SPARKASSE BANK DD
BOSNA I HERCEGOVINA

Financial statements for the year ended 31 December 2022 and Independent Auditor's Report

This version of the report is a translation from the original, which was prepared in Bosnian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial reports and the accompanying audit report takes precedence over this translation.

Contents

Responsibility for the financial statements

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

The Management Board is required to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Bank and of the results of its operations and cash flows in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records which enable the preparation of financial statements at any time. The Management Board has a general responsibility for taking such steps which are reasonably available 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 which conform to applicable legal requirements and apply them consistently; for making judgements and estimates which are reasonable and prudent; and for preparation of 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 of annual report to the Supervisory Board together with the annual financial statements, following which the Supervisory Board is required to approve the annual financial statements for submission to the General Assembly for adoption.

The financial statements set out on pages 9 to 91 were authorised by the Management Board on 11 April 2023 for issuance to the Supervisory Board, and are signed below to signify this on behalf of the Bank:

For and on behalf of Sparkasse bank d.d. BiH :

Sparkasse Bank dd Bosna i Hercegovina
SPARKASSE
Bank
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Amir Softić
President of the Management Board

Igor Bilandžija
Member of the Management Board

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Independent Auditor's Report

To the Shareholder of Sparkasse Bank d.d. Bosna i Hercegovina:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sparkasse Bank d.d. Bosna i Hercegovina (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.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss for the year then ended;
- the statement of total comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on accounting and auditing in the Federation of Bosnia and Herzegovina that are relevant to our audit of the financial statements in the Federation of Bosnia and Herzegovina. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on accounting and auditing in the Federation of Bosnia and Herzegovina.

PricewaterhouseCoopers d.o.o., Fra Andjela Zvizdovica 1, 71000 Sarajevo, Bosnia and Herzegovina
T: +387 (0) 33 821 600, F: +387 (0) 33 295 235, www.pwc.ba
Registered at the Municipality court in Sarajevo, Reg.No.: 65-01-0373-12
Tax No.: 4200881410005; VAT No.: 200881410005
Account No.: 1610000082540027, Raiffeisen BANK d.d. Bosna i Hercegovina

Our audit approach

Overview

Materiality	• Overall materiality: Bosnia and Herzegovina's Convertible Marks ("BAM") 2,649 thousand, which represents 1% of net assets of the Bank
Key audit matters	• Estimate of credit loss allowances for loans and advances to customers

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of the Management Board override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall materiality	BAM 2,649 thousand
How we determined it	1% of net assets of the Bank
Rationale for the materiality benchmark applied	Net assets are the most important performance indicator for key stakeholders of the Bank. Based on this, the audit team decided to use the net assets as a materiality benchmark as we believe it is what users of the financial statements are mostly interested in. Considering the structure of the ownership, the Bank's position on the market and considering other factors we concluded that the determination of the 1 % threshold is appropriate.

Key audit matters

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

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Key audit matter	How our audit addressed the key audit matter

Estimate of credit loss allowances for loans and advances to customers

Refer to Note 34 "Risk Management", Note 4 "Critical accounting judgments and key sources of estimation uncertainty", Note 23 "Impairment loss on financial instruments and provisions" and Note 8 "Financial assets at amortized cost" to the financial statements for detailed information on the expected credit losses ("ECL") for loans and advances to customers.

As at 31 December 2022, gross loans and advances to customers and credit loss allowances amounted to BAM 1,476,437 thousand and BAM 69,249 thousand, respectively.

We focused on this area during the audit due to the significance of the amounts involved for the financial statements and also because the Management Board makes complex and subjective judgements over both the timing and size of ECL, which makes it a complex area of accounting.

For loans in stage 1 ECL are generally collectively measured at an amount equal to 12-month expected credit loss. If a significant increase in credit risk has occurred, credit loss allowances are measured as lifetime ECL. For defaulted loans that are considered not to be individually significant, ECL are collectively assessed.

In all of the cases above, the ECL is determined by using the key assumptions being the probability of an account falling into arrears and subsequently defaulting ("PD"), definition of significant increase in credit risk, exposure at the moment of default ("EAD") and the estimated losses from defaulted loans ("LGD"). Statistical models are used for determination of the key assumptions including different future macroeconomic scenarios.

For defaulted loans considered to be significant at customer level, ECL is determined on an individual basis. In these cases, ECL is determined by using key assumptions being the scenario probabilities, expected cash flows as well as expected proceeds from the realization of collateral (where applicable).

The Banking Agency of the Federation of Bosnia and Herzegovina ("FBA") has issued the Decision on Credit Risk Management and Determining Expected Credit Losses (the "Decision"), prescribing the minimum impairment rates in the calculation of ECL. This Decision became effective from 1 January 2020 onward. The rates prescribed by the Decision override the results of the estimates of the statistical models as explained above in those cases where the rates given by the Decision give rise to higher ECL levels.

Our audit approach included the following procedures:

- We obtained an in-depth understanding of the ECL calculation methodology applied by the Bank and the adjustments made to the model as a result of the implementation of the Decision.
- We evaluated control activities in credit risk management and lending business processes and tested controls that we considered relevant for our audit approach, as appropriate.
- We evaluated control activities and tested selected controls in the area of critical data, including the process of allocating loans and advances to customers to proper ECL stages and valuation of collaterals, and also assessed the independent PD and LGD model validation framework, risk parameter validation results and overall model governance for ECL calculation.
- We tested the accuracy of the critical data in the source systems and their input in the ECL calculation engine (PD, LGD and customers ratings).
- We assessed the process of incorporating the forward-looking information in the ECL estimate.
- We tested the statistical models used by the Management Board to determine key assumptions (PD, LGD, EAD) to assess whether the calculation process was consistent with our expectations.
- We analysed the sensitivity analysis for PD in order to understand and discuss this driver of estimation uncertainties underlying the ECL model.
- We tested, on a sample basis, the appropriateness of loans staging allocation in accordance with the Bank's internal methodologies.
- We tested, on a sample basis, the correct stage allocation and stage overlays according to the relevant policies.
- We verified the reconciliation of the output of the ECL calculation engine with the accounting records.
- We tested, on a sample bases, the adequacy of individual loan loss allowances, assessing the forecasted scenarios and the estimated expected cash flows.
- We tested, on a sample bases, the implementation of the Decision with regard to the application of the minimum impairment rates.
- Credit risk experts were involved in performing of the procedures listed above.

Other information

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

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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.

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

Responsibilities of Management Board and Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the 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 the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board 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 the Management Board either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As 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 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 the Management Board.

- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

For and on behalf of PricewaterhouseCoopers d.o.o.

Refer to the original signed Bosnian version

Mirza Bihorac, Director and licensed auditor

Sarajevo, Bosnia and Herzegovina

11 April 2023

Statements of financial position
for the year ended 31 December 2022

(all amount are expressed in thousand BAM, unless otherwise stated)

	Notes	31 December 2022	31 December 2021
Assets			
Cash and cash equivalents	5	331,572	336,089
Financial assets at fair value through profit or loss	6	157	127
Financial assets at fair value through other comprehensive income	7	145,312	163,705
Financial assets at amortised cost	8	1,591,943	1,380,014
Obligatory reserve with the Central Bank	*8.1*	*173,085*	*161,697*
Loans and receivables from credit institutions	*8.2*	*65,570*	*9,769*
Loans and receivables from clients	*8.2*	*1,341,618*	*1,202,500*
Other financial assets at amortised cost	*8.3*	*11,670*	*6,048*
Deferred tax assets	29	3,604	2,222
Property and equipment	9	30,456	31,181
Right-of-use assets	9	3,037	3,215
Investment property	9	1,461	999
Intangible assets	9	3,670	4,606
Investments in associates	10	607	607
Long-term assets held for sale	11	61	96
Other assets	12	1,169	2,591
Total assets		**2,113,049**	**1,925,452**
Liabilities and equity			
Financial liabilities measured at amortised cost		1,830,247	1,665,943
Deposits from banks and other financial institutions	*13*	*147,594*	*142,644*
Deposits from customers	*14*	*1,620,768*	*1,478,905*
Borrowings	*15*	*51,235*	*27,835*
Lease liabilities	16	3,047	3,344
Other financial liabilities measured at amortised cost	17	7,603	13,215
Current tax liabilities		266	554
Provisions	18	17,467	11,891
Provision for loan commitments and guarantees given		*12,761*	*7,551*
Pending legal issues and tax litigation		*792*	*890*
Other provisions		*3,914*	*3,450*
Other liabilities	19	1,781	1,625
Total liabilities		**1,849,761**	**1,680,013**
Share capital	20	86,473	86,473
Share premium		3,000	3,000
Statutory reserves		45,205	45,205
Fair value reserves for financial assets at fair value through other comprehensive income		-5,524	2,300
Retained earnings		134,134	108,461
Profit or loss for the year		*25,673*	*24,730*
Accumulated earnings from previous years		*108,461*	*83,731*
Total equity		**263,288**	**245,439**
Total liabilities and equity		**2,113,049**	**1,925,452**

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

Statements of profit or loss
for the year ended 31 December 2022

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

	Notes	2022	2021
Interest income and similar income at the effective interest rate		60,610	57,322
Interest income and similar income at the effective interest rate from financial assets at amortized cost		58,874	55,197
Interest income and similar income at the effective interest rate from financial assets at fair value through other comprehensive income		1,736	2,125
Interest expense and similar income at the effective interest rate		-8,724	-10,016
Interest expense and similar expense at the effective interest rate from financial assets at amortized cost		-8,724	-10,016
Net interest income and similar income at the effective interest rate	**21**	**51,886**	**47,306**
Fee and commission income		39,398	32,928
Fee and commission expense		-9,144	-7,725
Net fee and commission income	**22**	**30,254**	**25,203**
Impairment losses from financial instruments and provisions	**23**	**-11,096**	**-8,398**
Net allocation (release) of provisions for financial assets at amortized cost		-7,172	-7,990
Net allocation (release) of provisions for financial assets at at fair value through other comprehensive income		10	-3
Net allocation (release) of provisions for commitments and guarantees given		-3,771	-850
Net allocation (release) of provisions for pending legal provisions		-40	190
Net allocation (release) of provisions for other provisions		-123	255
Other gains / losses from financial assets		**522**	**638**
Net gains/(losses) from modifications of financial assets at amortized cost not result in derecognition		492	622
Gains/losses from financial instruments measured at FVTPL		30	16
Net trading result	24	3,498	2,565
Net gains/(losses) fromnon-financial asssets		**332**	**2,993**
Net gains/ (losses) of land, buildings and equipment		-16	572
Net gains/ (losses) of intangible assets		-132	-
Net gains/ (losses) of right-of-use assets		-	37
Net gains/ (losses) of non-current assets held for sale		990	2,934
Net gains/(losses) of other non-financial assets		-510	-550
Dividend income		-	225
Other income	25	2,897	2,495
Personnel expenses	26	-22,502	-20,911
Depreciation and amortisation	27	-5,415	-5,291
Other costs and expenses	28	-22,436	-19,864
Pre-tax result		**27,940**	**26,961**
Current income tax		-2,780	-2,413
Deffered income tax		513	182
Income tax	**29**	-2,267	-2,231
Net result for the period		**25,673**	**24,730**
Earnings per share			
Basic and diluted earnings	30	29.69	28.60

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

Statements of total comprehensive income
for the year ended 31 December 2022

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

	Notes	2022	2021
Net result for the period		**25,673**	**24,730**
Other comprehensive loss		**-7,824**	**-1,956**
Items that may be reclassified to profit or loss		*-7,824*	*-1,956*
Debt instruments at fair value through other comprehensive income		-8,693	-2,103
Deferred taxes relating to items that may be reclassified		869	147
Items that will not be reclassified to profit or loss			
Total comprehensive income		**17,849**	**22,774**

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

Statements of changes in equity
for the year ended 31 December 2022

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

	Share capital	Share premium	Statutory reserves	Fair value reserves for financial assets at fair value through other comprehensive income	Retained earning	Total
1 January 2021	**86,473**	**3,000**	**45,205**	**4,192**	**83,731**	**222,602**
Profit for the year	-	-	-	-	*24,730*	*24,730*
Other comprehensive loss	-	-	-	*-1,956*	-	*-1,956*
Total comprehensive loss	-	-	-	***-1,956***	-	***22,774***
Other adjustments	-	-	-	63	-	63
31 December 2021	**86,473**	**3,000**	**45,205**	**2,299**	**108,461**	**245,439**
1 January 2022	**86,473**	**3,000**	**45,205**	**2,299**	**108,461**	**245,439**
Profit for the year	-	-	-	-	*25,673*	*25,673*
Other comprehensive loss	-	-	-	*-7,824*	-	*-7,824*
Total comprehensive loss	-	-	-	***-7,824***	***25,673***	***17,849***
31 December 2022	**86,473**	**3,000**	**45,205**	**-5,524**	**134,134**	**263,288**

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

Statements of cash flows
for the year ended 31 December 2022

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

	2022	2021
Operating activities		
Inflows from interest and similar income at the effective interest rate	60,232	57,322
Outflows from interest and similar income at the effective interest rate	-8,577	-9,485
Inflows from fees and commissions	39,644	36,916
Outflows from fees and commissions	-9,360	-7,640
Inflows from the collection of previously written-off receivables for given loans	4,071	2,616
Payments to employees	-23,244	-21,589
Payment of operating expenses and costs	-18,357	-25,155
Other inflows from operating activities	1,103	1,088
Other outflows from operating activities	-3,969	-4,499
Income tax paid	-3,119	-2,083
Cash flows from opertaing activities before changes in operating assets and operating liabilities	**38,424**	**27,491**
Net increase in the obligatory reserve at the Central Bank B&H	-11,418	-23,682
Net increase in placements with other banks	-55,855	-9,779
Net increase in loans and receivables from clients	-146,268	-110,114
Net (increase) / decrease in other assets and receivables	-4,090	1,732
Net increase / (decrease) in deposits from banks and other financial institutions	4,950	-41,970
Net increase in deposits from clients	141,821	245,562
Net (decrease) / increase in other financial liabilities at amortized cost	-3,666	6,642
Net increase in provisions for liabilities	325	418
Net increase in other liabilities	635	66
NET CASH FLOW (USED IN) / FROM OPERATING ACTIVITIES	**-35,142**	**96,366**
Investing activities		
Purchases of debt instruments at fair value through other comprehensive income	-10,651	-14,581
Proceeds from collection of debt instruments at fair value through other comprehensive income	18,357	11,593
Purchases of property and equipment	-1,970	-1,295
Proceeds from sale of property, plant and equipment	599	464
Purchases of investment properties	-488	-
Purchases of intangible assets	-872	-1,435
Dividends received	-	225
Other inflows from investment activities	-	16
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES	**4,975**	**-5,013**
Financing activities		
Proceeds from borrowings	35,205	-
Payment of principal on borrowings	-11,910	-12,923
Payment of principal on leases	-1,143	-1,498
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES	**22,152**	**-14,421**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**-8,015**	**76,932**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**336,089**	**257,743**
EFFECTS OF CHANGES IN EXCHANGE RATES OF CASH AND CASH EQUIVALENTS	**3,498**	**1,414**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**331,572**	**336,089**

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

1. GENERAL

History and incorporation

Sparkasse Bank d.d. BiH (the "Bank") has been registered on 9 July 1999 with the relevant court in Sarajevo, under the number U/I-1291/99. On 28 July 1999, the Bank obtained the permit to conduct its business from Federal Banking Agency (hereinafter the "FBA"), number 01-376/99. The Bank's headquarter is in Sarajevo, Zmaja od Bosne 7.

The majority shareholder of the Bank is Steiermarkische Bank und Sparkassen AG, Graz Austria its share amounting 100%. The ultimate owner is Erste Group Bank AG Vienna, Austria ("Erste Group"). The Erste Group consolidated financial statements can be found on the following address: Am Belvedere 1, Vienna, Austria.

Principal activities of the Bank

The Bank offers banking services through a developed branch network in Bosnia and Herzegovina:

1. take and hold deposits or other repayable funds from the public;
2. take out and extend credits and loans;
3. issue guarantees and all forms of surety;
4. provide services in domestic and foreign payment operations and money transfer in keeping with special regulations;
5. purchase and sell foreign currencies and precious metals;
6. issue and manage payment instruments (including payment cards, travellers' and bank cheques);
7. financial leasing;
8. purchase, sell and collect receivables (factoring, forfeiting, and other);
9. take part, purchase and sell instruments on the money market for its own or another person's account;
10. purchase and sell securities (brokerage and dealership operations);
11. manage securities portfolios and other valuables;
12. provide support to the securities market, perform agent operations and underwriting, in keeping with the regulations governing the securities market;
13. provide investment counselling and custody operations;
14. provide services of financial management and consulting;
15. provide services of data collection, preparation of analyses and provision of information on the creditworthiness of legal persons and self-employed individuals performing a registered activity;
16. provide services of renting safe deposit boxes;
17. provide services of insurance mediation, in conformity with the regulations governing insurance mediation;
18. perform other operations as support to specific banking activities

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

1. GENERAL (CONTINUED)

Managing bodies of the Bank

Supervisory Board:

Gerhard Maier	President
Renate Ferlitz	Member
Christoph Schoefboeck	Member
Walburga Seidl	Member from 25 May 2022
Peter Konrad	Member from 25 May 2022
Željko Šain	Independent member
Ismeta Čardaković	Independent member until 18. November 2022
Fatima Mahmutćehajić Novalija	Independent member from 19 November 2022

Management Board:

Amir Softić	Chairman of the Management Board from 1 February 2021
Sanel Kusturica	Chairman of the Management Board until 31 January 2021
Igor Bilandžija	Member of the Management Board, from 18 October 2020
Amer Hadžikadić	Member of the Management Board from 1 February 2021
Igor Jokić	Member of the Management Board from 1 January 2022

Audit Board:

Zlatan Jašarević	President
Sandra Petrcizek – Mahr	Member
Aida Sivro – Rahimić	Member
Damir Soković	Member
Andrea Rainer	Member

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

2. BASIS OF PREPARATION

a) Basis of preparation

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

- The Law on Accounting and Auditing in FBiH stipulates preparation of the financial statements in accordance with the International Financial Reporting Standards (hereinafter "IFRS").
- The Law on Banks of FBiH stipulates preparation of annual financial statements in accordance with the aforementioned Law on Accounting and Auditing in the FBiH, this law and bylaws passed based on both laws.
- FBA adopted the Decision on Credit Risk Management and Determining Expected Credit Losses (hereinafter the "Decision"), which is in force as of 1 January 2020, and which resulted in certain differences arising from calculation of allowances for credit losses due to application of minimum rates stipulated by the Decision, which are not required by IFRS 9: Financial Instruments ("IFRS 9"). The Decision has an effect on valuation of non-financial assets arising from credit operations (repossessed collaterals whose valuation is within the scope of other relevant IFRSs).

In accordance with the provisions of the Decision, as at 31 December 2022, the Bank created higher allowances for credit losses in the amount of 14,867 thousand compared to the amount calculated by using the Bank's internal model in line with the requirements of IFRS 9. This difference arose from the following reasons:

- application of minimum impairment rates stipulated by the Article 23 of the Decision for exposures in Stage 1 of credit risk – difference in the amount of BAM 1,624 thousand (for both allowances and provision for ECL), out of which application of minimum impairment rates stipulated by the Article 26 of the Decision for trade receivables, factoring and other receivables refers to difference in the amount of BAM 34 thousand.
- application of minimum impairment rates stipulated by the Article 24 of the Decision for exposures in Stage 2 of credit risk and application of Decision on temporary measures to mitigate the rise in interest rates – difference in the amount of BAM 4,132 thousand (for both allowances and provision for ECL)
- application of minimum impairment rates stipulated by the Article 25 of the Decision for exposures in Stage 3 of credit risk (non-performing assets) – difference in the amount of BAM 9,111 thousand, of which amount of BAM 4,452 thousand refers to exposures not secured by acceptable collateral, the amount of BAM 4,659 thousand refers to exposures secured by acceptable collateral or partly secured by collateral (for both allowances and provision for ECL).

FBA adopted also the Decision on temporary measured to mitigate the risk of an interest rate increase, effective as of October 2022, based on which the Bank applies different, more strict regulatory minimum CLA rates for contracts which fullfill the conditions stipulated by the Decision.

