,267
Borrowings	276,079	274,177	980	-	-	274,177
Lease liabilities	6,434	6,470	(36)	-	-	6,444
Other financial liabilities at amortized cost	23,462	23,462	-	-	-	23,462
Total	**4,422,081**	**4,388,757**	**32,402**	**-**	**-**	**4,388,731**

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.3 Financial instruments not measured at fair value (continued)

When estimating the fair value of the Group's financial instruments and assigning the instruments to the relevant level of fair value hierarchy, the following methods, assumptions and limitations described below are applied by the Group in accordance with the approach revised within RBBH Group:

Cash and cash equivalents

The carrying values of cash, balances with banks and with the Central Bank are generally deemed to approximate their fair value due to the short term maturity. Loans and receivables to banks are mostly represented by overnight and short term deposits; therefore, there is no significant difference between fair value of those deposits and their book value.

Loans and receivables from customers

Fair value is estimated through discounted cash flow method in case of positions with residual medium-long term maturities, while it is approximated with the book value, reduced for group impairment/individual adjustment in case of short-term loans, loans payable on demand or with an indefinite maturity for impaired loans.

Amounts due for deposits from customers

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the date of reporting. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rate currently offered for deposits of similar remaining maturities. Considering that maturity of most liabilities to customers is short term, fair value is approximately equal to the carrying amount.

Amounts due to banks and other financial institutions

Most of the banks' borrowings are short-term and carries variable interest rate, and thus Management estimates that its carrying amount reflects their fair value.

Subordinated loan carries variable interest rate and thus its carrying value reflects its fair value.

Lease liabilities

The carrying value of lease liabilities approximately equals to its fair value as there is no significant difference between incremental borrowing rate and market rate.

7. BUSINESS SEGMENTS

The Group operates in five basic business segments: corporate segment (business with legal entities); retail segment (business with micro companies and physical entities); segment of financial institutions; treasury and investment business segment and other business segment.

This is presented in the following segments:

Business segments	Segmentation criteria
Business banking	
a) Large, medium-sized enterprises	Companies with a total turnover above BAM 4,960 million. Or exposure above BAM 2,970 million. This business line also includes state-owned companies or local self-government bodies as well as legal companies from abroad with majority ownership of a legal company.
Retail banking	
a) Retail Banking	Includes 2 sub-segments: private individuals and affluent customers **Affluent** customers are those customers who have activated one of the Premium packages
b) Small businesses and single-owner business/sole proprietorship businesses	Includes 2 sub-segments: SE Segment and Micro Segment **SE segment** includes small businesses and single-owner enterprises with a total turnover below BAM 4,960 thousand and a total exposure below BAM 2,970 thousand. If one of the limits is exceeded, the customer is moved to the business segment group. **Micro Segment** includes small businesses and sole proprietorships with a total turnover of up to BAM 1,980 thousand and a total exposure of up to BAM 200 thousand.
Financial institutions	
a) Institutional customers	Companies whose key activities are financial activities, including the Government of BiH and central regulatory bodies (Montenegro) Brokers, IFs, FMCs, microcredit organizations, insurance and leasing companies, Montenegro
b) Banks and other international financial institutions	Banks and international financial institutions
Treasury and investment banking	This segment includes the management of assets and liabilities, financing and banking of financial institutions, transactions in the money market, foreign currency business (FCY management), brokerage activities, depository activities, securities management for the Bank's account.
Other	
a) Subsidiaries	Includes related parties
b) Other	

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

7. **BUSINESS SEGMENTS (CONTINUED)**

31 December 2023	**Corporate**	**Retail**	**Treasury operations and investment banking**	**Other**	**Total**
Interest income, etc., income at an effective interest rate	22,104	104,114	44,840	11,330	182,388
Interest expenditure etc., income at an effective interest rate	(1,035)	(7,501)	(7,359)	(857)	(16,752)
Net interest income, etc., income at an effective interest rate	**21,069**	**96,613**	**37,481**	**10,473**	**165,636**
Fee and commission income	21,680	111,432	514	(3,049)	130,577
Fees and commissions expenses	(7,625)	(30,316)	(98)	819	(37,221)
Net fee and commission income	**14,055**	**81,116**	**416**	**(2,230)**	**93,356**
Impairments and provisions	7,100	(11,727)	(3)	(52)	(4,682)
Other revenues	2,886	18,487	4,329	7,200	32,902
Other costs and expenses	(17,748)	(118,367)	(1,290)	(15,636)	(153,041)
Profit before tax	**27,362**	**66,122**	**40,933**	**(245)**	**134,172**
Income tax	-	-	-	-	(6,319)
Other comprehensive income	-	-	-	-	11
Net profit for the year	**27,362**	**66,122**	**40,933**	**(245)**	**127,864**
Total assets	**860,582**	**2,059,182**	**1,840,183**	**546,768**	**5,306,715**
Total liabilities	**1,373,127**	**2,922,115**	**233,432**	**95,549**	**4,624,223**
Net assets per segments	**(512,545)**	**(862,933)**	**1,606,751**	**451,219**	**682,492**

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

7. BUSINESS SEGMENTS (CONTINUED)

31 December 2022	Corporate	Retail	Treasury operations and investment banking	Other	Total
Interest income, etc. income at an effective interest rate	12,554	100,784	20,589	6,966	140,893
Interest expenditure, etc. income at an effective interest rate	(1,015)	(12,657)	(3,801)	(829)	(18,302)
Net interest income etc. income at an effective interest rate	**11,539**	**88,127**	**16,788**	**6,137**	**122,591**
Fee and commission income	26,247	104,711	462	(4,642)	126,779
Fees and commissions expenses	(6,811)	(23,781)	(52)	320	(30,324)
Net fee and commission income	**19,436**	**80,930**	**410**	**(4,322)**	**96,455**
Impairments and provisions	22,341	(35,858)	(7)	388	(13,136)
Other revenues	4,967	29,200	3,042	(1,998)	35,212
Other costs and expenses	(21,320)	(106,097)	(1,728)	(9,514)	(138,659)
Loss from investment in joint venture	-	-	-	-	(1,225)
Profit before tax	**36,964**	**56,302**	**18,505**	**(10,534)**	**101,237**
Income tax	-	-	-	-	(7,103)
Other comprehensive loss	-	-	-	-	(1)
Net profit for the year	**36,964**	**56,302**	**18,505**	**(10,534)**	**94,133**
Total assets	**751,763**	**1,872,942**	**1,578,658**	**917,187**	**5,120,550**
Total liabilities	**1,342,256**	**2,798,713**	**296,741**	**52,627**	**4,490,337**
Net assets per segments	**(590,493)**	**(925,771)**	**1,281,917**	**864,560**	**630,213**

