Annual Report 2022

Raiffeisen BANK

Member of RBI Group

Survey of key data

Raiffeisen *BANK* d.d. Bosna i Hercegovina Monetary values in EUR million	2022	2021	Change
Income Statement			
Net interest income after impairment and provisions	54.2	50.6	107.01%
Net fee and commission income	48.6	42.4	114.72%
Net trading income	11.0	8.8	125.24%
General administrative expenses	(68.2)	(60.9)	111.90%
Profit before tax	54.8	39.7	138.05%
Profit after tax	51.5	35.6	144.83%
Balance Sheet			
Cash and cash equivalents	682.5	781.3	87.35%
Loans and advances to customers	1,268.1	1,212.3	104.61%
Deposits and loans from banks and financial institutions	166.9	157.4	106.06%
Deposits from customers	2,034.8	2,004.4	101.52%
Equity (including profit)	318.8	290.4	109.78%
Total Assets	2,569.2	2,496.5	102.91%
Regulatory information			
Risk-weighted assets	1,428.9	1,402.1	101.91%
Capital adequacy ratio	19.81%	18.43%	1.38%
Performance			
Return on equity (ROE) before tax	17.19%	13.67%	3.52%
Return on equity (ROE) after tax	16.16%	12.25%	3.91%
Cost/income ratio	57.13%	58.13%	1.00%
Return on assets (ROA) before tax	2.13%	1.59%	0.54%
Resources			
Number of employees	1,341.0	1,277.0	4,77%
Business units	90	95	-5,0

The Raiffeisen Group in Bosnia and Herzegovina consists of Raiffeisen *BANK* d.d. Bosna i Hercegovina, Raiffeisen *LEASING* d.o.o. Sarajevo, Raiffeisen *INVEST* Društvo za upravljanje fondovima d.d. Sarajevo, Raiffeisen *CAPITAL* a.d. Banja Luka, društvo za finansijsko posredovanje and Raiffeisen *ASSISTANCE* d.o.o. Sarajevo.

Raiffeisen *BANK* d.d. Bosna i Hercegovina

Raiffeisen Bank has operated as a financial institution in Bosnia and Herzegovina since1992 when it was founded as Market banka d.d. Sarajevo. Thanks to the quality of its business, it soon stood out as a very successful and profitable bank. Today, the bank has almost 1,300 employees serving over 480,000 customers. The bank's key competitive advantages are: investment in new technology; experienced, educated and constantly developed staff; its focus on the individual customer approach, and keeping up with the latest market and industry trends.

Raiffeisen *LEASING* d.o.o. Sarajevo

Raiffeisen *LEASING* has been operating in the Bosnia and Herzegovina market for more than 10 years. The *LEASING* offer includes a wide range of tailor-made finance and operating leases. This member of the Raiffeisen Group in Bosnia and Herzegovina offers modern, personalized and flexible financing, committed to be a reliable partner to its customers.

Raiffeisen *INVEST* d.d. Sarajevo

Raiffeisen *INVEST* Društvo za upravljanje fondovima d.d. Sarajevo is a fund management company operating in the Bosnia and Herzegovina market since 2012. Raiffeisen *INVEST* offers new investment products to the local market, intended for various customer profiles, depending on their risk appetite and expected investment return.

Raiffeisen *CAPITAL* a.d. Banja Luka

Raiffeisen *CAPITAL* a.d. Banja Luka brokerage company operates as a member of the Banja Luka Stock Exchange (BLSE) and provides security trading services to private and institutional investors, both local and international ones. Beside stock broking, it offers services related to the take-over of stock companies and services related to block transactions.

Raiffeisen *ASSISTANCE* d.o.o. Sarajevo

The Insurance Mediation Intermediary Raiffeisen *ASSISTANCE* d.o.o. Sarajevo aims to provide its end users with easier to access to all types of insurance. This member of the Raiffeisen Group in Bosnia and Herzegovina has been operating since 2010.

Raiffeisen Bosna i Hercegovina

Sustainability management – part of the corporate culture of Raiffeisen bank

ESG (eng. Environment, Social, Governance) stands for ecological, social, and sustainable business at the level of the entire Raiffeisen Group, supported by the Sustainable Development Goals of the United Nations (SDG). Practicing responsible banking means being **involved in permanent, sustainable projects of value to the community and being a significant partner to one's customers**. Banks take their needs into account and strive to offer **products and services that will simplify doing business with the bank** – whether it's digital applications, financial education programs or new instruments to improve the user's experience. Responsible banking also includes **investments in green projects** as well as their promotion, given that new generations are more aware of the impact of climate change on life, health, and overall well-being.

Principles of responsible banking are a unique framework for ensuring the alignment of the strategy and practice of the signatory banks with the vision that society has set for its future in the Sustainable Development Goals and the Paris Climate Agreement. Over 270 banks with more than 45 percent of banking assets worldwide have joined this movement for change, leading the way to a future where the banking community makes the positive contribution to people and planet that society expects.

Raiffeisen Bank in Bosnia and Herzegovina initiated numerous activities within the individual segments of the bank, such as financial literacy, informing all shareholders through both internal and external communication channels about responsible business and ESG, and raising awareness of ESG matters, products and socially responsible initiatives.

Primary goal of the Raiffeisen Group as a responsible banker is sustainability in business. Strategy, as well as products, processes and services are aligned with this goal, for the implementation of which Raiffeisen applies a holistic approach. Group achieves both efficiency and sustainability by always taking into account the environmental and social impacts of its business operations, in addition to achieving the economic value. Accordingly, in early 2021, Raiffeisen Bank International became **the first Austrian banking group to sign the Principles of Responsible Banking of UNEP FI**, a unique framework for a sustainable banking industry. Raiffeisen strives to offer its customers sustainable financial products and services and to support them in their transformation towards a sustainable future and thus make a positive contribution to society.

Overview of Raiffeisen

Report of the Supervisory Board

Ladies and Gentlemen,

Raiffeisen BANK d.d. Bosna i Hercegovina marked another successful year which ended with a net profit of KM 100,8 million, equity of KM 623,59 million and total assets of KM 5 billion.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisen BANK dd Bosna i Hercegovina. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

The Supervisory Board performed its duties fully in line with the applicable law and the bank's Articles of Association. The main topics discussed by the Supervisory Board included the progress on the adaptive transformation, the change of the interest rate environment, the employee satisfaction survey, the status of the CBS project and people and organization topics.

I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen BANK dd Bosna i Hercegovina for their unwavering efforts, and also our customers for their continued trust.

On behalf of the Supervisory Board

Peter Jacenko
Chairman of the Supervisory Board

Preface of the Chairman of the Management Board

In early 2022, the world and the EU faced unfortunate events and beginning of the war in Ukraine, which completely changed global geopolitical situation and the brought global uncertainty to the highest level. The war in Ukraine brought a warfare economic scenario to Europe in 2022, with major disruptions in the EU energy supplies and supply chains due to introduction of the severest set of EU sanctions towards Russia, which resulted in pressured economic outlook. Despite spill-over effects, BH economy still demonstrated strong resilience in absorbing the global shocks with reported robust real GDP growth of 4% yoy, despite the highest inflationary environment on record and in the SEE region in 2022 and with no anti-inflationary measures by the governments, the average inflation settled at 14% yoy. B&H banking sector in this challenging economic environment, once again proved to be one of the most stable and successful segments of the B&H economic and financial system, strongly supporting growth and financing of real economy and citizens. Raiffeisen BANK dd Bosna i Hercegovina maintained its business and financial stability, service continuity and excellence in its approach for more than 485 ths of its customers. It is therefore my pleasure to announce on behalf of the Management Board that we recorded excellent financial results. We ended the year with the total net profit of KM 100.8 million, total deposits of KM 4.1 billion and loans in the amount of KM 2.5 billion.

The activities of the Bank in 2022 were mostly based on two current strategic considerations: digital transformation and sustainability management. When speaking of digitalisation, in addition to rendering our services through the digital channels, we have also worked on adaptation of our business model in order to achieve higher efficiency and differentiation on the market, as well as improved experience of our customers. The Raiffeisen Mobile Banking application was enhanced with several new functionalities during the past year, and it was rated as the best application on the BH market according to the user opinions on App Store and Google Play. We have also continued with the process of transformation of our branches that now offer completely new experience to our customers.

Besides innovations, we were committed to reaching the sustainable development goals, and continued with the implementation of numerous activities in the segment of responsible banking and ESG by taking into account both ecological and social impact of our business activities. We worked on extension of our offer of sustainable financial products in order to support transfer of our customers towards sustainable business models as a reliable partner. The Bank supported the women empowerment project for women entrepreneurs, as well as the projects of strengthening financial literacy of the young people.

In parallel with that, we tried to limit the negative effects on the environment and reduce the CO2 emission through implementation of the green activities. Of course, we took care of our employees with a significant focus on their experience and engagement, work environment culture, management and an opportunity for further education, by taking care of their involvement and diversities.

In terms of the ESG principles of business operations, we are especially proud of what we have achieved as part of the social component and that we, as before, contributed to the local community. As part of the partnerships with many organisations whose activities are focused on children and persons with special needs, we supported 29 projects throughout 2022.

Therefore, I can reflect on the past year with pleasure, and the fact that Raiffeisen team did an outstanding job is additionally confirmed by many awards in 2022 of which I will name only a few: award of the leading publication in the financial sector, magazine "Euromoney" for the "Best Bank in BiH", award by the European Bank for Reconstruction and Development for the "Most Active Issuer of Financial Instruments in BiH in 2021".

Finally, I would like to emphasise that we will continue to actively follow the digitalisation trends in future and work on innovative solutions that simplify business operations with the Bank to our customers. Our role in the segment of support to sustainable development continues through adaptation of the offer of sustainable financial products and services. We are ready for the expectations waiting ahead of us. As the responsible banker and fair partner to our clients, we will continue to transform continuous innovations into a superior experience of our customers to whom I want to thank for the trust they place in us. In context of current geopolitical situation, it is important to underline that our bank has excellent liquidity and capitalization, and we will continue our very strict strategy of conservative management of the bank's business activities in order to protect our clients.

Rainer Schnabl
Chairman of the Management Board

Macroeconomic overview

In the past three years, the world has faced extreme challenges and unprecedented shocks, starting from the health crisis in 2020 that turned into the global pandemic of COVID-19, to the strong economic momentum in 2021 that was interrupted by the outbreak of the war in Ukraine. Although the increased inflationary trend had already started even before the unfortunate events at the end of February 2022, the war in Ukraine led to the escalation of a large-scale energy crisis, which became the primary threat to the global economy.

Despite the challenging economic conditions, the BiH economy — although small and dependent on global movements — has shown strong resilience in absorbing global shocks without major consequences on the overall economic growth in 2022. Exponential growth in energy prices has consequently led to an increase in the prices of food, transport, housing costs and other categories of the consumer price index, which in the case of Bosnia and Herzegovina has resulted in record inflation of as much as 14% on an annual basis, which is an unprecedented increase in inflation in the post-war period as well as the highest level recorded in the area of South-East European countries.

Our expectations in terms of economic developments in 2022 were optimistic and based on available high-frequency indicators, which despite environmental pressures, indicated resilience and the absence of unexpected shocks on the domestic economy. Following the outbreak of the war in Ukraine, Europe had to adapt to the new economic reality, provide new alternatives to Russian gas and simultaneously use monetary tools to combat the accelerated inflation. Considering the strong ties with the European market, it was expected that BiH would feel the negative consequences of the economic deterioration at the global level to a certain extent, but not before the second part of the year.

Consequently, the first half of the year resulted in an extended economic recovery from the previous year, with the real GDP growth of 5.8% per year. It is this growth pace that will significantly determine the overall pace of the GDP development, and after the slowdown in the second part of the year when we expect an average growth of only 2.3% per year, it will lead to an overall growth rate of 4% on an annual basis.

Looking at the structure of the GDP in the first half of 2022, gross investments increased by 24.3% yoy, and private consumption remained strong with real growth of 4.1% yoy supported by inflows of remittances, wage growth and retail loans. War in Ukraine has caused serious disruptions in global markets, intensifying inflationary pressures and thus compromising any normal business operations. In this sense, there was a "stockpiling effect" in the private sector which, despite serious disruptions in the supply market and inflationary pressure, influenced the strong recovery of private gross investments, which for the first time take the place of the main driver of the economic growth in 2022. Despite the continuously high inflationary environment, the private consumption, as the largest category of the GDP, remained at a high level, which is confirmed by retail trade turnover and still remains at double-digit growth rates. Complete lack of fiscal stimulus and systemic anti-inflationary measures in the country was partially compensated by private sector measures: one-off payments of employers in the amount of the average salary with tax benefits, supported by the record nominal growth of gross and net wages (12% yoy).

However, inflationary pressures were somewhat more intense, which resulted in a decrease in real wage growth and disposable income, so consumers relied more on borrowing from banks and the inflow of remittances from abroad. In the same period, the biggest negative contribution to the GDP growth came from net exports, which are expected to be a burdening factor until the end of the year.

Global economic slowdown, with accompanying detrimental effects, was felt a little later on the BiH market. Thus, the latest available report on the GDP trends for the third quarter of 2022 indicates slightly lower growth than originally expected at 2.6% per year (compared to our estimate of 3% per year). At the quarterly level, the economic operations increased by 0.5%, which is an extended trend from the first and second quarters of the current year. Structure of the GDP shows a slowdown in private consumption with growth of 2.9% yoy and stagnation at the quarterly level, and the smallest contribution to the overall GDP growth. Continuous nominal growth of wages, followed by the constant growth of retail loans in the first half of the year, was an incentive for private consumption. However, in the third quarter, the trend weakens because a real wage growth is still negative due to the double-digit inflation. Government spending was expected to grow by 1.6% annually and 0.9% quarter-on-quarter due to the election campaign, although the combined contribution of final spending was not enough to encourage a stronger GDP growth in the third quarter.

On the other hand, the largest contribution to the total GDP was made by gross investments, which grew by 11.5% annually and 0.4% quarterly. As the foreign trade balance continues to deteriorate, the export of goods and services increased by 19.8% annually, while the import of goods and services by 22.1% annually, resulting in a negative position of net exports and a negative contribution to GDP growth (-3.7 pp).

Overall, the movements of the key macroeconomic indicators in the third and fourth quarters show that the economy is slowing down with weaker growth pace, which caused a slight revision of our 2022 forecast. In this context, we expect that real GDP growth will reach the level of 4% in 2022 (50bp lower than the previous estimate), which brings us to a level that is in line with the average of South-East Europe (4.4%).

Banking sector of Bosnia and Herzegovina, regardless of the turbulent period and the increased risk of liquidity and stability in 2022, has proven itself once again as one of the most successful segments of the economic and financial system of Bosnia and Herzegovina with continuous stability in conditions of the regular economic activity. Successful response to emergency situations by local regulators came to the light especially after the sanctions were imposed on Sberbank Europe. With the Russian invasion of Ukraine, the Banking Agencies of the Republika Srpska and the Federation of Bosnia and Herzegovina decided to take over the management of Sberbank branches in Banja Luka and Sarajevo, starting the resolution process, in order to prevent geopolitical events and the introduction of economic and financial sanctions against Russia from affecting the operations of local banks due to the excessive outflow of deposits and panic of depositors. Liquidity and stability of the sector is not in at stake, and nearly a complete stabilization followed only a few months after the intervention of the regulator.

Considering the challenges faced by the banking sector in 2022, we may state that the growth of the key indicators was satisfactory. Banking sector assets grew by 3.8% yoy, which was driven mostly in the first part of the year before slowing down in the second half of the year. At the same time, lending growth amounted to 4.7% per year, which brought the total credit portfolio to 22.07 billion KM at the end of 2022. In the structure, retail loans (KM 10.98 billion) and economy loans (KM 9.78 billion) balanced the pace of growth with 5.2% yoy and 5.3%, respectively, while loans to the public sector (KM 1.12 billion) had a negative rate of -4.9% yoy. Non-purpose loans were the absolute leaders in the retail segment with a portfolio in the amount of KM 7.98 billion and a growth rate of 4.5% on an annual basis. In terms of 2023, we expect slower lending pace compared to the previous year, and estimates of the expected growth go to 2.6% yoy, mainly due to stifled growth or stagnation of the corporate segment, a more cautious level of retail lending due to the general assumption that the year of 2023 will be marked by both global and local slowdowns in economic operations and investments and the growth of interest rates.

On the deposit side, an absolute record of total deposits was recorded in the contemporary history of BiH with a total amount of KM 29.23 billion and a growth rate of 5% yoy, which is a clear proof of confidence in the banking sector, which stabilized very quickly after the short-term outflow of deposits. Thus, the total inflow of deposits in 2022 reached a respectable amount of KM 1.34 billion. In 2023, we expect deposits to grow at a rate of 8% on an annual basis, stimulated by the changed monetary policy of the ECB, which resulted in an increase in the deposit rate, so it may be expected that local banks will partially adjust their developments to the global market.

In particular, after 11 years of the historically low interest rates, strong inflationary pressure led to a turnaround in the monetary policy of the key central banks both in America and in Europe, and accelerated interest rate growth in order to suppress uncontrolled price growth. Thus, the European Central Bank (ECB) changed the interest rate environment with just one increase of 50 basis points (bp) in July 2022, and with three additional increases in the reference rate of a total of 200 bp brought the reference rate to the level of 2.5% with the expected continuation of growth in the first part of 2023 up to 4%. According to the available data on the movement of interest rates on the local market, the sudden increase in interest rates was not simultaneously replicated on the BiH market. In particular, the Central Bank of Bosnia and Herzegovina (CBBH) implements a passive monetary policy based on the currency approval model and does not have the discretionary rights of a typical central bank, and given the fact that the CBBH adjusted its remuneration rates at a slower pace than the ECB, it is expected that the level of interest rates on the local market will be adjusted as late as in the first part of 2023. We do not expect that the mentioned growth will follow the European growth of interest rates, since local banks rely on domestic sources to a large extent, i.e. deposits in financing loans. Nevertheless, a certain "spillover" effect of an interest rate growth is inevitable, but banks in BiH certainly take into account the possibility of servicing and protecting their customers, and are also limited in the regulatory sense when it comes to the threshold for an interest rate growth. In this regard, both banking agencies in the FBiH and the RS entity established the recommended limits for the growth of interest rates with the aim to protecting customers and banking institutions in an environment of rising interest rates and constant inflationary pressures and risks. *Decisions on Temporary Measures for Mitigation of the Interest Rate Rise Risk* were adopted with the key goal of avoiding a sudden rise in interest rates in Bosnia and Herzegovina, i.e. protecting users of financial services. Recommended threshold for the rise of interest rates is set at 200 bp, which means that if the bank were to increase the interest rate above the recommended threshold, it would have consequences on the number of provisions, directly affecting the profitability of an individual bank.

Expectations for the year of 2023 are based on two key trends – economic decline and the still present elevated inflation. Furthermore, the key assumption is that we do not expect a recession in the Euro Area, and therefore not even in BiH, but it is realistic to expect a significant slowdown in economic momentum driven by the external spillover effects from EA and the EU as the main export partners (over 73% of exports go to the EU). Based on this, we expect that the growth in 2023 will be driven primarily by private consumption growth of 1.9% yoy, which will be limited and adversely affected by still higher inflation and lower disposable income. Expected inflation rate is still stronger than the expected wage growth, which is additionally accompanied by the escalation of financial conditions in the banking sector, which will result in lower private investments (9-10% yoy). Public spending is expected to remain at 1.5% yoy, in line with the long-term average. Within the framework of the base scenario, stabilization of exports and imports of goods and services is expected at lower levels, with real growth of exports of 8.5% yoy and real growth of imports of goods and services of 11.5% yoy, accompanied by risks of movement of commodity prices at the international level (oil, gas and food). All this points to an expected GDP growth of at least 1.5% yoy in 2023, with room for even better performance and growth between 1.8% – 2% yoy. In 2023, we still expect an elevated level of inflation, and the basic scenario envisages a single-digit growth (+6% on average), which is still quite high considering the effect of the high base dated 2022.

All in all, the year 2023 will be an important turning point for the final combat against inflation at the global level, and the price of that struggle is the expected economic stagnation or low level of economic growth.

Raiffeisen Bank International at a glance

Raiffeisen Bank International (RBI) regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 12 markets across the region. In addition, the Group comprises numerous other financial service providers that are active in areas such as leasing, asset management and M&A.

In total, around 44,000 RBI employees serve 17.6 million customers from around 1,700 business outlets, the vast majority of which are in CEE. At year-end 2022, RBI's total assets were approximately € 207 billion.

RBI AG shares have been listed on the Vienna Stock Exchange since 2005. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares with the remaining 41.2 per cent in free float.

Raiffeisen *BANK* d.d. Bosna i Hercegovina at a glance

Raiffeisen *BANK* d.d. Bosna i Hercegovina is a subsidiary of Raiffeisen Bank International AG (RBI), one of the leading universal type banks in the region of Central and Eastern Europe (CEI). Raiffeisen Zentralbank Österreich AG-- Vienna acquired Market banka d.d. on July 21, 2000. It was then successfully integrated into the Raiffeisen network where it now operates as Raiffeisen *BANK* d.d. Bosna i Hercegovina.

RZB became the sole shareholder of Hrvatska Poštanska banka in May 2001 and renamed it Raiffeisen *BANK* HPB. Since January 1, 2003, when Raiffeisen *BANK* HPB was successfully integrated into Raiffeisen *BANK*, the bank has been operating under the single name 'Raiffeisen *BANK* d.d. Bosna i Hercegovina'. This allowed Raiffeisen to strengthen its position in the local market and significantly expand its business network.

In the years that followed, the bank took on a pioneering role in the country's banking industry, and became one of the leaders in providing digital banking services. Numerous international and local awards attest to the successful business operations of the bank. These include the Global Finance 'Best Bank in BiH', The Banker 'Bank of the Year' award, EMEA Finance 'Best Bank in BiH' award and the local award the 'Golden BAM'.

The key competitive advantages of Raiffeisen *BANK* d.d. Bosna i Hercegovina in the local market are: investment in new technology, experienced staff, the active development of its personnel, its focus on the individual customer approach and implementation of new sales channels and new state-of-the-art products and services as well as ESG & Sustainability management activities and ongoing improvements of the agile way of work.

Shareholder Structure of Raiffeisen *BANK* d.d. Bosna i Hercegovina:

Raiffeisen *BANK* dd Bosna i Hercegovina is a fully owned subsidiary of Raiffeisen SEE Region Holding GmbH.

Vision 2025

We are the most recommended financial services group.

Mission

We transform continuous innovation into superior customer experience.

The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group in CEE. It represents two stylized horse's heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the roof was believed to protect the house and its occupants from outside dangers and to ward off evil. It symbolizes the protection and security that the members of the Raiffeisen banks enjoy through their self-determined collaboration. Today, the gable cross is one of Austria's best-known trademarks and a well-recognized brand in CEE.