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

	1 January 2020	31 December 2020	31 December 2021	31 December 2022
Decrease of assets	-11,717	-10,343	-10,682	-13,604
Increase of liabilites	1,380	915	624	1,263
Decrease of equity	-13,097	-11,258	-11,306	-14,867
Net result for the year ended	-	2,677	697	332

* *Note: positive number represents an increase and negative number represents a decrease*

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of preparation and measurement basis

These financial statements have been prepared on a historical cost basis, except for certain for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

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

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

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

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

Information on amounts where significant uncertainty exists in their estimate and critical judgments in applying accounting policies that have the most impact on the amounts disclosed in these financial statements are disclosed in Note 4.

These financial statements are separate standalone financial statements of the Bank.

The Bank has not consolidated its associate – Sparkasse Leasing d.o.o. Sarajevo, as the Management Board believes that the conditions from IAS 28, paragraph 17 have been met:

a. The Bank is a wholly-owned subsidiary and its owner has have been informed about, and does not object to, the Bank not applying the equity method.
b. The Bank's debt or equity instruments are not traded in a public market.
c. The Bank did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market.
d. The ultimate or any intermediate parent of the Bank produces consolidated financial statements available for public use that comply with IFRSs, in which subsidiaries are consolidated.

In addition, by the letter of FBA No. 9666-02-16-19 dated 19 April 2019, the Bank has been exempted from the preparation of consolidated financial statements (i.e. from consolidation of its associate).

c) Functional and presentation currency

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

The Central Bank of Bosnia and Herzegovina ("Central Bank" or "CBBH") has implemented an exchange rate based on "currency board" according to which BAM is exchanged to EUR at 1:1.95583 ratio (this rate was used in 2022 and 2021). It is expected that this exchange rate will continue in the foreseeable future.

2. BASIS OF PREPARATION (CONTINUED)

d) Use of estimates and judgments

The preparation of financial statements in accordance with accounting regulations applicable to banks in FBiH (including IFRS requirements) requires management to make judgments, estimates and assumptions that affect the application of accounting policies in use and the amounts of disclosed assets, liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are changed and possibly in future periods if they are affected.

Information on areas with significant uncertainties in estimates, and information on critical judgments in application of accounting policies which have most significant effect on the amounts disclosed in these financial statements of the Bank are presented in Note 4.

e) Going concern

Financial statements are prepared under the assumption of going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies

The accounting policies set out below have been consistently applied for all years presented in these financial statements.

Investments in associates

An associate is an entity 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.

Measurement and recognition of investments in associates in the financial statements

Investment in associate in the financial statements are stated at cost less any impairment in the value of individual investments if needed.

Interest income and expense

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Loan origination fees, after approval and drawdown of loans, are deferred (together with related direct costs) and recognized as an adjustment to the effective yield of the loan over its life.

Interest charged on deposits is added to the principal where this is foreseen by the agreement, Interest income is suspended when it is considered that recovery of the income is unlikely. Suspended interest is recognized as income when collected.

Fee and commission income and expense

Fees and commissions consist mainly of fees earned on domestic and foreign payment transactions, and fees for loans and other credit instruments issued by the Bank.

Fees for payment transactions are recognised in the period when services are rendered

Taxation

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

Current income tax

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

Deferred 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 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 carrying amount of deferred tax assets is reviewed at each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank has the ability and intention to settle on a net basis. The Bank is subject to various indirect taxes which are included in administrative expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Financial instruments

Recognition

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value, Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classification and measurement

Under IFRS 9, all financial assets and liabilities should be recognized in the statement of financial position and measured in accordance with the assigned measurement categories.

The classification of a financial asset at initial recognition depends on:

i. the business model of the Bank for financial asset management – is determined on the basis of the business purpose of financial asset management, i.e. the assessment of whether financial assets are held for the purpose of collecting contractual cash flows, collecting contractual cash flows and selling financial assets or for sale only

ii. the contractual cash flow characteristics of financial assets – is determined on the basis of an assessment of whether the contractual cash flows of a financial asset only pay principal and interest ("SPPI") on the remaining amount of principal

The application of these criteria leads to the classification of financial assets in three measurement categories.

Financial assets measured at amortised cost

Financial assets are measured at amortized cost if they are held in a business model whose purpose is to collect contractual cash flows and their contractual cash flows are SPPI.

In the statement of financial position, these assets are stated at amortized cost, i.e. gross book value less any impairment loss. They are presented under "Loans and advances to customers", "Other assets", "Placements with other banks", "Obligatory reserve with the Central Bank" and "Cash and accounts at banks", Cash and balances with other banks include only receivables (deposits) from central banks and credit institutions that are paid on demand. Payable on demand means that they can be withdrawn at any time or with a one work-day term or 24-hour term.

Interest income on these assets is calculated using the effective interest method and is included in the item "Interest and similar income" under "Net interest income" in the statement of profit or loss. Gains or losses on impairment are included under "Impairment losses on financial instruments and provisions". Gains and losses arising from derecognition (such as sale) of assets are stated under Other operating income.

In the Bank, financial assets at amortized cost represent the largest category of measurement, which includes a large majority of loans to clients, interbank credit operations, deposits with central banks, amounts settled, trade and other receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets of a debt instrument are measured at fair value through other comprehensive income (FVOCI) if the contractual cash flows are in accordance with the SPPI and are held within a business model whose objective is achieved by collecting contractual cash flows and selling assets. In the statement of financial position, they are included as "financial assets at FVOCI".

Interest income on these assets is calculated using the effective interest rate method and is included in the item "Interest income" under "Net interest income" in the statement of profit or loss. Gains and losses on impairment are recognized in the statement of profit or loss as "Impairment losses and provisions" while in the statement of financial position are presented through equity (OCI), As a result, the impact on the statement of profit or loss is the same as for financial assets measured at amortized cost.

The difference between the fair value at which the asset is stated in the statement of financial position and the component of the amortized cost is recognized as accumulated other comprehensive income, especially within the revaluation reserve in the statement of changes in equity. The change for the period is reported as an OCI in the statement of comprehensive income as "Revaluation reserve". When a financial asset is derecognised, the amount previously accumulated in the OCI is reclassified to profit or loss and is recognized as "Other operating income".

The Bank classifies investments in debt securities measured at FVOCI. They are part of the "holding up to collection and selling" business model. They relate to different business objectives, such as meeting internal / external liquidity risk conditions and effectively placing excess structural liquidity, strategic positions decided by the management board, initiating and encouraging customer relationships, replacing credit operations or other yield improvement activities. The common feature of investing in debt instruments at FVOCI is that the active optimization of yield through sales is integral to achieving the goals. Sales are made to optimize the liquidity position or generate gains / losses at fair value. As a result, business goals are also achieved by collecting contractual cash flows and selling securities.

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

There are various reasons for the allocation of fair value through financial assets (FVTPL):

Financial assets whose contractual cash flows are not considered SPPI are automatically measured at FVTPL. In the Bank's business this does not apply to loans to clients and debt securities. The main reason for the failure to estimate SPPI is that they have critical interest clauses that do not pass the quantitative testing required by IFRS 9.

Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as amortized cost unless measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are presented in the statement of financial position under 'Financial liabilities measured at amortized cost'. Under this position are included 'Deposits of banks', 'Deposits of clients', 'Loans' and 'Other financial liabilities'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities measured at amortized cost (continued)

For subsequent measurement of financial liabilities at amortized cost, interest expense is recognized in the statement of profit or loss using the effective interest rate method and is presented in the 'Interest expense' item under 'Net interest income' in the statement of profit or loss. Gains or losses arising from the derecognition of a financial liability are recognized in the statement of profit or loss and are presented in the 'Other gains or losses from derecognition of financial instruments that are not measured at fair value through profit or loss'.

Impairment of financial assets (Note 34 Risk Management, section b, Credit risk)

IFRS 9 expected credit loss model includes three stages, i.e. three levels of credit risk, whereby the financial asset moves through stages as it changes its credit quality.

	Stage 1	**Stage 2**	**Stage 3**
Expected loss	12-month period	Lifetime period	Lifetime period
Criterion for grouping and determining risk levels	Delay ≤30 days Client is not in default on any basis	Delay ≥31 days ≤90 days Deterioration of client's position Client is not in default on any basis Significant increase in credit risk (SICR) Purchased or originated credit impaired ("POCI") assets which are not defaulted	Delay >90 days i.e. Client is in default on any basis POCI assets which are defaulted

Derecognition of financial assets

Financial assets are derecognised if the following criteria are met:

i. Contractual rights to cash flows of financial assets expire, or

ii. The Bank transfers financial assets under conditions that meet the criteria for derecognition.

When transferring a financial asset, it is necessary to estimate the extent to which the risks and repossession of ownership of that financial asset are maintained, In that case:

i. If substantially all the risks and rewards of ownership of the financial asset are transferred, financial assets are derecognised.

ii. If all the risks and rewards of ownership of the financial asset are not transferred or retained substantially, the financial asset is derecognised if the control over such financial asset is also transferred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Termination of recognition of financial assets due to significant changes in contractual terms

Bank's credit operations may change the contractual terms of a financial asset either as a result of negotiations to adapt to changed market conditions or to prevent financial difficulties of a client, i.e. to maximize the ability to pay if the client is already in financial difficulties.

As a result of the change in the terms or modification of the contractual cash flows of a financial asset, the derecognition of that financial asset and recognition of new, changed financial assets may occur. The Bank has defined a number of derecognition criteria that qualitatively or quantitatively determine whether a change in contractual terms of financial assets is sufficient to meet the conditions for derecognition.

Significant modifications result in derecognition of the original financial asset and initial recognition of the modified financial asset as a new financial instrument. They include the following events:

a) Change of contractual conditions leading to change of the other party to the contract

b) Change of the currency of the contract (unless the change is a result of using the embedded option in the original contract with the pre-agreed terms of the change, or if the new currency is linked to the original currency);

c) the introduction of contracts that do not meet non-SPPI; and eliminating contractual characteristics other than SPPI.

Some criteria for derecognition differ depending on whether contract modifiers are applied to debtors facing financial difficulties. The application of certain modifications to debtors in financial difficulties is not considered significant because it is aimed at improving the bank's prospect of recovering claims by adjusting the repayment schedule under certain financial conditions of those debtors. On the other hand, such contractual modifications that apply to executive debtors may be considered sufficiently important to justify derecognition, as explained in more detail below.

From this perspective, the following criteria lead to derecognition, unless considered to be forbearance measures, they are applied to clients in default or trigger for default:

- the repayment plan has been revised in such a way that the weighted residual maturity of assets is changed by more than 100% and not less than two years in relation to the original asset;
- change in the time / amount of contractual cash flows resulting in the present value of modified cash flows (discounted at the effective interest rate before modification) of more than 2% of the gross book value of the asset immediately before the change (cumulative assessment taking into account all modifications happened in the last twelve months); or
- commercial bargaining initiated by debtors seeking better terms as an alternative to refinancing, while there is an option for early repayment / early termination and a sufficiently competitive refinancing market.

Furthermore, the costs the borrower would have had in case of early repayment / early termination of the contract should be considered as low enough to refuse it. This cancellation period is rarely applied for credits at Stage 2 and never in Stage 3.

If contractual modifications deemed to be forbearance measures apply to clients in the default status or the triggers for the default status so significant that they qualitatively estimate as abolishing original contractual rights, result in derecognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Termination of recognition of financial assets due to significant changes in contractual terms (continued)

Examples of such changes are:

- a new contract with substantially different terms was signed as part of the restructuring;
- consolidation of multiple original loans into one with substantially different conditions; or transforming revolving loans in non-revolving.

Amendments to contracts that result in the termination of recognition of original funds result in initial recognition of new financial resources. If the borrower is late or if significant modification leads to default, then the new asset will be treated as POCI.

If the borrower is not in delay or if a significant modification does not result in default, the new asset recognized after the derecognition of the original asset will be in Stage 1, For loans measured at amortized cost, the non-amortized amount of fees / rates are shown as 'Net interest income' on the date of derecognition.

For financial assets measured at FVTPL, regardless of whether they are in delay, gains and losses from derecognition are included in the same items of statement of profit or loss as their measurement result.

For debt instrument assets that are not measured at FVTPL and which are the subject of contractual modifications that do not result in derecognition, the gross carrying amount of the asset is reconciled with the recognition of profit or loss from a change in profit or loss. Gain or loss of change is equal to the difference between the gross book value before the change and the present value of cash flows based on the modified terms discounted at the original effective interest rate, In the statement of profit or loss, gain or loss on the modification is presented as "Interest income" if the change relates to financial assets at Stage 1. For financial assets at Stage 2 and 3 and POCI financial assets, gains or losses are presented as "Impairment losses provisions".

Financial assets – modification

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Payment holidays granted by the Bank in response to COVID-19 pandemic are treated as contractual modifications of the respective loans and advances. Their impact on the gross carrying amount (modification loss) is presented in profit or loss within Net gains/(losses) from modifications of financial assets at amortized cost not result in derecognition.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

Derecogniton of financial liabilities

The Bank derecognizes a financial liability when, and only when, the Bank's obligations have been released, canceled or terminated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment, and intangible assets

Property and equipment are stated at cost, less accumulated depreciation and any recognized accumulated impairment losses. The purchase cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Current maintenance and repairs, replacements and improvements of minor importance are expensed as incurred.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use.

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.

Intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

Estimated useful lives were as follows:

	2022	2021
Buildings	33 – 50 years	33 – 50 years
Computers	5 years	5 years
Vehicles	6 years	6 years
Furniture and other office equipment	5 – 10 years	5 – 10 years
Intangible assets	5 years	5 years

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.

Impairment

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

Recoverable amount is the greater of 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 recognized as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized 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.

Repossessed collaterals

Repossessed collaterals are financial and non-financial assets that the Bank acquires in the process of loan repayment. These collaterals are initially recognized at lower value of net book value of respective receivables or estimated value (valuation performed by external appraiser) less expected costs to sell. If the net book value of the respective receivable at the time of repossession is zero, repossessed collaterals are recognized at the amount of BAM 1.

These assets have to be subsequently regularly assessed by external appraisers, except when its book value equals BAM 1. In case these assets are not sold in the period of 3 years following repossession, their book value has to be decreased to the amount of 1 BAM, as prescribed by the FBA.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits

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

Foreign currency translation

Transactions in currencies other than Bosnia and Herzegovina BAM are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities are translated at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Profits and losses arising on translation are included in the statement of profit or loss and other comprehensive income for the period.
The Bank values its assets and liabilities by middle rate of the CBBH valid at the reporting period date. The principal rates of exchange set forth by the 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	1 EUR = BAM 1,95583	1 USD = BAM 1,833705
31 December 2021	1 EUR = BAM 1,95583	1 USD = BAM 1,725631

Provisions

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

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

Equity and reserves

Share capital

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

Fair value reserve

Fair value reserves comprises changes in fair value of financial assets at fair value through other comprehensive income.

Retained earnings

Profit for the period after appropriations to owners and allocations to other reserves are transferred to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity and reserves (continued)

Dividends

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

Earnings per share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

There were no dilution effects during 2021 and 2022.

New and amended standards adopted by the Bank

The Bank has applied the following new and revised standards and amendments, and interpretations, for the first time for their annual reporting period commencing 1 January 2022:

- Covid-19-Related Rent Concessions – additional amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Bank:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)
- IFRS 17: "Insurance Contracts" (issued on 18 May 2017) and Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020) – all effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).

Those standards are not expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

SPPI assessment

The assessment of whether the contractual cash flows of financial assets lead to cash flows that are solely payments of principal and interest (SPPI) are subject to the application of significant judgments based on IFRS 9 guidance. These judgments are crucial to the IFRS 9 classification and measurement process as they determine whether the asset must be measured at FVTPL or, depending on the business model estimate, at amortized cost or at FVOCI. When taking into account the specificities of loans in the Bank's business, significant areas of judgement are early repayment fees, project financing loans, and benchmark credit tests with critical interest rate clauses.

The most critical area of estimation of SPPI in the Bank's operations are loans with critical interest rate clauses. Interest rate measurement refers to floating rate financial instruments where:

- the reference rate (such as Euribor) differs from the rate of conversion rates
- the interest rate is fixed before the start of the interest period
- time lags arise from average rates in previous periods
- or a combination of the above

To this end, the Bank has developed what is called benchmark test to assess whether a critical interest rate clause could result in contractual (undiscounted) cash flows that are significantly different from the initial contract. In addition to the characteristics of critical interest clauses, the conditions of this benchmark test correspond to the assets in the test.

For funds with critical interest rate clauses that arise only from previous and average rates (i.e. no discrepancy stemming from a period that differs from the frequency of conversion), the SPPI compliance is considered to be fulfilled on the basis of a qualitative estimate if the time gap between fixing the rate and beginning of the interest rate period does not exceed one month.

A quantitative benchmark test is performed on the initial recognition of the contract. The threshold of importance for the cumulative cash flow ratio, the quantitative threshold of materiality is set at 5%. If the materiality thresholds are exceeded, the benchmark test is not passed and the financial asset must be measured at fair value through profit or loss.

Following transition to IFRS 9 for loans and debt securities, a benchmark test was carried out in relation to the interest rates at their initial recognition. All loans with the characteristics of the critical interest rate clauses have passed the test and therefore there was no need to measure the loan at FVTPL. No significant margin is expected for new contracts with critical interest rate clauses that failed to meet the benchmark test as a result of the preventive activities undertaken during the project implementation of IFRS 9 with the aim of reducing the amount of loans to be measured by FVTPL.

Business model assessment

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

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

Key sources of estimation uncertainty (continued)

Business model assessment (continued)

In the Bank, sales due to increased credit risk, short-term assets, short-term sales caused by a non-performing event (such as changes in regulatory or tax environment, large internal reorganization or business combinations, severe liquidity crises, etc,) contrary to the business model of contractual cash flows. Other types of sales conducted in the business model that are held for collection are evaluated retroactively, and if they exceed certain quantitative thresholds or, when deemed necessary due to new expectations, the Bank conducts a prospective test. If the result was that the book value of assets expected to be sold in the expected term of the current business model portfolio, for reasons other than those above, exceeds 10% of the book value of the portfolio, any new acquisitions would have been classified into another business model.

Impairment of financial instruments

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

Another area of complexity relates to the establishment of groups of similar assets when credit risk deterioration has to be assessed on a collective basis before specific information is available at the level of an individual instrument. Measuring expected credit losses involves complex models relying on historical statistics of probability of default and loss rate in case of default, extrapolation in case of lack of data, individual cash flow estimates and probabilities of different scenarios including future information.

Detailed explanations on the identification of significant increases in credit risk, including collective estimation, estimation techniques used to measure 12-month and expected credit losses and expectations, as well as the definition of default, are disclosed in Note 34 Risk Management, section b, Credit risk.

Expected credit loss ("ECL") measurement

Due to significant and rapid changes in the economic environment, the Bank decided to adjust the approach to measure ECL for the loans issued to micro, corporate and retail clients. The management performed a comprehensive portfolio analysis and had identified groups of borrowers, for which sufficient reasonable and supportable information for the ECL measurement is available on the industry basis.

Following criteria for stage overlay were applied:
- „heat-map" criteria (industry heat-maps),
- the values of 1Y probability of default and the client's request for COVID relief measures
- client's segment

Industry heat-map:
- Critical industries - Business Cyclicals, Hotels, Leisure, Other, Passenger Transportation
- High risk industries – Clothing & Footwear, Gaming
- Moderate risk industries – Agriculture, Chemicals, Consumer Electronics, Dealers, Education, Electrical, F&B production, Furniture, Healthcare & Social, Infrastructure, Mechanical, Media, Metals, OEM, OES, Oil & Gas, Packaging, Passenger Transportation, Pulp & Paper, Railway Manufacturers, Repair, Road Freight, Technology, Wholesale, Wholesale & Rental
- Low risk industries - Building materials, Buildings construction, DIY, Engineering, Finishing, Logistics, Telecommunication, Utilities, Wood.

In more details, the following rules and/or combination of rules were applied when significant increase of credit risk was assessed on industry, PD and moratoria status basis and exposures transferred to Stage 2:
- Critical industry based on the heat-map
- High risk industry and the application for COVID relief measures,
- High risk industry, no application for COVID relief measures, but 1YPD higher than 250 bp,
- Moderate risk industry, application for COVID relief measures and 1YPD higher than 250 bp.