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

8. INTEREST AND SIMILAR INCOME AT EFFECTIVE INTEREST RATE

	2023	2022
Loans and receivables		
- from retail	116,431	104,510
- from corporate	36,008	30,080
- from banks	23,999	2,625
Other interest income	520	319
Modifications	362	111
Investments in securities at amortized cost	4,271	2,391
Interest income and similar income at effective interest rate of financial assets at amortized cost	**181,591**	**140,036**
Interest income and similar income at effective interest rate of financial assets at fair value through PL	797	857
Interest income and similar income at effective interest rate of financial assets at fair value through PL	**797**	**857**
Interest income and similar income at effective interest rate	**182,388**	**140,893**

9. INTEREST AND SIMILAR EXPENSE AT EFFECTIVE INTEREST RATE

	2023	2022
Banks	11,152	10,922
Corporate	2,591	3,755
Retail	2,592	2,401
Other	181	164
Interest for leasing contracts *(Note 31.4)*	236	1,060
Interest expense and similar expense at the effective interest rate of financial liabilities at amortized cost	**16,752**	**18,302**

10. FEE AND COMMISION INCOME

	2023	2022
Main service lines:		
Credit card business	49,036	43,385
Payment transactions	29,045	31,421
Account maintenance for residents	20,789	19,029
FX transactions	8,990	9,954
Investment in funds	4,569	4,742
Insurance	2,731	3,420
Account maintenance for non-residents	6,724	5,452
Other	2,369	3,137
Total income from fees and commissions from contracts with customers	**124,253**	**120,540**
Financial guarantees and approved an undrawn loans contracts and loan commitments	6,324	6,239
	130,577	**126,779**

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

11. FEE AND COMMISSION EXPENSE

	2023	2022
Credit card transactions	28,405	23,071
Central Bank services	2,008	966
Guarantees	2,983	2,089
S.W.I.F.T. services	928	827
SMS services	932	794
Other	1,964	2,577
	37,221	**30,324**

12. IMPAIRMENTS AND PROVISIONS

	2023	2022
Net credit losses of financial assets at amortized cost *(Notes 23)*	10,153	9,737
(Net releases of previously recognized provisions) / provisions for the credit risk of defaults and guarantees given *(Note 31)*	(7,034)	749
(Net releases of previously recognized provisions)/ provisions for litigations *(Note 31)*	(39)	622
Net releases of previously recognized provisions (*Note 31*)	1,602	2,028
	4,682	**13,136**

13. OTHER NET LOSSES ON FINANCIAL ASSETS

	2023	2022
Net gains/losses from modifications of financial assets at amortized cost that have not resulted in derecognition *(Note 23.3)*	1,220	425
Net effects of the change in the value of financial assets at fair value through income statement *(Note 21)*	39	(140)
	1,259	**285**

14. FORIGN EXCHANGE GAINS

	2023	2022
Net exchange rate gains from foreign exchange purchases	18,204	21,671
Net exchange rate differences based on CBBH settlement	(124)	(174)
	18,080	**21,497**

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

15. NET LOSSES FROM CURRENT NON-FINNCIAL ASSETS

	2023	2022
Net gains from the release of previously recognized impairment losses of property, plant and equipment *(Note 25)*	(1,267)	(812)
Net gains from the release of previously recognized impairment losses of investment property (*Note 27)*	(101)	(141)
Net gains/losses from disposal of property, plant and equipment	(1,510)	(639)
	(2,878)	**(1,592)**

16. OTHER INCOME

	2023	2022
Release of accrued costs from previous periods	3,645	2,713
Income based on interest charges for non-quality loans	2,712	2,976
Income from lease	2,550	3,962
Treasury surpluses	318	21
Other income	5,598	4,043
	14,823	**13,715**

17. EMPLOYEE COSTS

	2023	2022
Salaries	38,497	33,847
Taxes and contributions	24,384	21,734
Severance pay costs	277	354
Other employee expenses	1,297	1,587
	64,454	**57,522**

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

18. OTHER EXPENSES AND COSTS

	2023	2022
Costs of ongoing maintenance	13,822	12,697
Cost of savings deposit and loan insurance premiums	10,747	10,341
Tax and administration costs	8,291	1,414
Cost of services	7,279	8,734
Telecommunications costs	4,409	3,850
Cost of property insurance premiums	4,281	3,906
Cost of consulting services	4,202	5,010
Marketing costs	3,364	3,401
Fee costs to FBA supervisor	3,055	3,093
Energy costs	2,092	2,000
Material costs	1,788	1,787
Other rent expenses *(Note 31.4)*	1,259	1,476
Costs of professional services	898	2,305
Representation costs	856	1,131
Education	601	376
Freight charges	422	389
Utility costs	231	229
Donations	99	256
Other costs and expenses	5,183	3,628
	72,879	**66,025**

19. INCOME TAX

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

	2023	2022
Current income tax	12,005	10,844
Deferred income tax	(5,686)	(3,741)
	6,319	**7,103**

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

19. INCOME TAX (CONTINUED)

Reconciliation of taxable profit, stated in the tax balance, with accounting profit may be stated as follows:

	2023	2022
Profit before income tax	**134,172**	**101,237**
Income tax at a rate of 10%	13,417	10,124
Capital (losses) and other incomes	(975)	(1,612)
Effects of unrecognized expenditures	1,242	3,852
Effects of non-taxable revenue (new employees)	(2,010)	(1,545)
Other effects	333	25
Deferred tax assets - Deferred fee	-	202
Deferred tax assets – Stage 1 and 2	(6,326)	-
Deferred tax assets – depreciation	(30)	(20)
Deferred tax assets – other provisions	(148)	(2,438)
Deferred tax assets – property impairment	519	(1,784)
Deferred tax liabilities - depreciation (lower rates)	297	299
Income tax	**6,319**	**7,103**
Effective tax rate	**4.88%**	**7.02%**

The Group calculates its income tax liability at the rate of 10%, in accordance with effective regulations on tax income of legal entities in Bosnia and Herzegovina

Unrecognized expenditures include unrecognized expenditures for representation, provisions for risks and liabilities and expenditures of impairment of receivables.

Non-taxable revenues include revenues for share capital, release of provisions for risks and liabilities which was previously recognized as tax-unrecognized expenditure.

The new way of presenting taxable income adjustment items, reported in the tax balance sheet with accounting profit, results from initial recognition based on differences related to Other provisions, and credit provisions Stage 1 and 2, adjustment of the value of property/investment which so far, have not been recognized/recorded as deferred tax assets/liabilities.

The change in deferred tax assets may be stated as follows:

	31 December 2023	31 December 2022
Balance at the beginning of period	**4,253**	**213**
Increase in deferred tax assets	5,987	4,040
Balance at the end of the period	**10,240**	**4,253**

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

19. INCOME TAX (CONTINUED)

The Group recognized deferred tax assets on the basis of temporary differences arising from the presentation of unreported deferred income / expenses on the basis of other provisions, property and investment impairment, as well as on the basis of accelerated depreciation, i.e. the difference in depreciation cost between the full tax rate and accrued lower depreciation rates.

The change in deferred tax liabilities may be stated as follows:

	31 December 2023	31 December 2022
Balance at the beginning of period	**1,705**	**1,376**
Recognized deferred tax liabilities	298	329
Balance at the end of the period	**2,003**	**1,705**

20. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in hand in local currency	285,595	639,506
Cash in hand in foreign currency	35,569	72,114
Funds on the current account with CBBH	467,857	401,900
Cash in hand at accounts at deposits institutions up to 30 days	394,479	222,098
Less: impairment	(2,390)	(801)
	1,181,110	**1,334,817**

The interest rate on EUR placements ranged from 1.7% to 3.92% per annum in 2023 or from -0.7% to -1.88% per annum in 2022. The interest rate on MM placements in USD amounted from 4% to 5.27% per annum in 2023, or from -0.02% to 4.1% per annum in 222. The interest rate on placements in other currencies ranged from –0.15% to 5.6% per annum in 2023 or from -0.9% to 3.45% per annum in 2022.

Changes in impairment for expected losses are stated as follows:

	2023	2022
Balance at the beginning of the period	**801**	**1,098**
Release of impairment of value *(Note 12)*	1,589	(297)
Balance at the end of the period	**2,390**	**801**

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2023	**31 December 2022**
Loans and receivables at fair value	16,690	17,669
Adjustment for fair value	(349)	(310)
	16,341	**17,359**

Changes in the fair value of loans measured at fair value are presented as follows:

	2023	**2022**
Balance at the beginning of the period	**310**	**450**
Net change in fair value through PL (*Note 13*)	39	(140)
Balance at the end of the period	**349**	**310**

22. FINANCIAL ASSETS AT FAIR VALU THROUGH OTHER COMPREHENSIVE INCOME

Investments in capital instruments as follows:

	31 December 2023	**31 December 2022**
Listed equity securities:		
Sarajevo Securities Exchange	322	322
S.W.I.F.T. Belgium	183	171
Non-listed equity securities		
Register of Securities of FBiH	32	32
Velprom d.d. Sanski Most	1	1
	538	**526**

Fair value developments, regading these assets, were as follows:

	2023	**2022**
Balance at the beginning of the period	**526**	**498**
Profit from a change in fair value	12	28
Balance at the end of the period	**538**	**526**

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

23. FINANCIAL ASSETS AT AMORTIZED COST

23.1 OBLIGATORY RESERVE WITH THE BIH CENTRAL BANK

	31 December 2023	31 December 2022
Obligatory reserve	438,229	422,627
Less: impairment	(438)	(423)
	437,791	**422,204**

The minimum reserve requirement is calculated as a percentage of the average amount of total deposits and borrowed funds for each business day during 10 calendar days after the mandatory reserve maintenance period.

A single interest rate of 10% of total short-term and long-term deposits and borrowed funds has been applied since 1 July 2016.

Cash held as a compulsory reserve on the CBBH account is not available for use without the special approval of CBBH and FBA.

Changes in impairment for expected losses are stated as follows:

	2023	2022
Balance at the beginning of the period	**423**	**416**
Net impairment change (*Note 12)*	15	7
Balance at the end of the period	**438**	**423**

23.2 DEPOSITS WITH OTHER BANKS

	31 December 2023	31 December 2022
Deposits with other banks	205,325	319,567
Less: impairment	(323)	(436)
	205,002	**319,131**

Impairment changes for expected losses are presented as follows:

	2023	2022
Balance at the beginning of the period	**436**	**224**
Net impairment change (*Note 12)*	(113)	212
Balance at the end of the period	**323**	**436**

The interest rate on placements (over 30 days) in EUR ranged from 2.53% to 3.9% per annum in 2023, or from -0.85% to -1.70% per annum in 2022. The interest rate on USD placements ranged from 4% to 5.21 % per annum in 2023. The interest rate on placements in other currencies ranged from –0.8% to 4.25% per annum in 2023 or from -0.6% to 3.30% per annum in 2022.