The Management Board

James Stewart
Chairman of the Management Board
(ending with 30.11.2022)

Rainer Schnabl
Chairman of the Management Board
(from 01.12.2022)

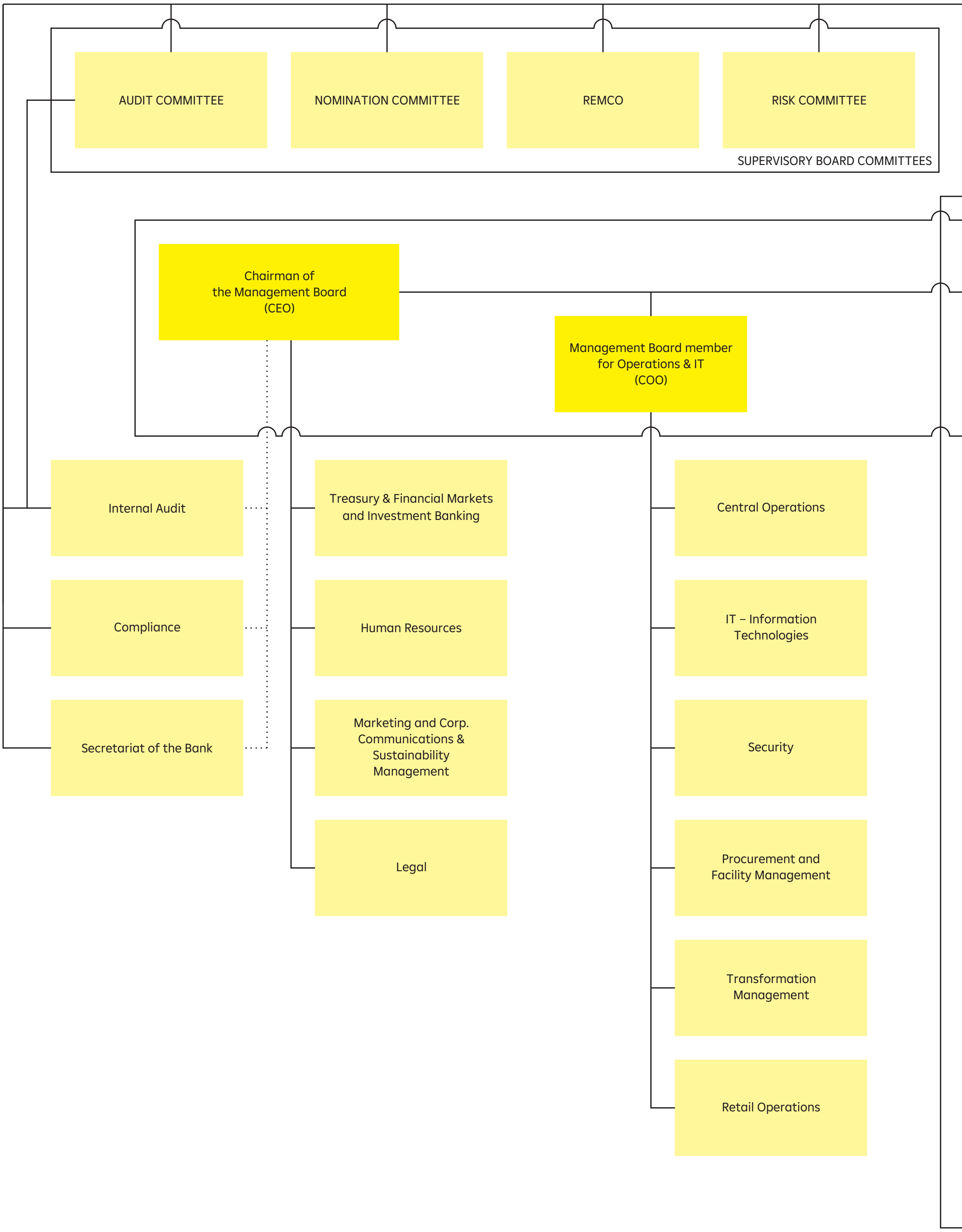
Andreea Achim
Member of the Management Board

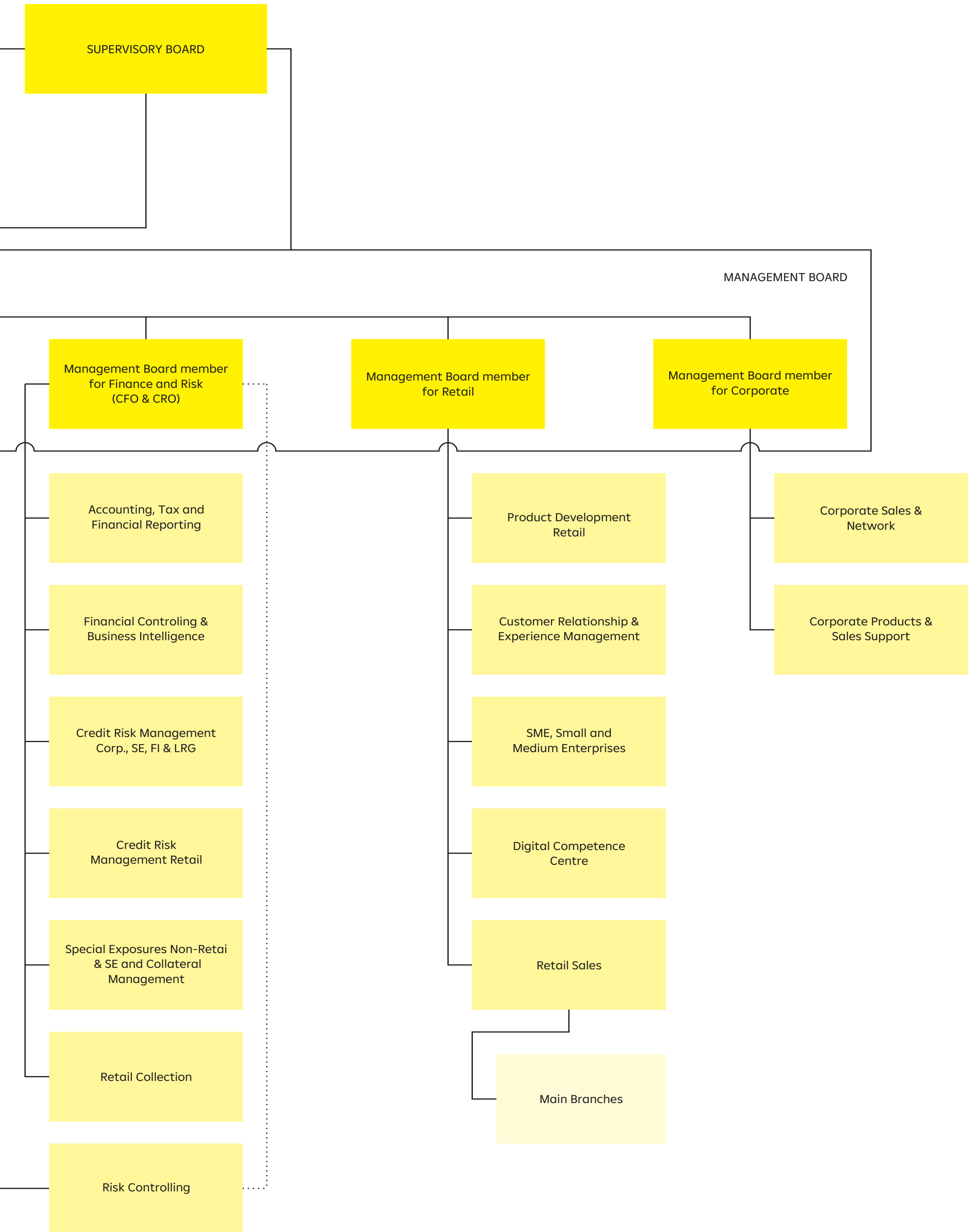
Mirha Krivdić
Member of the Management Board

Edin Hrnjica
Member of the Management Board

Kreshnik Halili
Member of the Management Board

Organisational Structure




SUPERVISORY BOARD
MANAGEMENT BOARD
Management Board member for Finance and Risk (CFO & CRO)
Management Board member for Retail
Management Board member for Corporate
Accounting, Tax and Financial Reporting
Financial Controling & Business Intelligence
Credit Risk Management Corp., SE, FI & LRG
Credit Risk Management Retail
Special Exposures Non-Retai & SE and Collateral Management
Retail Collection
Risk Controlling
Product Development Retail
Customer Relationship & Experience Management
SME, Small and Medium Enterprises
Digital Competence Centre
Retail Sales
Main Branches
Corporate Sales & Network
Corporate Products & Sales Support

Balance Sheet

as at 31 December 2022 and 2021

	2022 (BAM 000)	2022 (EUR 000)	2021 (BAM 000)	2021 (EUR 000)
ASSETS				
Cash and cash equivalents	1,334,816	682,481	1,528,063	781,286
Financial assets measured at fair value through profit and loss account	17,359	8,876	19,834	10,141
Financial assets at fair value through other total result	526	269	498	255
Financial assets at amortised cost	3,498,102	1,788,551	3,163,541	1,617,493
Income tax prepayments	1,306	668	7,935	4,057
Deferred Tax Assets	4,253	-	213	-
Real estate, machines and equipment	93,470	47,790	92,782	47,439
Right-of-use assets	7,541	3,856	7,997	4,089
Investment property	28,344	14,492	28,643	14,645
Intangible assets	23,266	11,896	16,266	8,317
Investments in subsidiaries	11,050	5,650	11,050	5,650
Equity participations	2	1	2	1
Investments in joint ventures	-	-	2,202	1,126
Non-current Assets Held for Sale and Discontinued Operations	3	2	-	-
Other assets and receivables	4,947	2,529	3,704	1,894
TOTAL ASSETS	**5,024,985**	**2,569,234**	**5,024,985**	**2,569,234**
LIABILITIES				
Financial liabilities at amortised cost	4,336,492	2,217,213	4,255,477	2,175,791
Profit tax liabilities	-	-	915	468
Deferred tax liabilities	1,705	872	1,376	704
Provisions	41,221	21,076	37,979	19,418
Other liabilities	21,974	11,235	18,936	9,682
TOTAL LIABILITIES	**4,401,392**	**2,250,396**	**4,314,683**	**2,206,062**
EQUITY				
Share capital	247,167	126,374	247,167	126,374
Share premium	4,473	2,287	4,473	2,287
Reserves	1,230	629	1,230	629
Revaluation reserves	267	137	268	137
Profit	370,456	189,411	314,909	161,010
EQUITY	**623,593**	**318,838**	**568,047**	**290,438**
TOTAL EQUITY AND LIABILITIES	**5,024,985**	**2,569,234**	**4,882,730**	**2,496,500**

Income Statement

for the years ended 31 December 2022 and 2021

	2022 (BAM 000)	2022 (EUR 000)	2021 (BAM 000)	2021 (EUR 000)
Interest and interest-like income based on effective interest rate	136,158	69,616	132,804	67,902
Interest and interest-like expenses based on effective interest rate	(17,446)	(8,920)	(22,039)	(11,268)
Interest and interest-like income based on effective interest rate	**118,712**	**60,696**	**110,765**	**56,633**
Fee and commission income	124,839	63,829	109,495	55,984
Fee and commission expenses	(29,766)	(15,219)	(26,621)	(13,611)
Net fee and commission income	**95,073**	**48,610**	**82,874**	**42,373**
Provisioning for impairment losses	(12,764)	(6,526)	(11,757)	(6,011)
Other net losses from financial assets	(285)	(146)	(127)	(65)
Net FX gains	21,498	10,992	17,165	8,776
Net losses from long-term non-financial assets	(1,262)	(645)	(13,419)	(6,861)
Dividend revenues	11,586	5,924	3,036	1,552
Other income	7,980	4,080	8,275	4,231
Staff expenses	(54,646)	(27,940)	(49,770)	(25,447)
Depreciation costs.	(14,616)	(7,473)	(14,339)	(7,331)
Other costs and expenses	(64,061)	(32,754)	(55,038)	(28,140)
Operating income before taxation	**107,215**	**54,818**	**77,665**	**39,709**
Income tax	(6,438)	(3,292)	(8,081)	(4,132)
Operating profit	**100,777**	**51,526**	**69,584**	**35,578**
Other comprehensive loss	(1)	(1)	(57)	(29)
Other aggregate profit	(1)	(1)	(57)	(29)
TOTAL AGGREGATE PROFIT OF THE YEAR	**100,776**	**51,526**	**44,632**	**22,820**
Earnings per share (in BAM)	101.93	52.12	70.38	35.98

Financial indicators

The presented data is stated or calculated on the basis of the bank's audited financial statements

	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)
Year-end				
Total assets	5,024,985	4,882,730	4,892,211	4,729,276
Customer deposits	4,124,055	4,073,309	3,955,130	3,682,424
Loans and advances to customers	2,480,281	2,371,009	2,390,437	2,490,432
Share capital	247,167	247,167	247,167	247,167
Total equity	**623,593**	**568,047**	**574,661**	**562,545**
Annual results				
Total income	254,849	222,115	210,103	221,108
Total operating expenses	(147,634)	(144,450)	(160,759)	(145,873)
Profit before tax	107,215	77,665	49,344	75,235
Profit after tax	100,776	44,632	44,621	56,901
Ratios				
Return on assets (ROA) after tax	2.01%	1.43%	1.01%	1.59%
Return on equity (ROE) after tax	16.16%	12.25%	9.31%	14.88%
Cost/income ratio (CIR)	57.13%	58.13%	62.82%	60.33%

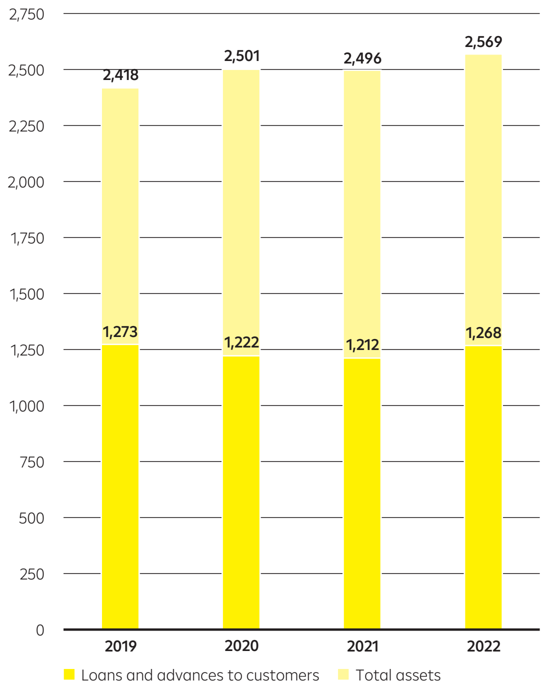
	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)
Year-end				
Total assets	2,569,234	2,496,500	2,501,348	2,418,040
Customer deposits	2,108,596	2,082,650	2,022,226	1,882,793
Loans and advances to customers	1,268,148	1,212,278	1,222,211	1,273,338
Share capital	126,374	126,374	126,374	126,374
Total equity	**318,838**	**290,438**	**293,820**	**287,625**
Annual results				
Total income	130,302	113,566	107,424	113,051
Total operating expenses	(75,484)	(73,856)	(82,195)	(74,584)
Profit before tax	54,818	39,709	25,229	38,467
Profit after tax	51,526	22,820	22,814	29,093
Ratios				
Return on assets (ROA) after tax	2.01%	1.43%	1.01%	1.59%
Return on equity (ROE) after tax	16.16%	12.25%	9.31%	14.88%
Cost/income ratio (CIR)	57.13%	58.13%	62.82%	60.33%

Assets and loans

Net loans to customers account for 49 per cent of total assets in 2022, the same as in 2021. Gross loans to customers account for 53 per cent, with gross retail loans making up 64 per cent and corporate loans 36 per cent of the total loan portfolio.

Assets and loans

in EUR million



	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)
Total assets	**5,024,985**	**4,882,730**	**4,892,211**	**4,729,276**
Loans and advances to customers	2,480,281	2,371,009	2,390,437	2,490,432

	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)
Total assets	**2,569,234**	**2,496,500**	**2,501,348**	**2,418,040**
Loans and advances to customers	1,268,148	1,212,278	1,222,211	1,273,338

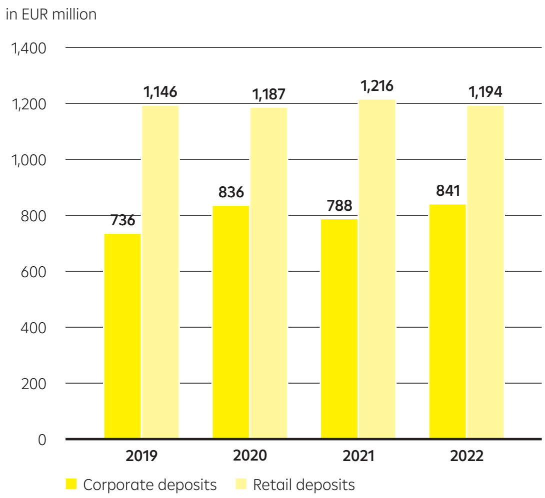
Lending

	2022 (BAM 000)	2022 (EUR 000)	2021 (BAM 000)	2021 (EUR 000)	Change %	Difference
Corporate loans	942,726	482,008	920,085	468,775	2.82%	25,882
Retail loans	1,725,309	882,136	1,668,371	852,646	3.46%	57,678
Gross loans	**2,668,035**	**1,364,145**	**2,588,456**	**1,321,421**	**3.23%**	**83,560**
Impairment	(170,395)	(87,122)	198,770	(99,002)	(12,00)%	23,237
Net loans	**2,497,640**	**1,277,023**	**2,389,686**	**1,222,419**	**4.47%**	**106,797**

Customer deposits

Retail deposits make 59 per cent of total deposits which is a decrease of BAM 43,055 thousand. Total retail deposits consist of term deposits with a share of 27 per cent and sight deposits with a share of 73 per cent. Retail deposits have a share of 59 per cent in total deposits at 2022 year-end, compared to 61 per cent in 2021.

Customer deposits



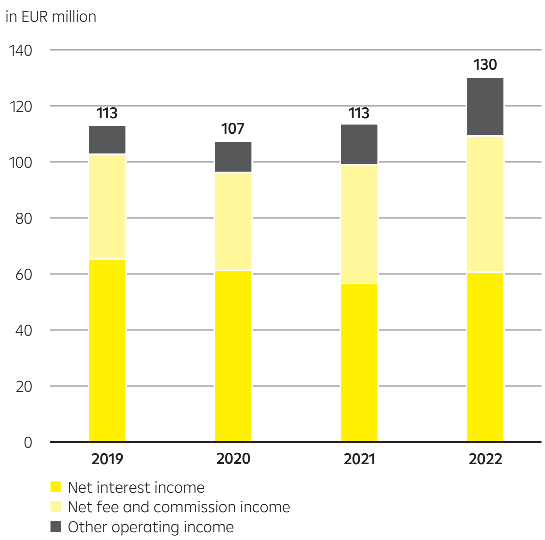
	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)
Corporate deposits	1,644,535	1,542,012	1,634,313	1,439,245
Retail deposits	2,335,116	2,378,171	2,320,817	2,243,179

	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)
Corporate deposits	840,837	788,418	835,611	735,874
Retail deposits	1,193,926	1,215,940	1,186,615	1,146,919

Total income (with total income structure)

Total income comprises net interest income with a share of 47 per cent and net fee and commission income with a share of 37 per cent. Interest income increased by 2 per cent, while interest expenses dropped by 21 per cent, compared to the previous year.

Total income



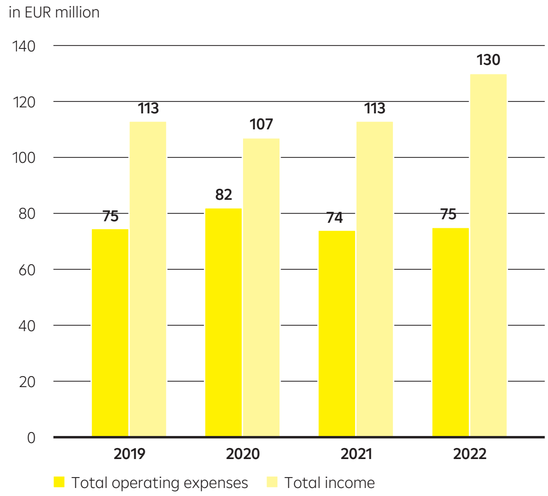
	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)
Total income	**254,849**	**222,115**	**210,103**	**221,108**
Net interest income	118,712	110,765	119,933	127,846
Net fee and commission income	95,073	82,874	68,400	73,143
Other operating income	41,064	28,476	21,770	20,119

	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)
Total income	**130,302**	**113,566**	**107,424**	**113,051**
Net interest income	60,696	56,633	61,321	65,367
Net fee and commission income	48,610	42,373	34,972	37,397
Other operating income	20,996	14,560	11,131	10,287

Operating expenses/total income comparison

Total operating expenses increased by 2 per cent in the relevant period (2021 – 2022), while total income grew by 15 per cent.

Expenses/income comparison



	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)
Total operating expenses	(147,634)	(144,450)	(160,759)	(145,873)
Total income	254,849	222,115	210,103	221,108

	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)
Total operating expenses	(75,484)	(73,856)	(82,195)	(74,584)
Total income	130,302	113,566	107,424	113,051

Business overview

Corporate Banking

Corporate Banking in Raiffeisen *BANK* dd Bosna i Hercegovina in 2022 mainly focused on meeting customers' needs and improving business relations in the environment that had just recovered from the crisis caused by the COVID-19 pandemic, while at the same time it was strongly affected by the consequences of the Ukrainian-Russian crisis. The uncertain business environment, inflation and increase in reference interest rates, and on top of that, deterioration of other macroeconomic indicators in the Bosnian-Herzegovinian market resulted in an evident lack of long-term investments, and the customers turned to short-term funding sources. Maintaining the quality of the loan portfolio and the said operating conditions resulted in retention of the Corporate loan portfolio at the level of the previous year

Deposits from corporate customers increased by 3 per cent year-on-year, mostly due to an increase in funds on customers' transaction accounts, reflecting their continued trust in Raiffeisen *BANK* dd Bosna i Hercegovina despite tightened lending activities.

In line with macroeconomic trends and the overall economic situation, Raiffeisen *BANK* dd actively adjusted its business models in 2022, and thus improved its internal business environment to make business easier for its corporate customers. The implementation of new digital business channels and enhancement of the existing ones, as well as simplification of processes such as payments, application for products, delivery of documents and communication with customers brought us positive feedback from customers who recognized the bank's commitment to partner relationships.

The bank maintained its presence in each region of the country in 2022. The focus of the Corporate segment remains on developing good overall relationships with customers through intensive engagement in the development and promotion of products in the area of loans, trade finance, documentary business, cash management and digital channels.

Development of the loan and deposit portfolios for corporate customers

Loans '000 BAM	**December 2021**	**June 2022**	**December 2022**
Credit cards	852	962	978
Credit Lines	10,820	13,421	14,096
Overdraft	94,257	101,237	124,856
Investment loans	259,094	242,859	236,064
Working capital finance	326,306	395,273	315,491
TOTAL	**691,329**	**753,752**	**691,485**

Deposits '000 BAM	**December 2021**	**June 2022**	**December 2022**
Term deposits	138,340	103,202	93,049
Sight deposits	996,664	965,075	1,077,083
TOTAL	**1,135,003**	**1,068,277**	**1,170,132**

SME Business

In 2022, Raiffeisen *BANK* dd Bosna i Hercegovina continued to develop products from the following credit lines:
- EIF COSME guarantee program,
- EBRD Women in Business,
- EBRD competitiveness,
- KfW energy efficiency loans.

The activities in 2022 focused on digitalisation of relations with customers. Digital transactions and electronic communication with the Bank simplify and enable faster daily communication with customers and increase quality of rendered services. On-line applying for current accounts/sets of services, loans and guarantees additionally facilitates the application process.

Within the "PaaS", RBI strategic initiative that is linked to digitalisation and automating of the Bank's processes, the application solution has been implemented for processing loan applications of customers. The advantages of this solution reflect in increased availability of the digital solution for SME customers, including support to automated decision-making for loan products. In the SME business segment as well, the bank aims to adjust its business model to rising challenges and changes in the banking market in order to create sustainable values for all stakeholders. The Bank offers new sustainable financial products and services to its customers and supports their transformation to sustainable business. For products in the category of "green and social products", in cooperation with external creditors, the Bank offers various benefits to its customers through special credit lines (payment of additional amount/*incentive*, consultant financial services).

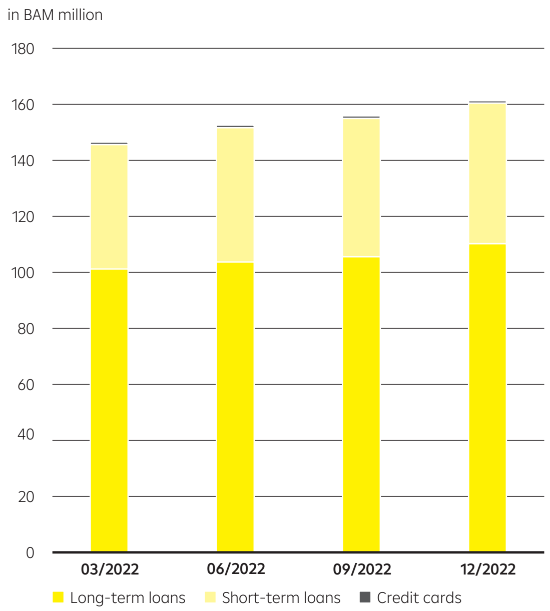
One of the key activities in 2022 in the part of SME customers is implementation of the "Women in Adria" sponsorship. As part of this programme, various trainings were organised for women in entrepreneurship and women that want to build a successful careerer. The objective of this programme is to inspire, inform and connect women entrepreneurs through use of the services and events within the programme.