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

Expected credit loss ("ECL") measurement (continued)

This approach was valid until November 2022, when stage overlay based on combination of industry heat-map, COVID relief measures and 1Y PD was abolished, due to observation of continuation of regular business for clients who have COVID relief measures approved. More information on the effects of COVID stage overlay abolishment is seen in the next paragraph.
Moreover, in order to ensure that risks are carefully and responsibly managed in accordance with the applicable accounting and regulatory framework, domestic as well as international standards of good practice, the Bank continued to apply the stage overlay principle on portfolio level, with changed rules.
More specifically, the bank introduced the rules for assessing significant increase in credit risk based on:

- Cyclicality of industries (introduced in June 2022)
- Specifics of industry segment (introduced in September 2022, whereby Energy, Metals and Chemicals are considered as industry segments which are more prone to be under the influence of geo-political movements and hence lead to classification to S2)

The additional criteria for assessing credit risk were introduced taking into consideration local supervisory expectations of properly and timely recognition of increased credit risk, consideration of disruptions in supply chains, instability of energy prices and other relevant risks that may have consequences for separate economic branches or portfolios.

Having in mind the difference in rules between IFRS9 compliant standards and local regulatory defined standards, together with the specifics of local market, certain customization of rules/practices was necessary for the local application of the aforementioned rules.

Additionally applied exemptions from the portfolio criteria of Stage 2 classification is:

Additional criteria for exemption from stage overlay (cyclic stage overlay, stage overlay based on belonging to the categories Energy, Chemicals and Metals) that are applied for local classification are:

a) Net debt/EBITDA ratio is greater than 0 and less than 4
b) Early Warning Signal (EWS), as one of the qualitative triggers of the SICR model, is labeled Standard, which according to the currently valid classification does not imply any EW signal

Both criteria must be met in order for the client to be eligible for exemption, or a third condition must be met:
c) that the placement is fully secured by the guarantees of the Government of FBiH, RS and Brčko District.

The reasons why the Bank decided to apply additional exemptions is the conclusion that additional attributes are needed that will more adequately take into account the client's risk profile from the aspect of credit risk. Moreover, no major impact on CLA coverage per stage was observed (regulatory CLA coverage is above IFRS9 ones due to additional local regulatory rules – minimum regulatory CLA thresholds) and local regulator did not specify in details application of additional portfolio level provisioning rules, meaning it was left to Bank discretion to define them in more details.

Therefore Bank regards that customized application of additional local portfolio specific rules reflects in best possible application of portfolio stage overlays customized to local regulatory and market specifics. In addition, another reason for customized local approach are locally specific (not practiced in other countries) regulatory requirements which require disclosure of stage in publicly available registries (CRK - Central Loan Registry) that affect clients reputation and their ability to access adequate source of financing, especially for key clients on overall local market with good credit quality (hence additional local criteria such as Net debt/EBITDA). For the purpose of minimizing the possibility of systemic risk, these additional criteria were introduced.

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

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

Customer relief measures

The Bank implemented relief measures stipulated in the decisions passed in 2020 by the FBA in response to the spread of COVID-19.

The last decision was issued on 17 December 2021 based on which borrowers that are negatively affected by the pandemic and meet certain conditions can continue applying for reliefs in the form of reprogramming and refinancing with approval of grace period of six months and corresponding extension of maturity so that the debtor's montly installments do not exceed those from original annuity plan. The Bank concluded that generally such applications, provide evidence of a significant increase in credit risk of the loan, unless observable mitigating factors are identified. Generally, all loans granted within the industry heat map were subject to stage overlay criteria which, if met, were considered as loans with significant increase in credit risk.

However, the Bank abolished the stage overlay based on COVID-related criteria in October 2022. In general, loans to individuals and legal entites who applied and were approved for the COVID relief measure as of 31 December 2022 amounted to BAM 81,830 thousand, whereby no exposures with active relief measures were present as of December 2022.

Moreover, the abolishment of COVID-related criteria for classification of exposures to S2 resulted in release of provisions in amount of BAM 400 thousand for the exposure amount of BAM 424,000 thousand. Specifically, release of BAM 352 thousand was in segment of corporate clients whose exposure amounted to BAM 406,000 thousand, while the remaining release of BAM 48 thousand was in segment of micro clients whose exposure was BAM 17,000 thousand.

Below is the representation of COVID-19 portfolio as of 31 December 2022.

	Name of industry / Product according to local regulatory segmentation	31.12.2022						
		Number of clients who applied for COVID relief measure	Gross loans for COVID measures	Number of clients whose measure was approved	Active measures		Expired measured	
					Number of clients	Gross loans	Number of clients	Gross loans
		050	060	070	080	090	080	090
010	1. Legal entities (1.1. to 1.19.)	105	55,948	105	0	0	105	55,948
020	1.1. A Agriculture, forestry and fishing	0	0	0	0	0	0	0
030	1.2. B Mining and quarrying	0	0	0	0	0	0	0
040	1.3.C Manufacturing	34	18,728	34	0	0	34	18,728
050	1.4. D Electricity, gas, steam and air conditioning supply	0	0	0	0	0	0	0
060	1.5. E Water supply	0	0	0	0	0	0	0
070	1.6. F Construction	2	942	2	0	0	2	942
080	1.7. G Wholesale and retail trade	30	15,709	30	0	0	30	15,709
090	1.8. H Transport and storage	21	7,868	21	0	0	21	7,868
100	1.9. I Accommodation and food service activities	3	3,273	3	0	0	3	3,273
110	1.10. J Information and communication	2	2,823	2	0	0	2	2,823
120	1.11. K Financial and insurance services	0	0	0	0	0	0	0
130	1.12. L Real estate activities	1	4,216	1	0	0	1	4,216
140	1.13. M Professional, scientific and technical activities	6	1,375	6	0	0	6	1,375
150	1.14. N Administrative and support service activities	3	75	3	0	0	3	75
160	1.15. O Public administration and defence, compulsory social security	0	0	0	0	0	0	0
170	1.16. P Education	1	1	1	0	0	1	1
180	1.17. Q Human health services and social work activities	1	315	1	0	0	1	315
190	1.18. R Arts, entertainment and recreation	1	23	1	0	0	1	23
200	1.19. S Other services	0	0	0	0	0	0	0
210	2. Retail (2.1 + 2.2 + 2.3)	1119	26,482	1119	0	0	1119	26,482
220	2.1. Consumer Loan	1011	20,999	1011	0	0	1011	20,999
230	2.2. Housing/Mortgage loans	91	5,099	91	0	0	91	5,099
240	2.3. Entrepreneuers (Micro)	17	384	17	0	0	17	384
250	3. Total (1. + 2.)	1224	81,890	1224	0	0	1224	81,890

When the Bank was providing the customers with payment holidays, the Bank stoped to count days past due during the holiday period granted, if the customers are reliefed from making payments. After the end of the holiday period granted, the Bank continued the count of days overdue starting from zero.

Useful lives of property and equipment

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

IFRS 16

The Bank determines incremental borrowing rate ("IBR") based on the rates that the Bank can obtain financing if the Bank decides to buy the property. When recognizing a new contract, the Bank always take the latest interest rate in accordance with the duration of the lease. In determining IBR the Bank adds 0,30% on the determinated variable interest in order to reach to fix interest rate which is used for discounting the future cashflows.Currently Bank does not have contracts that have an indefinite duration and to treat them in accordance with IFRS16.

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

Key sources of estimation uncertainty (continued)

Litigations

Bank's Legal Department makes individual assessment of all court cases and makes provisions on a portfolio basis.

As stated in Note 18, the Bank has reserved BAM 792 thousand (2021: BAM 890 thousand), which Management estimates as sufficient.

Legal cases are classified on the basis of a reasoned assessment by lawyers and / or Bank's Legal Department on the success of the dispute in question, in accordance with the criteria set out in the Instruction on Litigation.

All passive court proceedings are classified into the following categories or risk groups:

- No risk - includes passive litigation in which it is determined that there is no risk of loss on the part of the Bank;
- Low level of risk;
- Medium degree of risk;
- High level of risk.

Provisions for employee benefits

As described in Note 3, in the paragraph named Employee benefits, provision for employee benefits are calculated on the basis of an independent actuarial report on the implementation of IAS 19 – Employee benefits.

Deffered tax assets and liabilites

Deffered tax assets and liabilities are recognized in cases when income or expense is included in accounting profit in one period, and in taxable profit in another period - in accordance with the Law on Corporate Income Tax ("CPT") Law (Article 14) and the Rulebook of the CPT Law FBiH. The most significant deferred tax assets or liabilities are non-tax deductible expenses / revenues based on the value adjustment of assets in the statement of financial position (regulatory provisions on credit risk levels 1 and 2). In this case, the Bank also refers to the CPT Law of FBiH, making adjustments to the tax balance on a net basis, ie. Increase the tax base in case of higher expenses, ie reduce the tax base in case of higher income, while at the same time recognizing tax assets / liabilities as 10% of these amounts.

Fair value of financial instruments

As described in Note 34, the Management use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. Financial instruments, other than loans and receivables, are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

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

5. CASH AND CASH EQUIVALENTS

	2022	2021
Cash on hand	220,220	229,831
Cash balances at central banks above obligatory reserves with the CBBH	84,414	42,006
Other demand deposits to credit institutions	27,027	64,530
Impairment (Note 28)	-89	-279
Other demand deposits to credit institutions after impairement	26,938	64,251
Cash and cash balances	**331,572**	**336,089**

	31 December 2021	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	Other	31 December 2022
Other demand deposits to credit institutions					
Other demand deposits to credit institutions	-279	-2,333	2,524	-1	-89
Total impairment for Other demand deposits to credit institutions	**-279**	**-2,333**	**2,524**	**-1**	**-89**

	31 December 2020	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	Other	31 December 2021
Other demand deposits to credit institutions					
Other demand deposits to credit institutions	-156	-1,165	1,044	-2	-279
Total impairment for Other demand deposits to credit institutions	**-156**	**-1,165**	**1,044**	**-2**	**-279**

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
Equity instruments	157	127
Equity instruments	**157**	**127**

Investments in equity securities, except for investments in associates, are classified at fair value through profit or loss (FVTPL). The Bank has investments in SWIFT, Belgium in form of stakes. Fair value is calculated at the level of the Erste Group and change in fair value in 2022 amounting to BAM 29 thousand.

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

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

31 December 2022	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Impairment allowance Stage 1	Stage 2	Stage 3	Total	Accumulated other fair value changes	Carrying amount
Debt securities	152,220	-	-	152,220	-152	-	-	-152	-6,908	145,312
Total	**152,220**	**-**	**-**	**152,220**	**-152**	**-**	**-**	**-152**	**-6,908**	**145,312**

31 December 2021	Gross carrying amount Stage 1	Stage 2	Stage 3	Total	Impairment allowance Stage 1	Stage 2	Stage 3	Total	Accumulated other fair value changes	Carrying amount
Debt securities	161,929	-	-	161,929	-162	-	-	-162	1,776	163,705
Total	**161,929**	**-**	**-**	**161,929**	**-162**	**-**	**-**	**-162**	**1,776**	**163,705**

Movement of impairment of financial assets measured at fair value through other comprehensive income

	From	Alocation (increase in provision)	Derecognition (release of provision)	Transfer between stages	Release of provision, net (not resulted from derecognition)	To
	1 January 2022					**31 December 2022**
Stage 1	-162	-10	6	-	14	-152
Total	**-162**	**-10**	**6**	**-**	**14**	**-152**

	From	Alocation (increase in provision)	Derecognition (release of provision)	Transfer between stages	Release of provision, net (not resulted from derecognition)	To
	1 January 2021					**31 December 2021**
Stage 1	-159	-15	2	-	10	-162
Total	**-159**	**-15**	**2**	**-**	**10**	**-162**

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

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

	2022	2021
Governments bonds - Federation Bosnia and Herzegovina and Republika Srpska	69,569	88,260
Government of Republic of Austria – bonds	28,562	23,027
Republic of Slovenia - bonds	14,906	18,204
Kingdom of Belgium - bonds	14,589	14,622
Government of Republic of Croatia – bonds	8,828	9,677
Republic of France - bonds	8,858	9,915
Total debt securities	**145,312**	**163,705**

The Bank did not invest in treasury notes in 2022, Interest rate (yield to maturity) on bonds ranged from 0,05% to 4,52% p.a. during 2022.

Expected Maturity:

	2022	2021
- no more than 12 months after the reporting period	18,147	11,596
- more than 12 months after the reporting period	127,165	152,109
Total debt securities	**145,312**	**163,705**

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

8. FINANCIAL ASSETS AT AMORTISED COST

8.1 OBLIGATORY RESERVE WITH THE CENTRAL BANK

	Gross carrying amount					Impairment					Carrying amount
2022	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	31 December
Obligatory reserve with the CBBH											
Obligatory reserve with the CBBH	173,343	-	-	-	173,343	-258	-	-	-	-258	173,085
Total	**173,343**	**-**	**-**	**-**	**173,343**	**-258**	**-**	**-**	**-**	**-258**	**173,085**

Movement of allowance for impairment losses:

	31 December 2021	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	31 December 2022
Obligatory reserve with the CBBH				
Obligatory reserve with the CBBH	-204	-99	45	-258
Total allowances for impariment losses	**-204**	**-99**	**45**	**-258**

	Gross carrying amount					Impairment					Carrying amount
2021	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	31 December
Obligatory reserve with the CBBH											
Obligatory reserve with the CBBH	161,901	-	-	-	161,901	-204	-	-	-	-204	161,697
Total	**161,901**	**-**	**-**	**-**	**161,901**	**-204**	**-**	**-**	**-**	**-204**	**161,697**

Movement of allowance for impairment losses:

	31 December 2020	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	31 December 2021
Obligatory reserve with the CBBH				
Obligatory reserve with the CBBH	-174	-156	126	-204
Total allowances for impariment losses	**-174**	**-156**	**126**	**-204**

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

8. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

8.2 LOANS AND RECEIVABLES FROM CLIENTS AND DEPOSITS WITH OTHER BANKS

2022	Gross carrying amount					Impairment					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	31 December
Loans and receivables from credit institutions	**65,633**	**-**	**-**	**-**	**65,633**	**-63**	**-**	**-**	**-**	**-63**	**65,570**
Credit institutions	65,633	-	-	-	65,633	-63	-	-	-	-63	65,570
Loans and receivables from clients	**1,118,338**	**248,620**	**41,696**	**2,150**	**1,410,804**	**-11,802**	**-19,864**	**-36,311**	**-1,209**	**-69,186**	**1,341,618**
Credit institutions	-	-	-	-	-	-	-	-	-	-	-
General governments	14,943	-	-	-	14,943	-81	-	-	-	-81	14,862
Other financial institutions	11,485	-	-	-	11,485	-225	-	-	-	-225	11,260
Non-financial institutions	581,915	173,548	12,126	1,041	768,630	-8,298	-12,548	-10,802	-748	-32,396	736,234
Households	509,995	75,072	29,570	1,109	615,746	-3,198	-7,316	-25,509	-461	-36,484	579,262
Total	**1,183,971**	**248,620**	**41,696**	**2,150**	**1,476,437**	**-11,865**	**-19,864**	**-36,311**	**-1,209**	**-69,249**	**1,407,188**

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

8. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

8.2 LOANS AND RECEIVABLES FROM CLIENTS AND DEPOSITS WITH OTHER BANKS (CONTINUED)

Movement of allowance for impairment losses:

	31 December 2021	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	Transfer between stages	Release of provision, net (not resulted from derecognition)	Write-offs	Other	31 December 2022
Loans and receivables from credit institutions								
Stage 1	**-10**	**-74**	**20**	-	-	-	**1**	**-63**
Credit institutions	-10	-74	20	-	-	-	1	-63
Total allowances for impariment losses	**-10**	**-74**	**20**	-	-	-	**1**	**-63**
Loans and receivables from clients								
Stage 1	**-12,041**	**-9,916**	**3,042**	**4,242**	**2,811**	-	**60**	**-11,802**
General governments	-30	-53	-	20	-18	-	-	-81
Other financial institutions	-203	-257	23	-17	228	-	1	-225
Non-financial institutions	-8,432	-8,178	2,529	3,756	1,970	-	57	-8,298
Households	-3,376	-1,428	490	483	631	-	2	-3,198
Stage 2	**-18,873**	**-14**	**3,259**	**-15,910**	**11,731**	-	**-57**	**-19,864**
Other financial institutions	-66	-	-	44	21	-	1	0
Non-financial institutions	-12,112	-8	2,531	-9,064	6,184	-	-79	-12,548
Households	-6,695	-6	728	-6,890	5,526	-	21	-7,316
Stage 3	**-53,291**	**9**	**2,375**	**-126**	**-7,470**	**22,189**	**3**	**-36,311**
Other financial institutions	-	-	-	-	-	-	-	-
Non-financial institutions	-8,667	6	1,979	-103	-4,093	72	4	-10,802
Households	-44,624	3	396	-23	-3,377	22,117	-1	-25,509
POCI	**-1,203**	-	**106**	-	**-293**	**183**	**-2**	**-1,209**
Non-financial institutions	-734	-	81	-	-185	102	-12	-748
Households	-469	-	25	-	-108	81	10	-461
Total allowances for impariment losses	**-85,408**	**-9,921**	**8,782**	**-11,794**	**6,779**	**22,372**	**4**	**-69,186**

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

8. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

8.2 LOANS AND RECEIVABLES FROM CLIENTS AND DEPOSITS WITH OTHER BANKS (CONTINUED)

	Gross carrying amount					Impairment					Carrying amount
2021	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	31 December
Loans and receivables from credit institutions	**9,779**	**-**	**-**	**-**	**9,779**	**-10**	**-**	**-**	**-**	**-10**	**9,769**
Credit institutions	9,779	-	-	-	9,779	-10	-	-	-	-10	9,769
Loans and receivables from clients	**1,050,399**	**174,249**	**60,929**	**2,344**	**1,287,908**	**-12,041**	**-18,873**	**-53,291**	**-1,203**	**-85,408**	**1,202,500**
Credit institutions	-	-	-	-	-	-	-	-	-	-	-
General governments	6,003	-	-	-	6,003	-30	-	-	-	-30	5,973
Other financial institutions	10,964	1,314	-	-	12,278	-203	-66	-	-	-269	12,009
Non-financial institutions	524,968	116,292	11,346	1,259	653,865	-8,432	-12,112	-8,667	-734	-29,945	623,920
Households	508,451	56,643	49,583	1,085	615,762	-3,376	-6,695	-44,624	-469	-55,164	560,598
Total	**1,060,165**	**174,249**	**60,929**	**2,344**	**1,297,687**	**-12,051**	**-18,873**	**-53,291**	**-1,203**	**-85,418**	**1,212,269**

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

8. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

8.2 LOANS AND RECEIVABLES FROM CLIENTS AND DEPOSITS WITH OTHER BANKS (CONTINUED)

Movement of allowance for impairment losses:

	31 December 2020	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	Transfer between stages	Release of provision, net (not resulted from derecognition)	Write-offs	Other	31 December 2021
Loans and receivables from credit institutions								
Stage 1	**-**	**-10**	**-**	**-**	**-**	**-**	**-**	**-10**
Credit institutions	-	-10	-	-	-	-	-	-10
Total allowances for impariment losses	**-**	**-10**	**-**	**-**	**-**	**-**	**-**	**-10**
Loans and receivables from clients								
Stage 1	**-9,549**	**-9,915**	**3,353**	**3,137**	**991**	**-**	**-58**	**-12,041**
General governments	-30	-4	-	-	4	-	-	-30
Other financial institutions	-284	-194	14	29	233	-	-1	-203
Non-financial institutions	-5,549	-8,053	2,878	2,717	-363	-	-62	-8,432
Households	-3,686	-1,664	461	391	1,117	-	5	-3,376
Stage 2	**-19,316**	**-40**	**5,955**	**-15,517**	**9,987**	**-**	**58**	**-18,873**
Other financial institutions	-	-	-	-71	4	-	1	-66
Non-financial institutions	-9,425	-11	4,805	-8,542	1,073	-	-12	-12,112
Households	-9,891	-29	1,150	-6,904	8,910	-	69	-6,695
Stage 3	**-53,889**	**16**	**3,232**	**-527**	**-8,365**	**6,243**	**-1**	**-53,291**
Other financial institutions	-	-	-	-	-	-	-	-
Non-financial institutions	-12,291	-2	1,154	-373	-1,914	4,760	-1	-8,667
Households	-41,598	18	2,078	-154	-6,451	1,483	-	-44,624
POCI	**-510**	**13**	**181**	**-**	**-1,044**	**157**	**0**	**-1,203**
Non-financial institutions	-333	11	109	-	-715	157	37	-734
Households	-177	2	72	-	-329	-	-37	-469
Total allowances for impariment losses	**-83,264**	**-9,926**	**12,721**	**-12,907**	**1,569**	**6,400**	**-1**	**-85,408**

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

8. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

8.2 LOANS AND RECEIVABLES FROM CLIENTS AND DEPOSITS WITH OTHER BANKS (CONTINUED)

Movement of gross carrying amount of financial assets at amortised cost – loans and advances to customers