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

23. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

23.3 LOANS AND RECEIVABLES

	31 December 2023	31 December 2022
Loans and receivables at amortized cost	2,921,511	2,640,802
Lease receivables	120,859	104,238
Less impairment of value	(151,515)	(171,822)
	2,890,855	**2,573,218**

Changes in the impairment of the loans approved at amortized cost are presented as follows:

	2023	2022
Balance at the beginning of the period	**171,822**	**194,852**
Write-off	(28,139)	(32,491)
Other transfers	(1,288)	(701)
Net effects from modifications of financial assets at amortized cost that did not result in derecognition *(Note 13)*	1,220	425
Releasing a value correction *(Note 12)*	7,900	9,737
Balance at the end of the period	**151,515**	**171,822**

Analysis of loans and receivables according to the original maturity is as follows:

	31 December 2023	31 December 2022
Short-term loans:		
Short-term loans in domestic currency	530,805	536,953
Short-term loans in foreign currency (including currency exchange clause)	1,755	52,052
	532,560	589,005
Long term loans:		
Long-term loans in domestic currency	1,610,850	1,026,130
Long-term loans in foreign currency (including currency exchange clause)	898,960	1,129,905
	2,509,810	2,156,035
Total loans before impairment	**3,042,370**	**2,745,040**
Less impairment	(151,515)	(171,822)
	2,890,855	**2,573,218**

The short-term loans were approved for a period of 30 to 365 days. The majority of short-term domestic currency loans are granted for clients' working capital. The long-term loans are usually granted to physical entities, and the products include Non-purpose loans and Housing loans.

For SME clients, loans that are approved for a period of 30 to 365 days (short term) are loans for working capital and overdraft, whereas long-term loans for a period exceeding 365 days are investment loans and permanent working capital.

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

23. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

23.3 LOANS AND RECEIVABLES (CONTINUED)

Analysis of total approved loans classified per industries and sectors is as follows:

	31 December 2023 Gross book value	**31 December 2023** Expected credit loss	**31 December 2022** Gross book value	**31 December 2022** Expected credit loss
Retail	1,850,054	(117,649)	1,716,648	(129,269)
A - Agriculture, forestry and fishing	12,381	(199)	11,493	(170)
B - Mining and stone extraction	3,400	(81)	1,389	(15)
C - Processing industry	258,670	(8,208)	231,637	(14,436)
D - Production and supply of electricity, gas, steam and air conditioning	11,114	(60)	10,267	(62)
E - Water supply; wastewater disposal, waste management and environmental remediation activities	12,983	(121)	11,715	(145)
F - Construction	41,997	(1,512)	35,084	(1,402)
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	578,418	(16,964)	532,861	(20,436)
H - Transportation and storage	76,284	(2,408)	68,288	(2,908)
I - Accommodation and food service activities (hospitality and catering)	6,768	(412)	5,707	(463)
J - Information and communications	57,989	(803)	27,302	(386)
K - Financial and insurance activities	44,190	(622)	19,546	(220)
L - Real estate business	3,652	(124)	6,258	(139)
M - Professional, scientific and technical activities	15,847	(571)	16,256	(545)
N - Administrative and ancillary services	10,482	(764)	8,528	(403)
O - Public administration and defense; compulsory social insurance	48,648	(769)	33,786	(561)
P - Education	1,847	(121)	1,281	(109)
Q - Health care and social welfare activities	5,366	(71)	4,527	(67)
R - Arts, entertainment and leisure	435	(11)	372	(4)
S - Other service activities	1,838	(45)	2,085	(82)
U - Activities of extraterritorial organizations and bodies	7	-	10	-
Total loans	**3,042,370**	**(151,515)**	**2,745,040**	**(171,822)**

23.4 OTHER FINANCIAL ASSETS AT AMORTISED COST

	31 December 2023	**31 December 2022**
Debt instruments at amortized cost	341,474	248,082
Fee claims	1,961	1,921
Other financial assets	38,284	28,933
	381,719	**278,936**

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

23. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

23.4.1 DEBT INSTRUMENTS AT AMORTIZED COST

	31 December 2023	31 December 2022
Government bonds	281,704	215,240
Corporate bonds	60,641	34,849
	342,345	**250,089**
Less: impairment	(871)	(2,007)
	341,474	**248,082**

Changes in impairment of financial assets measured at amortized cost are stated as follows:

	2023	2022
Balance as at the beginning of the period	**2,007**	**1,309**
Net impairment change (*Note 12)*	(1,136)	698
Balance at the end of the period	**871**	**2,007**

	31 December 2023	31 December 2022
Government and similar bonds:		
Austria	56,023	47,935
Belgium	39,030	9,918
Netherland	37,981	-
Poland	32,393	23,461
Germany	28,816	-
France	28,366	26,664
Republic of Serbia	20,794	18,724
Croatia	17,686	-
North Macedonia	10,352	31,604
Republic of Srpska, BiH	9,566	27,819
Federation of Bosnia and Herzegovina	-	5,796
Sarajevo Canton Government	-	21,380
Corporate bonds:		
European Bank for Reconstruction and Development	28,780	8,324
NIBC Bank	23,461	9,498
International Finance Corporation	8,226	8,638
KFW	-	8,321
	341,474	**248,082**

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

23. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

23.4.2 OTHER FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2023	**31 December 2022**
Receivables for credit card business	27,502	20,525
Other financial assets	10,188	9,471
Claims based on spot transactions and arbitration in foreign currency	7,188	3,633
Less: impairment	(6,594)	(4,696)
	38,284	**28,933**

Changes in the impairment of financial assets measured at amortized cost are stated as follows:

	2023	**2022**
Balance as at the beginning of the period	**4,696**	**5,172**
Impairments (*Note 12*)	1,898	(476)
Balance as at the end of the period	**6,594**	**4,696**