Development of the loan and deposit portfolios (SE customers):

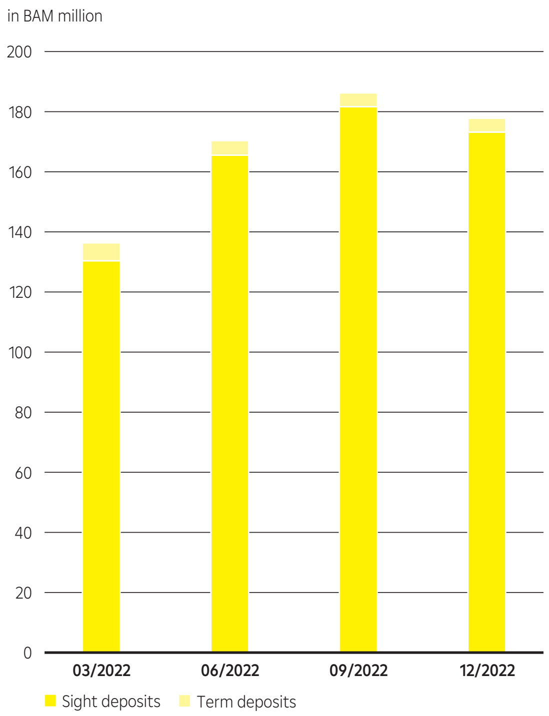
'000 BAM	March 2022	June 2022	September 2022	December 2022
Credit cards	846	879	879	829
Short-term loans	44,442	47,967	49,370	50,178
Long-term loans	101,204	103,698	105,601	110,256

'000 BAM	March 2022	June 2022	September 2022	December 2022
Term deposits	5,949	4,815	4,538	4,602
Sight deposits	130,387	165,525	181,660	173,210

SE loans



SE deposits

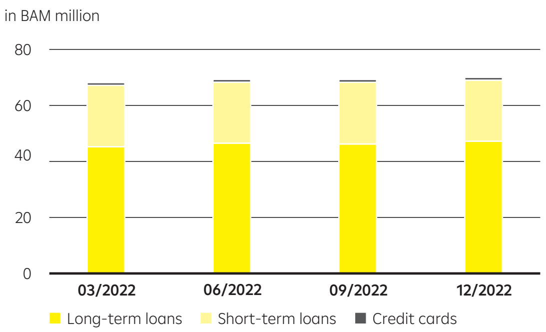


Development of the loan and deposit portfolios (Micro segment):

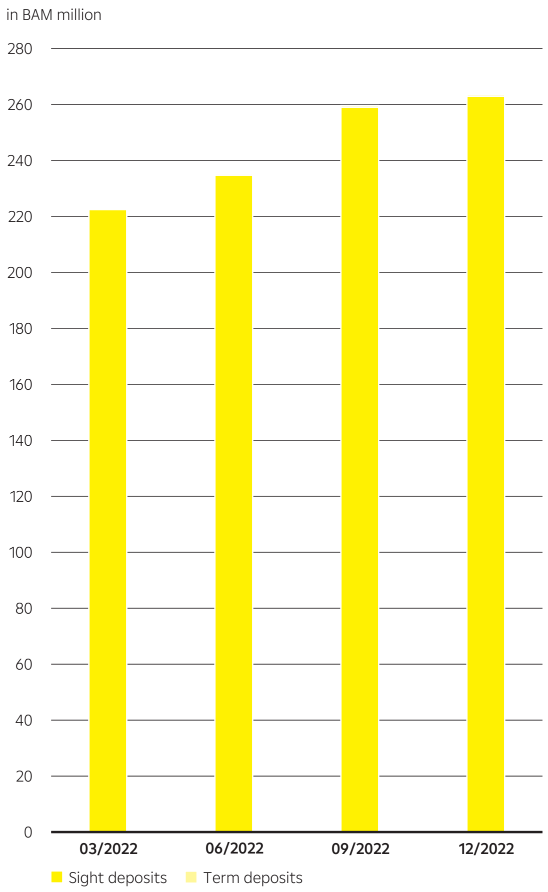
'000 BAM	March 2022	June 2022	September 2022	December 2022
Credit cards	981	985	1,022	989
Short-term loans	21,902	21,770	22,034	21,795
Long-term loans	45,255	46,526	46,215	47,231

'000 BAM	March 2022	June 2022	September 2022	December 2022
Term deposits	476	485	609	597
Sight deposits	222,388	234,712	258,992	262,905

Micro loans



Micro deposits



SME Service packages

In 2022, the Bank continued with activities on promotion of the new types of service sets, which resulted in positive trend of migrating corporate account sets from old to the new ones (Easy, Medium, Pro). The overall share of the new sets as of 31.12.2022 was 58 per cent out of the total number of active packages. In 2022, the Bank placed special focus on training of employees, and various trainings were organised and continuously implemented for employees of the Bank who participate in the promotion and sale of corporate products and services in order to present the benefits to corporate customers in the best possible way.

Retail Banking

Throughout 2022, Raiffeisen *BANK* dd Bosna i Hercegovina continuously worked on customer research and satisfaction in order to develop new and improve the existing products aiming at higher satisfaction and meeting expectations of the customers within the deposit, loan and card retail business.

The Bank focused on improving the Remote Relationship Management – a concept that brings good quality personalised business management to its Premium users through the employment of advanced organisational and technical solutions such as RaiConnect application. It means that the customers can have a remote contact with their personal banker, by using digital channels and RaiConnect as a communication tool to get information/apply for a product/service. Signing of documentation, if necessary, is organised in the nearest branch.

Account sets for private individuals

Account sets offer a possibility of free use of products and services within the account set, with a possibility of paying a small basic fee through the scoring thresholds. Customer can check any time via their mobile phone the number of their points and the fee reduction they are eligible for. Within the account sets, customers can also use debit with or without overdraft limits, as well as credit cards with instalment payment options. The Bank offers the following types of account sets: CLUB (for students), Pensioner, Moment, Tempo, Glamour, Triumph.

All account sets also include electronic services that enable the customers to pay smaller fees for transactions over cash transactions at the bank counters. Also, the customers using Tempo, Glamour and Triumph account sets now have an additional health insurance.

Retail deposits

The retail deposit business saw a decrease in the total deposits of private individuals by 12.5 compared to 2021.

Overview of retail deposits

'000 BAM	2022	Change	2021	Change	2020	Change	2019
Sight deposits	684,141	(17.2)%	825,742	(10.7)%	924,296	3.3%	894,800
Term deposits	548,810	(30.5)%	789,391	2.3%	771,997	(5.0)%	812,794
Current accounts	801,711	5.46%	760,164	21.6%	625,358	17.3%	533,203
Total	**2,034,662**	**(12.5)%**	**2,324,269**	**0.1%**	**2,321,651**	**3.6%**	**2,240,797**

Retail lending

The activities in 2022 focused on digitalisation of the lending business. A completely new automated product called Ikeš has been implemented, enabling the existing customers to submit a cash loan application from the comfort of their home and get a conditional decision in less than 8 minutes. The credit policy is fully automated to support this product with the implementation of the new automated decision-making tool. The process for this product is completed in the branch, while the adoption of the law on e-signature and video and audio identification will contribute to its further improvement.

The Bank continued with successful implementation of the concept of preapproved and preselected loans for PI and Premium segment and increasing the database of customers who can use this product. This process enables simpler and faster loan approval and disbursement.

The Bank has also been focused on sustainable lending by offering green financial products. It continued offering ESG mortgage loans and ESG purpose loans to its customers aiming at reduction of the CO2 emission.

To boost the balance of its loans, the Bank organised two ATL campaigns to promote non-purpose loans with certain benefits for the customers such as no loan administration fee for customers who apply via digital channels. The growth of loans amounting to BAM 41 million mostly accounts for consumer loans, and it is generated through higher demand for this type of financing.

Housing loans account for 33 per cent of the growth of balance of total loans, and they recorded growth by BAM 23 million. The customer-oriented activities include continuous promotion of housing loans with certain benefits through always-on campaigns on digital channels and extension of the list of investors for residential building as a result of growing construction on the market.

Overview of the retail loan portfolio

'000 BAM	2022	Change	2021	Change	2020	Change	2019
Long-term loans	1,636,217	4.14%	1,571,118	5.4%	1,490,552	0.2%	1,487,716
Short-term loans	1,771	(8.8)%	1,941	(6.6)%	2,078	(0.2)%	2,579
Card products	93,854	(6.53)%	100,413	3.5%	96,984	(7.7)%	105,084
Total	**1,731,842**	**3.49%**	**1,673,472**	**5.0%**	**1,589,614**	**(0.4)%**	**1,595,379**

Card Business

Credit cards

A total of 18,040 credit cards were issued in 2022. The largest share in the balance of newly-issued cards, as well as the overall balance of credit cards, relates to Master Card Shopping Credit Card. For each payment transaction made by this card, our Bank allocates the amount of 10 pfennigs for charity. The amount generated in this way was donated in 2022 to SUMERO organisation for support to persons with disabilities, SOS Children's Village in Sarajevo and the Heart for the Kids in Cancer. Throughout the year, Raiffeisen Bank has also organised the campaigns with discounts for card payments.

Card Acquiring at POS devices

POS and e-commerce segments recorded the significant growth in 2022. The turnover on the POS devices and in e-commerce segment went up by 31 and 43 per cent respectively, which makes Raiffeisen Bank one of the leading banks in this business segment in the local market. 2022 was marked by several projects in this segment that contributed to the growth of the card acquiring segment.

The Bank implemented the newest version of the security standard, 3D-Secure, on the overall segment of card business, by which the security of card transactions was raised to a higher level. Furthermore, the Bank continuously works on increasing the number of merchants and providers of payment services in order to enable our customers to have more technical opportunities for integration with good-quality services.

Card Acquiring at ATMs

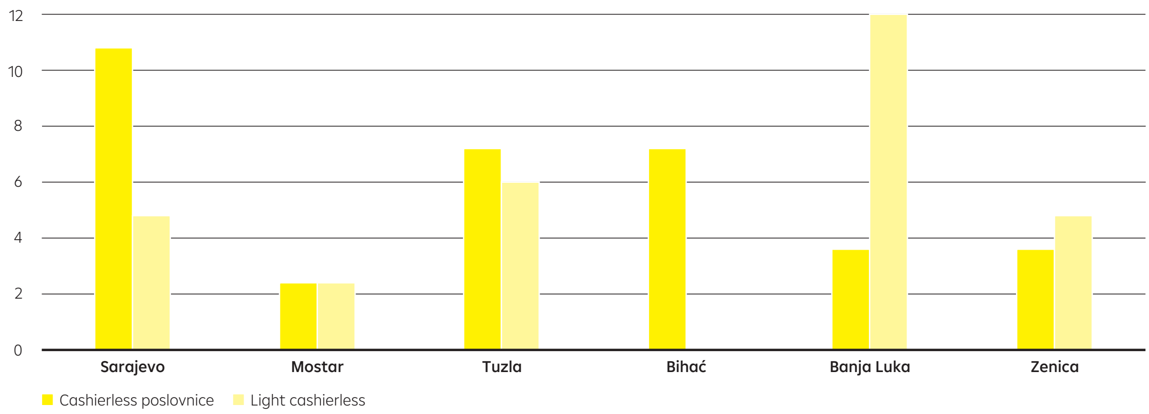
Raiffeisen *BANK* dd Bosna i Hercegovina continued in 2022 to improve the relationship with its customers by expanding and relocating its ATM network across the country. The amount of cash withdrawals on the Bank's ATMs rose by 14 per cent in 2022. Apart from that, the Bank implemented the contactless functionality on its ATM network, enabling faster and simpler use of ATMs to its customers.

Business Network Coordination

In 2022, the Bank is developing alternative sales channels through the introduction of agile methodologies as a new way of doing business with the optimization, modernization and digitalisation of branches, and 5 branches are redirecting their operations to the nearest alternative organisational units.

At the end of the year, the in Bosnia and Herzegovina's business network comprised 90 branches, thereof 25 digital, cashierless branches. A new branch model, Light Cashierless, is also introduced, implying limited work with cash during the branch's working hours.

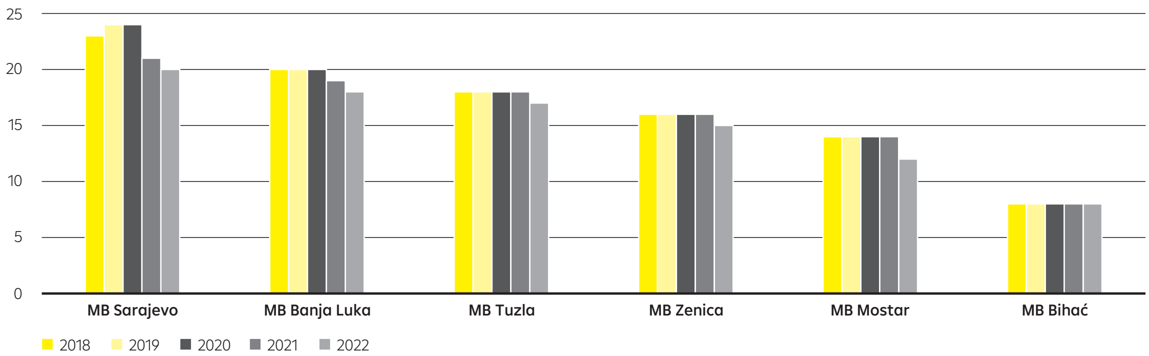
Cashierles



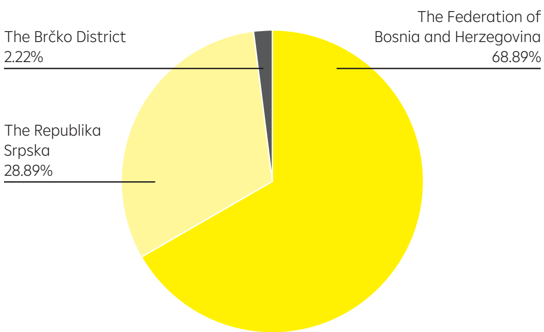
Raiffeisen Bank offers ATM services to private individuals and legal entities. There are 321 ATMs available to customers, of which 149 are Cash IN/OUT devices (61 payment-withdrawal devices with the initiation of checking the balance of their own accounts, paying bills and transferring funds, and 88 BankomatiQ devices which, in addition to the above services, have a special service for legal entities). The bank offers legal entities a fast and simple transfer of deposits through Cash IN cards on Bankomatiq devices, available 24/7.

The main branches are located in the administrative and political centres of Bosnia and Herzegovina and they provide the administrative and professional support to the branch network. Development of the branch network from 2020 to 2022

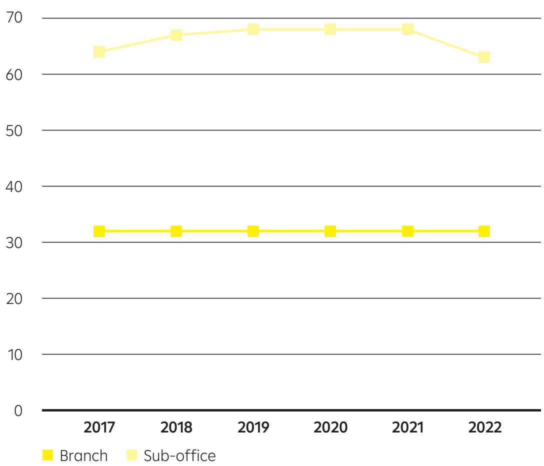
Development of the branch network from 2018 to 2022



Regional coverage of the branch network



Structure of business outlets across time



Quality Management

Continuously meeting the needs of its customers by providing high quality services is one of the foremost goals of Raiffeisen *BANK* dd Bosna i Hercegovina. High quality requires customer-oriented actions and a precise strategy for managing customer experience at all meeting/touch points between the customer and the bank. Everything that happens in the bank has an impact on customers' perception and their loyalty. Therefore, supreme customer experience is the key to success.

Customers assess their financial institution more and more based on experiences such as ease of engagement, empathy and transparency. Excellence in these areas helps us acquire new customers and improve relationships with existing ones.

In day-to-day contacts with customers through all available communication channels, the bank collects ideas and suggestions and adapts its business to the actual needs of its customers. Accordingly, the bank conducts regular quantitative and qualitative research in order to get all information required for reasonable improvement actions, properly and in real time. This research covers all segments and channels, and supports all development projects where the customer's opinion is the basis for decision-making. The aim of customer experience management is to get the customer involved right from the start in all business segments, creating tailor-made products and services.

Analysing complaints, suggestions and commendations is another key activity that helps the bank gain a picture of our customers' experience. and then create guidelines for the further improvement of our business. Our employees use the collected data in their daily work and strive to meet the needs and requests of our customers and whenever possible to exceed their expectations.

Customer journeys in banking have become increasingly complex. The purchase of a new financial product or service no longer begins and ends at a branch. Customers want a simplified and modernised experience – on the channels they prefer, at the time that suits them best, so the Bank followed the needs of customers this time and created a series of digital products with a human touch (online banker, online credit products, digital packages).

Digital Competence Centre

Digital Services

By introducing digital business and digital services, Raiffeisen provides its customers with an easier and simpler way of doing business. Customers can fulfil their requests through digital channels, allowing them to save time and simplify business as well as communication with the bank itself. Digital Competence Centre has developed digital services and functionalities that create habits towards the services and applications themselves. Our services are safe, fast, simple and practical for customers.

Mobile application – Raiffeisen Mobile Banking (RMB)

Raiffeisen Mobile Banking is an application that is available to all customers free of charge with the use of any service package of the Bank that includes the application. The RMB enables speed, availability, security, saving money and time for customers when making transactions.

Based on user experience research, the RMB is rated the best by users, with ratings 4.7 and 4.8 on Android and Apple Store, respectively. With 136,451 active users, an increase of 36.72 percent was recorded compared to 2021.

Key functionalities of the RMB application include:
- Communication with the Bank through chat,
- Applying for products through the application,
- Review of the financial report with a clear presentation of inflows/ outflows for the past 6 months,
- Pay to contact,
- Push notifications,
- Activation/deactivation of a standing order,
- International payment order.

Corporate Online Banking

A large number of customers – legal entities execute their transactions through Internet banking. We record the share of electronic transactions in the total number of bank transactions of 92 percent. Customers decide to use this service instead of coming to a branch and the traditional way of doing business with the bank. By using this service, customers save their time and money due to the lower fees for order execution.

In the previous year, 13,265 active users of the Internet banking service were recorded, or 63 percent of the total customer base, which proves that more and more customers are switching to digital business.

Digital Sales

Raiffeisen Bank, which is one of the market leaders in digital business, records excellent results in digital sales. Year over year, a greater number of realized products are recorded that were initiated digitally, through the website and mobile application. The Bank's customers, private individuals and legal entities, can apply online for these products:

- Current account for private individuals,
- Current accounts for legal entities,
- Current account for students (CLUB package) which is free of charge until employment or the age of 26,
- A loan for private individuals,
- A loan for legal entities,
- Credit Card,
- Current account overdraft for private individuals,
- Business cards for legal entities,
- Guarantees for legal entities.

The focus of the Digital Competence Centre is to enable customers an easier access to their accounts, to perform all transactions in a simpler and more affordable way, and to reduce their needs to visit a branch to a minimum.

Treasury, Financial Markets and Investment Banking

Trading and Sales

In 2022, Raiffeisen Bank in Bosnia and Herzegovina kept a high position in local market in foreign exchange business. Despite the challenges faced by the entire banking sector, the Treasury Division managed to find solutions to help customers to receive high-quality services in the foreign exchange business at any time and select the bank as their partner for foreign currency conversion deals.

During 2022, the Trading and Sales Department made a significant contribution towards continuing the positive trend of successful business from previous years as well as reaffirming and strengthening the bank's leading position, by continuously improving services, recognizing and meeting customer needs and participating in the bank's total profit with a respectable amount of gains on foreign currency exchange. The year ended with record income based on foreign exchange deals and gains on foreign currency exchange at the level of the whole Bank in the amount of BAM 21.4 million, up by BAM 4 million over 2021.

The year 2022 was extremely turbulent for global economies in general and the financial market in particular, which saw strong fluctuations in currency prices, especially strengthening of the US currency, that were the main cause of the bank's exposure to foreign exchange risk. The business year ended successfully and all open FX positions were maintained within the limits set by the Banking Agency of the Federation of Bosnia and Herzegovina (FBA) and within the internal limits determined by the methodology of the Raiffeisen Group. The turbulent developments in the global financial market also affected our customers, whose needs were changing rapidly, and it was a challenge to follow the bank's strategic direction towards continuous development of service quality and business transparency focused on improving customer satisfaction.

The year ended with over 7,000 active customers who initiated currency conversion transactions with the Bank and 125 active customers who were enabled a fast access to the most favourable market exchange rate through a special channel-Customer desk. The growing number of customers using the Customer Desk Service attests to the trust that customers place in the bank and the group it belongs to.

A great deal of the tasks performed by the employees working in the Trading and Sales Department was focused on trading in banknotes with local partner banks, and also on further optimizing the costs of cash management. In light of the challenging trend that persisted in the money market throughout 2022, where interest rates remained extremely low or even negative, the priority was to remain an active participant in the areas of banknote trading and cash management.

Funding and Financial Institutions

During 2022, the Bank continued its long-standing cooperation with supranational financial institutions to obtain attractive sources of funding in accordance with market requirements. A special focus continued to be on the European Bank for Reconstruction and Development loans aimed at sustainability, energy saving, and automation and digitalisation with an incentive for the end users of the loans.

In the year under review, cooperation with the European Fund for Southeast Europe was expanded by contracting a credit line to support small and medium-sized enterprises, the development of underdeveloped regions and support women in business, which at the same time is one of the instruments for strengthening the Bank's capital base.

The Bank remained open to guarantee programs, and at the end of 2022, a new Guarantee Arrangement Agreement was signed with MIGA as a continuation of the previously established cooperation. Limits for banks around the world were provided throughout the year in order to meet customer needs and demands.

Securities services

Although due to the developments in Ukraine, the last year was marked by oscillations and a large drop in the value of financial instruments on the international capital markets, **Custody** had a very successful business year. Assets under custody not only did not fall, but increased by 2 percent compared to the previous business year and stood at KM 799,291 thousand as of 31/12/2022. The new 22 customers expressed their trust in us and chose us as a reliable provider of this service. The high quality of custody services was recognized and confirmed in a local surveys conducted twice among local customers who gave it the highest grade.

In the depository business area, the Bank successfully performed all operations in the **issue and** trade of securities, in accordance with legal regulations and to the satisfaction of its customers. Within the fund administration segment, the focus was on maintaining and preserving stable operations through additional improvement of the high level of service quality. Proof of the above is the stable number of customers, and in this area the bank is still the best positioned bank with a market coverage of 61 per cent. The licenses for the depository operations under issuance of and trade in securities and for the depository of funds were successfully renewed. The FB&H Securities Commission thereby confirmed that the Bank continues to satisfy all legal requirements for provision of depository banking services.

In the **Broker Business Segment**, the Bank acts as a professional intermediary on the Sarajevo Stock Exchange, where it ranked first by the Transaction execution achieved and fourth by the number of executed deals in 2022. In addition to standard brokerage services, support was provided in the takeover of two local companies to customers based in Slovenia and Hungary. In the local market, customers were most interested in trading in debt securities on the secondary market, and a significant participation of customers was also recorded in the third bond issue of JP Autoceste FBiH doo Mostar. Also, customer were informed on an ongoing basis of key activities in the local market.