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Gross carrying amount as at 31 Decembar 2021	**1,060,165**	**174,249**	**60,929**	**2,344**	**1,297,687**
New assets originated or purchased	552,591	-	-	155	552,746
Assets derecognised or repaid (excluding write off)	-318,822	-33,127	-8,271	-234	-360,454
Transfer from Stage 1 to Stage 2	-28,919	28,919	-	-	-
Transfer from Stage 1 to Stage 3	23	-	-23	-	-
Transfer from Stage 2 to Stage 3	-	-701	701	-	-
Transfer from Stage 3 to Stage 2	-	103	-103	-	-
Transfer from Stage 2 to Stage 1	6,627	-6,627	-	-	-
Amount written off	-	-	42,627	54	42,681
Changes to contracts that did not change the stage	-87,694	85,804	-54,164	-169	-56,223
At 31 December 2022	**1,183,971**	**248,620**	**41,696**	**2,150**	**1,476,437**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Gross carrying amount as at 31 Decembar 2020	**1,003,402**	**176,624**	**59,770**	**1,652**	**1,241,448**
New assets originated or purchased	503,439	-	-	857	504,296
Assets derecognised or repaid (excluding write off)	-57,994	-5,995	-969	-57	-65,015
Transfer from Stage 1 to Stage 2	-1,687	1,687	-	-	-
Transfer from Stage 1 to Stage 3	-105	-	105	-	-
Transfer from Stage 2 to Stage 3	-	-44	44	-	-
Transfer from Stage 3 to Stage 2	-	14	-14	-	-
Transfer from Stage 2 to Stage 1	1,476	-1,476	-	-	-
Amount written off	-	-	24,234	-	24,234
Changes to contracts that did not change the stage	-388,366	3,439	-22,241	-108	-407,276
At 31 December 2021	**1,060,165**	**174,249**	**60,929**	**2,344**	**1,297,687**

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

8. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

8.3 OTHER FINANCIAL ASSETS AT AMORTISED COST

2022	Gross carrying amount					Impairment					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	31 December
Other financial assets at amortised cost											
Authorized exchange office receivables	4,862	-	3	-	4,865	-	-	-2	-	-2	4,863
Domestic transactions receivables	2,876	5	135	-	3,016	-58	-1	-133	-	-192	2,824
Fees and commission receivables	3,841	38	1,635	-	5,514	-77	-4	-1,626	-	-1,707	3,807
Western union receivables	22	-	-	-	22	-	-	-	-	-	22
Receivables from employees	110	-	21	-	131	-2	-	-21	-	-23	108
VAT receivables	1	-	-	-	1	-	-	-	-	-	1
Other assets	44	1	809	-	854	-2	-	-807	-	-809	45
Total	**11,756**	**44**	**2,602**	**-**	**14,403**	**-139**	**-5**	**-2,589**	**-**	**-2,733**	**11,670**

Movement in impairment can be shown as follows:

	31 December 2021	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	Write-offs	31 December 2022
Other financial assets at amortised cost					
Other financial assets at amortised cost	-2,981	-2,171	2,285	134	-2,733
Total allowances for impariment losses	**-2,981**	**-2,171**	**2,285**	**134**	**-2,733**

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

8. FINANCIAL ASSETS AT AMORTISED COST 8 (CONTINUED)

8.3 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

2021	Gross carrying amount					Impairment					Carrying amount
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	31 December
Other financial assets at amortised cost											
Authorized exchange office receivables	2,516	-	-	-	2,516	-	-	-	-	-	2,516
Domestic transactions receivables	659	5	154	-	818	-13	-1	-150	-	-164	654
Fees and commission receivables	2,492	44	1,855	-	4,391	-50	-5	-1,850	-	-1,905	2,486
Western union receivables	92	-	-	-	92	-2	-	-	-	-2	90
Receivables from employees	155	-	92	-	247	-3	-	-93	-	-96	151
VAT receivables	1	-	-	-	1	-	-	-	-	-	1
Other assets	151	1	812	-	964	-3	-	-811	-	-814	150
Total	**6,066**	**50**	**2,913**	**-**	**9,029**	**-71**	**-6**	**-2,904**	**-**	**-2,981**	**6,048**

Movement of allowance for impairment losses:

	31 December 2020	Alocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	Release of provision, net (not resulted from derecognition)	Write-offs	31 December 2021
Other financial assets at amortised cost						
Other financial assets at amortised cost	-2,646	-2,457	1,878	-	244	-2,981
Total allowances for impariment losses	**-2,646**	**-2,457**	**1,878**	**-**	**244**	**-2,981**

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

9. PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

Property and equipment and Investment property

a) Purchase value

	Property and equipment and Investment properties					
	Land and buildings	Office equipment and installations / other fixed assets	IT assets (hardware)	Asset under constraction (AUC)	Property and equipment	Investment property
1 January 2021	**34,248**	**14,016**	**4,752**	**138**	**53,154**	**1,289**
Additions (+)	-	-	-	1,295	1,295	-
Sales and expenses (-)	-13	-380	-71	-	-464	-
Transfer from AUC (+/-)	130	853	286	-1,269	-	-
Balance at 31 December 2021	**34,365**	**14,489**	**4,967**	**164**	**53,985**	**1,289**
Additions (+)	-	-	-	1,970	1,970	471
Sales and expenses (-)	-118	-373	-5	-	-496	-
Transfer from AUC (+/-)	-	986	1,148	-2,134	-	-
Balance at 31 December 2022	**34,247**	**15,102**	**6,110**	**-**	**55,459**	**1,760**

b) Accumulated depreciation

	Property and equipment and Investment properties					
	Land and buildings	Office equipment and installations / other fixed assets	IT assets (hardware)	Asset under constraction (AUC)	Property and equipment	Investment property
January 1, 2021	**-7,933**	**-9,316**	**-3,479**	**-**	**-20,728**	**-264**
Depreciation (-)	-804	-1,238	-440	-	-2,482	-26
Sales and expenses (+)	10	325	71	-	406	-
Balance at 31 December 2021	**-8,727**	**-10,229**	**-3,848**	**-**	**-22,804**	**-290**
Depreciation (-)	-760	-1,182	-653	-	-2,595	-26
Sales and expenses (+)	65	327	4	-	396	17
Balance at 31 December 2022	**-9,422**	**-11,084**	**-4,497**	**-**	**-25,003**	**-299**

c) Book value

	Property and equipment and investment properties					
	Land and buildings	Office equipment and installations / other fixed assets	IT assets (hardware)	Asset under constraction (AUC)	Property and equipment	Investment property
Balance at 31 December 2022	**24,825**	**4,018**	**1,613**	**-**	**30,456**	**1,461**
Balance at 31 December 2021	**25,638**	**4,260**	**1,119**	**164**	**31,181**	**999**

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

9. PROPERTY AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS (CONTINUED)

Investment property relates to business premises (floors) in the Central office building in Sarajevo rented and not used by the Bank. On the basis of an investment property, in 2022 the Bank generated a total income from rents in the amount of BAM 296 thousand – Note 25 (2021 – BAM 307 thousand), while other operating income from operating lease for the year 2022 amounted to BAM 0 thousand (2021 – BAM 17 thousand). Fair value of investment properties as at 31 December 2022 and 2020 does not significantly differ from the carrying value of the building during 2022 and 2021.

Intangible assets

a) Purchase value

	Acquired software	Other (licenses, patents, etc.)	Asset under constraction (AUC)	Total
1 January 2021	**9,804**	**6,925**	**342**	**17,071**
Additions (+)	-	-	1,435	1,435
Sales and expenses (-)	-216	-	-	-216
Transfer from AUC (+/-)	1,705	52	-1,757	-
Reclassification (+/-)	-	-	-	-
Balance at 31 December 2021	**11,293**	**6,977**	**20**	**18,290**
Additions (+)	-	-	872	872
Sales and expenses (-)	-	-257	-	-257
Transfer from AUC (+/-)	847	45	-892	-
Balance at 31 December 2022	**12,140**	**6,765**	**-**	**18,905**

b) Accumulated amortization

	Acquired software	Other (licenses, patents, etc.)	Asset under constraction (AUC)	Total
1 January 2021	**-7,259**	**-4,781**	**-**	**-12,040**
Depreciation (-)	-886	-769	-	-1,655
Sales and expenses (+)	11	-	-	11
Reclassification (+/-)	-	-	-	-
Balance at 31 December 2021	**-8,134**	**-5,550**	**-**	**-13,684**
Depreciation (-)	-992	-684	-	-1,676
Sales and expenses (+)	1	124	-	125
Balance at 31 December 2022	**-9,125**	**-6,110**	**-**	**-15,235**

Book values

	Acquired software	Other (licenses, patents, etc.)	Asset under constraction (AUC)	Total
Balance at 31 December 2022	**3,015**	**655**	**-**	**3,670**
Balance at 31 December 2021	**3,159**	**1,427**	**20**	**4,606**

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

9. PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS (CONTINUED)

Right of use assets

a) Purchase value	**Land and buildings**
1 January 2021	**4,649**
Additions (+)	1,262
Sales and expenses (+)	-739
Balance at 31 December 2021	**5,172**
Additions (+)	847
Sales and expenses (+)	-104
Reclassification (+/-)	-
Balance at 31 December 2022	**5,915**
b) Accumulated depreciation	
1 January 2021	**-1,434**
Depreciation (-)	-1,128
Sales and expenses (+)	605
Impairments (-)	-
Balance at 31 December 2021	**-1,957**
Depreciation (-)	-1,118
Sales and expenses (+)	197
Impairments (-)	-
Balance at 31 December 2022	**-2,878**
c) Book values	
Balance at 31 December 2022	**3,037**
Balance at 31 December 2021	**3,215**

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

10. INVESTMENTS IN ASSOCIATES

The Bank's investments in associates are as follows:

Name of the company	2022	2021
Sparkasse Leasing doo Sarajevo (49%)	607	607
Total	**607**	**607**

For all associates the reporting date is 31 December. The summary of financial information on joint companies is presented below:

	2022	2021
Total assets	126,266	107,867
Total liabilities	-115,570	-99,215
Net assets	**10,696**	**8,652**

The changes in investments in associates can be presented as follows:

	Cost method	
	2022	2021
Balance at 1 January	**607**	**607**
Increase in risk provision	-	-
Balance at 31 December	**607**	**607**

11. LONG-TERM ASSETS HELD FOR SALE

	2022	**2021**
Repossessed collaterals	2,385	4,075
Impairment of repossessed collaterals	-2,324	-3,979
Net Repossessed asssets	**61**	**96**

Movement of impairment for repossessed collaterals:

	From	**Additions (increase in provision)**	**Derecognition (release of provision)**	**Write-off and Sales**	**To**
	1 January 2022				**31 December 2022**
Repossessed collaterals	-3,979	-530	20	2,165	-2,324
Total	**-3,979**	**-530**	**20**	**2,165**	**-2,324**

	From	**Additions (increase in provision)**	**Derecognition (release of provision)**	**Write-off and Sales**	**To**
	1 January 2021				**31 December 2021**
Repossessed collaterals	-7,899	-550	-	4,470	-3,979
Total	**-7,899**	**-550**	**-**	**4,470**	**-3,979**

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

12. OTHER ASSETS

	2022	2021
Paid in advance expenses	967	781
Inventories	200	262
Consumables	72	384
Accrued income	-	1,600
Other assets	65	110
Total other assets before impairment losses	*1,304*	*3,137*
Less: Impairment losses	-135	-546
Net other asssets	**1,169**	**2,591**

Movement of impairment for other assets :

	From	Additions (increase in provision)	Derecognition (release of provision)	Write-off and Sales	To
	1 January 2022				31 December 2022
Other assets	-9	-13	12	-	-10
Small inventory	-537	-87	499	-	-125
Total	**-546**	**-100**	**511**	**-**	**-135**

	From	Additions (increase in provision)	Derecognition (release of provision)	Write-off	To
	1 January 2021				31 December 2021
Other assets	-10	-12	13	-	-9
Small inventory	-472	-65	-	-	-537
Total	**-482**	**-77**	**13**	**-**	**-546**

13. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022	2021
Overnight deposits	4,189	3,427
Term deposits	143,405	139,217
Deposits from banks and other financial institutions	**147,594**	**142,644**

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

14. DEPOSITS FROM CUSTOMERS

	2022	2021
Current accounts / overnight deposits	**936,654**	**819,334**
Transaction accounts	**936,654**	**819,334**
General governments	56,778	53,696
Non-financial corporations	359,278	298,823
Households	520,598	466,815
Term deposits	**684,114**	**659,571**
Deposits with agreed maturity	**684,114**	**659,571**
Savings deposits	**333,947**	**374,049**
Non-financial corporations	27,343	24,918
Households	306,604	349,131
Transaction accounts	**350,167**	**285,522**
General governments	19,695	10,686
Non-financial corporations	300,066	245,941
Households	30,406	28,895
Deposits from customers	**1,620,768**	**1,478,905**
General governments	76,473	64,382
Non-financial corporations	686,687	569,682
Households	857,608	844,841

Average IR on total Bank client deposits at the end of 2022 amounted 0.39% p.a. and are lower compared to the previous year (2021 0.53%) by 14 b.p. Average interest rates on long-term client deposits decreased from 1.21% to 0.90% in 2022, while average interest rates on short-term deposits decreased from 0.47% to 0.37%.A vista deposits average interest rates decreased by 0.7 b.p. from 0.011% to 0.004%, while a vista saving accounts average interest rates decreased by 3 b.p. from 0.09% to 0.06%.

15. BORROWINGS

	2022	2021
GGF (Fond Green for Growth) maturity of 15 June 2025	17,633	-
European Bank for Reconstruction and Development (EBRD) maturity 10 October 2025	14,302	11,761
Liabilities for long-term loans – subordinated debt Steiermarkiche bank und Sparkassen AG, maturity on 29 March 2027	9,925	9,879
The European Fund For Southeast Europe (EFSE) maturity 15 December 2025.	8,395	1,956
European Investment Bank (EIB) maturity on 15 May 2023	980	4,239
Total	**51,235**	**27,835**

Interest rates on borrowings ranged from 0.34% to 3.679%.

Expected Maturity:

	2022	2021
- within 12 months after the reporting period	10,721	9,534
- more than 12 months after the reporting period	40,514	18,301
Total	**51,235**	**27,835**

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

16. LEASE LIABILITIES

	2022	2021
Lease liabilities	3,047	3,344

	2022	2021
Maturity analysis		
- less than one year	1,006	986
- one to five years	2,029	2,322
- more than five years	12	36
Total	**3,047**	**3,344**

Lease liabilites

	2022	2021
Current	1,006	986
Non-current	2,041	2,358

The bank rents - two types of real estate, business premises and land. Leases are negotiated on an individual basis and contain a wide range of different conditions (including cancellation and prolongation). Main characteristics of leases contracts:

- Right-of-use assets for owner-occupied contract last 5 years with a notice period of 3 months and with the option of drafting a contract if both parties agree. Lease payments is made monthly in a fixed amount defined by the contract.
- Right-of-use assets for buildings are contracted mainly for period of 5 years with option of prolongation. Lease payments are mostly made monthly in a fixed amount defined by the contract.

Leases do not impose any specific contractual provisions, but leased assets cannot be used as collateral for the purpose of borrowing funds. Future cash outflows to which the Bank as lessee is potentially exposed, and which are not reflected in the measurement of the lease liability, arise from the extension and cancellation options (Note 4).

The Bank does not provide any guaranteed residual value.
Interest expenses on lease liabilities for the year ended 31 December 2022 amounted to 70 thousand BAM.

Short-term leases

Short-term leases and expenses are recognized on a straight-line basis over the reporting period. Expenses relating to leases of low value items for which the recognition exemption is applied for 2022 is 630 thousand BAM, and in 2021 688 thousand BAM.

Amounts recognised for the reporting period

The following amounts are recognised in profit or loss:

	2022	2021
Interest expense on lease liabilities (included in finance expenses)	70	64
Expense relating to leases of low-value assets that are not short-term leases (included in personnel expenses, other administrative expenses and depreciation expenses)	630	688
	700	**752**

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

16. LEASE LIABILITIES (CONTINUED)

The following amounts are recognised in the statement of cash flows:

	2022	**2021**
Cash outflow for leases – within financing activities		
Principal	1,143	2.967
Interest	70	64
Termination penalty	-	36
Cash outflow for leases – within operating activities	760	688
Total	**1,967**	**3,755**

17. OTHER FINANCIAL LIABILITIES MEASURED AT AMORTIZED COST

	2022	**2021**
Liabilities towards suppliers	2,825	3,705
Operational risk commitments	1,897	1,426
Liabilities to banks	1,562	5,857
Card business obligations	678	395
Liabilities for unallocated payments	480	1,610
Liabilities for taxes	122	166
Liabilities towards employees	39	56
Total	**7,603**	**13,215**

18. PROVISIONS

	2022	**2021**
Loan commitments and guarantees given	**12,761**	**7,551**
Loan commitments and guarantees given under IFRS 9	*3,774*	*2,334*
Other provisions under IAS 37	*8,987*	*5,217*
Pending legal issues and tax litigation	**792**	**890**
Other provisions	**3,914**	**3,450**
Long-term employee provisions	*1,339*	*1,242*
Other provisions	*2,575*	*2,208*
Provisions	**17,467**	**11,891**

Long-term provisions for employees

	2022	**2021**
Present value of long-term provisions for employee benefits, 1 January	**1,242**	**1,151**
Cost of services	111	64
Interest expense	-	27
Payments	14	-
Present value of long-term provisions for employee benefits, 31 December	**1,339**	**1,242**

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

18. PROVISIONS (CONTINUED)

Movement of provision for Loan commitments and guarantees given

	From	Increase	Derecognition	Transfer between stages	Other changes in credit risk (net)	Others	To
	1 January 2022						**31 December 2022**
Stage 1	1,753	1,524	-637	-511	-752	-21	1,356
Stage 2	576	-	-680	2,811	-314	22	2,415
Stage 3	5	-	-23	78	-56	-1	3
Total	**2,334**	**1,524**	**-1,340**	**2,378**	**-1,122**	**-**	**3,774**

	From	Increase	Derecognition	Transfer between stages	Other changes in credit risk (net)	Others	To
	1 January 2021						**31 December 2021**
Stage 1	1,141	1,735	-686	-95	-351	9	1,753
Stage 2	999	-	-357	261	-319	-8	576
Stage 3	28	-	-11	4	-17	1	5
Total	**2,168**	**1,735**	**-1,054**	**170**	**-687**	**2**	**2,334**

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

18. PROVISIONS (CONTINUED)

Movement of other provisions IAS 37 and pending legal proceedings

	From 1 January 2022	Increase	Derecognition	Others and Use	To 31 December 2022
Pending legal proceedings	890	94	-54	-138	792
Provisions for other commitments	5,217	18,187	-14,416	-1	8,987
Total	**6,107**	**18,281**	**-14,470**	**-139**	**9,779**

	From 1 January 2021	Increase	Derecognition	Others and Use	To 31 December 2021
Pending legal proceedings	1,400	298	-488	-320	890
Provisions for other commitments	4,365	8,262	-7,413	3	5,217
Total	**5,765**	**8,560**	**-7,901**	**-317**	**6.107**

Contingencies and commitments

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

	2022	2021
Granted but undrawn loans	257,036	249,052
Performance guarantees	143,155	118,256
Payment guarantees	76,809	62,864
Letters of credit	1,285	2,354
Total	**478,285**	**432,526**

18. PROVISIONS (CONTINUED)

As of 31 December 2022, the provisions for employee benefits represent unused vacation days and severance and retirement severance payments, and were determined using the projected credit unit. In order to make actuarial estimates, following assumptions were used:

- Demographic assumptions on future characteristics of employees (mortality, employee fluctuation rate):
  - Average mortality rate 0,98% (2021: 0,99%)
  - Average fluctuation rate 1,33% (2021: 1,22%)
- Financial assumptions (discount rate, wage levels, expected wage growth):
  - Discount rate 5,0% (2021: 4,0%)
  - Expected wage growth rate of 2,0% (wage growth rate is determined compared to the movements of average salaries in FBiH and RS, movement of salaries in the Bank and Bank's expectations about salaries in the future period. There were no changes in this assumption compared to the previous year).