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

24. PROPERTY, PLANT AND EQUIPMENT

	Buildings and Land	Vehicles	Office equipment	Investment in progress	Leasehold improvements	Total
COST						
At 31 December 2021	**100,845**	**1,413**	**61,595**	**2,716**	**7,235**	**173,804**
Additions	-	58	59	7,550	-	7,667
Transfer to use	464	-	5,377	(5,961)	120	-
Write offs and disposals	(323)	-	-	-	-	(323)
Value adjustment	-	(150)	(5,573)	-	(187)	(5,910)
At 31 December 2022	**100,986**	**1,321**	**61,458**	**4,305**	**7,168**	**175,238**
Additions	-	81	36	11,663	-	11,780
Transfer to use	(134)	1,111	6,841	(8,480)	662	-
Transfer to Investment property (*Note 27*)	-	-	-	-	-	-
Write offs and disposals	-	(66)	(4,778)	-	-	(4,844)
At 31 December 2023	**100,852**	**2,447**	**63,557**	**7,488**	**7,830**	**182,174**
ACCUMULATED DEPRECIATION						
31 December 2021	**29,367**	**963**	**45,625**	**-**	**4,608**	**80,563**
Depreciation	1,639	158	4,687	-	1,002	7,486
Write offs and disposals	(69)	(25)	-	-	-	(94)
Value adjustment (*Note 15*)	-	(89)	(5,530)	-	(171)	(5,790)
At 31 December 2022	**(812)**	**-**	**-**	**-**	**-**	**(812)**
Depreciation	1,866	179	5,179	-	891	8,115
Transfer to Investment property (*Note 27*)	-	-	-	-	-	-
Write offs and disposals	-	9	(4,688)	-	-	(4,679)
Value adjustment (*Note 15*)	(1,267)	-	-	-	-	(1,267)
At 31 December 2023	**30,724**	**1,195**	**45,273**	**-**	**6,330**	**83,522**
NET BOOK VALUE						
Balance at 31 December 2022	**70,861**	**314**	**16,676**	**4,305**	**1,729**	**93,885**
Balance at 31 December 2023	**70,128**	**1,252**	**18,284**	**7,488**	**1,500**	**98,653**

As at 31 December 2023, the Group performed value adjustment of the net carrying amount of property its market value.

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

25. OPERATIONAL LEASE ASSETS

	Vehicles	Equipment	Total
COST			
At 31 December 2021	**13,342**	**22**	**13,364**
Addition	3,852	-	3,852
Transfers to inventories	4,132)	-	(4,132)
Disposals	(777)	-	(777)
At 31 December 2022	**12,285**	**22**	**12,307**
Addition	3,743	-	3,743
Transfers to inventories	(3,114)	-	(3,114)
Disposals	(1,833)	-	(1,833)
At 31 December 2023	**11,081**	**22**	**11,103**
Value alignment			
At 31 December 2021	**4,490**	**22**	**4,512**
Depreciation	2,020	-	2,020
Transfers to inventories	(2,407)	-	(2,407)
Disposals	(344)	-	(344)
At 31 December 2022	**3,759**	**22**	**3,781**
Depreciation	1,775	-	1,775
Transfers to inventories	(1,021)	-	(1,021)
Disposals	(2,486)	-	(2,486)
At 31 December 2023	**2,758**	**22**	**2,780**
NET BOOK VALUE			
Balance at 31 December 2022	**8,526**	**-**	**8,526**
Balance at 31 December 2023	**8,323**	**22**	**8,323**

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

26. RIGHT-OF-USE ASSETS

	Buildings	ATM	Total
COST			
Balance as at 31 December 2021	**11,102**	**2,300**	**13,402**
Increase (new lease contracts)	2,571	210	2,781
Decrease (premature contract termination)	(2,182)	(141)	(2,323)
Balance as at 31 December 2022	**11,491**	**2,369**	**13,860**
Increase (new lease contracts)	4,799	447	5,246
Decrease (premature contract termination)	(1,714)	(244)	(1,958)
Balance as at 31 December 2023	**14,576**	**2,572**	**17,148**
ACCUMULATED DEPRECIATION			
Balance as at 31 December 2021	**4,683**	**931**	**5,614**
Depreciation *(Note 31.4)*	2,108	504	2,612
Derecognition (premature contract termination)	(604)	(46)	(650)
Balance as at 31 December 2022	**6,187**	**1,389**	**7,576**
Depreciation *(Note 31.4)*	2,359	541	2,900
Derecognition (premature contract termination)	(791)	(100)	(891)
Balance as at 31 December 2023	**7,755**	**1,830**	**9,585**
NET BOOK VALUE			
Balance as at 31 December 2022	**5,304**	**980**	**6,285**
Balance as at 31 December 2023	**6,801**	**742**	**7,563**

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

27. INVESTMENT PROPERTY

INVESTMENT PROPERTY	
COST	**Total**
Balance as at 1 January 2022	**35,252**
Transfer from property *(Note 24)*	323
Balance as at 31 December 2022	**35,575**
Transfer from property *(Note 24)*	318
Balance as at 31 December 2023	**35,893**
ACCUMULATED DEPRECIATION	
Balance as at 1 January 2022	**6,609**
Transfer from property *(Note 24)*	69
Value adjustment *(Note 15)*	(141)
Balance as at 31 December 2022	**7,231**
Depreciation	770
Value adjustment *(Note 15)*	182
Balance as at 31 December 2023	(101)
NET BOOK VALUE	**8,082**
Balance as at 31 December 2022	**28,344**
Balance as at 31 December 2023	**27,811**

The Group's investment property at fair value was as follows:

	31 December 2023	**31 December 2022**
Buildings	34,251	33,465
	34,251	**33,465**

The fair value of investment properties at 31 December 2023 and 31 December 2022 was evaluated by internal appraisers, employees of the Bank who possess adequate qualifications and recent experience in estimating assets at fair value at relevant locations, and external investment property appraisers.