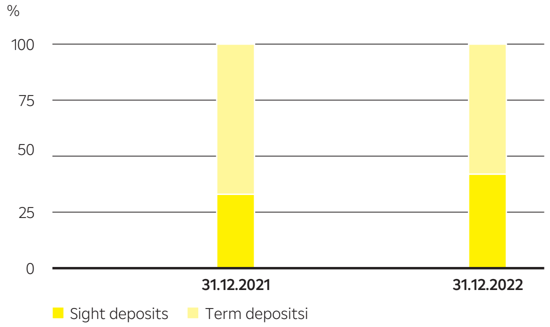
Institutional Customers

Institutional customers – a segment consisting of non-bank financial institutions and the central government in Bosnia and Herzegovina with its ministries and government authorities – use numerous products of the Bank, from transaction accounts, loans, guarantees, deposits, business cards, PoS and e-pay, to securities services.

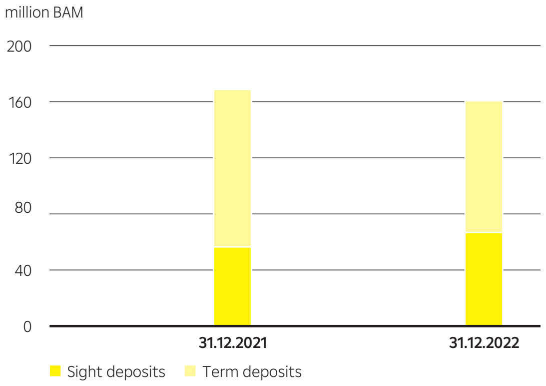
A strong share was maintained in the local market, which is even more important, as customers in this segments are very demanding when is comes to the quality of service. The Bank remains the only bank in Bosnia and Herzegovina whose business cards (VISA, Mastercard) are used by state institutions.

The end of 2022 was marked by an increase in demand deposits compared to the end of 2021, while term deposits were slightly smaller due to the expiration of term deposits, and the percentage of term deposits also decreased.

Deposit structure of Institutional customers

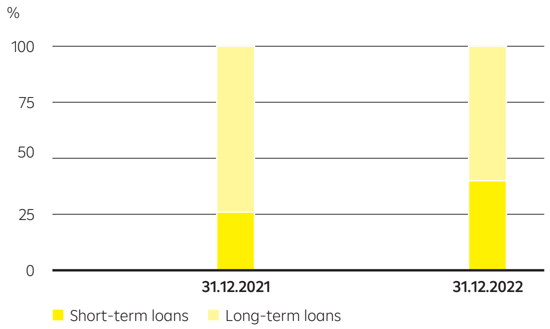


Deposits of Institutional customers

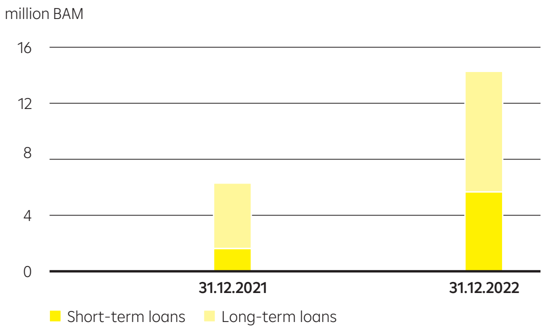


The year 2022 saw significant increase of the approved loans, primarily long-term. This also contributed to the increase in payment turnover and the establishment of stronger business relations with customers. Although a significant increase in assets was recorded in this part, the share of long-term loans in total loans is lower than it was in 2021.

Loan structure of Institutional customers



Loans of Institutional customers



With respect to the quality of service and customer satisfaction, in the conducted satisfaction survey, institutional customers of the Bank rated the Bank's services as "recommended for business" with 93 percent of positive answers/comments to the questions asked.

Financial Statements

Annual business report for 2022

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

The Bank 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 Russian-Ukrainian conflict and the introduction of drastic economic sanctions on Russia by the EU, the US and the UK as countermeasures, especially in the energy sector, have resulted in a significant change in the global economic outlook for the period 2022-2023. In this regard, 2022 will bring a slowdown in the dynamics of economic growth in BiH to 3.2% YoY, which will be reflected in the slowdown in the performance of the banking sector, i.e. weaker than expected growth of key indicators (assets, loans, deposits). Namely, the spill over of global political instability as well as the local political crisis will affect the growth of the banking sector in 2022, which will be reflected in the lower projected growth rate of deposits and loans in 2022. Also, the expected weakening of investment confidence and investment activity will be felt most in the area of corporate lending, which will have the greatest impact on the reduced expected total credit growth of 3.2% in 2022. In line with the slowing market dynamics, the Bank has adjusted the initial growth expectations of key loan and deposit categories to the new economic and political environment and the overall business plan for 2022, which is being revised through regular quarterly financial forecasting processes.

c) The most important activities related to research and development

In terms of research and development, one of the key elements of the Bank's strategy is digital transformation and automation, which includes activities in the field of replacing the Bank's Core Banking System (CBS), which will enable significant improvement and velocity in all segments of the Bank. In all business segments, the Bank is rapidly working on projects of digitalization and automation of processes within the Bank and with clients, which will certainly contribute to significantly improving the overall volume of business and client experience with the Bank.

The Bank has also started certain activities to align its operations with ESG principles of operations, and ESG risk management in order to adapt the entire organization, processes and products to the best ESG practices from the European Union.

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

In 2022, the Bank did not repurchase its own shares or stakes.

e) Information on business segments

The Bank has no individual business segments in terms of IFRS 8.

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 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 activities on a deposit basis.
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:
- business model of the bank
- a comprehensive business strategy
- risk exposure tolerance
- assessing the stability of funding sources
- available sources of funding on the market

- expected changes in the risk of funding sources
- an 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 Bank.

After the execution of the funding source plan, the Bank monitors the assessment of the funding source and the risk of the funding source on a regular basis (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 paid to the back testing of the funding source plan after the end of the financial year. The subject testing should show 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.

By analysis, we come to the conclusion that the realized sources of funding enabled the fulfilment of all regulatory and group liquidity requirements and restrictions, and enabled the maintenance and growth of the active portfolio.

Cash and placements

As part of the ongoing liquidity optimization, the Bank assesses the holding of required cash for business purposes, as well as cash held by the Bank on accounts abroad, for payment and other transactions, taking into account current market interest rates, ratings and adequacy of banks with which the Bank 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 Bank. With regard to Markets operations, the Bank has n derivative transactions (financial instruments), which would be relevant for the assessment of the financial position of the Bank. Namely, the Bank offers FX Forward / Flexi Forward transactions to clients, but they are small in volume and insignificant in terms of revenue.

As for the bond portfolio, as a type of financial instrument, the Bank does not keep it in the so-called "trading book" but "to maturity". The financial result, i.e. the income from operations with bonds for the Market portfolio is approximately BAM 700 thousand (for 2022), which is certainly not significant for assessing the financial position and financial performance.

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

The Bank 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 Bank's profitability, credit quality and portfolio growth objectives and is in line with the Bank's risk appetite framework and within the same credit risk, diversification policy and the Bank'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 the bank. All relevant staff should have a clear understanding of the bank'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 Bank 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 Bank.

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 the Bank's Management Board and Supervisory Board.

Credit risk management includes the management of all sub-categories of credit risk to which the Bank 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).
- special attention was paid to problematic placements in the Non-retail and Collection Special Assets Management unit
- 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 Bank 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 Bank 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 Bank on the basis of the current and projected position and liquidity ratios, taking into account the general objectives set by the Bank's annual budget. Thus, an appropriate portfolio of liquid assets is planned, which can always:
(1) cover current and expected liquidity needs,
(2) cover regulatory requirements regarding liquid assets.

The Bank's liquidity risk management consists of:
- 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 term, which should show 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 Bank's 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 Bank'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 bank 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 Bank 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 Bank'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.

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

The Management Board is required to prepare separate financial statements, which give a true and fair view of the financial position of the Bank and of the results of its operations and cash flows, in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina (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 Bank and to prevent and detect fraud and other irregularities.

The 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 the Bank will continue in business.

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

The separate financial statements set out on pages 20 to 124 were authorised by the Management Board on 09 May 2023 for issue to the Supervisory Board, and are signed bellow to signify this, on behalf of the Bank, by:
For and on the behalf of Management Board

Raiffeisen BANK dd Bosna i Hercegovina 7

President of Management Board
Rainer Schnabl

Member of Management Board
Andreea Achim

Raiffeisen Bank d.d. Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosna i Hercegovina
09 May 2023

Independent auditor’s report

To the Shareholders of Raiffeisen Bank dd Bosna i Hercegovina

Opinion

We have audited the separate financial statements of Raiffeisen Bank dd Bosna i Hercegovina (the Bank), which comprise the separate statement of financial position as at 31 December 2022, and the separate statement profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for Audit of the Separate Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and ethical requirements relevant for 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

In its separate financial statements for the year ended 31 December 2022 the Bank presented financing to customers in the amount of BAM 2,650,366 thousand and total expected credit loss in the amount of BAM 170,085 thousand.

<table>
<tr><th>Key Audit Matter</th><th>How the Key Audit Matter Was Addressed in Our Audit</th></tr>
<tr><td colspan="2">For accounting policies, see Note 3. For additional information regarding the identified key audit matter see notes 6, 12, and 24.3.</td></tr>
<tr><td>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, including the impact of the COVID-19 pandemic;
• 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.

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 2022.</td>
<td>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;
iii. criteria used for determination of significant increase in credit risk, including the impact of COVID-19;
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, including the impact of COVID-19;
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 affected by the COVID-19;
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.</td></tr>
</table>

Other information

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

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. With respect to the Management Report, which is included in the Annual Report, we have also performed the procedures prescribed by the Accounting and Auditing Act in the Federation of Bosnia and Herzegovina. These procedures include examination of whether the Management Report includes required disclosures as set out in the Article 42 of the Accounting and Auditing Act in the Federation of Bosnia and Herzegovina.

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:
1) Information included in the other information is, in all material respects, consistent with the attached separate financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Article 42 of the Accounting Act.

Based on the knowledge and understanding of the Bank and its environment, which we gained during our audit of the separate financial statements, we have not identified material misstatements in the other information.

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

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the separate 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 Bank's internal control.
- 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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, related safeguards.

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

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

Yuri Sidorovich, procurator

Sabina Softić, partner and licensed auditor

Deloitte d.o.o. Sarajevo
Zmaja od Bosne 12c
Sarajevo, Bosnia and Herzegovina
09 May 2023

Separate Statement of profit and loss and other comprehensive income

for the year ended 31 December 2022

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

	Notes	2022	2021
Interest and similar income calculated using the effective interest rate	8	136,158	132,804
Interest and similar expense calculated using the effective interest rate	9	(17,446)	(22,039)
Net interest and similar income calculated using the effective interest rate		**118,712**	**110,765**
Fee and commission income	10	124,839	109,495
Fee and commission expense	11	(29,766)	(26,621)
Net fee and commission income		**95,073**	**82,874**
Impairment losses and provisions	12	(12,764)	(11,757)
Other losses from financial assets, net	13	(285)	(127)
Net gains from foreign currency trading	14	21,498	17,165
Net loss from other financial instruments at fair value through profit and loss	15	(1,262)	(13,419)
Dividend income	16	11,586	3,036
Other income	17	7,980	8,275
Employee expenses	18	(54,646)	(49,770)
Depreciation	25, 26, 27, 28	(14,616)	(14,339)
Other expenses and costs	19	(64,061)	(55,038)
PROFIT BEFORE TAX		**107,215**	**77,665**
Income tax	20	(6,438)	(8,081)
NET PROFIT FOR THE YEAR		**100,777**	**69,584**
Other comprehensive income		(1)	(57)
Total other comprehensive income		**100,776**	**69,527**
Earnings per share (BAM)	36	**101.93**	**70.38**

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

Separate Statement of financial position

as at 31 December 2022

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

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	21	1,334,816	1,528,063
Financial assets at fair value through PL	22	17,359	19,834
Financial assets at fair value through other comprehensive income	23	526	498
Financial assets at amortised cost	24	3,498,102	3,163,541
Obligatory reserves at the Central Bank of BiH	24.1	422,204	415,959
Bank placements	24.2	319,130	185,698
Loans and receivables to customers	24.3	2,480,281	2,371,009
Other financial assets at amortized cost	24.4	276,487	190,875
Prepaid income tax		1,306	7,935
Deferred tax assets	20	4,253	213
Property, plant and equipment	25	93,470	92,782
Right-of-use assets	26	7,541	7,997
Investment property	27	28,344	28,643
Intangible assets	28	23,266	16,266
Investments in subsidiaries	29	11,050	11,050
Investments in associates	30	2	2
Investments in joint ventures	31	-	2,202
Non current for sale and assets to be discontinued		3	-
Other asets and recivables	32	4,947	3,704
TOTAL ASSETS		**5,024,985**	**4,882,730**
LIABILITIES			
Financial liabilities at amortised cost	33	4,336,492	4,255,477
Deposits from banks and other financial institutions	33.1	144,404	153,126
Deposits from customers	33.2	3,979,651	3,920,183
Borrowings	33.3	182,045	154,673
Lease liabilities	33.4	7,692	8,143
Other financial liabilities at amortised cost	33.5	22,700	19,352
Income tax liabilites		-	915
Deffered tax liabilities	20	1,705	1,376
Provisions	34	41,221	37,979
Credit risk of commitments and guarantees	34.1	16,845	16,096
Court litigation	34.2	11,795	11,331
Other provisions	34.3	12,582	10,552
Other liabilities	35	21,974	18,936
TOTAL LIABILITIES		**4,401,392**	**4,314,683**
EQUITY			
Share capital	36	247,167	247,167
Share premium		4,473	4,473
Reserve		1,230	1,230
Fair value reserves		267	268
Retained earnings		370,456	314,909
TOTAL EQUITY		**623,593**	**568,047**
TOTAL LIABILITIES AND EQUITY		**5,024,985**	**4,882,730**

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

For and on the behalf of Management Board

President of Management Board
Rainer Schnabl

Member of Management Board
Andreea Achim

Raiffeisen BANK dd Bosna i Hercegovina 7

Raiffeisen Bank d.d. Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosna i Hercegovina
09 May 2023

Separate Statement of cash flows

for the year ended 31 December 2022

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

	Notes	2022	2021
OPERATING ACTIVITIES			
Interest and similar inome calculated at effective interest rate		134,255	130,985
Outflow from interest and similar income calculated at effective interest rate		(19,939)	(24,180)
Fee and commission income		124,839	109,495
Fee and commission expense		(29,766)	(26,620)
Inflow from collection previouslz write off at loans and interests		4,983	3,023
Outflow from employee payment		(54,646)	(49,770)
Outflow from operating cost and expenses		(58,873)	(46,348)
Outflow from operating activities		35,240	35,599
Other outflow from operating activities		(6,945)	(8,043)
Paind income tax		(4,057)	(5,290)
Net cash flow from operating activities before changes on opeating assets and operating liabilities		**125,091**	**118,851**
Net (increase) in obligatory reserves with CBBH		(6,252)	(7,338)
Net (increase) in bank placements		(142,678)	(9,178)
Net (increase) in loans given to customers		(114,931)	(16,298)
Net decrease in other assets and receivables		391	661
Net increase /(decrease) in deposits from banks and other financial institutions		780	(27,831)
Net increase in due to customers		59,354	122,380
Net (decrease) in other liabilities at amortised cost		(85,726)	(43,032)
Net increase for provisions		416	1,141
Net increase / (decrease) in other lliabilities		801	(1,946)
Net cash flow from operating activities		**(162,754)**	**137,410**
NET CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	25,26,27	(7,509)	(2,095)
Purchase of intangible assets	28	(10,593)	(4,468)
Dividend	16	11,586	3,036
NET CASH FLOW FROM FINANCING ACTIVITIES		**(6,516)**	**(3,527)**
Dividen paid		(45,230)	(76,141)
Inflows from bank loans		19,558	17,602
Payment of credit principals		(27,830)	(56,456)
Inflows from loans of other financial institutions		9,779	9,779
Outflow from principal of other financial institutions		(19,209)	(5,182)
Suboridnated debt		44,984	-
Payment of principals of lease	34.4	(5,983)	(8,405)
Net cash flow from financing activities		**(23,931)**	**(118,803)**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(193,201)**	**15,080**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21	**1,528,063**	**1,512,983**
CHANGE OF FOREIGN CURRENCY RATES OF CASH AND CASH EQVIVALENTS EFFECTS		-	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	**1,334,816**	**1,528,063**

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

Separate Statement of changes in equity

for the year ended 31 December 2022
(all amounts are expressed in thousands of BAM, unless otherwise stated)

	Share capital	Share premium	Fair value reserves	Reserve	Retained earnings	Total
Balance as at 31 December 2020	**247,167**	**4,473**	**325**	**1,230**	**321,465**	**574,661**
Net profit for the year	-	-		-	69,584	69,584
Other comprehensive loss	-	-	(57)	-		(57)
Total comprehensive income	**-**	**-**	**(57)**	**-**	**69,584**	**69,527**
Distribution of dividends	-	-	-	-	(76,141)	(76,141)
Balance as at 31 December 2021	**247,167**	**4,473**	**268**	**1,230**	**314,909**	**568,047**
Net profit for the year	-	-	-	-	100,777	100,777
Other comprehensive loss	-	-	(1)	-	-	(1)
Total comprehensive income	**-**	**-**	**(1)**	**-**	**100,777**	**100,776**
Distribution of dividends	-	-	-	-	(45,230)	(45,230)
Balance as at 31 December 2022	**247,167**	**4,473**	**267**	**1,230**	**370,456**	**623,593**

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

Notes to the separate financial statements

for the year that ended 31 December 2022
(all amounts are expressed in thousands of BAM, unless otherwise stated)

1. General

History and incorporation

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

Principal activities of the Bank are:
1. accepting deposits from the public and placing of deposits;
2. providing current and term deposit accounts;
3. granting short- term and long-term loans and guarantees to the local municipalities, corporate customers, private individuals and other credit institutions dealing with finance lease and foreign exchange transactions;
4. money market activities;
5. performing local and international payments;
6. foreign currency exchange and other banking-related activities;
7. providing banking services through an extensive branch network in Bosnia and Herzegovina.

The registered address of the Bank is Zmaja od Bosne bb, Sarajevo. As of 31 December 2022 the Bank had 1,341 employees (31 December 2022: 1,277 employees).

The Supervisory Board, Management Board and Audit Committee

During 2022 and on the date of this report, the members of the Supervisory Board were:

Supervisory Board

Peter Jacenko	President
Markus Kirchmair	Deputy Chairman
Markus Plank	Member
Johannes Kellner	Member
Elisabeth Geyer – Schall	Member
Zinka Grbo	Member
Jasmina Selimović	Member

During 2022 and on the date of this report, the members of the Audit Committee were:

Audit Committee

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 this report and on 31 December 2022 Management Board consists of directors and executive directors. The following persons performed these functions during the year and on the day of this report:

Management Board

Rainer Schnabl	President of the bord since 01 December 2022
James Daniel Stewart Jr	President of the bord until 30 November 2022
Edin Hrnjica	Member from 01 December 2022
Andreea Achim	Member from 01 December 2022
Mirha Krivdić	Member from 01 December 2022
Kreshnik Halili	Member from 01 December 2022

2. Basis of presentation

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 mentioned laws.

- 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 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 1 January 2020 and which resulted in certain differences resulting 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 IFRS).

The main differences between the legal accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina (ie 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 2022 the Bank calculated an impairment for credit losses that is higher by BAM 34,544 thousand than the amount obtained by calculating the result of the Bank's internal model for calculating expected credit losses, compliant with the requirements of IFRS 9, with 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 6,642 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 13,612 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 10,640 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 3,650 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 International Financial Reporting Standards:

All amounts are expressed in thousands of BAM	1 January 2021	31 December 2021	31 December 2022
Assets	(22,992)	(24,726)	(25,544)
Liabilities	9,757	9,657	9,212
Equity	(32,749)	(34,382)	(34,755)

Where accounting policies coincide with International Financial Reporting Standards, in these financial statements we refer to relevant IfRS when describing the Bank's accounting policies.

These financial statements are separate financial statements of the Bank prepared in accordance with the Law on Accounting and Auditing in FBiH, the Law on Banks of FBiH and bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina. As explained in Note 29, the Bank is a parent within the Raiffeisen Bank BH Group and will also prepare consolidated financial statements, which will be approved by the Management Board. For better understanding of the Raiffeisen Bank Group as a whole, users should read the consolidated financial statements.

These separate financial statements were authorised by the Management Board on 09 May 2023 for submission to the Supervisory Board.

2.2. Basis for measurement

The separate 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, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis.

The principal accounting policies adopted are set out below.

2.3. Functional and presentation currency

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

2.4. Use of estimates and judgements

The preparation of separate 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.

2.5. Reclasification

Izvršena je određena reklasifikacija na prethodno prezentovane finansijske izvještaje kako bi se ispoštovali novi obavezni obrasci kako to zahtijeva Pravilnik o sadržaju i obliku finansijskih izvještaja (Službeni glasnik Federacije Bosne i Hercegovine, broj 81/21 i 102/22). Ove promjene nisu imale materijalni uticaj na prethodno prezentovane finansijske izvještaje.

3. Significant accounting policies

Except for the previously described changes in Note 2.5, the Bank has consistently applied the accounting policies further described below to all periods disclosed in these separate 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.

The Bank 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 the Bank's statement of financial position at the reporting dates were as follows:

31 December 2022	EUR 1 = BAM 1.95583	USD 1 = BAM 1.83370
31 December 2021	EUR 1 = BAM 1.95583	USD 1 = BAM 1.72563

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, the Bank 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.

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 Bank 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.

The Bank 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. The Bank 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. The Bank 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.

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 Bank's 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 the Bank 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 Bank 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, the Bank uses the definiton of a lease in accordance with IFRS 16 "Leases".

i) As a lessee

Bank 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, the Bank's incremental borrowing rate. The Bank applies an incremental borrowing rate of 2% as a discount rate.

The Bank 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 the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank 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 Bank discloses assets with the right of use and the lease liability as a separate item in the statement of financial position.

The Bank 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) Bank 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.

Current income tax

Net income differs from taxable income of the period reported in income statement and statement of comprehensive income, 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 are 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 on differences between the carrying amount of assets and liabilities in the separate financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

3.9. Investments in subsidiaries

A subsidiary is an entity which is controlled by the Bank. Control is achieved in such a way that the Bank 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 separate 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 Bank 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 separate financial statements are stated at cost of acquisition less any impairment, if they exist.

3.11. Financial assets and liabilities

Recognition and initial measurement

The Bank 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 Bank 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, Bank 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 Bank 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 the Bank 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.

- **Financial assets 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, the Bank 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 the Bank 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.

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.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's 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 Bank's 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 Bank 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 the Bank 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.

In the case of a financial asset that represents a debt instrument (securities and loans and receivables), the Bank determines whether the modification is significant or whether the difference between the present value of the remaining modified cash flows discounted using the original effective interest rate and the current value of the modified cash flows discounted using the original effective interest rate is more than 10%.

If the modification is significant, the Bank 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 Bank 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 the Bank 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.

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 bank 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 Bank if the liability is unused and the cash flow that the Bank expects to receive; and
- *financial guarantee agreements:* expected payments to settle the guarantee holder less the amount that the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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,
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 Bank, in accordance with its internal methodology, determines the amount of expected credit losses higher than those arising from the above provisions of the Decision, the Bank shall apply the higher amount.

2 Credit risk level 2:

For exposures allocated to credit risk level 2, the Bank 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 the Bank's 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 Bank 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 Bank 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.

b) 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 Bank 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, the Bank 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 Bank determines and recognizes the expected credit loss in the amount of 100% of the exposure.

If the Bank, 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 Bank 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%

Credit impaired financial assets

At each reporting date, the Bank 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 the Bank on terms that the Bank 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 Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank 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.

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

The Bank 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 Bank 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 the Bank 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 impairement 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 Banks's procedures.

The Bank writes off a loan or an investment in debt security, either partially or in full, and any related allowance for impairment losses, when Bank's 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 Bank writes off the balance sheet exposure two years after the Bank has recognized expected credit losses in the amount of 100% of the gross book value of that exposure. and declared it fully due.

3.11.2. Financial liabilities

(i) Classification

The Bank 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. The Bank 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 the Bank measures other financial liabilities at amortised cost using the effective interest rate.