19. OTHER LIABILITIES

	2022	2021
Liiabilites for unallocated funds	1,016	973
Deferred income	764	651
Other accrued expenses	1	1
Total	**1,781**	**1,625**

20. SHARE CAPITAL

Shareholding structure as at 31 December 2022 and 2021 was as follows:

	No, of shares	Amount in BAM '000	%	No, of shares	Amount in BAM '000	%
Steiermarkische Bank und Sparkassen AG, Graz, Austrija	864,733	86,473	100	864,733	86,473	100
Total paid capital	**864,733**	**86,473**	**100**	**864,733**	**86,473**	**100**

Share capital is made up of 864,733 ordinary shares at nominal value of BAM 100.

Share premium represents accumulated positive difference between nominal value and amount received for issued shares.

The ultimate owner of the Bank is Erste Group Bank AG Vienna, Austria ("Erste Group").

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

21. NET INTEREST INCOME

	2022	2021
Interest and other similar income		
Financial assets at amortised cost	56,874	55,197
of which unwinding (Note 8.2)	*-391*	*-104*
Financial assets measured at fair value through other comprehensive income	1,736	2,125
Total interest and other similar income	60,610	57,322
Interest expenses and similar expenses		
Financial liabilities at amortised cost	-8,724	-10,016
Interest expenses	-8,724	-10,016
Net interest income	**51,886**	**47,306**

22. NET FEE AND COMMISSION INCOME

	2022		2021	
	Income	Expense	Income	Expense
Payment services	**33,253**	**-8,704**	**27,793**	**-7,383**
Card business	7,138	-4,368	6,438	-3,366
Other	26,115	-4,336	21,355	-4,017
Customer resources distributed but not managed	**1,102**	**-**	**1,084**	**-**
Collective investment	1,096	-	1,078	-
Other	6	-	6	-
Lending business	**4,717**	**-409**	**3,782**	**-306**
Guarantees given, guarantees received	3,864	-96	3,020	-42
Loan commitments given, loan commitments received	853	-313	762	-264
Other	**326**	**-31**	**269**	**-36**
Total fee and commission income and expenses	**39,398**	**-9,144**	**32,928**	**-7,725**
Net fee and commission income	**30,254**	**-**	**25,203**	**-**

23. IMPAIRMENT LOSSES OF FINANCIAL INSTRUMENTS AND PROVISIONS

	2022	2021
Net credit losses / (net write-offs of previously recognized credit losses) from financial assets at amortized cost	**-7,172**	**-7,990**
Net increase of credit loss allowances (Note 8.2; Note 21)	*-5,817*	*-8,449*
Net allocation of provisions for commitments and guarantees given under IFRS 9 (Note 18)	*-1,440*	*-164*
Collection of previously written-off financial assets at amortized cost	*-849*	*-42*
Net allocation / release of provisions for Obligatory reserve with the CBBH (Note 8.1)	*-54*	*-30*
Initial recognitiion of POCI loans	*664*	*1,375*
Net allocation / release of provisions for cash and other demand deposits from CI (Note 5)	*191*	*-121*
Net allocation / release of provisions for other assets at amortized cost (Note 8.3)	*114*	*-579*
Recoveries recorded directly to the income statement	*19*	*20*
Net allocation of provisions for other commitment (Note 18) under IAS 37	-3,771	-850
Net allocation / release of provisions for other provisions	-123	255
Net allocation / release of provisions for for litigation (Note 18)	-40	190
Financial assets at fair value through other comprehensive income (Note 7)	10	-3
Total	**-11,096**	**-8,398**

24. NET TRADING RESULT

	2022	2021
Foreign exchange transactions gains	86,376	39,927
Foreign exchange transactions losses	-82,878	-37,362
Total	**3,498**	**2,565**

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

25. OTHER INCOME

	2022	2021
Subsequently recognized income and income from release of calculated cost from previous years	1,736	1,164
Administrative expenses	*1,054*	*723*
Card business	*463*	*250*
Insurance business	*92*	*86*
Interest and fees	*58*	*58*
Payment transactions	*25*	*3*
Other fees	*44*	*44*
Collected Off-balance accrued interest for loans in default	567	859
Rental income	296	308
Donation	29	-
Other	269	164
Total	**2,897**	**2,495**

26. PERSONNEL EXPENSES

The average employee number of the Bank during the year ending 31 December 2022 was 511 (2021: 522).

	2022	2021
Wages and salaries	20,777	19,258
Compulsory social security and tax	1,725	1,653
Total	**22,502**	**20,911**

27. DEPRECIATION COSTS

	2022	2021
Property and equipment	2,595	2,482
Intangible assets	1,676	1,655
Right-of-use assets	1,118	1,128
Investment properties	26	26
Total	**5,415**	**5,291**

28. OTHER COSTS AND EXPENSES

	2022	2021
IT expenses	5,523	5,511
Deposit insurance contribution	3,963	3,329
Expenses for office space	3,412	3,212
Office operating expenses	2,971	2,515
Advertising/marketing	1,227	862
Legal and consulting costs	1,090	977
Other card business expenses	1,010	926
Expenses for temporary contracts	666	354
Taxes	581	407
Per diems and travelling costs	556	376
Other administrative expenses	1,437	1,395
Total	**22,436**	**19,864**

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

29. INCOME TAX

The Bank's tax liability is calculated based on accounting income taking into the account non-deductible expenses. Income tax rate for the years ended 31 December 2022 and 31 December 2022 was 10%.

Total tax recognized in the statement of profit or loss and other comprehensive income may be presented as follows:

	2022	2021
Current income tax	-2,780	-2,413
Deferred income tax	513	182
Total income tax	**-2,267**	**-2,231**

	2022	2021
Profit before tax	**27,940**	**26,961**
Income tax at the legal rate of 10%	2,794	2,696
Adjusted for:		
- Effect of non-deductible expenses	873	546
- Effect of non-taxable income	-253	-316
- Effect of transfer pricing	1	2
- Effect of tax relief due to new employees	-587	-513
Income tax	**2,828**	**2,415**
Effective tax rate for the year	**10.12%**	**8,96%**
- Income tax paid in the Republic of Srpska	-326	-203
- Income tax paid in the Brčko District of B&H	-90	-30
- Unjustified tax reliefs	4	3
Income tax liability	**2,416**	**2,185**

Difference between amount of income tax in the note and income statement relates to the fact that Bank closed books before final income tax report was submitted to Tax authority. Difference is not material to this financial statements.

Movement in deferred tax assets can be presented as follows:

	2022	2021
Balance at 1 January	**2,533**	**2,304**
Increase/decrease in deferred tax assets – Impairment Stage 1; Stage 2	589	320
Increase/decrease in deferred tax assets – Fair value reserves FVOCI	712	46
Increase/decrease in deferred tax assets – Other	-76	-137
Balance at 31 December	**3,758**	**2,533**

Movement in deferred tax liabilities can be presented as follows:

	2022	2021
Balance at 1 January	**-311**	**-475**
Increase/decrease in deferred tax liabilities – Impairment Stage 1; Stage 2	-	-
Increase/decrease in deferred tax liabilities – Fair value reserves FVOCI	157	164
Increase/decrease in deferred tax liabilities – Impairment Fair value reserves FVOCI	-	-
Balance at 31 December	**-154**	**-311**
Balance at 31 December	**3,604**	**2,222**

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

30. 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.

	2022	2021
Profit attributable to shareholders, net	25,673	24,730
Average number of ordinary shares during the year	864,733	864,733
Basic earnings per share (BAM)	**29,69**	**28,60**

There were no dilution effects during 2022 and 2021.

31. RELATED PARTY TRANSACTIONS

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

Transactions with the direct shareholder

	2022		2021	
	Receivables	Liabilities	Receivables	Liabilities
Steiermarkische Bank und Sparkassen AG, Graz, Austria	3,202	85,960	1,015	102,639
Total	**3,202**	**85,960**	**1,015**	**102,639**

	2022		2021	
	Income	Expense	Income	Expense
Steiermarkische Bank und Sparkassen AG, Graz, Austria	1	2,181	12	2,351
Total	**1**	**2,181**	**12**	**2,351**

Transactions with the ultimate shareholder

	2022		2021	
	Receivables	Liabilities	Receivables	Liabilities
Erste Bank der Oesterreichischen Sparkassen AG Vienna, Austria	18,615	2,185	27,957	1,465
Total	**18,615**	**2,185**	**27,957**	**1,465**

	2022		2021	
	Income	Expense	Income	Expense
Erste Bank der Oesterreichischen Sparkassen AG Vienna, Austria	65	138	1	134
Total	**65**	**138**	**1**	**134**

Transactions with the associate

	2022		2021	
	Receivables	Liabilities	Receivables	Liabilities
Sparkasse Leasing d.o.o. Sarajevo, Bosnia and Herzegovina	5,668	1,580	7,556	2,460
Total	**5,668**	**1,580**	**7,556**	**2,460**

	2022		2021	
	Income	Expense	Income	Expense
Sparkasse Leasing d.o.o. Sarajevo, Bosnia and Herzegovina	233	-	420	143
Total	**233**	**-**	**420**	**143**

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

31. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with other related parties

	2022		2021	
	Receivables	Liabilities	Receivables	Liabilities
Erste and Steiermarkische bank d,d, Zagreb, Croatia	752	150	1,569	471
Erste Bank Akcionarsko Društvo, Novi Sad	68	100	33	166
Sparkasse Bank a.d. Skopje, North Macedonia	406	-	43	-
Erste Digital GmbH (S IT Solutions AT Spardat GmBH) Vienna, Austria	903	443	-	440
Erste Group Card Processor d,o,o, (vm,MBU), Zagreb, Croatia	60	136	-	14
Total	**2,189**	**829**	**1,645**	**1,091**

	2022		2021	
	Income	Expense	Income	Expense
Erste and Steiermarkische bank d,d, Zagreb, Croatia	18	30	19	6
Erste Bank Akcionarsko Društvo, Novi Sad	-	13	-	2
Sparkasse Bank a.d. Skopje, North Macedonia	-	-	54	-
Erste Group Card Processor d,o,o, (vm,MBU) Zagreb, Hrvatska	10	935	-	850
Erste Digital GmbH (S IT Solutions AT Spardat GmBH Vienna, Austria)	-	1,620	-	1,742
S IT Solutions HR d,o,o, Bjelovar, Croatia	-	43	-	-
Total	**28**	**2,641**	**73**	**2,600**

Management remunerations

The remunerations of Management Board and other members of key management were as follows:

	2022	2021
Gross salaries of the Management Board members	1,248	995
Other benefits of the Management Board members	139	105
Fees to the Supervisory Board members	32	36
Total	**1,419**	**1,136**

32. MANAGED FUNDS

The funds managed by the Bank, where the Bank acts as a commissioner on behalf of individuals, trusts and other institutions, are not Banks funds, and therefore are not included in its statement of financial position.

It the table below are shown the funds managed by the Bank in and for the name of its clients:

	2022	2021
Loans		
Corporate	13,710	14,056
Individuals	2,194	2,259
	15,904	**16,315**
Financing sources		
Employment agency of Federation of Bosnia and Herzegovina	14,366	14,683
Ministry of war military invalids of Zenica–Doboj Canton	227	270
Bosnian-Podrinje Canton Government	799	799
International guarantee agency – IGA	326	326
Zenica-Doboj Canton Government	0	12
Employment agency of Zenica-doboj Canton	102	106
Lutheran World Federation	38	73
Housing fund of Unsko-Sanski Canton	25	25
Employment agency of Bosnian-Podrinje Canton	21	21
	15,904	**16,315**
Liability, net	-	-

The Bank does not bear any risk in regard to this placement, and for its services charges a fee. Liabilities from commissioner business are invested in loans to companies and individuals on behalf of third parties.

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

33. REGULATORY CAPITAL AND CAPITAL REQUIREMENTS

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

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

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

	2022	2021
Debt	1,822,644	1,652,676
Equity	263,288	245,439
Debt to capital ratio	**6.9**	**6.7**

Capital adequacy and the use of net capital are monitored by the Bank's management, employing techniques based on the guidelines developed by FBA for supervisory purposes. The required information is filed with the FBA on a quarterly basis.

The Bank, through its reporting, conducts regular monitoring of capital, achieved rate of adequacy as well as the impact of all methodological changes that have an impact on capital.

The regulatory capital of the Bank consists of basic and supplementary capital.

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

Supplementary capital consists of general impairment allowances for credit risk, calculated as 1,25% of the risk-weighted exposure amount, less any missing credit loss allowances based on the regulatory requirement. Missing credit loss allowances are calculated in accordance with FBA regulations. Bank calculates credit loss allowances by FBA methodology for each contract. A positive difference is shown as missing credit loss allowances.

The minimum required capital rates are as follows:

- regular basic capital rate 6,75%
- basic capital rate 9%
- regulatory capital rate 12%

In addition to the statutory minimum adequacy rate, the Bank is also required to provide a hedging layer for capital preservation that must be maintained in the form of regular basic capital in the amount of 2,5% of the total amount of risk exposure.

The total weighted risk used to calculate capital adequacy includes:

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

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

33. REGULATORY CAPITAL AND CAPITAL REQUIREMENTS (CONTINUED)

As of 31 December 2022 and 2021 the Bank complied with all of the externally imposed capital requirements to which it was subject. As of 31 December 2022 the adequacy of the Bank's capital amounts to 18,0% (2021: 18,6%).

	2022	2021
Tier 1 capital		
Paid up capital instruments	86,473	86,473
Share premium	3,000	3,000
Other reserves	45,205	45,205
Retained earnings	108,461	83,732
Accumulated other comprehensive income	-5,524	2,299
(-) Other intangible assets	-3,670	-4,606
(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	-2,373	-1,860
(-) CET1 instruments of financial sector entities where the institution has a significant investment	-607	-607
(-) CET1 capital elements or deductions - other	-	-
Total Tier 1 capital	**230,965**	**213,636**
Tier 2 capital		
Paid up capital instruments and subordinated loans	8,296	9,779
T2 capital elements or deductions - other	-	-
Tier 2 capital	**8,296**	**9,779**
Regulatory capital	**239,261**	**223,415**
Risk weighted exposure amounts for credit risks (unaudited)	1,244,045	1,121,836
Risk exposure amount for position, foreign exchange and commodities risks (unaudited)	3,880	3,661
Risk exposure amount for operational risk (unaudited)	80,947	77,861
Total Risk Weighted asset	**1,328,872**	**1,203,358**
Total capital ratio (%)*	**18,0**	**18,6**

*Amounts of capital and other balance sheet positions in the table above are calculated in accordance with regulations of the Banking Agency of FBiH

34. RISK MANAGEMENT

a) Risk management policies and strategies

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

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

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

b) Credit risk management

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

The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board, provided by reports from Risk management department.

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

Credit risk classification (internal rating)

The purpose of the internal rating is to ensure a correct presentation of credit risk in the Bank's portfolio and to ensure fulfilment of Basel II criteria, Internal rating plays a key role in the process of managing credit risk and making decisions. Rating is an important input for risk provisions, risk price, capital management and credit decision, Internal rating is a prerequisite for any credit request and / or approval.

All rating relevant clients and client groups (i.e. all debtors with debt or debt ratio in relation to relevant exposure to risks and losses) must be assessed.

The calculation of impairment on credit losses is carried out on a monthly basis, at the exposure level / asset level, in the exposure currency. To calculate the loss reserve, an ECL model is based on a three-stage approach that leads to a 12-month ECL or lifetime ECL.

34. RISK MANAGEMENT

b) Credit risk management (Continued)

A step-by-step approach means that if financial assets are not recognized as purchased or generated credit impaired financial assets (POCIs), i.e. financial assets impaired on initial recognition, then depending on the status of impairment and the estimate of credit risk increases, financial assets are allocated to one of the following stages:

1) Stage 1 includes:

a) Financial assets at initial recognition, except:

i) POCI assets

(ii) Assets whose initial recognition was initially induced by the obligatory credit obligations given to the other counterparty for which there was a significant deterioration in the credit status since initial recognition of that credit obligation, but which is not in default at the time of such first use

b) Financial assets that meet the requirements of low credit risk

c) Financial assets without significant credit risk increases from initial recognition regardless of its credit quality.

At Stage 1 credit risk loss allowances are calculated as a 12-month expected credit loss.

2) Stage 2 includes financial assets with a significant increase in credit risk but not impaired at the reporting date, including initial recognition of assets under 1) a) and ii) above.

At Stage 2 credit risk loss allowances are calculated as lifetime credit loss.

3) Stage 3 includes financial assets that are credit impaired on the reporting date. In this stage credit loss allowancesare calculated as the lifetime credit loss. Impairment is defined as the occurrence of one or more events that have a detrimental effect on the estimated future cash flows of a financial asset. All events included in the definition of credit impaired are considered in the definition of default used in the Bank.

Definition of default and recovery status

The following default definition is applied in the Bank: Default is when one or both of the following events occur:

• The client is late for more than 90 days with any material loan liability, or

• It is considered unrealistic that the client will pay his credit liabilities in full without collateral realization.

When a client defaults, this means that his financial instrument has been credit impaired, i.e. in the status of default, and assigned the internal rating "R" on that occasion. This further means that all default client's financial instruments are credit impaired. If the client is upgraded to a non-default rating, then all of their financial assets will no longer be credit impaired.

The materiality of the due loan liability is assessed according to the threshold, which is defined by the relevant regulatory bodies. This threshold reflects the level of risk the competent authority considers reasonable.

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Definition of default and recovery status (continued)

Default definition has changed in treatment of joint obligation. Joint obligor is treated as a client from a risk point of view.If a joint obligor exceeds 90 DPD then all clients of this joint obligor default automatically. Joint credit obligation with other obligors and connected with one of these defaulted clients is separately assessed, meaning that if one or more obligors of a joint credit obligation default with their individual exposures and if after assessment at least one remaining co-obligors can fulfil the obligation, the JCO and co-obligor shall stay performing.

Joint credit obligation with other obligors and connected with one of these defaulted clients must be separately assessed.

If all individual obligors of a JCO default, all their JCOs with the same set of obligors (assigned to the same JO) are automatically considered as defaulted.

PD assessment process

The process of PD assessment is done depending on the available data and the adequacy of data for a particular portfolio. Accordingly, the assessment of lifetime PDs is applied on the basis of the methodological concept of the parent group.

For the portfolio of legal entities as well as private individuals, the method of analysing the average default rate is used. This method is based on counting all migrations from each default rating to default / non-default over a given period.

EAD

EAD, Exposure at Default, is the total exposure (amount) that is subject to credit risk provisions in accordance with IFRS 9. The Bank's EAD calculation differs in the statement of financial position and off-balance sheet. Generally, gross amortized cost (GCA) and potential future exposure are taken into account, which is the best estimate of the expenditure required in relation to the unconditional commitment of future borrowing or other off-balance items such as guarantees / letters of credit. Potential future exposure is estimated using a credit conversion factor (CCF), which can be defined as an indicator of utilization for off-balance sheet items such as guarantees, letters of credit and credit line instrument features (eg current debit or credit card), which is the uncertainty of the amount which is recognized as off-balance sheet reserve, which deals with various assets in accordance with the circumstances.

In assessing potential future exposure, the Bank estimates the time and amount of potential cash outflows. Where the effect of the time value of money is significant, the amount of the provisioning should be the present value of the costs that are expected to be required to settle the obligation.

The assessment of potential future exposure is differentiated for part of the portfolio that takes into account the expected cash flows from the repayment plan and that part of the portfolios for which it is not applicable.

LGD

A Loss Given Default (LGD) parameter describes the percentage of outstanding liabilities at the moment of default (EAD) in case of non-payment. The general approach is to estimate the Loss Given Default (LGD) parameter based on a deterministic approach, calculated on the Bank's historical data. The LGD used by the Bank to calculate impairment losses on loans and other receivables is based is differentiated per homogenous groups, and is finally calculated on asset level, taking into account the remaining maturity of the asset as well as the characteristics of the segment to which asset corresponds.In addition, for defaulted exposures the Bank is applying more stringent LGD values than calculated ones for certain segments of PI portfolio, since the sample was rather small.

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Forward looking information

The Bank used supportable forward looking information for measurement of ECL. To incorporate different macro scenarios the Bank used three different scenarios (downside, base, upside). Those scenarios are received from Erste Group.