The fair value of the Group's investment property was determined using the market value method which reflects current market value, taking into consideration building's construction value and other factors (location, usability, quality and other factors). No changes were made in technique of value measurement during the year.

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

28. INTANGIBLE ASSETS

	Other intangible assets	Investment in progress	Total
COST			
Balance at 31 December 2021	**44,583**	**4,601**	**49,184**
Additions	56	10,536	10,592
Transfer to use	1,659	(1,659)	-
Write offs and disposals	(50)	-	(50)
Balance as at 31 December 2022	**46,248**	**13,478**	**59,726**
Additions	41	13,482	13,523
Transfer to use	4,631	(4,631)	-
Write offs and disposals	(2,541)	-	(2,541)
Balance as at 31 December 2023	**48,087**	**22,329**	**70,416**
ACCUMULATED DEPRECIATION			
Balance at 31 December 2021	**32,700**	-	**32,700**
Depreciation	3,608	-	3,608
Write offs	(50)	-	(50)
Balance as at 31 December 2022	**36,258**	-	**36,258**
Depreciation	3,797	-	3,797
Write offs	(2,542)	-	(2,542)
Balance as at 31 December 2023	**37,331**	-	**37,331**
NET BOOK VALUE			
Balance as at 31 December 2022	**9,990**	**13,478**	**23,469**
Balance as at 31 December 2023	**10,756**	**22,329**	**33,085**

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

29. JOINT VENTURE INVESTMENTS

Joint venture		% of share	31 December 2023	31 December 2022
ESP BH d.o.o. Sarajevo	Information and other services	45.00%	-	1,225
Impairment of investments			-	(1,225)
Net value			**-**	**-**

On 31 October 2023, the Municipal Court in Sarajevo rendered a Decision concluding the liquidation proceedings against the legal entity ESP d.o.o., by which the said legal entity is removed from the register.

30. OTHER ASSETS AND RECEIVABLES

	31 December 2023	31 December 2022
Prepaid expenses	2,392	1,867
Petty cash loss	674	713
Other advances paid	209	414
Inventories	333	284
Other assets and receivables	3,066	3,585
	6,674	**6,863**

31 FINANCIAL LIABILITIES AT AMORTIZED COST

31.1 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2023	31 December 2022
Current accounts in domestic currency	1,832	1,828
Current accounts in foreign currency	32	22
	1,864	*1,850*
Short-term deposits in domestic currency	28,012	46,129
Short-term deposits in foreign currency	19,181	4,313
	47,193	*50,442*
Long-term deposits in domestic currency	65,117	72,998
Long-term deposits in foreign currency	17,565	19,114
	82,682	*92,112*
	131,793	**144,404**

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

31 FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)

31.2. DEPOSITS FROM CLIENTS

	31 December 2023	31 December 2022
Current accounts from clients in domestic currency	1,036,084	875,995
	1,036,084	*875,995*
Demand deposits from corporate customers in domestic currency	1,341,595	1,215,922
Demand deposits from corporate customers in foreign currency	265,552	317,632
	1,607,147	*1,533,554*
Demand deposits from retail customers in domestic currency	250,426	249,936
Demand deposits from retail customers in foreign currency	584,106	573,344
	834,532	*823,280*
Time deposits from corporate customers in domestic currency	13,982	18,977
Time deposits from corporate customers in foreign currency	146,248	84,055
	160,230	*103,032*
Time deposits from retail customers in domestic currency	140,602	157,807
Time deposits from retail customers in foreign currency	393,754	478,034
	534,356	*635,841*
	4,172,349	**3,971,702**

In 2023, interest rates ranged as follows:

- demand deposits in BAM – 0,01 % per annum (2022 0,00% per annum),
- demand deposits in foreign currencies – 0,00% per annum (2022: 0.00% per annum),,
- short-term deposits– 0.01% to 0.20% per annum (2022: from 0.01% to 0.20% per annum),
- long-term deposits – 0.00% to 2.40% per annum (2022: from 0.01% to 0.30% per annum).

31.3. BORROWINGS

	31 December 2023	31 December 2022
Subordinated debt	45,193	106,803
Other loans from banks	166,159	169,276
	211,352	**276,079**

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

31. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)

31.3. BORROWINGS (CONTINUED)

Subordinated debt is classified as follows:

	31 December 2023	31 December 2022
Commercial banks – others	44,984	44,984
Interest on subordinated debt	209	15
Commercial banks – affiliated parties	-	61,804
	45,193	**106,803**

The credit line of an affiliate, approved on 27 September 2013, totalling BAM 61,804 thousand, which included only the liability per principal was repaid in March 2023.

On 14 November 2022, the new credit line was signed – in the form of subordinated debt from entity not affiliated with the bank – EFSE (commercial banks – others) in the total amount of BAM 44,984 thousand and with a maturity date of 18 November 2032. The planned repayment of the loan is one-time, in full amount, on the defined repayment date. In the event of liquidation or bankruptcy of the Bank, liabilities arising from the subordinated debt are subordinated to the Bank's other liabilities.

Subordinated debt may be used as an additional capital increase for regulatory purposes, provided that it is approved by the regulators.

Long-term loans from foreign banks and non-banking credit institutions were obtained from supranational and development banks.

Interest rates on the entire portfolio of the long-term credit lines from banks and other financial institutions for the period ending 31 December 2023, ranged from 0.05% to 3.43% per annum (fixed rates) and 6 EURIBOR + 0,2% to 6 EURIBOR + 5,50% (variable rates), Interest rates at 31 December 2022 ranged from 0.05% to 2.28% per annum (fixed rates) and 6M EURIBOR + 0.20% to 6M EURIBOR + 1.80% (variable rates).

31. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)

31.4. LEASE LIABILITIES

	Currency	Nominal interest rate	Contracted/ expected maturity	Present value 31 December 2023	Present value 31 December 2022
Lease liabilities – business premises	BAM	2%	2022-2029	6,834	5,405
Rental obligations – ATM	BAM	2%	2022-2025	761	1,003
				7,731	**6,434**

In 2023, the Group recognized right-of-use assets and associated lease obligations of ATMs that were assessed to meet the conditions for recognition in accordance with IFRS 16 "Leases" due to the value of the contract.

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

31. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)

31.4. LEASE LIABILITIES

Leases where the Group is a lessee

Lease agreements refer to the business premises used by the Group to perform its activities, and vehicles. Individual contracts have different durations and due dates as presented in the table above.

The right-to-use assets are stated separately in the statement of financial position and in Note 26.

Amounts stated in the income statement

	2023	2022
Loan agreements under IFRS 16		
Interest on lease agreements (*Note 9*)	181	164
Depreciation of right of use assets *(Note 26)*	2,900	2,612
Lease cost for low value contracts and short-term contracts (*Note 19*)	1,259	1,476
	4,340	**4,252**

Amounts recognized in the cash flow statement

	2023	2022
Total lease outflows	6,255	6,014

31.5 OTHER FINANCIAL LIABILITIES AT AMORTIZED COST

	31 December 2023	31 December 2022
Credit card business liabilities	22,746	15,586
Other financial liabilities	9,997	5,217
Accounts payable	1,899	1,233
Liability for other taxes	1,352	1,226
Other liabilities to employees	396	200
	36,390	**23,462**

32. PROVISIONS

	31 December 2023	31 December 2022
Provisions for guarantees and loan commitments	9,785	16,845
Provisions for legal proceedings	12,553	12,542
Other provisions	14,230	12,690
	36,568	**42,077**

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

32. PROVISIONS (CONTINUED)

Changes in provisions for financial guarantees and approved and undrawn loans:

	2023	2022
Balance as at the beginning of period	**16,845**	**16,097**
Changes in provisions (*Note 12)*	(7,034)	749
Other changes	(26)	-
Balance as at the end of period	**9,785**	**16,845**

Provisions for financial guarantees and approved and undrawn loans

Throughout its regular operations, the Group assumes loan obligations that are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and undrawn loans.

	31 December 2023	31 December 2022
Loan commitments	794,375	713,310
Issued guarantees	357,390	322,295
Letters of credit	22,135	7,613
Other off-balance sheet exposures	7,823	9,673
	1,181,723	**1,052,891**

Provisions for legal proceedings

Developments in provisions for legal proceedings are:

	2023	2022
Balance as at the beginning of period	**12,542**	**11,920**
Increase, net (*Note 12*)	(39)	622
Other changes	50	-
Balance as at the end of period	**12,553**	**12,542**

Changes in provisions for other employee benefits are:

	Annual Vacation	Severance payments	Other provisions	Total
Balance as at 1 January 2021	**1,353**	**2,658**	**8,486**	**12,497**
Increase, net (*Note 12*)	(642)	644	1,759	1,761
Payment for the period	-	-	(3,596)	(3,596)
Balance as at 31 December 2021	**711**	**3,302**	**6,649**	**10,662**
Changes in provisions (*Note 12*)	1,208	(208)	1,028	2,028
Balance as at 31 December 2022	**1,919**	**3,094**	**7,677**	**12,690**
Changes in provisions (*Note 12*)	(135)	530	1,207	1,602
Other changes	-	-	(62)	(62)
Balance as at 31 December 2023	**1,784**	**3,624**	**8,822**	**14,230**

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

33. OTHER LIABILITIES

	31 December 2023	31 December 2022
Principal and interest paid upfront	10,672	10,325
Accounts payable	9,519	9,117
Deferred income	3,211	3,005
Other liabilities	1,124	2,030
	24,526	**24,477**

34. SHARE CAPITAL

The capital comprises 988,668 ordinary shares at nominal value of BAM 250. Equity instruments of the Group are not traded in public market and not listed on Sarajevo Stock Exchange.

The ownership structure of the Group is as follows:

Shareholders	No. of Shares	'000 BAM	%
Raiffeisen SEE Region Holding GmbH, Vienna, Austria	988,688	247,167	100,00

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year.

	31 December 2023	31 December 2022
Income attributable to ordinary shareholders ('000 BAM)	127,853	94,134
Weighted average number of regular shares in issue during the year	988,668	988,668
Basic earnings per share (in BAM)	**129.32**	**95.21**

Diluted earnings per share are not presented as the Group issued no dilutive equity instruments.

35. MANAGED FUNDS

The Group manages assets for the benefit and on behalf of third parties. These assets are recorded separately from the Group's assets. For its services, the Group charges a fee amounting to 1% of the total amount of placement.

	31 December 2023	31 December 2022
Liabilities		
Government	1,594	3,710
Corporate customers	3,482	3,482
Retail customers	29	38
Other	77	77
	5,182	**7,307**
Assets		
Loans to retail customers	2,771	3,724
Loans to corporate customers	2,411	3,583
	5,182	**7,307**

The Group issued no guarantees related to managed funds, Credit risk remains with the owner of funds.