(iii) Derecognition of financial liabilities

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

The Bank 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.

3.11.3. 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 Bank 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 the Bank's 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 Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank 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 Bank 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 the Bank 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, the Bank 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 the Bank 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.

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

The classification of assets and liabilities is presented as follows:

All amounts are expressed in thousands of BAM	Financial assets valued at amor-tized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities that are valued at amor-tized cost	Financial liabilities that are valued at FVtPL	Financial liabilities that are valued by FVtOCI	Non-financial assets and liabilities	Equity	Total on 31.12.2022
Cash and cash equivalents	1,334,816	-	-	-	-	-	-	-	1,334,816
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	3,498,102	-	-	-	-	-	-	-	3,498,102
Pre-paid income tax	-	-	-	-	-	-	1,306	-	1,306
Deferred tax assets	-	-	-	-	-	-	4,253	-	4,253
Tangible assets	-	-	-	-	-	-	129,355	-	129,355
Intangible assets	-	-	-	-	-	-	23,266	-	23,266
Investments in subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	11,052	-	11,052
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	3	-	3
Other assets and receivables	-	-	-	-	-	-	4,947	-	4,947
TOTAL ASSETS	**4,832,918**	**17,359**	**526**	**-**	**-**	**-**	**174,182**		**5,024,985**
Financial liabilities at amortized cost	-	-	-	4,336,492	-	-	-	-	4,336,492
Deferred tax liabilities	-	-	-	-	-	-	1,705	-	1,705
Provisions	-	-	-	-	-	-	41,221	-	41,221
Other laibilities	-	-	-	-	-	-	21,974	-	21,974
TOTAL LIABILITIES	**-**	**-**	**-**	**4,336,492**	**-**	**-**	**64,900**	**-**	**4,401,392**
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	267	267
Accumuluated earnings	-	-	-	-	-	-	-	370,456	370,456
TOTAL EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**623,593**	**623,593**

All amounts are expressed in thousands of BAM	Financial assets valued at amor-tized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities that are valued at amor-tized cost	Financial liabilities that are valued at FVtPL	Financial liabilities that are valued by FVtOCI	Non-fi-nancial assets and liabilities	Equity	Total on 31.12.2021
Cash and cash equivalents	1,528,063	-	-	-	-	-	-	-	1,528,063
Financial assets at fair value through PL	-	19,834	-	-	-	-	-	-	19,834
Financial assets at fair value through OCI	-	-	498	-	-	-	-	-	498
Financial assets at amortized cost	3,163,541	-	-	-	-	-	-	-	3,163,541
Pre-paid income tax	-	-	-	-	-	-	7.935	-	7,935
Deferred tax assets	-	-	-	-	-	-	213	-	213
Tangible assets	-	-	-	-	-	-	129,422	-	129,422
Intangible assets	-	-	-	-	-	-	16,266	-	16,266
Investments in subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	13,254	-	13,254
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	-	-	-
Other assets and receivables	-	-	-	-	-	-	3,704	-	3,704
TOTAL ASSETS	**4,691,604**	**19,834**	**498**	**-**	**-**	**-**	**170,794**	**-**	**4,882,730**
Financial liabilities at amortized cost	-	-	-	4,255,477	-	-	-	-	4,255,477
Income Tax Liabilities	-	-	-	-	-	-	915	-	915
Deferred tax liabilities	-	-	-	-	-	-	1,376	-	1,376
Provisions	-	-	-	-	-	-	37,979	-	37,979
Other liabilities	-	-	-	-	-	-	18,936	-	18,936
TOTAL LIABILITIES	**-**	**-**	**-**	**4,255,477**	**-**	**-**	**59,206**	**-**	**4,314,683**
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	268	268
Accumulated earnings	-	-	-	-	-	-	-	314,909	314,909
TOTAL EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**568,047**	**568,047**

3.11.5. Specific financial instruments

Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents inlcude cash, balances with the Central Bank and funds held at the current accounts with other banks and higly liquid financial assets with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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 to customers are presented at amortised cost net of impairment allowances to reflect the estimated revocable amounts.

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

- loans and receivables measured at amortised cost (see Note 3.11.1), thet are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised 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 recog-nized in profit or loss.

The 'financial assets at fair value through profit and loss" caption in the statement of financial position includes:
- debt investment securities measured at fair value through profit and loss.

The 'financial assets at amortised cost" caption in the statement of financial position includes
- debt investment securities measured at amortised cost;

The 'financial assets at fair value thru other comprehensive income" caption in the statement of financial position includes
- equity investments measured at fair value through other comprehensive income; and

The Bank 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.

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

Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make 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 terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Borrowings and subordinated debt

Interest-bearing borrowings and subordinated debt are classified as other financial liabilities and are recognised 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 recognised 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

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

3.12. Property and equipment

Recognition and measurement

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost includes expenditures that are directly attributable to the acquisition of the asset. 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 Bank and its cost can be measured reliably. The costs of day-to-day repairs and maintenance are recognised in the income statement as incurred.

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

Estimated depreciation rates during 2021 and 2022 were as follows:

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

The gain or loss arising on the disposal or retirement of an 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 they occur.

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, which is property held to earn rental income and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost, less accumulated depreciation and any recognized accumulated impairment losses. Depreciation commences when the assets are ready for their intended use and is calculated in 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 Bank reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant 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 recognised when the Bank has a present legal or constructive obligation as a result of past events for which it is probable 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 can be made.

Provisions for liabilities and charges are maintained at the level that the Bank'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 risk characteristics of certain transaction categories, as well as other relevant factors.
Provisions are released only for such expenditure in respect of which provisions are recognised at inception. If the 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 Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank pays those tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels), Republika Srpska and Brčko District.

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the local legislation. These expenses are recognised 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 Bank makes provision for retirement severance payments in the amount of either 6 average net salaries of the employee disbursed by the Bank or 6 average salaries of the Federation of Bosnia and Herzegovina as in the most recent published report by the Federal Statistics Bureau, depending on what is more favourable to the employee.

The cost of retirement severance payments is recognised when earned.

3.18. Equity and reserves

Share capital

Share capital represents the nominal value of paid-in ordinary shares and is denominated in BAM.

Retained earnings

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

Fair value reserves

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

Dividends

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

3.19. Earnings per share

The Bank publishes basic and diluted earnings per share (EPS) data.

asic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The Bank does not have preference shares.

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 standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:
- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2022 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions beyond 30 June 2022 adopted by the EU on 30 August 2022 (effective from 1 April 2022 for financial years starting, at the latest, on or after 1 January 2022),
- Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9" adopted by the EU on 16 December 2021 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2022 to annual periods beginning on or after 1 January 2023).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Bank's financial statements.

3.20.2 New standards and amendments to existing standards that have been published and not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:
- Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use adopted by the EU on 28 June 2022 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract adopted by the EU on 28 June 2022 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2022 (effective for annual periods beginning on or after 1 January 2022),
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 adopted by the EU on 19 November 2022 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2021)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2022 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- Amendments to IFRS 17 "Insurance contracts" – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Bank has elected not to adopt these new standards, amendments to existing standards and new interpretation in advance of their effective dates. The Bank anticipates that the adoption of these standards, amendments to existing standards and new interpretations will have no material impact on the separate financial statements of the Bank in the period of initial application.

4. Critical accounting judgements and key sources of estimation uncertainty

The Bank 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 the Bank's 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 Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's 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 2022 and 31 December 2021 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.

Interest rate-induced risk

In accordance with 7. In 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 with a variable interest rate. In doing so, the Bank 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 the Bank 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 the Bank operates is subject to volatility and uncertainty, which could have a negative impact on the bank's ability to settle liabilities and the Bank's financial performance.

Taxation

The Bank 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 the Bank's 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 128,869 thousand (31 December 2021: BAM 73,844 thousand). The Bank 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 the Bank's management.

As stated in Note 34, the Bank provided BAM 11,795 thousand (31 December 2021: BAM 11,331 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 serverance payments

In calculating provisions for severance payments, the Bank 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 Bank'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 Bank 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 the Bank's 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.

As previously disclosed, the COVID-19 pandemic represents a significant new event that has significantly affected the Bank's risk management.

5.1. Credit risk

Risk limit control and mitigation policies

The Bank takes on exposure to credit risk which is the risk that the counterparty will be unable to pay amounts in full when due. The Bank 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 Bank's 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, the Bank 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 the Bank 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.

5.1.1 Credit quality analysis

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

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

All amounts are expressed in thousands of BAM	Notes	31 December 2022	31 December 2021
Cash and accounts with banks (excluding cash in the cash register)	21	623,197	861,684
Loans and advances to customers at fair value through profit or loss	22	17,359	19,834
Obligatory reserves at the Central Bank of BiH	24.1	422,204	415,959
Loans and advances to banks at amortised cost	24.2	319,130	185,698
Loans and advances to customers at amortised cost	24.3	2,480,281	2,371,009
Debt instruments at amortized cost	24.4	248,082	167,175
Other financial assets	24.4	28,405	23,700
		4,138,658	**4,045,059**

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

All amounts are expressed in thousands of BAM	Napomene	31 December 2022	31 December 2021
Credit commitments	34	707,068	662,396
Other off-balance exposures	34	327,128	312,740
		1,034,196	**975,136**

The following table shows 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 guaranted.

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

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Cash and cash eqvivalents (besides pety cash)					
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	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Cash and cash eqvivalents (besides pety cash)					
Excellent	17,544	-	-	-	17,544
Strong	145,495	-	-	-	145,495
Good	699,743	-	-	-	699,743
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**862,782**	**-**	**-**	**-**	**862,782**
Less: loss allowance	**(1,098)**	**-**	**-**	**-**	**(1,098)**
Net carrying amount	**861,684**	**-**	**-**	**-**	**861,684**

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Loans and advances to customers at fair value through profit or loss		
Excellent	-	-
Strong	-	-
Good	14,319	9,245
Satisfactory	2,827	9,632
Substandard	370	1,149
Credit impaired	152	259
Unrated	1	-
Total gross	**17,669**	**20,285**
Less Impairment of value	**(310)**	**(451)**
Total	**17,359**	**19,834**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Obligatory reserves at 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	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Obligatory reserves at Central Bank					
Excellent	-	-	-	-	-
Strong	-	-	-	-	-
Good	416,375	-	-	-	416,375
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**416,375**	**-**	**-**	**-**	**416,375**
Less: loss allowance	**(416)**	**-**	**-**	**-**	**(416)**
Net carrying amount	**415,959**	**-**	**-**	**-**	**415,959**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Bank placements					
Excellent	-	-	-	-	-
Strong	319,566	-	-	-	319,566
Good	-	-	-	-	-
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**319,566**	**-**	**-**	**-**	**319,566**
Less: loss allowance	**(436)**	**-**	**-**	**-**	**(436)**
Net carrying amount	**319,130**	**-**	**-**	**-**	**319,130**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Bank placements					
Excellent	-	-	-	-	-
Strong	185,922	-	-	-	185,922
Good	-	-	-	-	-
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**185,922**	**-**	**-**	**-**	**185,922**
Less: loss allowance	**(224)**	**-**	**-**	**-**	**(224)**
Net carrying amount	**185,698**	**-**	**-**	**-**	**185,698**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Loans and advances to customers at amortised cost					
Excellent	128	-	-	-	128
Strong	112,087	577	-	-	112,664
Good	1,217,576	59,900	-	435	1,277,911
Satisfactory	803,753	118,196	-	709	922,658
Substandard	58,081	138,748	-	675	197,504
Credit impaired	-	-	127,989	10,595	138,584
Unrated	28	889	-	-	917
Total gross amount	**2,191,653**	**318,310**	**127,989**	**12,414**	**2,650,366**
Less: loss allowance	**(17,170)**	**(36,493)**	**(110,129)**	**(6,293)**	**(170,085)**
Net carrying amount	**2,174,483**	**281,817**	**17,860**	**6,121**	**2,480,281**

During 2022, the Bank changed the scale on the basis of which the assessment of the credit quality of financial assets is carried out, resulting in differences in amounts at the level of individual ratings in 2022 compared to 2021, as shown in the table above.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Loans and advances to customers at amortised cost					
Excellent	11	-	-	-	11
Strong	104,709	875	-	-	105,584
Good	519,494	22,226	-	-	541,720
Satisfactory	1,405,988	180,591	-	608	1,587,187
Substandard	42,282	81,576	-	300	124,158
Credit impaired	-	-	183,700	20,648	204,348
Unrated	54	1,129	-	-	1,183
Total gross amount	**2,072,538**	**286,397**	**183,700**	**21,556**	**2,564,191**
Less: loss allowance	**(16,958)**	**(22,918)**	**(138,919)**	**(14,387)**	**(193,182)**
Net carrying amount	**2,055,580**	**263,479**	**44,781**	**7,169**	**2,371,009**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 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	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Debt instruments at amortized cost					
Excellent	39,604	-	-	-	39,604
Strong	55,434	-	-	-	55,434
Good	42,954	-	-	-	42,954
Satisfactory	9,728	20,764	-	-	30,492
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**147,720**	**20,764**	**-**	**-**	**168,484**
Less: loss allowance	**(275)**	**(1,034)**	**-**	**-**	**(1,309)**
Net carrying amount	**147,445**	**19,730**	**-**	**-**	**167,175**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2022 Total
Credit 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	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	Stage 1	Stage 2	Stage 3	31 December 2021 Total
Credit commitments				
Excellent	1,760	-	-	1,760
Strong	132,758	600	-	133,358
Good	368,624	30,209	-	398,833
Satisfactory	99,754	24,666	-	124,420
Substandard	2,032	8,756	-	10,788
Credit impaired	34	-	951	985
Unrated	324	221	-	545
Total gross amount	**605,286**	**64,452**	**951**	**670,689**
Less: loss allowance	**(3,194)**	**(4,315)**	**(784)**	**(8,293)**
Net carrying amount	**602,092**	**60,137**	**167**	**662,396**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2022 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	-	44	-	44
Total gross amount	**280,387**	**56,187**	**1,158**	**337,732**
Less: loss allowance	**(1,591)**	**(8,298)**	**(715)**	**(10,604)**
Net carrying amount	**278,796**	**47,889**	**443**	**327,128**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2021 Total
Other off-balance exposures				
Excellent	2,893	-	-	2,893
Strong	58,779	899	-	59,678
Good	108,459	5,432	-	113,891
Satisfactory	91,141	40,603	-	131,744
Substandard	1,508	10,014	-	11,522
Credit impaired	-	-	793	793
Unrated	-	21	-	21
Total gross amount	**262,780**	**56,969**	**793**	**320,542**
Less: loss allowance	**(1,720)**	**(5,723)**	**(359)**	**(7,802)**
Net carrying amount	**261,060**	**51,246**	**434**	**312,740**

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

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Loans and reviewable to customers at amortised cost – gross carrying amount					
Current	2,143,217	248,289	14,216	3,133	2,408,855
Overdue < 30 days	48,431	58,932	5,100	663	113,126
Overdue > 30 days < 90 days	-	11,083	3,455	185	14,723
Overdue > 90 days	5	6	105,218	8,433	113,662
Less: loss allowance	**(17,170)**	**(36,493)**	**(110,129)**	**(6,293)**	**(170,085)**
Net carrying amount	**2,174,483**	**281,817**	**17,860**	**6,121**	**2,480.281**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Loans and reviewable to customers at amortised cost – gross carrying amount					
Current	1,893,920	214,642	10,996	7,040	2,126,598
Overdue < 30 days	156,705	44,475	8,180	2,141	211,501
Overdue > 30 days < 90 days	14,807	17,295	46,875	916	79,893
Overdue > 90 days	7,106	9,985	117,649	11,459	146,199
Less: loss allowance	**(16,958)**	**(22,918)**	**(138,919)**	**(14,387)**	**(193,182)**
Net carrying amount	**2,055,580**	**263,479**	**44,781**	**7,169**	**2,371,009**

COVID-19

The COVID-19 pandemic had a negative impact on the operations of a certain part of legal entities, and on a part of private individuals with the possible consequence of the emergence of liquidity difficulties in settling their financial obligations. In order to reduce long-term negative impacts on the economy, the Bank has taken a number of measures within the framework set by the Banking Agency of the Federation of Bosnia and Herzegovina, EBA guidelines and similar measures have been applied by other credit institutions in the market. In accordance with the above, since the beginning of the pandemic in 2021, the Bank has approved measures to clients affected by the negative effects of the pandemic. During the state of "Natural or other disasters in the territory of Bosnia and Herzegovina", the Bank granted clients a temporary moratorium measure. During the moratorium, the Bank did not calculate penalty interest on the amount of overdue receivables. On the other hand, the regular calculation of interest was further performed and it was attributed to the final repayment plan after the final modality was agreed.

Upon expiration of temporary measures (measures during the state of natural disaster), special measures approved by the Bank to clients, private and legal persons, were:
- moratorium, ie delay in repayment of credit obligations for a maximum of 6 months (not counting the temporary moratorium),
- introduction of a "grace" period for repayment of the principal of credit obligations in the case of loans that are repaid in annuity for a period not exceeding 6 months,
- extension of the maturity for repayment of annuity loans,
- extension of the maturity of single-maturity loans, including revolving loans and overdrafts on transaction accounts for a maximum period of 6 months, whereby clients could use during that period the part of the exposure that was unused on the day of modification,
- granting an additional amount of exposure for the purpose of overcoming current liquidity difficulties,
- other measures taken by the bank in order to facilitate the servicing of the client's credit obligations and the establishment of sustainable business flow of the client.

The measures are applied as individual or may include a combination of the same.

The goal is to choose measures that will enable clients to remedy the negative consequences of the virus pandemic on business in the coming period and to properly service credit obligations.

For individuals, the Bank considered a moratorium to be the most appropriate measure, and approved only this measure. For legal entities, the measures were approved in accordance with the analysis on the basis of which the Bank estimated that the approved measures will help the client to settle its obligations properly in the future.

In accordance with the regulatory framework, the measures had an expiry date of 31 December 2021. For some measures, the deadline was subsequently extended until 31 March 2022. The approval of the moratorium measure or other special measures did not in itself cause reclassification of exposures into restructured exposures or reclassification of clients to a higher level of risk or default status, but for all exposures the Bank regularly conducted credit risk analysis and available exposure data and information. connected by clients assessed the likelihood that the client will not be able to properly fulfill its obligations.

The table below presents the total exposure of loans for which one of the possible measures was approved as of December 31, 2022, which are still active:

All amounts are expressed in thousands of BAM	Stage 1		Stage 2		Stage 3		31 December 2022 Total	
	Number of accounts	Exposure BAM '000	Number of accounts	Exposure BAM '000	Number of accounts	Exposure BAM '000	Number of accounts	Exposure BAM '000
Non retail								
Moratoria	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Retail (Pi & Micro)								
Moratoria	-	-	-	-	-	-	-	-
Other	5	48	2	42	2	16	9	106
Total:	**5**	**48**	**2**	**42**	**2**	**16**	**9**	**106**

All amounts are expressed in thousands of BAM	Stage 1		Stage 2		Stage 3		31 December 2021 Total	
	Number of accounts	Exposure BAM '000	Number of accounts	Exposure BAM '000	Number of accounts	Exposure BAM '000	Number of accounts	Exposure BAM '000
Non retail								
Moratoria	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Retail (Pi & Micro)								
Moratoria	-	-	3	-	-	-	3	-
Other	11	146	2	64	2	5	15	215
Total:	**11**	**146**	**5**	**64**	**2**	**5**	**18**	**215**

As can be seen from the table above, there were no active Covid-19 measures in the Non-retail segment as of 31 December 2022. In addition to approving measures for clients affected by the COVID 19 pandemic and monitoring the client in order to identify increased risk due to the COVID-19 pandemic, activities in risk management were focused on activities related to updating macroeconomic scenarios in calculating expected losses and generating adequate amounts of expected losses for customers whose business has been affected or is expected to be significantly affected by the impact of the COVID-19 pandemic.

The COVID-19 pandemic has negatively affected the operations of a certain part of legal entities, and on a part of natural persons with the possible consequence of the occurrence of liquidity difficulties in settling their financial obligations. In order to reduce the long-term negative impacts on the economy, the Bank has taken a number of measures within the framework set by the Banking Agency of the Federation of Bosnia and Herzegovina, EBA guidelines and similar measures have been applied by other credit institutions on the market. In accordance with the above, since the beginning of the pandemic in 2020, the Bank has enabled the contracting of benefits to clients affected by the negative effects of the pandemic. The bank was obliged to report monthly to the Regulator on Covid-19 measures in the portfolio.

In accordance with the regulatory framework, the measures had an expiry date of approval as of December 31, 2021. For part of the measures, the deadline was subsequently extended until 31 March 2022.

As part of the credit risk management activities, macroeconomic adjustment activities were undertaken on the parameters for IFRS 9 provisions. Calculation of macroeconomic factors (eng. Macroeconomic Overlay Factors(hereinafter referred to as "MOF") ensures that default rate trends that will occur in the case of different macroeconomic scenarios are covered. The macroeconomic factors calculated in this way reflect the state of default rates only for the duration of the macroeconomic scenario, and do not necessarily cover the entire life expectancy of the financial instrument. One of the most important parameters that influenced the macroeconomic adjustment is the movement of GDP of Bosnia and Herzegovina and the MOF were aligned with the expected movement of the same according to the official forecasts of the Agency for Statistics of BiH.

In the Non – retail segment, for emergencies such as Covid-19 or when the assessed credit risk according to internally developed parameters does not reflect an adequate level of risk of individual or group exposures, the so-called Special Risk Factors (SRF) is applied that directly affect increased credit risk, questionable current liquidity and solvency of clients, and as a result have increased value corrections, all in accordance with IFRS 9 Appendix B5.5.16.SRF represents the application of holistic approaches to identify a significant increase in credit risk for certain exposures or groups of exposures for which additional information on impaired credit quality is held that cannot be included/identified through standard indicators of impaired credit quality. Special Risk Factor is applied when the existing calculated credit risk parameters cannot fully express the credit risk on part of the portfolio and the percentage of provisioning coverage is assigned to it after the methodology of calculating provisioning. The audit and monitoring of the aforementioned part of the portfolio is carried out regularly in accordance with the improvement or deterioration of financial performance.

Interest rate-induced credit risk

In accordance with 7. In 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 with a variable interest rate. In doing so, the Bank 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 the Bank in the event of a potential change in the interest rate in accordance with the agreed conditions.

Management of interest-induced credit risk by which it defined the minimum requirements of the Decision, namely: comparison of the existing level of interest rates in relation to the level of interest rates on the reference date, projections of interest rate growth and the effects of this increase on credit risk, as well as measures to be taken by the bank to reduce credit risk and consequences for loan beneficiaries. This Decision will be in effect until December 31, 2023 or until revocation by the regulator.

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

The Bank regularly reports to interested parties on the impact of interest-induced credit risk and portfolio quality, and in addition, in accordance with the Decision on temporary measures to mitigate the risk of rising interest rates, the Bank is obliged to report on a monthly basis to the Regulator on the application of the measures referred to in the said decision, and the impact on the credit portfolio through predefined forms.

The global disruptions caused by the energy crisis and deepened by the outbreak of war in Ukraine have resulted in continued inflationary pressures that have shaped both the economic and banking environment in Europe and Bosnia and Herzegovina. In an effort to contain rising inflation, leading global central banks have resorted to an unprecedented shift in monetary policy, intensively raising interest rate referents. The most aggressive dynamics of key rate increases began in March 2022 with a total of 8 increases so far, up to 450-475 basis points. Furthermore, the European Central Bank (ECB) decided to break the era of negative interest rates in one go, and in July 2022 it announced a 50 basis point increase in reference rates, followed by two more significant increases of 75 basis points each in September and October 2022 and two more 50 bp increases in December 2022 and February 2023, bringing the ECB's base interest rate to 3% at the end of February. In 2023.

Looking at the banking sector as a whole and the fact that 48% of newly launched loans from 31.12.2022 were with variable interest rates, a gradual adjustment of interest rates is to be expected. Available data on interest rates in the banking sector published by the CBBH in December 2022 still do not show a significant adjustment and impact of reprieving on the biH banking market, which is estimated to only significantly occur at the beginning of 2023, since most commercial banks have announced that the repricing starts on a significant scale with January 2023. Also, with January 2023, the CBBH also began adjusting fee rates on funds above the reserve requirement (as the only available monetary tool) with the current dynamics of the ECB's deposit rate.