Last applied scenarios in 2022 are shown below:

	Scenario probabilites		
Scenarios	**Year 1 2023**	**Year 2 2024**	**Year 3 2025**
Downside	59%	59%	59%
Base	40%	40%	40%
Upside	1%	1%	1%

	GDP GROWTH		
Scenarios	**Year 1 2023**	**Year 2 2024**	**Year 3 2025**
Downside	0,00%	-0.05%	-0.10%
Base	2.40%	2.80%	3.00%
Upside	4.63%	5.03%	5.23%
INFLATION – CPI			
Scenarios	**Year 1 2023**	**Year 2 2024**	**Year 3 2025**
Downside	8.05%	7.39%	6.86%
Base	4.50%	3.80%	3.30%
Upside	3.24%	2.54%	2.04%

	UNEMPLOYMENT		
Scenarios	**Year 1 2023**	**Year 2 2024**	**Year 3 2025**
Downside	16.83%	16.33%	15.93%
Base	15.70%	15.20%	14.80%
Upside	14.49%	13.99%	13.59%

Probabilities of three scenarios (base, downside, upside) are calculated in corrdination with Erste Group. For 2023-2025 macrovariables used as received by Erste Group.

Grouping of financial assets measured on collective approach basis

The grouping of financial assets measured on collective approach basis is applied in the following cases:

- Where there is no objective evidence of impairment or
- When there is evidence of impairment, but exposure is not individually material.

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Forward looking information (continued)

Grouping of financial assets measured on individual approach basis

The grouping of financial assets measured on individual approach basis is made based on of valid regulatory guidelines that define the materiality threshold for exposures that are considered individually material.

In the case of Sparkasse Bank d,d, BiH, this threshold is BAM 150 thousand. Individually material exposure is individually tested for objective evidence of impairment.

Methodology for POCI

POCI assets are not part of the transfer in Stages regardless of the change in the client's credit risk after initial recognition of POCI assets, POCI assets are subject to expected lifetime credit losses from initial recognition to full derecognition. Further, expected lifletime credit losses, expected on the date of initial recognition of POCI assets, must be taken into account when calculating the fair value of the asset at that date and are not recognized as provisions for credit losses (while subsequent changes to those initial expectations only result in recognition of the provision for impairment losses only if it results in lower expectations compared to the start date, while those that result in better expectations than the recognition date are recognized as an increase in the gross book value of POCI assets). For all these reasons, POCI is defined as a "Stage" per se, as POCI assets have never fully behaved either as Stage 3 assets or as Stage 2 or 1 assets, regardless of changes in client's credit risk after initial recognition. According to the recommendations issued by the FBA, for all POCI contracts, after initial recognition at least minimum regulatory CLA is calculated based on the days past due.

Significant increase of credit risk (SICR)

The Bank based its estimate of significant increase in credit risk based on a regular monthly assessment of qualitative and/or quantitative indicators of creditworthiness of the client. Qualitative elements include indicators that are the result of a regular customer tracking process through the EWS system as well as other elements (e.g. days overdue, forbearance, workout and fraud status) and data available to the Bank. Quantitative elements rely on monitoring the absolute and relative change in the probability of default of a customer in relation to the date of initial recognition of a particular financial placement.

Credit exposure

Credit exposure includes all financial instruments in Bank's portfolio except for cash in the register and CBBH account balances.

Minimum rates for expected credit losses

As mentioned in Note 2 Decision on Credit Risk Management and Determining Expected Credit Losses (hereinafter the "Decision) prescribed minimum rates for expected credit losses for different stages. Moreover, the Decision of temporary measures to mitigate the rise in interest rates prescribed additional, more stringent rates for expected credit losses for contracts fulfilling the criteria described in the mentioned Decision.

When it comes to value of expected credit losses calculated in accordance with methodology the Bank shall apply minimum rates of expected credit losses defined in this section, by using whichever is higher from following values:

- value of expected credit losses calculated in accordance with internal methodology
- value of expected credit losses calculated by using minimum rates of expected credit losses as defined by the Decision

Those minimum rates are presented below.

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Minimum rates of expected credit losses for Stage 1

For exposures classified into Stage 1, the Bank needs to determine and record in its books the expected credit losses in below given amounts as a minimum:

1. for exposures with low credit risk– 0.1% of exposure,
2. for exposures to central governments and central banks outside Bosnia and Herzegovina, which have credit evaluation from an acknowledged external institution for evaluation of credit rating which, in accordance with Article 69 of the Decision on calculation of bank capital are classified into medium credit quality 3 and 4 – 0,1% of exposure,
3. for exposures to banks and other subjects from financial sector which have credit evaluation from an acknowledged external institution for evaluation of credit rating which, in accordance with Article 69 of the Decision on calculation of bank capital are classified into credit quality levels 1, 2 or 3 – 0.1% of exposure,
4. for all other exposures – 0.5% of the exposure.
5. for new credit exposures with a variable or fixed nominal interest rate to be allocated to the credit risk grade 1, in compliance with the provisions of Article 18 of the Decision on the Credit Risk Management and Determination of Expected Credit Losses, the bank shall not determine the expected credit losses in an amount below 2% of the exposure if a difference between the newly arranged effective interest rate and the effective interest rate applied by the bank, at the reference date, to the existing borrower with whom a new credit exposure shall be arranged, of similar characteristics and maturity, or in the case of the modifications to the existing credit exposure, i.e. if a difference between the arranged interest rate for a new borrower and the effective interest rate of the bank for borrowers with identical or similar characteristics and features of the risk as of the reference date shall be greater than the significant interest rate increase.

The expected credit loss for exposures in form of cash in hand and cash at bank is 0%, provided that all conditions related to property protection prescribed by sub-legal act regulating system of internal controls in the Bank have been met.

Minimum rates of expected credit losses for Stage 2

For exposures classified into Stage 2, the Bank needs to determine and record in its books the expected credit losses in the minimum amount of 5% of exposure.

For the existing credit exposures being previously allocated to the credit risk grade 2, in compliance with the provisions of Article 19 of the Decision on the Credit Risk Management and Determination of Expected Credit Losses, where the significant interest rate increase was identified during the credit exposure risk monitoring process, a bank shall not determine the expected credit losses in an amount below 12% of the exposure.

Minimum rates of expected credit losses for Stage 3

For exposures classified into Stage 3, the Bank needs to determine and record in its books the expected credit losses in amounts defined in Table 1 or Table 2, as a minimum.

Minimum rates of expected credit losses for exposures secured by an acceptable collateral

No.	*Days past due*	*Minimum expected credit loss*
1.	*up to 180 days*	*15%*
2.	*from 181 to 270 days*	*25%*
3.	*from 271 to 365 days*	*40%*
4.	*from 366 to 730 days*	*60%*
5.	*from 731 to 1460 days*	*80%*
6.	*over 1460 days*	*100%*

Minimum rates of expected credit losses for exposures not secured by an acceptable collateral

No.	*Days past due*	*Minimum expected credit loss*
1.	*up to 180 days*	*15%*
2.	*from 181 to 270 days*	*45%*
3.	*from 271 to 365 days*	*75%*
4.	*from 366 to 456 days*	*85%*
5.	*over 456 days*	*100%*

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Minimum rates of expected credit losses for Stage 3 (continued)

The Bank determines minimum expected credit losses in accordance with diagram below:

<table>
<tr><td colspan="2">Exposure not secured by an acceptable collateral</td><td rowspan="2">Expected losses in accordance with Table 2</td></tr>
<tr><td rowspan="2">Exposure partially secured by an acceptable collateral</td><td>Secured part</td></tr>
<tr><td>Unsecured part</td><td>Expected losses in accordance with Table 1</td></tr>
</table>

If the Bank has undertaken relevant legal actions, and if it can document probability of collection from the acceptable collateral during the next three years, it does not have to increase the level of expected credit losses over 80% of exposure. Thereby the estimate of future cash flows from an acceptable collateral reduced to present value needs to be higher than 20% of such exposure.

In case the Bank fails to collect receivables in the period of three years, it will have to record in its books expected credit losses in the amount of 100% of the exposure.

In case of restructured exposures, the Bank shall, during each 12 months of recovery period, keep the expected credit losses at the same coverage level as formed upon the approval of restructuring, which cannot be lower than 15% of exposure.

The Bank is required to determine and record in its books expected credit losses in the amount of 100% of exposure for every third and subsequent restructuring of previously restructured exposure, which at the moment of restructuring was classified into Stage 3 or POCI assets, except for situations where the Bank has undertaken relevant legal actions and if it can document probability of collection from the acceptable collateral during the next three years, it does not have to increase the level of expected credit losses over 80% of exposure.

For exposures where the client has failed to fulfil their obligations towards the Bank within 60 days from the date of demand for payment under a previously issued guarantee, the latest, the Bank shall be required to determine and record in its books expected credit losses in the amount of 100%, expect for situations where the Bank has undertaken relevant legal actions and if it can document probability of collection from the acceptable collateral during the next three years, it does not have to increase the level of expected credit losses over 80% of exposure.

For NPLs, it is considered that there is uncertainty of collection of interest income, and therefore recognition of these assets in the profit or loss shall be postponed until their collection. Such receivables from interest shall be recorded in Bank's books until their collection.

Minimum rates of expected credit losses for trade receivables, receivables from factoring and financial leasing, as well as other receivables

Rates of expected credit losses for trade receivables, receivables from factoring and financial leasing, as well as other receivables are given in table below:

Minimum rates of expected credit losses

No.	*Days past due*	*Minimum expected credit loss*
1.	*no default in materially significant amount*	*0.5%*
2.	*up to 30 days*	*2%*
3.	*from 31 to 60 days*	*5%*
4.	*from 61 to 90 days*	*10%*
5.	*from 91 to 120 days*	*15%*
6.	*from 121 to 180 days*	*50%*
7.	*from 181 to 365 days*	*75%*
8.	*over 365 days*	*100%*

When determining number of days past due for receivables, the Bank shall take into consideration default in repaying liabilities towards the bank in materially significant amount.

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Reconciliation between the gross carrying amount and the carrying amount of the credit risk exposure components

2022	Credit risk exposure	Credit loss allowances	Adjustments (FVOCI)	Net carrying amount
Cash and cash balances - demand deposits to credit institutions	**27,027**	**-89**	-	**26,938**
Non-trading debt instruments at FVPL	-	-	-	-
Debt instruments at FVOCI	152,220	-152	-6,908	145,312
Debt securities	152,220	-152	-6,908	145,312
Debt instruments at AC	**1,476,437**	**-69,249**	-	**1,407,188**
Deposits with other banks	65,633	-63	-	65,570
Loans and advances to customers	1,410,804	-69,186	-	1,341,618
Off balance-sheet exposures	478,285	-12,761	-	465,524
Total	**2,133,969**	**-82,251**	**-6,908**	**2,044,962**

2021	Credit risk exposure	Credit loss allowances	Adjustments (FVOCI)	Net carrying amount
Cash and cash balances - demand deposits to credit institutions	**64,530**	**-279**	-	**64,251**
Non-trading debt instruments at FVPL	-	-	-	-
Debt instruments at FVOCI	161,929	-162	1,776	163,705
Debt securities	161,929	-162	1,776	163,705
Debt instruments at AC	**1,297,687**	**-85,418**	-	**1,212,269**
Deposits with other banks	9,779	-10	-	9,769
Loans and advances to customers	1,287,908	-85,408	-	1,202,500
Off balance-sheet exposures	432,526	-7,551	-	424,975
Total	**1,956,672**	**-93,410**	**1,776**	**1,865,200**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by counterparty sector and financial instrument

2022	Cash and cash balances – demand deposits to credit institutions	Non-trading debt instruments at FVTPL	Debt instruments at FVTOCI	At amortised cost		Off-balance sheet exposures	Total
				Loans and advances to banks	Loans and advances to customers		
General governments	-	-	152,220	-	14,943	2,050	169,213
Credit institutions	27,027	-	-	65,633	-	4,259	96,919
Other financial corporations	-	-	-	-	11,485	2,229	13,714
Non-financial corporations	-	-	-	-	768,630	437,693	1,206,323
Households	-	-	-	-	615,746	32,054	647,800
Total	**27,027**	**-**	**152,220**	**65,633**	**1,410,804**	**478,285**	**2,133,969**

2021	Cash and cash balances – demand deposits to credit institutions	Non-trading debt instruments at FVTPL	Debt instruments at FVTOCI	At amortised cost		Off-balance sheet exposures	Total
				Loans and advances to banks	Loans and advances to customers		
General governments	-	-	161,929	-	6,003	860	168,792
Credit institutions	64,530	-	-	9,779	-	3,776	78,085
Other financial corporations	-	-	-	-	12,278	1,303	13,581
Non-financial corporations	-	-	-	-	653,865	394,756	1,048,621
Households	-	-	-	-	615,762	31,831	647,593
Total	**64,530**	**-**	**161,929**	**9,779**	**1,287,908**	**432,526**	**1,956,672**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and financial instrument

2022	Cash and cash balances – demand deposits to credit institutions	Non-trading debt instruments at FVTPL	Debt instruments at FVOCI	At amortised cost		Off balance-sheet exposures	Total
				Loans and advances to banks	Loans and advances to customers		
I. Natural Resources & Commodities	-	-	-	-	57,143	28,778	85,921
II. Energy	-	-	-	-	51,057	24,985	76,042
III. Construction and building materials	-	-	-	-	144,648	157,116	301,764
IV. Automotive	-	-	-	-	19,387	24,458	43,845
V. Cyclical Consumer Products	-	-	-	-	162,837	53,338	216,175
VI. Non-Cyclical Consumer Products	-	-	-	-	107,346	40,395	147,741
VII. Machinery	-	-	-	-	27,892	13,032	40,924
VIII. Transportation	-	-	-	-	64,582	36,929	101,511
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	51,600	29,010	80,610
X. Healthcare & Services	-	-	-	-	26,191	29,554	55,745
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	50,666	1,632	52,298
XII. Real Estate	-	-	-	-	12,570	331	12,901
XIII. Public Sector	-	-	152,220	-	14,944	1,400	168,564
XIV. Financial Institutions	27,027	-	-	65,633	12,011	6,547	111,218
XV. Private Households	-	-	-	-	607,930	30,780	638,710
Total	**27,027**	**-**	**152,220**	**65,633**	**1,410,804**	**478,285**	**2,133,969**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and financial instrument (continued)

2021	Cash and cash balances – demand deposits to credit institutions	Non-trading debt instruments at FVTPL	Debt instruments at FVOCI	At amortised cost		Off balance-sheet exposures	Total
				Loans and advances to banks	Loans and advances to customers		
I. Natural Resources & Commodities	-	-	-	-	56,699	22,923	79,622
II. Energy	-	-	-	-	41,105	20,246	61,351
III. Construction and building materials	-	-	-	-	123,938	132,048	255,986
IV. Automotive	-	-	-	-	14,498	18,822	35,320
V. Cyclical Consumer Products	-	-	-	-	143,296	65,957	209,253
VI. Non-Cyclical Consumer Products	-	-	-	-	108,232	36,043	144,275
VII. Machinery	-	-	-	-	19,675	8,998	28,673
VIII. Transportation	-	-	-	-	53,089	39,917	93,006
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	26,315	23,375	49,690
X. Healthcare & Services	-	-	-	-	21,126	22,118	43,244
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	40,439	6,593	47,032
XII. Real Estate	-	-	-	-	10,642	232	10,874
XIII. Public Sector	-	-	161,929	-	6,003	-	167,932
XIV. Financial Institutions	64,530	-	-	9,779	12,786	5,114	126,256
XV. Private Households	-	-	-	-	608,065	30,140	638,205
Total	**64,530**	**-**	**161,929**	**9,779**	**1,287,908**	**432,526**	**1,956,672**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and financial instrument

2022	Cash and cash balances – demand deposits to credit institutions	Non-trading debt instruments at FVTPL	Debt instruments at FVOCI	At amortised cost		Off balance-sheet exposures	Total
				Loans and advances to banks	Loans and advances to customers		
Agriculture and forestry	-	-	-	-	9,185	788	9,973
Mining	-	-	-	-	8,534	103	8,637
Manufacturing	-	-	-	-	205,930	82,310	288,240
Energy and water supply	-	-	-	-	32,141	11,661	43,802
Construction	-	-	-	-	60,639	111,506	172,145
Trade	-	-	-	-	287,513	172,978	460,491
Transport and communication	-	-	-	-	85,561	46,322	131,883
Hotels and restaurants	-	-	-	-	20,774	912	21,686
Financial and insurance services	27,027	-	-	65,633	12,011	6,547	111,218
Real estate and housing	-	-	-	-	12,294	296	12,590
Services	-	-	-	-	5,124	1,257	6,381
Public administration	-	-	152,220	-	24,670	2,657	179,547
Education, health and art	-	-	-	-	38,496	10,168	48,664
Private households	-	-	-	-	607,932	30,780	638,712
Total	**27,027**	**-**	**152,220**	**65,633**	**1,410,804**	**478,285**	**2,133,969**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and financial instrument

2021	Cash and cash balances – demand deposits to credit institutions	Non-trading debt instruments at FVTPL	Debt instruments at FVOCI	At amortised cost		Off balance-sheet exposures	Total
				Loans and advances to banks	Loans and advances to customers		
Agriculture and forestry	-	-	-	-	6,336	722	7,058
lining	-	-	-	-	9,316	413	9,729
lanufacturing	-	-	-	-	183,626	69,945	253,571
nergy and water supply	-	-	-	-	22,476	9,959	32,435
onstruction	-	-	-	-	55,124	95,552	150,676
rade	-	-	-	-	248,618	150,721	399,339
ransport and communication	-	-	-	-	70,287	48,219	118,506
lotels and restaurants	-	-	-	-	19,343	771	20,114
inancial and insurance services	64,530	-	-	9,779	12,786	5,098	92,193
eal estate and housing	-	-	-	-	10,066	200	10,266
ervices	-	-	-	-	4,018	474	4,492
ublic administration	-	-	161,929	-	13,021	3,621	178,571
ducation, health and art	-	-	-	-	24,826	16,691	41,517
rivate households	-	-	-	-	608,065	30,140	638,205
otal	**64,530**	**-**	**161,929**	**9,779**	**1,287,908**	**432,526**	**1,956,672**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and stage

2022	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Guaranees and letters of credit	Total
Agriculture and forestry	8,901	701	126	-	9,728	244	9,972
Mining	3,273	5,219	55	-	8,547	90	8,637
Manufacturing	183,856	54,211	2,732	274	241,073	47,168	288,241
Energy and water supply	16,981	20,220	-	-	37,201	6,601	43,802
Construction	61,936	9,304	152	-	71,392	100,754	172,146
Trade	270,864	61,291	7,262	635	340,052	120,438	460,490
Transport and communication	69,073	23,094	1,383	127	93,677	38,206	131,883
Hotels and restaurants	10,726	10,914	24	-	21,664	22	21,686
Financial and insurance services	106,593	37	-	-	106,630	4,588	111,218
Real estate and housing	7,612	4,704	-	-	12,316	274	12,590
Services	5,993	156	-	-	6,149	1	6,150
Public administration	176,895	1,838	11	13	178,757	1,941	180,698
Education, health and art	35,139	4,127	791	67	40,124	7,623	47,747
Private households	530,712	77,795	29,168	1,034	638,709	-	638,709
Total	**1,488,554**	**273,611**	**41,704**	**2,150**	**1,806,019**	**327,950**	**2,133,969**

2022	Stage 1	Stage 2	Stage 3	Total
Guaranees and letters of credit	262,955	64,612	383	327,950
Total	262,955	64,612	383	327,950

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and stage (continued)

2021	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Guaranees and letters of credit	Total
Agriculture and forestry	3,346	3149	128	-	6,623	435	7,058
Mining	9,493	-	73	-	9,566	163	9,729
Manufacturing	187,736	26,509	2,097	383	216,725	36,844	253,569
Energy and water supply	15,390	11076	-	-	26,466	5,970	32,436
Construction	54,852	11,163	1,261	-	67,276	83,400	150,676
Trade	262,712	21,605	5,774	720	290,811	108,529	399,340
Transport and communication	73,158	13,661	1,609	164	88,592	29,914	118,506
Hotels and restaurants	9,284	10,286	53	5	19,628	485	20,113
Financial and insurance services	85,815	1,314	-	-	87,129	5,064	92,193
Real estate and housing	3,998	6,228	39	-	10,265	-	10,265
Services	3,429	831	-539	-	3,721	233	3,954
Public administration	174,770	2857	25	34	177,686	885	178,571
Education, health and art	15,247	14,236	1,402	45	30,930	11,127	42,057
Private households	530,806	57,390	49,016	993	638,205	-	638,205
Agriculture and forestry	3,346	3149	128	-	6,623	435	7,058
Total	**1,430,036**	**180,305**	**60,938**	**2,344**	**1,673,623**	**283,049**	**1,956,672**

2021	Stage 1	Stage 2	Stage 3	Total
Guaranees and letters of credit	255,224	27,703	122	283,049
Total	**255,224**	**27,703**	**122**	**283,049**