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

36. RELATED-PARTY TRANSACTIONS

Related party balances are summarized as follows:

	31 December 2023	31 December 2022
Receivables		
Loans and receivables to customers:		
Raiffeisen Leasing d.o.o. Sarajevo	10,055	9,564
	10,055	**9,564**
Other receivables:		
Raiffeisen Invest d.o.o. Sarajevo	391	3
Raiffeisen Assistance d.o.o. Sarajevo	10	6
Raiffeisen Leasing d.o.o. Sarajevo	5	17
	406	**26**
Liabilities		
Bank and customer deposits:		
Raiffeisen Leasing d.o.o. Sarajevo	5,110	6,422
Raiffeisen Invest d.o.o. Sarajevo	2,393	1,145
Raiffeisen Capital a.d. Banja Luka	799	314
Raiffeisen Assistance d.o.o. Sarajevo	183	68
	8,485	**7,949**
Lease liabilities:		
Raiffeisen Leasing d.o.o. Sarajevo	1,257	1,284
	1,257	**1,284**
Other liabilities		
Raiffeisen Leasing d.o.o. Sarajevo	7	22
Raiffeisen Capital a.d. Banja Luka	1	1
Raiffeisen Assistance d.o.o. Sarajevo	-	2
	8	**25**

	2023	2022
Revenue		
Interest income:		
Raiffeisen Leasing d.o.o. Sarajevo	276	170
	276	**170**
Fee income:		
Raiffeisen Invest d.o.o. Sarajevo	4,624	3,701
Raiffeisen Leasing d.o.o. Sarajevo	21	81
Raiffeisen Capital a.d. Banja Luka	4	-
Raiffeisen Assistance d.o.o. Sarajevo	1	1
	4,926	**3,783**

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

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

	2023	2022
Revenue		
Other income:		
Raiffeisen Leasing d.o.o. Sarajevo	318	287
Raiffeisen Invest d.o.o Sarajevo	31	31
Raiffeisen Assistance d.o.o. Sarajevo	28	30
Raiffeisen Capital a.d. Banja Luka	7	-
	384	**348**

	2023	2022
Expenses		
Interest expense:		
Raiffeisen Leasing d.o.o. Sarajevo	101	136
Raiffeisen Assistance d.o.o. Sarajevo	-	2
Raiffeisen Invest d.o.o. Sarajevo	-	1
	101	**139**
Other administrative expenses:		
Raiffeisen Leasing d.o.o. Sarajevo	254	709
Raiffeisen Assistance d.o.o. Sarajevo	24	14
Raiffeisen Invest d.o.o. Sarajevo	-	1
	278	**863**

In the course of regular operations, several banking transactions with related parties were carried out. These transactions were carried out under commercial conditions and deadlines, and with the application of market rates.

Related party balances are summarized as follows:

	31 December 2023	31 December 2022
Receivables		
Loans and receivables to banks:		
Raiffeisen Landensbank Tirol AG, Insbruk, Austria	33,563	44,157
Raiffeisen Bank International AG, Wien, Austria	24,618	35,466
Raiffeisenustria d.d. Zagreb,Croatia	1,297	2
Raiffeisenbank a.d. Beograd, Serbia	63	162
Other receivables:		
Raiffeisen Bank International AG, Wien, Austria	258	22
Raiffeisenaustria d.d. Zagreb, Croatia	2	-
	59,801	**79,809**
Liabilities		
Subordinated debt:		
Raiffeisen Bank International AG, Wien, Austria	-	61,804
Long-term loans bank		
Raiffeisen Bank International AG, Wien, Austria	14,021	4,417
Raiffeisen Bank Zrt. Budapest, Hungary	7,112	14,224
Raiffeisenustria d.d. Zagreb, Croatia	90	-

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

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

	31 December 2023	31 December 2022
Deposits to banks and customers:		
Raiffeisen Bank International AG, Wien, Austria	-	1,409
Raiffeisen Austria d.d. Zagreb, Croatia	-	28
Other receivables:		
Raiffeisen Bank International AG, Wien, Austria	1,827	4,509
Centralised Raiffeisen International Services & Payments	186	50
	23,236	**86,441**

A certain number of banking transactions are concluded with related parties in the normal course of business. These transactions are carried out on commercial terms and at market rates.

	2023	2022
Revenue		
Interest income:		
Raiffeisen Landensbank Tirol AG, Insbruk, Austria	1,529	780
Raiffeisen Bank International AG, Wien, Austria	281	50
Fee income:		
Raiffeisen Bank International AG, Wien, Austria	420	394
Raiffeisenbank Austria d.d. Zagreb, Croatia	25	30
Raiffeisen Bank International AG, Wien, Austria	2,025	484
Centralised Raiffeisen International Services & Payments	96	95
	4,376	**1,833**

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

36. RELATED-PARTY TRANSACTIONS (CONTINUED)

	2023	2022
Expenses		
Interest expense:		
Raiffeisen Bank International AG, Wien, Austria	2,645	5,565
Raiffeisen Bank Zrt., Budapest, Hungary	465	315
Raiffeisenbank Bulgaria AD Sofia, Bulgaria	-	44
Fee expense:		
Centralised Raiffeisen International Services & Payments	817	705
PJSC Ukrainian Processing Centar	267	-
Raiffeisen Bank International AG, Wien, Austria	126	206
Raiffeisen Leasing International GmbH, Wien, Austria	58	59
Raiffeisenbank a.d. Belgrade, Serbia	4	3
Raiffeisenbank Austria d.d. Zagreb	2	4
Consultant services:		
Raiffeisen Bank International AG, Wien, Austria	318	4,428
Other administrative expenses		
Raiffeisen Bank International AG, Wien, Austria	6,226	4,514
Centralised Raiffeisen International Services & Payments	437	436
PJSC Ukrainian Processing Centar	54	-
Raiffeisenbank a.d. Beograd, Srbija	1	3
Net expenditure from foreign currency trading		
Raiffeisen Bank International AG, Wien, Austria	200	266
	11,620	**16,548**

Fees to the Management Board and other members of the management:

The following fees were paid to the Management Board members during the period:

	2023	2022
Net salaries	1,628	1,811
Taxes and contributions on salaries	1,262	1,257
Taxes and contributions for other benefits	370	281
Other benefits	483	487
	3,743	**3,836**

37. SUBSEQUENT EVENTS

There were no significant events between the balance sheet date and the date of approval of these financial statements that require disclosure.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were signed and authorized for issue by the Management on May 07, 2024.

Chairman of the Management Board
Rainer Schnabl

Raiffeisen BANK DD BOSNA I HERCEGOVINA
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Edin Hrnjica

Management Board member
Edin Hrnjica