The plan for the implementation 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:

- Comparisons of the existing level of interest rates with respect to interest rate levels on the reference date 30 June 2022 (new and existing exposures);
- Projections of rising interest rates and the effects of this increase on credit risk;
- Measures to be taken by the bank to minimize credit risk and consequences for loan beneficiaries;
- The process of communication with clients;
- How to document credit activities;
- The impact of the measures on IFRS 9 and expected credit losses;
- Special measures of the internal control system;
- System of monitoring and reporting in the Bank and reporting to the Agency on the activities and measures of the Decision.

Money and cash equivalents

As of 31 December 2022, the Bank held BAM 80,721 thousand (2021: BAM 56,256 thousand) with other banks that were rated, based on S&P, at least AA- to BBB.

5.1.2. Collateral and other credit improvements

During the year, the Bank 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 the Bank's Financial Position Report at the time when the conditions for its acquisition are met in accordance with IFRS and local regulations. It is the Bank's 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 the bank's operational activities or for lease sleases to third parties.

The Bank's policy regarding the acquisition of collateral did not change significantly during the reporting period. During 2022, 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, the Bank 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 2022, as an additional measure of improving or reducing problematic receivables (NpLs), the Bank 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 the bank has) and below which the Bank 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 the Bank – 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 following tables stratify 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 updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals.

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
LTV ratio		
Less than 50%	21,999	19,518
51–70%	73,584	61,594
71–90%	146,329	137,059
91–100%	15,237	18,783
More than 100%	21,737	22,364
Total	**278,886**	**259,318**

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Credit-impaired loans		
Less than 50%	-	4,368
51–70%	5,723	3,555
More than 70%	-	-
Total	**5,723**	**7,923**

5.1.3 Amounts arising from ECL

i. Significant increase in credit risk (SICR)

The Bank 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. Criteria for determining a significant increase in credit risk are defined for the proper allocation of exposure in Stage 1 or Stage.

Quantitative criteria

For 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% increase in the likelihood of default. Quantitative criteria are set individually for each product. No grouping of exposure is carried out, 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 (ie consideration of the PD at the beginning, given the condition that the observed risk party 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 which 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 the event of such 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 included in the monitoring list;
- Certain indicators of the internal credit risk monitoring system and early warning system.

Determining the existence of any of the above mentioned guidlines represents a condition for change of credit risk level.

(ii) Credit risk grades

The Bank uses internal credti risk gradings that reflect its assessment of the probability of default of individual counteparties. The Bank 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 the Bank.

Corporate clients

For corporate business, the rating is determined at the borrower level. An underwriter will incorporate any updated or new information/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 25 rating grades for non-default clients and 1 grade for default clients.
In addition, for the category of small and medium-sized businesses, the Bank uses the SMB rating model. According to the general concept, the SMB client ranking scale includes a total of 25 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, the Bank uses the Local and Regional Governments rating model. According to the general concept of the LRG ranking scale, clients include 9 rating ratings for non-default clients and one rating for default clients.

Project financing

For project financing purposes, the Bank 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.

Financial institutions

For financial institutions, the Bank 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-defalted clients, and one grade for default clients, with the exception of FI Rating model that includes 25 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 behavior of the borrower is monitored on a periodic basis to develop a behavioral score. Any other known information about the borrower which impacts their creditworthiness – such as unemployment and previous delinquency history – is also incorporated into the behavioral 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

(iii) Definition of default

The status of non-fulfillment of obligations under the Bank's 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, the Bank 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

Staging criteria are selected in line with IFRS 9, and based on risk parameters available in the Bank. By assigning a default status, the client moves to the individual estimate of potential losses (ILLP), thus obtaining the Stage 3 status under IFRS 9 methodology, which at that moment represents an 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:

- have not paid their liabilities towards the Bank for more than 90 days, taking into account the materiality threshold of EUR 250 and 2,5% until 30 November 2020, and EUR 500 and 1,0% after 30 November 2020 (see bellow for more details) of the value of total contracted loan placements (quantitative criteria)
- or that obligations towards the Bank are most likely not to be settled from the borrowers primary sources of funding (qualitative criterion).

The Bank (or 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 liabilities to the Bank (e.g. initiated bankruptcy proceedings, write-off part of the receivables, interest payments, cross-default etc.)

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

The instructions for identifying and managing a 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:
- The certainty of scenarios
- Possibility of documenting those scenarios
- Historical parameters / indicators

A scenario that is likely to happen/will be realized in the next period will be given a weight of 90% probability, while scenarios whose probability 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 legal case 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 (Natural Persons and Micro clients)

As a rule, in the Retail segment of business by assigning default status, the client is moved to Stage 3 according to IFRS 9 methodology, which at that moment represents a non-performing asset.

Provisions for loan losses must be granted to all placements of a debtor or group of debtors who:
- are over 90 days late with liability payments towards the Bank considering the materiality threshold of EUR 10 until 30 November 2020, and EUR 100 and 1% of the value of total contracted loan placements from 30 November 2020 (quantitative criteria);
- or are most likely not to settle their liabilities towards the Bank (qualitative criterion).

In its internal procedures, the Bank has defined qualitative criteria for which credit exposure of a client is given a status of high probability of not meeting liabilities towards the Bank (e.g. bankruptcy of the debtor, cross-default, poor restructuring, etc.)

The Bank also implemented the new default definition in the retail segment as of 30 November 2020 by conducting a retrospective calculation of historical daily default data for the past 10 years (5 years for the Micro segment). On the basis of such retrospective calculation, the Bank determined default data as at 30 November 2020 and related detailed information on default events.

The biggest methodological change in the default definition in the retail segment relates to:
1. Change in days past due counter:
   - the significance threshold of due due for counting the days of delay 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 how many days the debt exceeds the materiality threshold. This change is reflected in the fact that, when partial payment is made on an obligation, the number of days past due cannot be reduced, that is, the new counter can only be reset to zero when the debt due falls below one of the materiality thresholds (absolute or relative).
2. Introduction of the 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 of distressed restructuring rules and introduction of additional unlikeliness to pay indicators, such as significant indebtedness and the loss of sufficient recurring income.
4. Determination of the default status at the client level for the Micro segment.

Furthermore, the rules for fulfilment of the criteria for exiting the status of un-fulfilled obligations are also changed.

(iv) Inclusion of predictive factors

During 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 Raiffeisenbank International" updated the recovery period 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 30 days (previously 10 days) during the observed period. With the mentioned harmonization, the local regulations are completely satisfied.

Multiple macroeconomic scenarios are also included in ECL calculation. The Bank applies three perspective global economic scenarios (baseline, upside and downside) and this approach is considered sufficient for the calculation of unbiased expected loss in most economic environments. In calculating the expected credit loss, the Bank 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 horizont are reviewed and updated at least once every quorter 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 are aimed at reflecting the effects of the possibility 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 derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.11.1. (iii).

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

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

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

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

The revised terms usually include extending 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 Bank Credit Committee regularly reviews reports on forbearance activities.

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

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an 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 such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(vi) Expected Credit Loss Measurement

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

(vii) Loss allowance

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

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2022 Total
Loans and receivables to customers at amortised cost					
Balance at 1 January 2022	16,958	22,918	138,919	14,387	193,182
New approvals	8,236	7,830	3,932	742	20,740
Derecoginition	(4,323)	(8,306)	–	(8,070)	(20,699)
Write offs	–	–	(32,356)	–	(32,356)
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	(562)	9,096
Balance at 31 December 2022	**17,170**	**36,493**	**110,129**	**6,293**	**170,085**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2021 Total
Loans and receivables to customers at amortised cost					
Balance at 1 January 2021	14,691	50,423	115,035	13,253	193,402
New approvals	6,563	4,277	7,838	4,349	23,027
Derecoginition	(3,349)	(11,614)	–	(4,973)	(19,936)
Write offs	–	–	(4,494)	–	(4,494)
Collection	–	–	(20,222)	–	(20,222)
Transfer to stage 1	399	(8,379)	(1,251)	–	(9,231)
Transfer to stage 2	(1,079)	3,018	(3,088)	18	(1,131)
Transfer to stage 3	(267)	(14,807)	45,101	1,740	31,767
Balance at 31 December 2021	**16,958**	**22,918**	**138,919**	**14,387**	**193,182**

A significant increase in impairment in Phase 2 was mainly caused by the application of the "overlay model" for exposures for which the Bank 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.

5.1.4. Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location.
Geographic concentration in net carrying amounts of credit exposure is as follows:

All amounts are expressed in thousands of BAM	Bosnia and Herzegovina	EU countries	Non-EU countries	Total
31 December 2022				
Cash and cash eqvivalents	401,498	194,975	26,724	623,197
Loans and recivables at fair value	17,359	-	-	17,359
Financial assets at fair value through other comprehensive income	355	171	-	526
Obligatory reserves at the Central Bank of BiH	422,204	-	-	422,204
Bank deposits	28,874	174,858	115,398	319,130
Loans and recivables at amortised cost	2,480,281	-	-	2,480,281
Debt instruments at amortised cost	33,614	157,401	57,067	248,082
Other financial assets	24,684	3,684	37	28,405
	3,408,869	**531,089**	**199,226**	**4,139,184**
31 December 2021				
Cash and cash eqvivalents	638,617	195,979	27,088	861,684
Loans and recivables at fair value	19,834	-	-	19,834
Financial assets at fair value through other comprehensive income	356	142	–	498
Obligatory reserves at the Central Bank of BiH	415,959	–	–	415,959
Bank deposits	9,453	94,696	81,549	185,698
Loans and recivables at amortised cost	2,371,009	–	–	2,371,009
Debt instruments at amortised cost	31,112	78,903	57,160	167,175
Other financial assets	19,605	4,060	35	23,700
	3,505,945	**373,780**	**165,832**	**4,045,557**

Economic sector risk concentration in presented in Note 24.2.

5.2. Liquidity risk management

Liquidity risk is the potential exposure of the Bank to obtain the funds required by the Bank to settle its obligations under financial instruments.

- The Bank 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 Bank does not maintain cash resources in the amount necessary to cover all these needs, which may arise. From experience, it can predict with high reliability the minimum amounts of reinvestment of overdue funds. The Bank 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 Bank maintains liquidity in accordance with the regulations of the Banking Agency governing liquidity risk and group and internal acts for maintaining the liquidity reserve.

Special attention is paid to liquidity measures prescribed by regulatory requirements:

- Liquidity coverage coefficient (LCR) monitored on a daily basis and reported to the regulator on a monthly basis, representing the liquidity coverage ratio over a 30-day stress period
- The net stable funding (NSFR) ratio, 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 with the aim of ensuring the bank's long-term resilience to liquidity risk.
- Maturity of financial assets and financial liabilities

LCR and maturity compliance of financial assets and financial liabilities are maintained at levels above regulatory and internally defined limits (internally defined limits are: LCR above 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 the Bank:
  - 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	31 December 2022	31 December 2021
Protective layer of liquidity	1,266,875	1,385,715
Net cash outflows	495,393	516,842
Liquidity coverage ratio (LCR)	**255.73%**	**268.11%**

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Protective layer of liquidity	3,783,284	3,682,674
Net cash outflows	2,175,837	2,104,245
Liquidity coverage ratio (LCR)	**173.88%**	**175.01%**

Maturity analysis

The following tables show the remaining contractual maturities of the Bank's assets and liabilities as at 31 December 2022 and 31 December 2021, except for financial assets at fair value through other comprehensive income which have been classified in accordance with their secondary liquidity characteristic as maturing within one month and obligatory reserves which, although not short-term depends on the liabilities on which it is calculated, have been classified in the maturity period within one month.

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2022 godine						
Assets						
Cash and cash eqvivalents	623,197	-	-	-	-	623,197
Loans and recivables 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 reserves at the Central Bank of BiH	422,204	-	-	-	-	422,204
Bank deposits	183,214	135,916	-	-	-	319,130
Loans and recivables at amortised cost	244,022	145,081	529,792	1,053,038	508,348	2,480,281
Debt instruments at amortised cost	19,526	19,885	71,610	-	137,061	248,082
Other financial assets	28,405	-	-	-	-	28,405
Total financial assets	**1,520,621**	**300,977**	**601,826**	**1,055,466**	**660,294**	**4,139,184**
Liabilities						
Due to banks and other financial institutions	52,037	4,002	10,016	74,948	3,401	144,404
Deposits from customers	3,226,976	64,371	245,230	433,391	9,683	3,979,651
Subordinated debt	-	-	-	61,804	44,984	106,788
Loans	1,085	1,432	17,640	55,100	-	75,257
Lease liabilities	268	479	1,891	4,500	554	7,692
Other financial liabilities	6,405	16,295	-	-	-	22,700
Total financial liabilities	**3,286,771**	**86,579**	**274,777**	**629,743**	**58,622**	**4,336,492**

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2021						
Assets						
Cash and cash eqvivalents	861,684	-	-	-	-	861,684
Loans and recivables at fair value	1,851	1,026	4,323	8,548	4,086	19,834
Financial assets at fair value through other comprehensive income	1	-	-	-	497	498
Obligatory reserves at the Central Bank of BiH	415,959	-	-	-	-	415,959
Bank deposits	176,244	9,454	-	-	-	185,698
Loans and recivables at amortised cost	221,218	122,619	516,827	1,021,799	488,546	2,371,009
Debt instruments at amortised cost	-	-	6,935	149,401	10,839	167,175
Other financial assets	23,700	-	-	-	-	23,700
Total financial assets	**1,701,154**	**133,099**	**528,085**	**1,179,748**	**503,471**	**4,045,557**
Liabilities						
Due to banks and other financial institutions	53,477	227	5,713	78,699	15,010	153,126
Deposits from customers	3,018,799	167,315	277,151	440,753	16,165	3,920,183
Subordinated debt	-	-	-	61,804	-	61,804
Loans	914	7,474	23,085	58,729	2,667	92,869
Lease liabilities	232	436	1,852	4,615	1,008	8,143
Other financial liabilities	5,544	13,808	-	-	-	19,352
Total financial liabilities	**3,078,966**	**189,260**	**307,801**	**644,600**	**34,850**	**4,255,477**

The following table details the Bank's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which Bank may have the liability to make the payment. Tabel includes the payment of interest and principal:

Maturity for non-derivative financial liabilities

All amounts are expressed in thousands of BAM	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	3,979,651	2	15	748	4,755	1,937	3,987,108
Subordinated debt	106,788	680	558	3,565	7,855	11,037	130,483
Borrowings	75,257	40	7	610	454	9	76,377
Lease liabilities	7,692	13	24	91	161	25	8,006
Other financial liabilities	22,700	-	-	-	8	1	22,709
	4,336,492	**735**	**612**	**5,045**	**17,509**	**13,087**	**4,373,480**

All amounts are expressed in thousands of BAM	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 2021							
Due to banks and other financial institutions	153,126	2	-	14	4,276	1,809	159,227
Deposits from customers	3,920,183	4	231	310	6,879	3,417	3,931,024
Subordinated debt	61,804	-	579	1,964	10,117	12,897	87,361
Borrowings	92,869	23	23	423	1,063	58	94,459
Lease liabilities	8,143	14	26	99	223	27	8,532
Other financial liabilities	19,352	-	-	-	13	1	19,366
	4,255,477	**43**	**859**	**2,810**	**22,571**	**18,209**	**4,299,969**

The Bank's liquidity reserves are presented in table in Note 21.

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.

The Bank's 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, the Bank 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 the Bank`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 the Bank's 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.

Bank 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 the Bank`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, the Bank 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 the Bank, as well as stop loss limits.

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

All amounts are expressed in thousands of BAM	BAM	EUR*	USD	Other currencies	Total
As at 31 December 2022					
ASSETS					
Cash and cash eqvivalents	401,097	109,102	93,954	19,044	623,197
Loans and recivables at fair value	-	17,359	-	-	17,359
Financial assets at fair value through other comprehensive income	355	171	-	-	526
Obligatory reserves at the Central Bank of BiH	422,204	-	-	-	422,204
Bank deposits	28,583	261,502	-	29,045	319,130
Loans and recivables at amortised cost	1,495,892	984,389	-	-	2,480,281
Debt instruments at amortised cost	13,800	208,941	25,341	-	248,082
Other financial assets	21,653	6,747	4	1	28,405
	2,383,584	**1,588,211**	**119,299**	**48,090**	**4,139,184**
LIABILITIES					
Due to banks and other financial institutions	120,954	22,642	794	14	144,404
Due to customers	2,526,546	1,265,880	119,112	68,113	3,979,651
Subordinated debt	-	106,803	-	-	106,803
Borowings	-	75,242	-	-	75,242
Lease liabilities	-	7,692	-	-	7,692
Other financial liabilities	18,526	239	3,433	502	22,700
	2,666,026	**1,478,498**	**123,339**	**68,629**	**4,336,492**

* The Bank has a number of agreements governed by a foreign currency clause. Tha BAM value of principal in such agreements is determined by the movement in foreign exchange rates. 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	BAM	EUR*	USD	Other currencies	Total
As at 31 December 2021					
ASSETS					
Cash and cash eqvivalents	638,155	103,455	80,839	39,235	861,684
Loans and recivables at fair value	-	19,834	-	-	19,834
Financial assets at fair value through other comprehensive income	355	143	-	-	498
Obligatory reserves at the Central Bank of BiH	415,959	-	-	-	415,959
Bank deposits	9,276	156,466	11,217	8,739	185,698
Loans and recivables at amortised cost	1,185,888	1,185,121	-	-	2,371,009
Debt instruments at amortised cost	11,378	131,873	23,924	-	167,175
Other financial assets	16,581	7,011	8	100	23,700
	2,277,592	**1,603,903**	**115,988**	**48,074**	**4,045,557**
LIABILITIES					
Due to banks and other financial institutions	129,336	22,936	126	728	153,126
Due to customers	2,511,808	1,216,576	114,923	76,876	3,920,183
Borowings	-	92,869	-	-	92,869
Subordinated debt	-	61,804	-	-	61,804
Lease liabilities	8,143	-	-	-	8,143
Other financial liabilities	15,600	1,338	1,977	437	19,352
	2,664,887	**1,395,523**	**117,026**	**78,041**	**4,255,477**

* The Bank has a number of agreements governed by a foreign currency clause (EUR). Tha BAM value of principal in such agreements is determined by the movement in foreign exchange rates. The principal balance of the related exposure is included in the table above in the column "EURO".

The following table outlines five greatest Values-at-Risk (VaR) recorded as at 31 December 2022 and their values as at 31 December 2021. VaR is a calculation based on 99% reliability statistical model and under presumption that portfolio is constant during 1 day.

All amounts are expressed in thousands of BAM		VaR	
Currency	**31 December 2022**	**Currency**	**31 December 2021**
USD	>1	USD	<1
JPY	<1	NOK	<1
HRK	<1	CZK	<1
GBP	<1	CAD	<1
NOK	<1	HRK	<1

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

All amounts are expressed in thousands of BAM	USD effect		TRY effect	
	2022	2021	2022	2021
Profit or loss	(113)	(74)	2	4

5.3.2. Interest rate risk

Interest rate risk reflects the possibility of loss of profit and/or erosion of capital due to a change in interest rates. It relates to all products and balances that are sensitive to changes in interest rates. This risk comprises two components: income component and investment component.

The income component arises from a lack of harmonization between the active and passive interest rates of the Bank (interest on placements is fixed, interest for liabilities is variable, and vice versa).

The investment component is a consequence of the inverted relationship between price and interest rate fluctuations of securities. The Bank strives to protect itself from interest rate risk by harmonizing the type of interest rate (fixed, floating and variable), currency, related interest rate and the date of interest rate change for all products for which it concludes contracts (which are sensitive to interest rate changes). Any incongruity among the abovementioned elements results in exposure of the Bank to interest rate risk.

5.3.2.1. BPV interest rate sensitivity analysis

For positions of interest rate risk, on daily basis, sensitivity analysis is made for one base point during parallel movement of yield curve (Basis point value, 1 BPV), which gives values of gains and losses of portfolio for a particular day.

In the table below, changes of present value of portfolio with interest rate growth for 1 base point as at 31 December 2022 and 31 December 2021 are presented, expressed in thousands of BAM for following currencies: BAM, EUR and USD, while for other currencies changes of present values are immaterial.

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Currency		
BAM	(59)	(55)
EUR	(19)	(37)
USD	2	(4)
Total BPV	**(76)**	**(96)**

In the instance of a change (increase) of interest rates by 1 Basis Points (parallel movement of yield curve for +0.01%), the effects on the present value of Bank's portfolio as at 31 December 2022 would be the following:
- for BAM – present value of portfolio decrease in the amount of BAM 59 thousand, incurring loss
- for EUR – present value of portfolio increase in the amount of BAM 19 thousand, incurring profit
- for USD – present value of portfolio increase in the amount of BAM 2 thousand, incurring profit.

In the instance of a change of yield curve by 50 Basis, effects on present value of portfolio for 31 December 2022 and 31 December 2021 are shown in the table below for currencies with material exposure:

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Currency		
BAM	(2,925)	(2,889)
EUR	(919)	(1,917)
USD	90	(209)
Total BPV	**(3,754)**	**(5,015)**

In the instance of a change (increase) of interest rates by 50 Basis Points (parallel movement of yield curve for 0.05%), the Bank would realize:
- for BAM – present value of portfolio decrease in the amount of BAM 2,925 thousand as at 31 December 2022.
- for EUR – present value of portfolio increased in the amount of BAM 919 thousand as at 31 December 2022.
- for USD – present value of portfolio decrease in the amount of BAM 90 thousand as at 31 December 2022.

5.4. Capital risk management

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

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

During 2019, the Bank 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 19.81%.

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.

The minimum capital requirements are as follows:
- Common Equity Tier 1 capital ratio 6.75%
- Tier 1 capital ratio 9%
- Total capital ratio 12%

In addition to the statutory minimum adequacy rate, the Bank is also required to provide a protection 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 exposure amount.

The total risk weighted exposure amounts used to calculate capital adequacy includes:
- the risk of weighted assets and credit equivalents,
- position, currency, commodity risk and
- operational risk.

The Bank's capital adequacy ratio of the Bank, as at 31 December 2022 and 31 December 2021 is above the prescribed limit of 12%. Following table presents the structure of equity and capital requirements of the Bank on 31 December 2022 and 31 December 2021:

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Common equity Tier 1 (CET 1)		
Issued share capital – ordinary shares	247,167	247,167
Share premium	4,473	4,473
Retained earnings and other statutory reserves	269,678	245,323
Accumulated comprehensive income	267	268
Other reserve	1,230	1,230
Common Equity Tier 1 – regulatory asjustments:		
Intangible assets	(23,266)	(16,266)
Deferred tax assets	(4,253)	(213)
Significant incestments in financial sector entities	(11,374)	(13,575)
Common equity	**483,922**	**468,407**
Additional Tier 1 equity	**-**	**-**
TOTAL TIER 1 EQUITY	**483,922**	**468,407**
Additional capital		
Subordinated debt	69,713	37,076
General credit risk adjustments for credit losses	-	-
Missing loan losses provisions	-	-
TOTAL TIER 2 CAPITAL (T 2)	**69,713**	**37,076**
TOTAL REGULATORY CAPITAL (unaudited)	**553,635**	**505,483**
Total risk-weighted assets (unaudited)	**2,794,871**	**2,742,206**
Common Equity capital ratio	**17.31%**	**17.08%**
Tier 1 capital ratio	**17.31%**	**17.08%**
Total capital ratio	**19.81%**	**18.43%**

In December 2022, the Bank paid a dividend in the amount of BAM 45,230 (65% of retained earnings for 2021).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 2022 it is significantly above the stated minimum, amounting to 9.20%

6. Fair value of financial instruments

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

6.1. Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the 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 the unobservable inputs 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 Bank 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.