Credit risk exposure by risk category

	Stage 1	Stage 2	Stage 3	POCI	Total
Credit risk exposure 31 December 2022	1,488,554	273,611	41,704	2,150	1,806,019
Share of credit risk exposure	82.42%	15.15%	2.31%	0.12%	100.00%
Credit risk exposure 31 December 2021	1,430,036	180,305	60,938	2,344	1,673,623
Share of credit risk exposure	85.45%	10.77%	3.64%	0.14%	100,00%

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by region and stage

2022	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Guaranees and letters of credit	Total
Erste Grupe market	**81,851**	-	-	-	**81,851**	**4,035**	**85,886**
Austria	71,862	-	-	-	71,862	4,035	75,897
Czech Republic	-	-	-	-	-	-	-
Croatia	9,921	-	-	-	9,921	-	9,921
Serbia	68	-	-	-	68	-	68
Other European Union	**109,816**	-	-	-	**109,816**	-	**109,816**
Slovenia	14,906	-	-	-	14,906	-	14,906
Other EU Countries	94,910	-	-	-	94,910	-	94,910
Emerging markets	**1,296,887**	**273,611**	**41,704**	**2,150**	**1,614,352**	**323,915**	**1,938,267**
BiH	1,296,887	273,611	41,704	2,150	1,614,352	323,915	1,938,267
Total	**1,488,554**	**273,611**	**41,704**	**2,150**	**1,806,019**	**327,950**	**2,133,969**

2021	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Guaranees and letters of credit	Total
Erste Grupe market	**86,541**	-	-	-	**86,541**	**3,551**	**90,092**
Austria	72,799	-	-	-	72,799	3,551	76,350
Czech Republic	-	-	-	-	-	-	-
Croatia	13,709	-	-	-	13,709	-	13,709
Serbia	33	-	-	-	33	-	33
Other European Union	**91,560**	-	-	-	**91,560**	-	**91,560**
Slovenia	-	-	-	-	-	-	-
Other EU Countries	91,560	-	-	-	91,560	-	91,560
Emerging markets	**1,251,935**	**180,305**	**60,938**	**2,344**	**1,495,522**	**279,498**	**1,775,020**
BiH	1,251,935	180,305	60,938	2,344	1,495,522	279,498	1,775,020
Total	**1,430,036**	**180,305**	**60,938**	**2,344**	**1,673,623**	**283,049**	**1,990,719**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by financial instrument and collateral

2022	Total credit risk exposure	Colaterals total	Collateralised by			Credit risk exposure net of collateral	IFRS9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Cash and cash balances - demand deposits to credit institutions	**27,027**	-	-	-	-	**27,027**	**27,027**	-	-
Debt instruments - held for trading	-	-	-	-	-	-	-	-	-
Debt instruments at FVOCI	152,220	-	-	-	-	152,220	152,220	-	-
Debt instruments at AC	**1,476,437**	**468,717**	**50,901**	**367,269**	**50,547**	**1,007,720**	**1,380,990**	**52,191**	**43,256**
Loans and advances to banks	65,633	-	-	-	-	65,633	65,633	-	-
Loans and advances to customers	1,410,804	468,717	50,901	367,269	50,547	942,087	1,315,357	52,191	43,256
Off balance-sheet exposures	**478,285**	**53,217**	-	**37,280**	**15,937**	**425,068**	**459,645**	**18,249**	**391**
Total	**2,133,969**	**521,934**	**50,901**	**404,549**	**66,484**	**1,612,035**	**2,019,882**	**70,440**	**43,647**

2021	Total credit risk exposure	Colaterals total	Collateralised by			Credit risk exposure net of collateral	IFRS9 impairment relevant		
			Guarantees	Real estate	Other		Neither past due nor credit impaired	Past due but not credit impaired	Credit impaired
Cash and cash balances - demand deposits to credit institutions	**34,033**	-	-	-	-	**34,033**	**34,033**	-	-
Debt instruments - held for trading	-	-	-	-	-	-	-	-	-
Debt instruments at FVOCI	161,929	-	-	-	-	161,929	161,929	-	-
Debt instruments at AC	**1,362,231**	**476,982**	**11,628**	**388,407**	**76,947**	**885,249**	**1,265,666**	**33,462**	**63,103**
Loans and advances to banks	74,310	-	-	-	-	74,310	74,310	-	-
Loans and advances to customers	1,287,921	476,982	11,628	388,407	76,947	810,939	1,191,356	33,462	63,103
Off balance-sheet exposures	**432,526**	**25,672**	**4,066**	**16,103**	**5,503**	**406,854**	**152,368**	-	**12**
Total	**1,990,719**	**502,654**	**15,694**	**404,510**	**82,450**	**1,488,065**	**1,613,996**	**33,462**	**63,115**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing exposures

	2022	Stage	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
Performing	Not past due or Past due <= 30 days	S1	27,027	169,213	69,892	13,714	934,190	537,322	1,751,358
		S2	-	-	-	-	256,337	77,093	333,430
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	67	523	590
	Past due > 30 days <= 90 days	S1	-	-	-	-	150	-	150
		S2	-	-	-	-	2,096	2,696	4,792
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	-	-
Non performing	Unlikely to pay that are not past-due or past-due < = 90 days	S3	-	-	-	-	3,948	1,575	5,523
		POCI	-	-	-	-	232	217	449
	Past due > 90 days <= 180 days	S3	-	-	-	-	1,136	2,066	3,202
		POCI	-	-	-	-	-	9	9
	Past due > 180 days <= 1 year	S3	-	-	-	-	926	4,899	5,825
		POCI	-	-	-	-	28	14	42
	Past due > 1 year <= 5 years	S3	-	-	-	-	6,493	20,502	26,995
		POCI	-	-	-	-	414	273	687
	Past due > 5 years	S3	-	-	-	-	6	537	543
		POCI	-	-	-	-	300	74	374
								Total	2,133,969

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing exposures (continued)

2021		Stage	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
Performing	Not past due or Past due <= 30 days	S1	34,033	168,792	44,052	12,267	888,245	537,838	1,685,227
		S2	-	-	-	1,314	139,335	57,085	197,734
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	4	166	170
	Past due > 30 days <= 90 days	S1	-	-	-	-	30	-	30
		S2	-	-	-	-	8,283	1,992	10,275
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	-	-
Non performing	Unlikely to pay that are not past-due or past-due < = 90 days	S3	-	-	-	-	2,492	2,180	4,672
		POCI	-	-	-	-	543	481	1,024
	Past due > 90 days <= 180 days	S3	-	-	-	-	919	2,140	3,059
		POCI	-	-	-	-	9	44	53
	Past due > 180 days <= 1 year	S3	-	-	-	-	1,208	4,669	5,877
		POCI	-	-	-	-	-	89	89
	Past due > 1 year <= 5 years	S3	-	-	-	-	6,201	28,159	34,360
		POCI	-	-	-	-	539	272	811
	Past due > 5 years	S3	-	-	-	-	648	12,444	13,092
		POCI	-	-	-	-	165	34	199
								Total	**1,956,672**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing impairement

2022		Stage	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
Performing	Not past due or Past due <= 30 days	S1	-	-250	-172	-274	-13,432	-3,363	-17,491
		S2	-	-	-	-	-19,262	-6,826	-26,088
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-10	-78	-88
	Past due > 30 days <= 90 days	S1	-	-	-	-	-9	-	-9
		S2	-	-	-	-	-218	-800	-1,018
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	-	-
Non performing	Unlikely to pay that are not past-due or past-due < = 90 days	S3	-	-	-	-	-3,597	-981	-4,578
		POCI	-	-	-	-	-39	-34	-73
	Past due > 90 days <= 180 days	S3	-	-	-	-	-579	-962	-1,541
		POCI	-	-	-	-	-	-7	-7
	Past due > 180 days <= 1 year	S3	-	-	-	-	-668	-3,180	-3,848
		POCI	-	-	-	-	-21	-12	-33
	Past due > 1 year <= 5 years	S3	-	-	-	-	-6,074	-19,852	-25,926
		POCI	-	-	-	-	-385	-258	-643
	Past due > 5 years	S3	-	-	-	-	-6	-537	-543
		POCI	-	-	-	-	-293	-72	-365
								Total	**-82,251**

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

34. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing impairement (continued)

	2021	Stage	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total
Performing	Not past due or Past due <= 30 days	S1	-347	-236	-29	-270	-13,247	-3,623	-17,684
		S2	-	-	-	-66	-12,460	-6,448	-18,974
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-1	-24	-25
	Past due > 30 days <= 90 days	S1	-	-	-	-	-1	-	-1
		S2	-	-	-	-	-1,562	-621	-2,183
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	-	-
Non performing	Unlikely to pay that are not past-due or past-due < = 90 days	S3	-	-	-	-	-940	-1,108	-2,048
		POCI	-	-	-	-	-82	-117	-199
	Past due > 90 days <= 180 days	S3	-	-	-	-	-776	-922	-1,698
		POCI	-	-	-	-	-3	-17	-20
	Past due > 180 days <= 1 year	S3	-	-	-	-	-978	-2,901	-3,879
		POCI	-	-	-	-	-	-55	-55
	Past due > 1 year <= 5 years	S3	-	-	-	-	-5,395	-27,253	-32,648
		POCI	-	-	-	-	-488	-223	-711
	Past due > 5 years	S3	-	-	-	-	-648	-12,444	-13,092
		POCI	-	-	-	-	-160	-33	-193
Total									**-93,410**

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

34. RISK MANAGEMENT (CONTINUED)

c) Market risk management

Market risk is the risk of loss that may arise from adverse changes in market prices and the resulting parameters

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

Currency risk management

The bank is exposed to various types of exchange rate risks. This involves the risk of an open currency position and other risks. An open currency position risk is a risk associated with a mismatch between assets and liabilities in a particular currency or from currency derivatives. This type of risk can arise from client transactions or trading on its own account and is monitored and managed on a daily basis. Exposure to currency risk is limited by regulatory and internal limits. Internal limits are set by the Management Board.

The following table shows the largest open currency positions at 31 December 2022 and 31 December 2021:

	2022	2021
Euro	-3,027	-3,487
American dolar	-224	-120
Other	-193	-226

Foreign currency sensitivity analysis

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

The following table details the Bank's sensitivity to a 10% increase and decrease in BAM against USD and other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items in currencies different from lender and borrower currencies. A positive number below indicates an increase in profit or other capital where BAM strengthens 10% against other relevant currency.. For a 10% weakening of BAM against other relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD Effect	
	2022	2021
Gain / (loss)	-22	12

34. RISK MANAGEMENT (CONTINUED)

c) Market risk management

Interest rate risk management

The Bank is exposed to interest rate risk as the Bank is placing and borrowing funds at fixed interest rates. The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note (see point i).

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Bank's net profit for the year ended 31 December 2022 would increase / decrease by BAM thousand 4,248 (2021: by BAM 4,185 thousand).

d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has created an adequate framework for the management of liquidity risk to be used for the management of long-, mid- and short-term needs for the management of the Bank's liquidity. The Bank manages this type of risk by maintaining adequate reserves and other sources of financing, by constantly monitoring the projected and actual cash flows and by comparing maturity profiles of financial assets and liabilities.

The following table details the rest of Bank's contractual maturities for financial assets. The table is prepared based on nondiscounted financial assets cash flows, including interest for that assets and interest for that asset that will be earned, except for the assets that it is expected for the cash flow to appear in the future period.

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

34. RISK MANAGEMENT (CONTINUED)

d) Liquidity risk management (Continued)

Liquidity and interest risk tables

Maturity for financial assets

	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	1 to 5 years	Over 5 years	Total
2022							
Non-interest bearing							
Cash balances as CBBiH	-	-	-	-	-	-	-
Cash on hand	-	202,287	-	-	-	-	202,287
Fixed interest rate instruments							
Cash balances as CBBiH	-	-	-	-	-	-	-
Other demand deposits	0,50%	17,933	-	-	-	-	17,933
Deposits with other banks	-	-	-	-	-	-	-
Loans and advances to customers	4,56%	57,130	83,223	361,233	408,927	209,113	1,119,626
Debt securities	1,77%	-	8,003	9,898	99,364	44,595	161,860
Variable interest rate instruments							
Cash balances as CBBiH	0,05%	173,343	-	-	-	-	173,343
Other demand deposits	0,97%	111,429	-	-	-	-	111,429
Deposits with other banks	2,00%	-	65,521	-	-	-	65,521
Loans and advances to customers	3,86%	11,119	14,942	66,865	302,456	240,241	635,623
		573,241	**171,689**	**437,996**	**810,747**	**493,949**	**2,487,622**

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

34. RISK MANAGEMENT (CONTINUED)

d) Liquidity risk management (Continued)

Liquidity and interest risk tables(continued)

Maturity for financial assets

	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	1 to 5 years	Over 5 years	Total
2021							
Non-interest bearing							
Cash balances as CBBiH	-	95,294	-	-	-	-	95,294
Cash on hand	-	195,798	-	-	-	-	195,798
Fixed interest rate instruments							
Cash balances as CBBiH	-	-	-	-	-	-	-
Other demand deposits	-	-	-	-	-	-	-
Deposits with other banks	-	-	-	-	-	-	-
Loans and advances to customers	5,08%	83,515	75,151	308,767	366,962	194,076	1,028,471
Debt securities	1,88%	-	-	11,537	108,414	54,441	174,392
Variable interest rate instruments							
Cash balances as CBBiH	-0,56%	108,612	-	-	-	-	108,612
Other demand deposits	-0,72%	98,549	-	-	-	-	98,549
Deposits with other banks	-0,90%	-	9,779	-	-	-	9,779
Loans and advances to customers	3,39%	21,208	12,939	57,768	263,889	239,163	594,967
		602,976	**97,869**	**378,072**	**739,265**	**487,680**	**2,305,862**

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

34. RISK MANAGEMENT (CONTINUED)

d) Liquidity risk management (Continued)

Liquidity and interest risk tables

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

Maturity for financial liabilities

	Weighted average effective interest rate	Less than 1 month	2 to 3 months	4 months to 1 year	1 to 5 years	Over 5 years	Total
2022							
Non-interest bearing							
Deposits from customers and banks	-	826,780	-	-	-	-	826,780
Variable interest rate instruments							
Deposits from customers and banks	2,93%		-	41,773	-	26	41,799
Borrowings	3,30%	-	-	5,642	23,668	5,867	35,177
Subordinated loans	5,75%	-	-	-	12,163	-	12,163
Fixed interest rate instruments							
Deposits from customers and banks	0,75%	196,429	60,541	303,509	330,778	17,035	908,292
Borrowings	0,58%	1,956	-	2,942	1,963	-	6,861
		1,025,165	**60,541**	**353,866**	**368,572**	**22,928**	**1,831,072**
2021							
Non-interest bearing							
Deposits from customers and banks	-	710,961	-	-	-	-	710,961
Variable interest rate instruments							
Deposits from customers and banks	1,39%		-	7,905	42,012	-	49,917
Borrowings	1,42%	-	3,254	-	-	-	3,254
Subordinated loans	3,9%	-	-	-	-	12,158	12,158
Fixed interest rate instruments							
Deposits from customers and banks	0,94%	195,247	110,048	190,413	363,705	11,313	870,726
Borrowings	0,77%	1,956	-	4,207	8,580	-	14,743
		908,164	**113,302**	**202,525**	**414,297**	**23,471**	**1,661,759**

The Bank expects to meet other operating cash flow and cash inflow obligations.

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

35. FAIR VALUE MEASUREMENT

This note provides information about how the Bank determines fair values of various financial assets and financial liabilities.

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value Hierarchy as at 31 December 2022	Valuation technique(s) and key input(s)
	31 December 2022	**31 December 2021**		
Financial assets at fair value through other comprehensive income (Note 7) Non-trading financial assets at fair value through profit or loss (Note 6)	Listed equity securities in stock exchange in Bosnia and Herzegovina: - Listed equity securities on stock exchanges in other countries: • Belgium –157 thousand BAM Listed debt securities in stock exchange in other countries: • Croatia – 8,828 thousand BAM (Baa3/BBB) • Austria – 28,562 thousand BAM (AA/AA) • Belgium – 14,589 thousand BAM (AA/AA) • France – 8,858 thousand BAM (AA/AA) • Slovenia - 14,906 thousand BAM (AA/A) Listed debt securities in stock exchange in Bosnia and Herzegovina: • FBiH Ministry of Finance – 29,331 thousand BAM (B+) • RS Ministry of Finance – 40,238 thousand BAM (B+)	Listed equity securities in stock exchange in Bosnia and Herzegovina: - Listed equity securities on stock exchanges in other countries: • Belgium –127 thousand BAM Listed debt securities in stock exchange in other countries: • Croatia – 9,677 thousand BAM (Baa3/BBB) • Austria – 23,027 thousand BAM (AA/AA) • Belgium – 14,622 thousand BAM (AA/AA) • France – 9,915 thousand BAM (AA/AA) • Slovenia - 18,204 thousand BAM (AA/A) Listed debt securities in stock exchange in Bosnia and Herzegovina: • FBiH Ministry of Finance – 34,504 thousand BAM (B+) • RS Ministry of Finance – 53,756 thousand BAM (B+)	Level 1 Level 2 Level 2	Quoted bid prices in an active market.

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

35. FAIR VALUE MEASUREMENT (CONTINUED)

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

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

	2022					2021				
	Book value	Fair value	Quoted market prices in active markets	Valued according to a model based on available market data	Valued according to a model based on unavailable data	Book value	Fair value	Quoted market prices in active markets	Valued according to a model based on available market data	Valued according to a model based on unavailable data
			Level 1	Level 2	Level 3			Level 1	Level 2	Level 3
ASSETS										
Cash and cash balances	331,572	331,572	-	-	-	336,089	336,089	-	-	-
Financial assets at amortised cost	**1,591,943**	**1,591,918**	-	-	**1,591,918**	**1,380,014**	**1,379,968**	-	-	**1,379,968**
Obligatory reserve with the Central Bank	173,085	173,085			173,085	161,697	161,697			161,697
Deposits with other banks	65,570	65,570	-	-	65,570	9,769	9,769	-	-	9,769
Loans and receivables from clients	1,341,618	1,341,593	-	-	1,341,593	1,202,500	1,202,454	-	-	1,202,454
Other financial assets at amortised cost	11,670	11,670	-	-	11,670	6,048	6,048	-	-	6,048
LIABILITIES										
Financial liabilities measured at amortised cost	**1,819,597**	**1,785,353**	-	-	**1,785,343**	**1,648,934**	**1,641,928**	-	-	**1,641,928**
Deposits from banks and other financial institutions	147,594	145,688	-	-	145,688	142,644	141,220	-	-	141,220
Deposits from customers	1,620,768	1,588,420	-	-	1,588,420	1,478,905	1,473,323	-	-	1,473,323
Borrowings	51,235	51,235	-	-	51,235	27,385	27,385	-	-	27,385
FINANCIAL GUARANTEES AND COMMITMENTS										
Financial guarantees	-	60	-	-	60	-	39	-	-	39
Irrevocable commitments	-	1,623	-	-	1,623	-	1,862	-	-	1,862

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

35. FAIR VALUE MEASUREMENT (CONTINUED)

35.2 Fair value of the Bank's non-financial assets and non-financial liabilities

Fair values and fair value hierarchy of non-financial assets

2022	Book value	Fair value	Quoted market prices in active markets Level 1	Model-based on market data observation level 2	Market by model based on observable inputs that are not visible in the market for Level 3
Assets whose value is shown in the notes					
Real estate investment	1,461	1,461	-	-	1,461
Assets whose fair value is shown in the statement of financial position					
Held-for-sale assets	-	-	-	-	-

2021	Book value	Fair value	Quoted market prices in active markets Level 1	Model-based on market data observation level 2	Market by model based on observable inputs that are not visible in the market for Level 3
Assets whose value is shown in the notes					
Real estate investment	999	999	-	-	999
Assets whose fair value is shown in the statement of financial position					
Held-for-sale assets	-	-	-	-	-

36. EVENTS AFTER THE REPORTING DATE

As of 24 February 2022. Russia started military invasion on Ukraine. This military invasion caused global changes on political and economic level. While this is still an ongoing situation at the time of issuing these financial statements, there has been no discernible impact on the Bank's operations, however the future effects cannot be predicted. Management continues to monitor the impact of the military invasion on the Bank's business operations and is taking all steps possible to mitigate any effects.

There were no other significant subsequent events that would have a significant impact on the financial statements for 2021 or that would require disclosure in the notes to the financial statements.

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of the Bank on 11 April 2023.