6.2. Fair value of the Bank'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.

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2022					
Financial assets at fair value through other comprehensive income					
Equity securities issued by non-resident legal entities	22	-	-	17,359	17,359
Loans to customers	23	-	-	526	526
Total		**-**	**-**	**17,885**	**17,885**

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2021					
Financial assets at fair value through other comprehensive income					
Equity securities issued by non-resident legal entities	22	-	-	19,834	19,834
Loans to customers	23	-	-	498	498
Total		**-**	**-**	**20,332**	**20,332**

6.3. Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

All amounts are expressed in thousands of BAM	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
31 December 2022						
Assets						
Cash and cash equivalents	1,334,816	1,335,650	(834)	-	-	1,335,650
Obligatory reserves with the Central Bank of BiH	422,204	422,627	(423)	-	-	422,627
Placements at banks	319,130	319,598	(468)	-	-	319,598
Loans and receivables from customers	2,480,281	2,591,715	(111,434)	-	-	2,591,715
Other financias assets at amortized cost	276,487	265,936	10,551	237,531	-	28,405
From : securities	248,082	237,531	10,551	237,531	-	-
Total	**4,832,918**	**4,935,526**	**(102,608)**	**237,531**	**-**	**4,935,526**
Liabilities						
Due to banks and other financial institutions	144,404	137,381	7,024	-	-	137,381
Deposits from customers	3,979,651	3,955,216	24,435	-	-	3,955,216
Borrowings	182,045	181,680	365	-	-	181,680
Lease liabilities	7,692	7,692	-	-	-	7,692
Other financial liabilities at amortized cost	22,700	22,700	-	-	-	22,700
Total	**4,336,492**	**4,304,669**	**31,824**	**-**	**-**	**4,304,669**

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

All amounts are expressed in thousands of BAM	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
31 December 2021						
Assets						
Cash and cash equivalents	1,528,063	1,529,017	(954)	-	-	1,529,017
Obligatory reserves with the Central Bank of BiH	415,959	416,375	(416)	-	-	416,375
Placements at banks	185,698	185,970	(272)	-	-	185,970
Loans and receivables from customers	2,371,009	2,472,954	(101,945)	-	-	2,472,954
Other financias assets at amortized cost	190,875	196,268	(5,393)	172,568	-	23,700
From : securities	167,175	172,568	(5,393)	172,568	-	-
Total	**4,691,604**	**4,604,315**	**(87,289)**	**172,568**	**-**	**4,604,315**
Liabilities						
Due to banks and other financial institutions	153,126	160,954	(7,828)	-	-	160,954
Deposits from customers	3,920,183	3,944,402	(24,219)	-	-	3,944,402
Borrowings	154,673	154,984	(311)	-	-	154,984
Lease liabilities	8,143	8,143	-	-	-	8,143
Other financial liabilities at amortized cost	19,352	19,352	-	-	-	19,352
Total	**4,255,477**	**4,287,835**	**(32,358)**	**-**	**-**	**4,287,835**

In estimating the fair value of the Bank's financial instruments and in assigning the instruments to the relevant level of fair value hierarchy, the following methods, assumptions and limitations described below were applied by the Bank in accordance with the 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 dut 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 disounted 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 carryies variable interest rate, and thus Management estimates that its carrying amount reflect 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 signifficant difference between incremental borrowing rate and market rate.

7. Business segments

The Bank operates in five basic business segments: corporate segment (business with legal entities); retail segment (business with micro societies and natural persons); segment of financial institutions; treasury and investment business segment and other business segment.

This is shown in the following segments:

Business segments:	Segmentation criteria
Business banking	
a) Large, medium-sized enterprises	Companies with a total turnover above KM 4,960 million. Or exposure above KM 2,970 million. This business line also contains companies that are under state ownership or local self-management bodies as well as legal companies from abroad with majority ownership of a legal company.
Retail banking	
a) Retail banking	It contains 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 businesses with one owner	It contains 2 sub-segments: SE Segment I Micro Segment **The SE segment** includes small businesses and single-owner enterprises with a total turnover below KM 4,960 thousand and a total exposure below KM 2,970 thousand. If one of the limits is exceeded, the customer is moved to the business segment group. **Mikro Segment** includes small businesses and single-owner enterprises with a total turnover of up to KM 1,980 thousand and a total exposure of up to KM 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.
Else	
a) Subsidiaries	Includes related parties
b) Else	

All amounts are expressed in thousands of BAM	Corporate	Retail	Treasury operations and investment banking	Other	Total
31 December 2022					
Interest income, etc, income at an effective interest rate	7,925	98,783	20,453	8,997	136,158
Expenditure from interest, etc, income at an effective interest rate	(1,015)	(12,657)	(2,621)	(1,153)	(17,446)
Net income from interest, etc, income at an effective interest rate	**6,910**	**86,126**	**17,832**	**7,844**	**118,712**
Fee and commission income	25,886	99,735	219	(1,001)	124,839
Fees and commissions expenses	(6,172)	(23,781)	(52)	239	(29,766)
Net fee and commission income	**19,714**	**75,954**	**167**	**(762)**	**95,073**
Impairments and provisions	22,346	(35,840)	(6)	736	(12,764)
Other revenues	4,966	29,174	3,041	3,883	41,064
Other expenses and expenses	(21,006)	(101,834)	(1,520)	(10,511)	(134,870)
Profit before tax	**32,930**	**53,580**	**19,514**	**1,190**	**107,215**
Income tax	-	-	-	-	**(6,438)**
Net profit for the year	**32,082**	**54,494**	**19,510**	**1,130**	**100,777**
Total assets	**686,604**	**1,835,406**	**1,570,169**	**932,806**	**5,024,985**
Total Liabilities	**1,342,248**	**2,797,755**	**193,859**	**67,530**	**4,401,392**
Net assets by segments	**(655,644)**	**(962,349)**	**1,376,310**	**865,276**	**623,593**

All amounts are expressed in thousands of BAM	Corporate	Retail	Treasury operations and investment banking	Other	Total
31 December 2021					
Interest income, etc. income at an effective interest rate	10,074	101,046	14,937	6,747	132,804
Expenditure from interest, etc. income at an effective interest rate	(1,672)	(16,768)	(2,479)	(1,120)	(22,039)
Net income from interest, etc. income at an effective interest rate	**8,402**	**84,278**	**12,458**	**5,627**	**110,765**
Fee and commission income	21,974	87,992	485	(956)	109,495
Fees and commissions expenses	(5,342)	(21,392)	(118)	232	(26,620)
Net fee and commission income	**16,632**	**66,600**	**367**	**(724)**	**82,875**
Impairments and provisions	1,609	(14,087)	701	20	(11,757)
Other revenues	3,669	21,488	1,738	1,581	28,476
Other expenses and expenses	(20,535)	(100,577)	(1,112)	(10,470)	(132,694)
Profit before tax	**9,777**	**57,702**	**14,152**	**(3,966)**	**77,665**
Income tax	-	-	-	-	**(8,081)**
Net profit for the year	**9,777**	**57,702**	**14,152**	**(3,966)**	**69,584**
Total assets	**657,507**	**1,751,746**	**1,585,153**	**888,324**	**4,882,730**
Total Liabilities	**1,312,655**	**2,762,258**	**160,260**	**79,510**	**4,314,683**
Net assets by segments	**(655,148)**	**(1,010,512)**	**1,424,893**	**808,814**	**568,047**

8. Interest and similar income at effective interest rate

	2022	2021
Loans and receivables		
- from retail	103,745	102,280
- from corporate	26,110	27,318
- from banks	2,625	41
Other interest income	319	365
Modifications	111	2
Investments in securities at amortised cost	2,391	2,151
Interest income and similar income at the effective interest rate of financial assets at amortised cost	**135,301**	**132,157**
Interest income and similar income at the effective interest rate of financial assets at fair value through PL	857	647
Interest income and similar income at the effective interest rate of financial assets at fair value through the balance of success	**857**	**647**
Interest income and similar income at the effective interest rate	**136,158**	**132,804**

9. Interest and similar expense at effective interest rate

All amounts are expressed in thousands of BAM	2022	2021
Retail clients	9,912	10,908
Corporate clients	3,755	5,182
Foreign banks	2,555	3,993
Interest for leasing contracts (Note 33.4)	164	182
Other	1,060	1,774
Interest expense and similar expense at the effective interest rate	**17,446**	**22,039**

10. Fee and commision income

All amounts are expressed in thousands of BAM	2022	2021
Main service lines:		
Credit card business	43,385	37,865
Payment transactions	31,440	27,687
Account maintenance for residents	19,029	16,925
FX transactions	9,954	9,103
Insurance	4,742	4,735
Investment in funds	3,696	1,020
Accout maintenance for non-residents	3,420	3,051
Other	2,933	3,214
Income from fees and commissions from contract with customers	**118,599**	**103,600**
Financial guarantee contracts and loan commitments	6,240	5,895
	124,839	**109,495**

11. Fee and commission expense

All amounts are expressed in thousands of BAM	2022	2021
Credit card operations	23,071	20,932
Central Bank services	2,089	1,933
Guarantees fee	966	983
SMS services	827	418
S.W.I.F.T. services	794	760
Other	2,019	1,595
	29,766	**26,621**

12. Impairments and provisions

All amounts are expressed in thousands of BAM	2022	2021
Net credit losses / (net releases of previously recognised credit losses) from financial assets at amortised cost (*Note 24*)	9,520	18,835
Provisions / (net redundancies of previously recognised provisions) for the credit risk of defaults and guarantees granted (*Note 34*)	749	(7,144)
Reservations / (net redundancies of previously recognised provisions) for litigation (*Note 34*)	464	(1,703)
Other provisions/(net redundancies of previously recognised provisions) (*Note 34*)	2,030	1,769
	12,764	**11,757**

13. Other net losses on financial assets

All amounts are expressed in thousands of BAM	2022	2021
Net gains/losses from modifications of financial assets at amortised cost that have not resulted in disrecognition (*Note 24*)	425	14
The net effects of the change in the value of financial assets at fair value through the balance of income (*Note 22*)	(140)	113
	285	**127**

14. Foreign exchange gains

All amounts are expressed in thousands of BAM	2022	2021
Net exchange rate gains from foreign exchange purchases	21,671	17,271
Net exchange rate differences based on CBBH settlement	(173)	(106)
	21,498	**17,165**

15. Net losses from long-term non-financial assets

All amounts are expressed in thousands of BAM	2022	2021
(Net impairment losses)/net gains from the release of previously recognised impairment losses of real estate, plant and equipment (*Note 25*)	(812)	11.116
(Net impairment losses)/net gains from the release of previously recognised impairment losses of investment real estate (*Note 27*)	(141)	603
Other (net impairment losses)/net gains from the release of previously recognised impairment losses of long-term non-financial assets (*Note 31*)	2,202	1,623
Net gains/losses from disposal of property, plant and equipment	13	77
	1,262	**13,419**

16. Dividend income

All amounts are expressed in thousands of BAM	2022	2021
From asscociates	5,946	514
From subsidiaries	5,640	2,441
From investing in financial assets at fair value through OCI	-	81
	11,586	**3,036**

17. Other income

All amounts are expressed in thousands of BAM	2022	2021
Income based on interest charges for non-quality loans	2,976	4,478
Releasing accrued costs from previous periods	2,786	1,830
Income from lease	1,524	1,448
Treasury surpluses	21	25
Other revenues	673	494
	7,980	**8,275**

18. Employee costs

All amounts are expressed in thousands of BAM	2022,	2021,
Salaries	32,191	29,530
Taxes and contributions	20,821	18,817
Severance pay costs	353	475
Other employee expenses	1,281	948
	54,646	**49,770**

19. Other expenses and costs

All amounts are expressed in thousands of BAM	2022	2021
Costs of ongoing maintenance	12,671	10,480
Cost of savings deposit and loan insurance premiums	10,353	10,389
Cost of services	7,356	6,644
Cost of consulting services	5,002	3,527
Telecommunications costs	3,767	3,236
Cost of property insurance premiums	3,415	3,405
Marketing costs	3,267	2,697
Fee costs to fba supervisor	2,931	2,997
Energy costs	1,957	1,662
The cost of professional services	1,839	521
Material costs	1,783	1,144
Other rent expenses (*Note 33,4*)	1,701	1,245
Tax and administration costs	1,406	781
Representation costs	1,080	674
Education	370	255
Freight charges	362	157
Donations	256	276
Utility costs	229	235
Other expenses and expenses	4,316	4,713
	64,061	**55,038**

20. Income tax

Total tax recognized in the income statement and other comprehensive income can be shown as follows:

All amounts are expressed in thousands of BAM	2022	2021
Current income tax	10,179	7,842
Deferred tax expense	(3,741)	239
	6,438	**8,081**

Reconciliation of effective tax rate may be presented as follows:

All amounts are expressed in thousands of BAM	2022.	2021.
Profit before income tax	**107,215**	**77,665**
Income tax at a rate of 10%	10,722	7,767
Capital (losses)/gains	(1,443)	(1,018)
Effects of unrecognized expenditures	2,386	1,663
Effects of non-taxable revenue (new employees)	(1,511)	(1,031)
Deffered tax assets – Deffered fee	25	157
Deffered tax assets – depreciation	202	153
Deffered tax assets – other provisions	(20)	-
Deffered tax assets – impairment of properties	(2,438)	-
Deffered tax liabilities - depreciation (lower rates)	(1,784)	(9)
	299	399
Income tax	**6,438**	**8,081**
Effective tax rate	**6%**	**10.41%**

The Bank calculates its income tax liability at the rate of 10% in accordance with the regulations adopted by the tax authorities in Bosnia and Herzegovina.

Unrecognized expenditures are including unrecognized expenditures for representation, provisions for risks and liabilities and expenditures for impairmend of receivables.

Non-taxable revenues are including revenues for share capital, release of provisions for risks and liabilities which were previously recognized as tax unrecognized expenditures.

A new way of showing taxable income adjustment items reported in the tax balance sheet with accounting profit has resulted from initial recognition based on differences related to Other provisions, Adjustment of the value of real estate/investment assets, which have not been recognised/recorded as deferred tax assets/liabilities.

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

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Balance at the beginning of period	**213**	**53**
Increase in deferred tax assets	4,040	160
Balance at the end of the period	**4,253**	**213**

The Bank recognized deferred tax assets on the basis of temporary differences arising from the presentation of unreported deferred income / expenses, which are accrued in the long run, as well as on the basis of accelerated depreciation, ie the difference in depreciation cost between the full tax rate and accrued lower depreciation rates.

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

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Balance at the beginning of period	**1,376**	**977**
Recognized deferred tax liabilities	329	399
Balance at the end of the period	**1,705**	**1,376**

21. Cash and cash equivalents

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Cash in hand in local currency	639,505	587,513
Cash in hand in foreign currency	72,114	78,866
Current account in domestic currency at CBBH	401,900	639,256
Cash in hand at accounts at deposits institutions up to 30 days	222,098	223,526
Less: impairment	(801)	(1,098)
	1,334,816	**1,528,063**

The interest rate on euro placements was from 0.7% to 1.88% per annum during 2022, or from -0.98% to -0.00% per annum during 2021. The interest rate on MM placements in USD was from 0.02% to 4.1% per annum during 2022, or from -0.15% to 0.1% per annum during 2021. The interest rate on placements in other currencies ranged from –0.9% to 3.45% per annum during 2022 or from -1.15% to 1.45% per annum during 2021.

Changes in impairment for expected losses may be presented as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance at the beginning of the period	**1,098**	**1,364**
Release of impairment of value (*Note 12*)	(297)	(266)
Balance at the end of the period	**801**	**1,098**

22. Financial assets at fair value through profit and loss

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Loans and receivables given to clients at fair value	17,669	20,284
Adjustement for fair value	(310)	(450)
	17,359	**19,834**

Changes in the fair value of loans measured at fair value can be shown as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance at the beginning of the period	**450**	**337**
Net change in fair value through balance of performance (Note 13)	(140)	113
Balance at the end of the period	**310**	**450**

23. Financial assets at fair value through other total result

Investments in capital instruments as follows:

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Listed equity securities:		
S.W.I.F.T. Belgium	171	143
Sarajevo Securities Exchange	322	322
Non-listed equity securities:		
Register of Securities of FBiH	32	32
Velprom d.d. Sanski Most	1	1
	526	**498**

The fair value movements of these assets were as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance at the beginning of the period	**498**	**555**
Profit / (Loss) from a change in fair value	28	(57)
Balance at the end of the period	**526**	**498**

24. Financial assets at amortised cost

24.1. Obligatory reserves at the Central bank of Bosnia and Herzegovina

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Obligatory reserve	422,627	416,375
Less: impairment	(423)	(416)
	422,204	**415,959**

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.

From 1 July 2016, a single interest rate of 10% of total short-term and long-term deposits and borrowed funds is applied.

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

All amounts are expressed in thousands of BAM	2022	2021
Balance at the beginning of the period	**416**	**423**
Net impairment change (*Note 12*)	7	(7)
Balance at the end of the period	**423**	**416**

24.2. Deposits with other banks

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Deposits with other banks	319,566	185,922
Less: impairment	(436)	(224)
	319,130	**185,698**

Impairment changes for expected losses can be displayed as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance at the beginning of the period	**224**	**569**
Net impairment change (*Note 12*)	212	(345)
Balance at the end of the period	**436**	**224**

The interest rate on placements (over 30 days) in EUROS was from 0.85% to 1.70% per annum during 2022, or from -0.55% to -0.55% per annum during 2021. The interest rate on USD placements was from 0.02% to 0.06% per annum during 2021. The interest rate on placements in other currencies ranged from –0.6% to 3.30% per annum during 2022 or from -0.85% to 0.25% per annum during 2021.

24.3. Loans and receivables to customers

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Loans and receivables to customers at amortized cost	2,650,366	2,564,191
Less impairment and effects of modifications	(170,085)	(193,182)
	2,480,281	**2,371,009**

Changes in the impairment of the loans granted at amortized cost can be shown as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance at the beginning of the period	**193,182**	**193,402**
Write-off	(32,356)	(4,494)
Other transfers	(542)	(14,575)
Net effects from modifications of financial assets at amortised cost that did not result in cessation of recognition (*Note 13*)	425	14
Releasing a value correction (Note 12)	9,376	18,835
Balance at the end of the period	**170,085**	**193,182**

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

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Short-term loans:		
Short-term loans in domestic currency	536,953	499,207
Short-term loans in foreign currency (including currency exchange clause)	12,094	7,260
	549,047	**506,467**
Long term loans:		
Long-term loans in domestic currency	1,035,694	778,090
Long-term loans in foreign currency (including currency exchange clause)	1,065,625	1,279,634
	2,101,319	**2,057,724**
Total loans before impairment	**2,650,366**	**2,564,191**
Less impairment	(170,085)	(193,182)
	2,480,281	**2,371,009**

Short-term loans were approved for a period of 30 to 365 days. The majority of short-term domestic currency loans are granted to working capital clients. Long-term loans are mostly granted to individuals for housing and vehicle purchases.

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

The analysis of total loans granted classified by business branches is as follows:

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2022	31 December 2021	31 December 2021
	Gross book value	Expected credit loss	Gross book value	Expected credit loss
Population	1,707,640	(129,211)	1,647,347	(124,748)
A – Agriculture, forestry and fishing	10,370	(169)	12,559	(3,197)
B – Mining and stone extraction	911	(15)	1,013	(37)
C – Manufacturing industry	216,633	(14,229)	220,980	(31,602)
D – Production and supply of electricity, gas, steam and air conditioning	10,243	(62)	2,838	(16)
E – Water supply; wastewater disposal, waste management and environmental remediation activities	10,573	(107)	7,914	(687)
F – Construction	24,555	(1,097)	28,467	(1,100)
G – Wholesale and retail trade; repair of motor vehicles and motorcycles	506,393	(20,297)	493,771	(21,830)
H – Transportation and storage	43,229	(1,945)	42,427	(4,496)
I – Accommodation and food service activities (hotel and catering)	4,116	(462)	13,189	(2,580)
J – Information and communications	25,586	(385)	25,584	(563)
K – Financial and insurance activities	28,698	(220)	18,496	(102)
L – Real estate business	5,908	(139)	5,412	(272)
M – Professional, scientific and technical activities	11,517	(541)	10,769	(794)
N – Administrative and fashionable service activities	5,066	(385)	3,186	(440)
O – Public administration and defence; compulsory social insurance	33,380	(561)	22,224	(383)
P – Education	691	(109)	651	(78)
Q – Health care and social welfare activities	3,195	(65)	5,323	(84)
R – Arts, entertainment and recreation	252	(4)	318	(4)
S – Other service activities	1,401	(82)	1,721	(169)
U – Activities of extraterritorial organisations and bodies	9	–	2	–
Total credits	**2,650,366**	**(170,085)**	**2,564,191**	**(193,182)**

24.4. Other financial assets at amortised cost

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Debt instruments at amortised cost	248,082	167,175
Claims for fees	1,388	2,160
Other financial assets	27,017	21,540
	276,487	**190,875**

24.4.1. Debt instruments at amortized cost

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Government bonds	215,240	121,077
Corporate bonds	34,849	47,407
	250,089	**168,484**
Less: impairment	**(2,007)**	**(1,309)**
	248,082	**167,175**

Changes in impairment of financial assets measured at amortized cost can be shown as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance as at the beginning of the period	**1,309**	**1,095**
Increase in impairment allowance (*Note 12*)	698	214
Balance at the end of the period	**2,007**	**1,309**

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Government and similar bonds:		
Austria	47,935	15,665
North Macedonia	31,604	19,192
Republika Srpska, BiH	27,819	28,109
France	26,664	31,919
Poland	23,461	-
Vlada Kantona Sarajevo	21,380	1,755
Serbia	18,724	21,958
Belgium	9,918	-
Federation of Bosnia and Herzegovina	5,796	1,248
Corporate bonds:		
NIBC Bank	9,498	23,460
International Finance Corporation	8,638	8,213
European Bank for Reconstruction and Development	8,324	7,797
KFW	8,321	7,859
	248,082	**167,175**

24.4.2. Other financial assets at amortisedcost

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Receivables for credit card business	20,525	12,860
Other financial assets	7,555	9,218
Claims based on spot transactions and arbitration in foreign currency	3,633	4,634
Less: impairment	(4,696)	(5,172)
	27,017	**21,540**

Changes in the impairment of financial assets measured at amortised cost may be shown as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance as at the beginning of the period	**5,172**	**5,572**
Impairments (*Note 12*)	(476)	(400)
Balance as at the end of the period	**4,696**	**5,172**

25. Property, plant and equipment

All amounts are expressed in thousands of BAM	Buildings and Land	Vehicles	Office equipment	Investments	Property investment	Total
COST						
At 1 January 2021	**100,790**	**964**	**58,512**	**4,978**	**7,011**	**172,255**
Additions	-	-	-	2,405	-	2,405
Transfer to use	55	-	4,381	(4,667)	231	-
Disposals	-	-	(1,887)	-	(7)	(1,894)
At 31 December 2021	**100,845**	**964**	**61,006**	**2,716**	**7,235**	**172,766**
Additions	-	-	-	7,550	-	7,550
Transfer to use	464	-	5,377	(5,961)	120	-
Transfer to Investment properties (Note 27)	(323)	-	-	-	-	(323)
Disposals	-	(69)	(5,551)	-	(187)	(5,807)
At 31 December 2022	**100,986**	**895**	**60,832**	**4,305**	**7,168**	**174,186**
ACCUMULATED DEPRECIATION						
At 1 January 2021	**16,452**	**718**	**42,610**	**-**	**3,514**	**63,294**
Charge for the year	1,799	102	4,386	-	1,101	7,388
Disposals	-	-	(1,807)	-	(7)	(1,814)
Impairment (Note 15)	11,116	-	-	-	-	11,116
At 31 December 2021	**29,367**	**820**	**45,189**	**-**	**4,608**	**79,984**
Charge for the year	1,639	86	4,632	-	1,002	7,359
Transfer to Investment properties (Note 27)	(69)	-	-	-	-	(69)
Disposals	-	(66)	(5,509)	-	(171)	(5,746)
Impairment (Note 16)	(812)	-	-	-	-	(812)
At 31 December 2022	**30,125**	**840**	**44,312**	**-**	**5,439**	**80,716**
Net book value:						
Balance at 31 December 2022	**71,478**	**144**	**15,817**	**2,716**	**2,627**	**92,782**
Balance at 31 December 2021	**70,861**	**55**	**16,520**	**4,305**	**1,729**	**93,470**

As at 31 December 2022, net carrying amount of properties does not differ significantly from their fair values.

26. Right-of-use assets

All amounts are expressed in thousands of BAM	Buildings	Vehicles	ATM	Total
COST				
Balance as at 1 January 2021	**12,202**	**1,565**	**2,194**	**15,961**
Increase (new lease contracts)	5,263	1,384	296	6,943
Decrease (premature contract termination)	(6,454)	(2,303)	(190)	(8,947)
Balance as at 31 December 2021	**11,011**	**646**	**2,300**	**13,957**
Increase (new lease contracts)	2,571	2,929	210	5,710
Decrease (premature contract termination)	(2,182)	(2,000)	(141)	(4,323)
Balance as at 31 December 2022	**11,400**	**1,575**	**2,369**	**15,344**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2021	**4,484**	**822**	**473**	**5,779**
Depreciation (Note 33.4)	2,427	396	502	3,325
Decrease (premature contract termination)	(2,261)	(839)	(44)	(3,144)
Balance as at 31 December 2021	**4,650**	**379**	**931**	**5,960**
Depreciation (Note 33.4)	2,078	445	504	3,027
Decrease (premature contract termination)	(604)	(534)	(46)	(1,184)
Balance as at 31 December 2022	**6,124**	**290**	**1,389**	**7,803**
NET BOOK VALUE				
Balance as at 31 December 2021	**6,361**	**267**	**1,369**	**7,997**
Balance as at 31 December 2022	**5,276**	**1,285**	**980**	**7,541**

27. Investment property

All amounts are expressed in thousands of BAM	Total
COST	
Balance at 1 January 2021	**35,998**
Additions	(746)
Balance at 31 December 2021	**35,252**
Transfer from properties (Note 25)	323
Balance at 31 December 2022	**35,575**
ACCUMULATED DEPRECIATION	
Balance at 1 January 2021	**5,445**
Depreciation	561
Impairments (Note 15)	603
Balance at 31 December 2021	**6,609**
Depreciation	694
Transfer from properties (Note 25)	69
Impairments (Note 15)	(141)
Balance at 31 December 2022	**7,231**
NET BOOK VALUE	
Balance at 31 December 2021	**28,643**
Balance at 31 December 2022	**28,344**

Bank's investment property at fair value was as follows:

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Buildings	33,465	30,613
	33,465	**30,613**

The fair value of investment properties at 31 December 2022 for was performed by the internal appraisers employed by the Bank who have appropriate qualifications and recent experience in estimating assets at fair value at relevant locations.

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

28. Intangible assets

All amounts are expressed in thousands of BAM	Leasehold improve-ments	Other intangible assets	Total
COST			
Balance at 1 January 2021	**38,029**	**5,980**	**44,009**
Additions	-	4,125	4,125
Transfer to use	5,504	(5,504)	-
Disposals	(20)	-	(20)
Balance at 31 December 2021	**43,513**	**4,601**	**48,114**
Additions	-	10,536	10,536
Transfer to use	1,659	(1,659)	-
Disposals	(50)	-	(50)
Balance at 31 December 2022	**45,122**	**13,478**	**58,600**
ACCUMULATE AMORTIZATION			
Balance at 1 January 2021	**28,922**	**-**	**28,922**
Charge for the year	2,932	-	2,932
Disposals	(6)	-	(6)
Balance at 31 December 2021	**31,848**	**-**	**31,848**
Charge for the year	3,536	-	3,536
Disposals	(50)	-	(50)
Balance at 31 December 2022	**35,334**	**-**	**35,334**
NET BOOK VALUE			
Balance at 31 December 2021	**11,665**	**4,601**	**16,266**
Balance at 31 December 2022	**9,788**	**13,488**	**23,266**

29. Investments in subsidiaries

Subsidiary	Industry	% of share	31 December 2022	31 December 2021
All amounts are expressed in thousands of BAM				
Raiffeisen Leasing d.o.o. Sarajevo	Leasing	100%	10,051	10,051
Raiffeisen Invest društvo za upravljanje fondovima d.o.o. Sarajevo	Fund management company	100%	946	946
Raiffeisen Capital a.d. Banja Luka	Agent for securities trading Financial advisory services	100%	53	53
			11,050	**11,050**

Financial information about the Bank's subsidiaries for period from 1 January 2022 to 31 December 2022 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Invest d.d.	2,066	895	1,859	5,489	741
Raiffeisen Capital a.d. Banja Luka	340	355	329	134	12
Raiffeisen Leasing d.o.o. Sarajevo	126,866	11,450	14,335	13,098	2,885

Financial information about the Bank's subsidiaries for period from 1 January 2021 to 31 December 2021 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Invest d.d.	5,003	671	4,770	4,296	2,035
Raiffeisen Capital a.d. Banja Luka	381	355	317	158	43
Raiffeisen Leasing d.o.o. Sarajevo	113,420	11,450	12,942	11,106	1,518

30. Investments in associates

Associate	Industry	% Share	31 December 2022	31 December 2021
All amounts are expressed in thousands of BAM				
Raiffeisen Assistance d.o.o. Sarajevo	Insurance brokerage	50.00%	2	2
			2	**2**

Financial information about the Bank's associate for the year ended 31 December 2022 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Assistance d.o.o. Sarajevo	2,296	4	2,251	2,859	2,246

Financial information about the Bank's associate for the year ended 31 December 2021 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Assistance d.o.o. Sarajevo	7,705	4,000	7,663	2,975	2,079

31. Investments in joint ventures

Joint venture	Industry	% Share	31 December 2022	31 December 2021
All amounts are expressed in thousands of BAM				
ESP BH d.o.o. Sarajevo	Informational and other services	45.00%	3,825	3,825
Impairment of investments			(3,825)	(1,623)
Net value			**-**	**2,202**

Changes in impairment of investments in associates cost can be shown as follows:

All amounts are expressed in thousands of BAM	2022	2021
Balance as at the beginning of the period	**1,623**	**-**
Imapirment (*Note 15*)	2,202	1,623
Balance at the end of the period	**3,825**	**1,623**

Financial information about the Bank's associate for the year ended 31 December 2022 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	(Loss) for the period
ESP BH d.o.o. Sarajevo	1,756	8,500	1,721	82	(2,246)

Financial information about the Bank's associate for the year ended 31 December 2021 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	(Loss) for the period
ESP BH d.o.o. Sarajevo	4.501	8.500	4.620	33	(1.954)

32. Other assets and receivables

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Prepaid expenses	1,802	1,100
Petty cash loss	713	1,019
Other advances paid	404	310
Inventories	284	243
Other assets and recivables	1,744	1,032
	4,947	**3,704**

33. Financial liabilities at amortised cost

33.1. Deposits with banks and other financial institutions

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Current accounts in domestic currency	1,828	1,051
Current accounts in foreign currency	22	60
	1,850	**1,111**
Short-term deposits in domestic currency	46,129	37,411
Short-term deposits in foreign currency	4,313	4,615
	50,442	**42,026**
Long-term deposits in domestic currency	72,998	90,875
Long-term deposits in foreign currency	19,114	19,114
	92,112	**109,989**
	144,404	**153,126**

33.2. Deposits from clients

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Current accounts from clients in domestic currency	875,995	747,510
	875,995	**747,510**
Sight deposits of legal entities in domestic currency	1,223,871	1,123,579
Sight deposits legal entities in foreign currency	317,632	254,553
	1,541,503	**1,378,132**
Sight deposits of the population in the domestic currency	249,936	289,330
Sight deposits of the population in foreign currency	573,344	598,751
	823,280	**888,081**
Time deposits from legal entities in domestic currency	18,977	159,633
Time deposits from legal entities in foreign currency	84,055	4,247
	103,032	**163,880**
Time deposits from the public in domestic currency	157,807	191,803
Time deposits from the public in foreign currency	478,034	550,777
	635,841	**742,580**
	3,979,651	**3,920,183**

In 2022, interest rates ranged as follows:
- demand deposits in KM – 0 % per year (2021: 0.00% per year),
- demand deposits in foreign currencies – 0% per annum (2021: 0.00% per annum),
- short-term deposits – 0.01% to 0.20% per annum (2021: from 0.01% to 0.20% per year),
- long-term deposits – 0.01% to 0.30% per annum (2021: from 0.01% to 0.30% per year).

33.3. Borrowings

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Subordinated debt	106,803	61,804
Other borrowed loans from banks	75,242	92,869
	182,045	**154,673**

Subborted debt is classified as follows:

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Commercial banks – affiliated parties	61,804	61,804
Commercial banks – others	44,984	-
Interest on subordinated debt	15	-
	106,803	**61,804**

One line of credit from affiliates approved on September 27, 2013, totaling 61,804 thousand KM, is active and includes only the liability per principal. The maturity of this loan is December 31, 2024. Repayment of the loan will be one-time, in full amount, on the defined repayment date.

On November 14, 2022, a new credit line was signed with the character of subordinated debt from a person not affiliated with the bank – EFSE (commercial banks – others) in the total amount of BAM 44,984 thousand and with a maturity date of November 18, 2032, and the planned repayment of the loan 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.

Subsidized debt can be used as an additional capital increase for regulatory purposes, with the approval of regulators.

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Long-term loans:		
Long-term loans from foreign banks and financial institutions	182,045	154,673
Less: Current maturity of long-term loan liabilities	20,157	31,473
	161,888	**123,200**
Short-term loans:	-	-
More: Current maturity of long-term loans	20,157	31,473
	182,045	**154,673**

Long-term loans from foreign banks and non-bank credit institutions are obtained from supranational and development banks.

Interest rates on the entire portfolio of long-term credit lines from banks and other financial institutions for the period ending 31 December 2022 ranged from 0.05% to 2.28% per annum (fixed rates) and 6M EURIBOR +0.20% to EURIBOR + 6M EURIBOR + 1.80% (variable rates). Interest rates from 31.12.2020 ranged from 0.05% to 2.28% per annum (fixed rates) and 3M EURIBOR + 1.65% to 6M EURIBOR + 1.80% (variable rates).

33.4. Lease liabilities

	Currency	Nominal interest rate	Contracted/ expected maturity	Present value December 31, 2022	Present value December 31, 2021
Obligations for rent – business premises	BAM	2%	2022-2029	5,405	6,485
Rental obligations – ATM	BAM	2%	2022-2025	1,003	1,391
Obligation to rent – vehicles	BAM	2%	2022-2023	1,284	267
				7,692	**8,143**

In 2022, the Bank 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.

Leases in which the Bank is a tenant

Lease agreements refer to the business premises in which the Bank carries out its activities and vehicles. Individual contracts have different durations and due dates as shown in the table above.

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

Amounts displayed in the income statement

All amounts are expressed in thousands of BAM	2022	2021
Loan agreements under IFRS 16		
Interest on lease agreements (*Note 9*)	164	182
Depreciation of eligible assets (*Note 26*)	3,027	3,325
Lease cost for low value contracts and short-term contracts (*Note 19*)	1,701	1,245
	4,892	**4,752**

Amounts recognized in cash flow statement

All amounts are expressed in thousands of BAM	2022	2021
Total outflows based on leases	5,983	8,405

33.5. Other financial liabilities at amortised cost

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Liabilities based on card business	15,586	8,957
Other financial liabilities	4,460	8,842
Libilities to suppliers	1,228	508
Liability for other taxes	1,226	846
Other liabilities to employees	200	199
	22,700	**19,352**

34. Provisions

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Provisions for gurantees and loan commitments	16,845	16,096
Provisions for legal proceedings	11,795	11,331
Provisions for employee benefits	12,581	10,552
	41,221	**37,979**

Changes in booking for financial guarantees and approved and unused loans:

Other, non credit related provisions recorded in off-balance sheet accounts relates to:

All amounts are expressed in thousands of BAM	2022	2021
Balance as at the beginning of period	**16,096**	**23,240**
Changes in provisions (*Note 12*)	749	(7,144)
Balance as at the end of period	**16,845**	**16,096**

Provisions for financial guarantees and approved and unused loans

As part of its regular operations, the Bank enters into loan obligations that are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and unused loans.

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Irrevocable loan obligations	713,310	670,689
Issued guarantees	322,295	300,733
Acreditives	7,613	11,986
Other off-balance sheet exposure items	7,824	7,823
	1,051,042	**991,231**

Provisision for legal proceedings

Increase in provisions for court proceedings are:

All amounts are expressed in thousands of BAM	2022	2021
Balance as at the beginning of period	**11,331**	**13,034**
Release of reservations (*Note 12*)	464	(1,703)
Balance as at the end of period	**11,795**	**11,331**

Reservations for other employee benefits:

Changes in reservations for other employee benefits are:

All amounts are expressed in thousands of BAM	Vacation	Severance payments	Other provisions	Total
As of January 1, 2021	**1,353**	**2,658**	**8,321**	**12,332**
Provisions changes (Note 12)	(642)	644	1,767	1,769
Payment for the period	-	-	(3,549)	(3,549)
As of December 31, 2021	**711**	**3,302**	**6,539**	**10,552**
Release of provisions (Note 12)	1,208	(208)	1,030	2,030
As of December 31, 2022	**1,919**	**3,094**	**7,568**	**12,581**

35. Other liabilities

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Principal and interest paid upfront	10,325	9,909
Liabilities toward suppliers	9,066	6,671
Deferred income	2,352	2,207
Other liabilities	231	149
	21,974	**18,936**

36. Share capital

Capital is made up of 988,668 ordinary shares at nominal value of BAM 250, Equity instruments of the Bank are not traded in a public market.

The shareholding structure is as follows:

Shareholders	No, of Shares	'000 BAM	%
Raiffeisen SEE Region Holding GmbH, Vienna, Austria	988,668	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.

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Income attributable to ordinary shareholders	100,777	69,584
Weighted average number of regular shares outstanding	988,668	988,668
Basic earning per share (in BAM)	**101,93**	**70,38**

Diluted earnings per share are not presented as the Bank has not issued dilutive equity instruments.

37. Managed funds

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

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Liabilities		
Government	3,710	3,847
Companies	3,482	3,482
Citizens	38	38
Other	77	77
	7,307	**7,444**
Assets		
Loans to citizens	3,724	3,861
Loans to companies	3,583	3,583
	7,307	**7,444**

The Bank has issued no guarantees related to managed funds. Credit risk stays with the owners of funds.

38. Related-party transactions

Balances with related parties can be summarized as follows:

All amounts are expressed in thousands of BAM	31 December 2022	31 December 2021
Receivables		
Loans and receivables to banks		
Raiffeisen Bank International AG, Vienna, Austria	35,465	28,000
Raiffeisen Landensbank Tirol AG, Insbruk, Austria	44,157	57,809
Raiffeisenbank Austria d.d. Zagreb, Croatia	2	1,136
Raiffeisenbank a.d. Belgrade, Serbia	162	11
Loans and receivables to customers:		
Raiffeisen Leasing d.o.o. Sarajevo	9,564	8,669
Other receivables:		
Raiffeisen Bank International AG, Vienna, Austria	22	24
ESP BH d.o.o. Sarajevo	5	319
Raiffeisen Invest d.o.o. Sarajevo	3	100
Raiffeisen Leasing d.o.o. Sarajevo	17	6
Raiffeisen Assistance d.o.o. Sarajevo	6	6
	89,403	**96,080**
Liabilities		
Subordinated debt:		
Raiffeisen Bank International AG, Vienna, Austria	61,804	61,804
Long term loans to banks:		
Raiffeisenbank Bulgaria AD Sofia-loans	-	6,362
Raiffeisen Bank International AG, Beč, Austrija	4,417	-
Bank and customer deposits:		
Raiffeisen Leasing d.o.o. Sarajevo	6,422	8,517
Raiffeisen Assistance d.o.o. Sarajevo	68	7,337
Raiffeisen Invest d.o.o. Sarajevo	1,145	4,378
Raiffeisen Bank International AG, Vienna, Austria	1,409	812
Raiffeisen Capital a.d. Banja Luka	2,163	1,529
Raiffeisenbank Austria d.d. Zagreb, Croatia	28	104
ESP BH d.o.o.	33	74
Lease liabilities:		
Raiffeisen Leasing d.o.o. Sarajevo	1,284	267
Other liabilities		
Raiffeisen Bank International AG, Vienna, Austria	4,509	3,281
ESP BH d.o.o.	1	70
Raiffeisen Leasing d.o.o. Sarajevo	22	85
Centralised Raiffeisen International Services & Payments	50	50
Raiffeisen Assistance d.o.o. Sarajevo	2	4
Raiffeisen Capital a.d. Banja Luka	1	1
Raiffeisenbank a.d. Belgrade, Serbia	-	1
	83,358	**94,676**

A number of banking transactions are entered into with related parties in the normal course of business, These transactions were carried out on commercial terms and conditions and at market rates.

All amounts are expressed in thousands of BAM	2022	2021
Revenue		
Interest income:		
Raiffeisen Landensbank Tirol AG, Insbruk, Austria	780	131
Raiffeisen Leasing d.o.o. Sarajevo	170	10
Raiffeisen Bank International AG, Vienna, Austria	50	1
BLBH Invest GMBH	-	3
Fee income:		
Raiffeisen Invest d.o.o. Sarajevo	3,701	1,022
Raiffeisen Bank International AG, Vienna, Austria	394	394
Raiffeisen Leasing d.o.o. Sarajevo	81	22
Raiffeisen Assistance d.o.o. Sarajevo	1	1
Raiffeisenbank Austria d.d. Zagreb, Croatia	30	32
DUF AMDS d.o.o. Sarajevo	-	10
BLBH Invest GMBH	-	6
Raiffeisen Capital a.d. Banja Luka	2	2
ESP BH d.o.o.	39	1
Other income:		
Raiffeisen Leasing d.o.o. Sarajevo	2,275	1,295
Raiffeisen Assistance d.o.o. Sarajevo	5,975	538
ESP BH d.o.o.	271	535
Raiffeisen Bank International AG, Vienna, Austria	484	93
Raiffeisen Invest d.o.o. Sarajevo	3,682	1,444
BLBH Invest GMBH	-	9
Raiffeisen Capital a.d. Banja Luka	7	7
New Media Company d.o.o.	-	1
Centralised Raiffeisen International Services & Payments	95	-
VoCare d.o.o.	-	43
Net FX trading income		
Raiffeisen Leasing d.o.o. Sarajevo	-	1
Raiffeisen Bank International AG, Vienna, Austria	33	-
	18,070	**5,601**

All amounts are expressed in thousands of BAM	2022	2021
Expenses		
Interest expense:		
Raiffeisen Bank International AG, Vienna, Austria	5,129	4,846
Raiffeisen Leasing d.o.o. Sarajevo	151	89
Raiffeisenbank Bulgaria AD Sofija	44	129
Raiffeisen Assistance d.o.o. Sarajevo	2	44
Raiffeisen Invest d.o.o. Sarajevo	1	27
Fee expense:		
Centralised Raiffeisen International Services & Payments	705	678
Raiffeisen Bank International AG, Vienna, Austria	206	683
Raiffeisenbank Austria d.d. Zagreb, Croatia	4	3
Raiffeisenbank a.d. Belgrade, Serbia	3	1
Advisory services:		
Raiffeisen Bank International AG, Vienna, Austria	4,428	3,523
Other administrative expenses:		
Raiffeisen Bank International AG, Vienna, Austria	4,514	2,569
VoCare d.o.o. BiH	-	129
Centralised Raiffeisen International Services & Payments	436	404
Raiffeisen Leasing d.o.o. Sarajevo	239	200
Raiffeisen Assistance d.o.o. Sarajevo	14	17
ESP BH d.o.o.	30	12
Raiffeisenbank a.d. Belgrade, Serbia	3	2
Raiffeisen Invest d.o.o. Sarajevo	1	-
Other expenses		
ESP BH d.o.o. BiH	436	879
Net FX trading expense		
Raiffeisen Bank International AG, Vienna, Austria	266	255
	16,612	**14,490**

Fees to the Management and other members of the management:

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

All amounts are expressed in thousands of BAM	2022	2021
Net salaries	1,362	888
Taxes and contributions on salaries	1,075	699
Taxes and contributions for other benefits	281	154
Other benefits	458	143
	3,176	**1,884**

39. Subsequent events

On February 14, 2023, a court decision initiated liquidation of ESP BH d.o.o., based on the decision of the Assembly of ESP BH d.o.o. Sarajevo of December 30, 2022 (investment in joint ventures). The liquidation is still ongoing, and the next court hearing is scheduled for June 29, 2023.

In 2013, with the aim of replenishing capital, RBBH contracted a subordinated debt from Raiffeisen Bank International (RBI) in the amount of EUR 31.6 million. Given the good capital position and the fact that the Bank is aligned with all regulatory and internal capital limits and without subsidized debt, the Bank decided to make an early return on the above.

After obtaining the approval of the Banking Agency of the FBiH, the subordinated debt to RBI was repaid early on March 31, 2023.

In addition, there were no significant events between the balance sheet date and the date of approval of these financial statements that require disclosure.

40. Approval of the separate financial statements

These financial statements were signed and authorized for issue by the Management on 09 May 2023.

President of Management Board
Rainer Schnabl

Management Board
Andreea Achim

Service

Network Units

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For calls from abroad: +387-33-75-50-10
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Internet: www.raiffeisenbank.ba

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MB Sarajevo and Branch Centar
Zmaja od Bosne bb
71 000 Sarajevo

Branch Skenderija
Valtera Perića 20
71 000 Sarajevo

Branch Novo Sarajevo
Kolodvorska 12
71 000 Sarajevo

Branch Ilidža
Rustempašina bb
71 210 Ilidža

Branch Pale
4. juni br. 17
71 420 Pale

Branch Goražde
Titova bb
73 000 Goražde

MB Banja Luka and Branch Banja Luka
Vase Pelagića 2
78 000 Banja Luka

Branch Banja Luka 2
Vojvode S. Stepanovića bb
78 000 Banja Luka

Branch Prijedor
Majora Milana Tepića bb
79 101 Prijedor

Branch Gradiška
Vidovdanska bb
78 400 Gradiška

Branch Doboj
Svetog Save 2
74 000 Doboj

MB Zenica and Branch Zenica
Maršala Tita bb
72 000 Zenica

Filijala Kakanj
Alije Izetbegovića bb
72 240 Kakanj

Branch Vitez
Poslovni centar PC 96-2
72 250 Vitez

Branch Visoko
Alije Izetbegovića 1
71 300 Visoko

Branch Tešanj
Titova 2
74 260 Tešanj

Branch Travnik
Konatur bb
72 270 Travnik

MB Tuzla and Branch Tuzla
15. Maja bb
75 000 Tuzla

Branch Tuzla 2
RK Omega – Univerzitetska 16
75 000 Tuzla

Branch Bijeljina
Karađorđeva bb
76 300 Bijeljina

Branch Brčko
Reisa Džemaludina Čauševića 10
76 100 Brčko

MB Bihać and Branch Bihać
Pape Ivana Pavla II 4
77 000 Bihać

Branch Cazin
Generala Izeta Nanića bb
77 220 Cazin

Branch Velika Kladuša
Maršala Tita "Diletacija C"
77 230 Velika Kladuša

Branch Sanski Most
Muse Ćazima Ćatića 24
79 260 Sanski Most

Branch Bosanska Krupa
Trg Alije Izetbegovića bb
77 240 Bosanska Krupa

MB Mostar and Branch Mostar
Kneza Domagoja bb
88 000 Mostar

Branch Konjic
Suhi do bb
88 400 Konjic

Branch Čitluk
Kralja Tomislava 43
88 260 Čitluk

Branch Široki Brijeg
Ulica pobijenih franjevaca 3
88 220 Široki Brijeg

Branch Trebinje
Vuka Mićunovića bb
89 101 Trebinje

Branch Livno
Trg kralja Tomislava bb
80 101 Livno

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This annual report has been prepared and the data checked with the greatest possible care. Nonetheless, rounding, transmission, typesetting and printing errors cannot be ruled out. In the summing up of rounded amounts and percentages, rounding-off differences may occur. This annual report was prepared in Bosnian. The annual report in English is a translation of the original Bosnian report. The only authentic version is the Bosnian version.