Amir Softić
President of the Management Board

Igor Bilandžija
Member of the Management Board

Sparkasse Bank dd Bosna i Hercegovina
SPARKASSE
Bank
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Sparkasse Bank dd BiH

Zmaja od Bosne 7,71000 Sarajevo

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Jedinstveni identifikacioni broj (JIB)

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Šifra djelatnosti

SPARKASSE Bank

27-02-2023

FINANSIJSKO-INFORMATIČKA AGENCIJA POSLOVNA JEDINICA SARAJEVO 2

GODIŠNJI IZVJEŠTAJ O POSLOVANJU

za period od 01.01.2022 do 31.12.2022.

U smislu odredbi čl. 42. i 43. Zakona o računovodstvu i reviziji u Federaciji BiH ("Službene novine Federacije BiH", broj 15/21), navodimo sljedeće podatke koji upotpunjuju objektivan prikaz finansijskog položaja i poslovanja pravnog lica:

Značajni događaji nastali u periodu od završetka poslovne godine do datuma predaje finansijskog izvještaja

Nije bilo značajnih događaja nastalih nakon završetka poslovne godine do predaje finansijskog izvjestaja.

Procjena očekivanog budućeg razvoja

Prema podacima o ostvarenju na 31.12.2022. godine, aktiva Banke je dostigla iznos od 2,1 milijardi KM što u odnosu na 2021. godinu predstavlja rast od 9,7% ili 187 miliona KM (1,929,1 miliona KM), odnosno 5,4% u iznosu na Plan 2022 (2,008 mil. KM).
Novčana sredstva na 31.12.2022. iznose 504,9 mio KM što je u odnosu na kraj 2021. godine povećanje za 6,7 mio KM ili 1,3%, pri čemu je učešće u ukupnoj aktivi smanjeno sa 26% (Y2021) na 24% (2022).
Krediti SPK banke na kraju 2022. godine, iznosili su 1,399 miliona KM i povećani su za 125 miliona KM ili 9,8% u odnosu na kraj 2021. godine. Učešće kredita u ukupnoj aktivi je ostalo na istom nivou 66,0%.
Depoziti SPK Bank na 31.12.2022. godine su iznosili 1,766 miliona KM (uključ. STMK i druge KI depozite) što je povećanje za 147 miliona KM ili 9,1%, odnosno blago smanjenje učešća u ukupnoj pasivi sa 84% na 83%, u poređenju sa krajem prethodne godine. Ostvarenje depozita 31.12.2022. predstavlja 105,6% u odnosu na usvojeni Plan (B 2022 1,673 mil. KM).
Dobit Banke u 2022 godini iznosi 25,7 miliona KM, i predstavlja rekordnu dobit Banke od početka poslovanja
Ukupni prihodi od kamata i slični prihodi – SPK Bank je 31.12.2022. godine ostvarila povećanje od 2,8% ili 1,6 mil KM, u poređenju na isti period prethodne godine.
Ukupni rashodi po kamatama i slični rashodi – kamatni rashodi u 2022.g. su smanjeni u iznosu od 2,2 mil. KM ili 19% u poređenju na isti period prethodne godine.

SPK Bank je na bazi Projekcije poslovanja / FC07 za 2022. godinu pripremila i usvojila Plan poslovanja za 2023. godinu. Planirano je povećanje iznosa ukupne imovine za 6% ili 128,8 mil. KM, od čega se na rast finansijske imovine po amortizovanom trošku odnosi 124,6 mil. KM ili 8% te povećanje pozicije Finansijska imovina po fv kroz ostali ukupni rezultat (VP) u iznosu 6 mil. KM ili 4%.
Na strani pasive je planirano povećanje pozicije Finansijske obaveze po amortizovanom trošku u iznosu od 108 mil. KM ili 6% te povećanje ukupnog bilansnog kapitala u iznosu 16,8 mil. KM ili 6%.
U poslovnoj 2023. godini, Sparkasse Bank dd BIH, planira nastavak uspješnog poslovanja i ostvarenje pozitivnog finansijskog rezultata. Planirana dobit za 2023. godinu u iznosu od 32,4 mil. KM.

Najvažnije aktivnosti u vezi s istraživanjem i razvojem – poslovanjem Banke

- Prosječni godišnji rast kredita 2023-2027 (9%) i depozita oko 7%, kroz kontinuirano finansiranje klijenata i održive kreditne aranžmane;
- Povećanje broja i zadovoljstva klijenata;
- Implementacija poslovnog modela "Finansijskog zdravlja" u smjeru zelenih investicija i kredita kroz povoljne izvore i prilagođavanja stvarnim mogućnostima i potrebama korisnika finansijskih usluga;
- Praćenje kvaliteta portfolija koji je bio pod posebnim mjerama i procjena budućih otplatnih kapaciteta klijenata, uz pravovremeno formiranje rezervi za očekivane kreditne gubitke i unapređenje rane naplate u sektoru stanovništva i malih obrtnika; identifikacija visoko rizičnog portfelja:
- Jačanje ICAAP-a i ILAAP-a u skladu sa novim regulatornim zahtjevima i očuvanje CET1 i regulatornog kapitala;
- Transformacija Core bankarskog sistema i digitalizacija, obezbijedjenje otporne, agilne, visoko raspoložive i sigurne IT infrastrukture, IT operativna izvrsnost, uspostava zajedničkog i jedinstvenog mjesta „istine“ za potrebe izvještavanja i naprednih analiza podataka;
- Jačanje i dodatno praćenje pojačanih rizika koji su vezani za sigurnost informacionih sistema i primjene novih tehnologija, a naročito sa stanovišta poslovanja klijenata;
- Dosljedna primjena propisa u segmentu platnog prometa, SPNiFTA, zaštite korisnika finansijskih usluga i žiranata, sigurnosti i zaštiti novca u Banci i u transportu;
- Jačanje sistema internih kontrola u svim oblastima poslovanja u skladu sa Odlukom o sistemu internog upravljanja u banci;
- Stalna procjena efekata makroekonomskih poremećaja i drugih negativnih uticaja koji bi mogli proizvesti nagle udare na operativno poslovanje i likvidnost Banke; ažuriranje Plana oporavka u ključnim segmentima kao što su proces eskalacije, pokazatelji i opcije oporavka; umanjenja kamatno induciranog kreditnog rizika;
- Uspješno i profitabilno poslovanje uz ostvarenje prosječnog ROE iznad 10% godišnje.

Informacije o otkupu vlastitih dionica, odnosno udjela

Banka nije vršila otkup vlastitih dionica u 2022. godini.

Informacije o poslovnim segmentima

Informacije o poslovnim segmentima Sparkasse Bank i njenim ključnim uslugama za 2022. godinu predstavljeni su u tabeli prilogu:

Segment	Posl. linije	Ključna usluga	Ključna funkcija	Volumen	Prihodi /rashodi	Učešće u A/P	Učešće u ukupnom portoliu	Učešće u neto oper.prih.
Poslovanje sa stanovništvom	Poslovanje sa građanima							
		Krediti	Da	604,259	33,507	29%	40%	38%
		Depoziti	Da	782,925	-3,067	37%	44%	-4%
		Platni promet	Ne	0	9,081			10%
		Vanbilansno poslovanje	Ne	30,780	0		6%	0%
		Mjenjački poslovi	Ne	0	3,298			4%
		Posredovanje u osiguranju	Ne	0	924			1%
		Kartično poslovanje	Ne	0	2,018			2%
	Poslovanje sa mikro poduzetnicima							
		Krediti	Da	36,238	2,227	2%	2%	3%
		Depoziti	Da	109,314	-8	5%	6%	0%
		Platni promet	Ne		4,015			5%
		Vanbilansno poslovanje	Ne	14,109	185		3%	0%
		Kartično poslovanje	Ne		0			0%
Poslovanje sa pravnim licima / nefin. društvima	Poslovanje sa srednje velikim preduzećima							
		Krediti	Da	169,855	7,352	8%	11%	8%
		Depoziti	Da	87,246	-85	4%	5%	0%
		Platni promet	Ne		1,749			2%
		Vanbilansno poslovanje	Ne	92,565	867		20%	1%
		Kartično poslovanje	Ne		0			0%
	Poslovanje sa velikim preduzećima							
		Krediti	Da	588,942	16,427	28%	39%	19%
		Depoziti	Da	639,753	-2,779	30%	36%	-3%
		Platni promet	Ne		3,104			4%
		Vanbilansno poslovanje	Ne	336,572	2,361		71%	3%
		Kartično poslovanje	Ne		0			0%
Upravljanje sredstvima	Upravljanje sredstvima							
		VP	Ne	145,312	1,736	7%		2%
		Trgovanje	Ne	0	5,963			7%
		Dati krediti KI	Ne	110,593	642	5%	7%	1%
		Uzeti krediti (kreditne linije)	Ne	50,991	-388	2%	3%	0%
		Depoziti i Poz. (bez KL)	Ne	146,873	-1,630	7%	8%	-2%
	Ukupno - kreditni portfolio			1,509,887	61,891			
	Ukupno - portfolio depozita			1,766,112	-7,956			
	Ukupno - aktiva/pasiva			2,116,325	87,499			
	Ukupno - Vanbilansna evidencija			474,026	3,412			

Korišteni finansijski instrumenti od značaja za procjenu finansijskog položaja i uspješnost poslovanja
Priznavanje finansijskih instrumenata

Klasifikacija i mjerenje

i. poslovnom modelu Banke za upravljanje finansijskom imovinom – određuje se na osnovi poslovnog cilja upravljanja finansijskom imovinom odnosno procjene drži li se finansijska imovina radi prikupljanja ugovornih novčanih tokova, prikupljanja ugovornih novčanih tokova i prodaje finansijske imovine ili samo radi prodaje

ii. karakteristikama ugovornih novčanih tokova finansijske imovine - određuje se na osnovu procjene jesu li ugovorni novčani tokovi finansijske imovine samo plaćanje glavnice i kamata („SPPI") na preostali iznos glavnice

Primjena ovih kriterija dovodi do klasifikacije finansijske imovine u tri kategorije mjerenja.

a) Finansijska imovina koja se mjeri po amortiziranom trošku

Finansijska sredstva su mjerena po amortiziranom trošku ako se drže u poslovnom modelu čiji je cilj prikupljanje ugovornih novčanih tokova, a njihovi ugovorni novčani tokovi su SPPI.

U bilansu stanja ova sredstva se iskazuju po amortizovanom trošku, tj. bruto knjigovodstvenoj vrijednosti manjoj od bilo kakvog gubitka umanjenja. Prikazani su pod stavkom "Dati krediti i avansi klijentima", "Ostala imovina", "Plasmani kod drugih banaka", "Obavezna rezerva kod Centralne banke" i "Novac i računi kod banaka". Novac i računi kod drugih banaka uključuju samo potraživanja (depozite) od centralnih banaka i kreditnih institucija koja se isplaćuju po zahtjevu. Isplativo po zahtjevu znači da oni mogu biti povučeni u bilo koje vrijeme ili sa rokom doznake od samo jednog radnog dana ili 24 sata.

Prihodi od kamata na ova sredstva se izračunavaju metodom efektivne kamate i uključuju se u stavku „Prihodi od kamata i slični prihodi" u okviru „Neto prihod od kamata" u izvještaju o bilansu uspjeha. Dobici ili gubici od umanjenja vrijednosti uključeni su u stavku „Gubici od umanjenja vrijednosti i rezervisanja". Dobici i gubici od prestanka priznavanja (kao što je prodaja) imovine iskazuju se pod stavkom „Ostali poslovni prihodi".

U Banci, finansijska sredstva po amortizovanom trošku predstavljaju najveću kategoriju mjerenja, koja uključuje veliku većinu kreditnih poslova prema klijentima, međubankarskom kreditnom poslovanju, depozitima kod centralnih banaka, iznosima u toku poravnanja, trgovinskim i drugim potraživanjima.

b) **Finansijska sredstva po fer vrijednosti kroz ostalu sveobuhvatnu dobit (FVOCI)**

Finansijska sredstva dužničkog instrumenta se vrednuju po fer vrijednosti kroz ostalu sveobuhvatnu dobit (FVOCI) ako su ugovorni novčani tokovi u skladu sa SPPI i drže se u okviru poslovnog modela čiji je cilj postignut prikupljanjem ugovornih novčanih tokova i prodajom imovine. U izvještaju o finansijskom položaju, uključeni su kao „finansijsko sredstvo po fer vrijednosti kroz ostalu sveobuhvatnu dobit".

Prihod od kamata na ovu imovinu izračunava se primjenom metode efektivne kamatne stope i uključen je u stavku "Prihodi od kamata" pod "Neto prihod od kamata" u izvještaju o bilansu uspjeha. Dobici i gubici od umanjenja vrijednosti priznaju se u izvještaju o bilansu uspjeha kao „Gubici od umanjenja vrijednosti i rezerviranja" dok se u izvještaju o finansijskom položaju prikazuju kroz kapital (OSD). Kao rezultat, uticaj na izvještaj o bilansu uspjeha i ostaloj sveobuhvatnoj dobiti je isti kao i kod finansijske imovine koja se mjeri po amortiziranom trošku.

Razlika između fer vrijednosti po kojoj se imovina iskazuje u bilansu stanja i komponente amortiziranog troška se priznaje kao akumulirana ostala sveobuhvatna dobit u kapitalu, posebno u okviru revalorizacijske rezerve u izvještaju o promjenama u kapitalu. Promjena za period iskazana je kao OSD u izvještaju o sveobuhvatnoj dobiti kao "Revalorizacione rezerve". Kada se finansijsko sredstvo prestaje priznavati, iznos koji je prethodno akumuliran u OSD se reklasificira u dobit ili gubitak i iskazuje kao „Ostali poslovni prihodi".

Banka klasificira ulaganja u dužničke vrijednosne papire mjerene prema FVOCI. Oni su dio poslovnog modela. „držanje do naplate i prodaja" Oni se odnose na različite poslovne ciljeve, kao što su ispunjavanje internih / eksternih uslova za rizik likvidnosti i efikasno plasiranje viška strukturne likvidnosti, strateških pozicija odlučenih od strane upravnog odbora, pokretanje i podsticanje odnosa sa klijentima, zamjena kreditnog poslovanja ili drugih aktivnosti poboljšanja prinosa. Zajednička osobina investicija u dužničke instrumente na FVOCI je da je aktivna optimizacija prinosa putem prodaje integralna u postizanju ciljeva. Prodaja se vrši kako bi se optimizirala pozicija likvidnosti ili ostvarili dobici / gubici po fer vrijednosti. Kao rezultat toga, poslovni ciljevi postižu se i prikupljanjem ugovornih novčanih tokova i prodajom vrijednosnih papira.

c) **Finansijska sredstva po fer vrijednosti kroz bilans uspjeha**

Finansijska sredstva čiji ugovorni novčani tokovi se ne smatraju SPPI automatski se mjere na FVPL. U poslovanju Banke to se ne odnosi na zajmove klijentima i dužničke vrijednosne papire. Glavni razlog za neuspjeh u procjeni SPPI-a je da one imaju kritične klauzule kamata koje ne prolaze kvantitativno testiranje koje zahtijeva MSFI 9.

Finansijske obaveze koje se mjere po amortiziranom trošku

Finansijske obaveze koje se mjere po amortiziranom trošku prikazane su u izvještaju o finansijskom položaju na poziciji 'Finansijske obaveze mjerene po amortiziranom trošku'. Pod tom pozicijom uključeni su 'Depoziti banaka', 'Depoziti klijenata', 'Pozajmice' i 'Ostale finansijske obaveze'.

Kod naknadnog mjerenja finansijskih obaveza po amortiziranom trošku, troškovi kamata priznaju se u izvještaj o bilansu uspjeha primjenom metode efektivne kamatne stope a prikazuju se na poziciji 'Kamatni trošak' pod 'Neto kamatni prihod' u izvještaju o bilansu uspjeha. Dobici ili gubici nastali kao rezultat prestanka priznavanja finansijske obaveze priznaju se u izvještaju o bilansu uspjeha te prikazuju na poziciji 'Ostali dobici ili gubici od prestanka priznavanja finansijskih instrumenata koji se ne mjere po fer vrijednosti kroz bilans uspjeha'.

Ciljevi i politike u vezi sa upravljanjem finansijskim rizicima, zajedno sa politikama zaštite od rizika za svaku planiranu transakciju za koju je neophodna zaštita

Banka koristi metodologije i tehnike za utvrđivanje i procjenu rizika koje su primjerene rizičnom profilu i strukturi portfolia, veličini i složenosti poslovanja. U skladu sa poslovnom strategijom Banke, ključni rizici su kreditni, tržišni, operativni, te rizik likvidnosti. Banka se također fokusira i na upravljanje makroekonomskim rizikom kao i koncentracijama unutar i između različitih tipova rizika.

Analiza profila rizika provodi se temeljem kvalitativne i kvantitaitvne analize, a polazna osnova je objedinjeni pregled vrsta rizika definisanih kroz Okvir taksonomije rizika Grupe, Zakon o Bankama i Odluka o sistemu internog upravljanja u banci Agencije za bankarstvo FBiH.

Aktivno upravljanje rizicima podrazumijeva sljedeće:

- identifikaciju rizika,
- analizu rizika,
- mjerenje rizika, odnosno procjenjivanje,
- kontrolu i monitoring rizika,
- izvještavanje o rizicima,
- davanje prijedloga za mjere i aktivnosti za izbjegavanje negativnih učinaka rizika.

U svrhu ispunjavanja ključnih ciljeva upravljanja rizicima a koji se odnose na održavanje adekvatnog nivoa kapitala i zadovoljavajućeg nivoa likvidnosti, Banka je uspostavila pouzdan i sveobuhvatan sistem upravljanja rizicima, koji je zasnovan na definisanoj strategiji preuzimanja i upravljanja rizicima i integrisan u sve poslovne aktivnosti i procese obezbjeđujući na taj način usklađenost profila rizika Banke sa utvrđenom sklonošću ka rizicima. Sistem upravljanja rizicima obuhvata upravljanje svim rizicima kojima je Banka izložena ili može biti izložena u svom poslovanju

Izloženost tržišnom, kreditnom, riziku likvidnosti i drugim rizicima prisutnim u poslovanju pravnog lica, i strategija za upravljanje navedenim rizicima i ocjenu njihove efikasnosti

Banka u okviru sveobuhvatne procjene materijalnosti rizika na redovnoj osnovi vrši analizu u cilju utvrđivanja profila rizika. U skladu s tim, funkcije upravljanja rizicima nastoje osigurati da su svi materijalni rizici identificirani, kvantificirani, kvalificirani, te da se njima upravlja i da se kontinuirano prate. Također, procjena rizika se vrši i tokom uvođenja novog proizvoda i/ili modifikacije postojećih, prilikom projektnih incijativa, procesa eksternalizacije i drugih procesa.

Banka je pripremila procjenu materijalno značajnih rizika na 31.12.2022. godine pri čemu su sljedeće glavne kategorije rizika ocijenjeni kao:

- Nema poslovanja: Tržišni rizik u knjizi trgovanja
- Nizak: U okviru ostalih rizika – reputacijski i rizik usklađenosti
- Srednje nizak: Sveukupni tržišni rizik – bankarska knjiga, rizik likvidnosti i sveukupni operativni rizik, a u okviru ostalih rizika – strateški i poprečni – makroekonomski rizik i politički rizik
- Srednje visok: Sveukupni kreditni rizik i poprečni – pandemijski rizik
- Visok: Nema rizika u ovoj kategoriji

Mjere na zaštiti životne sredine

Profund program Steiermärkische Sparkasse Grupacije predstavlja program, putem kojeg naši zaposlenici mogu dobiti finansijsku podršku za volonterske projekte, u koje su lično uključeni, a vezani su za lokalne zajednice na teritoriju BiH. Ponosno ističemo volonterske i druge akcije uposlenika u oblastima okoliša, socijalne inkluzije i zdravstevne prevencije:

- Sadnja 1.000 sadnica bijelog bora za sve uposlenike banke kao i za 500 klijenata na planini Prenj
- Čišćenje jezera na lokalitetima Šićki Kop Tuzla, Boračko jezero, Malo Plivsko jezero

- Partnerstvo sa "Kućom dobrih tonova" Sparkasse Bank podržava promociju domaćeg poduzetništva i zdravih životnih navika u Srebrenici
- Podrška projektu "Izgradnja edukativnog centra" Gorska služba spašavanja FBIH
- Ostali projekti podrške iz oblasti: poduzetnišvo mladih, obrazovanje, kultura, socijalna inkluzija, okoliš, sport/promocija zdravih navika;

Prikaz primijenjenih pravila korporativnog upravljanja

Uprava je dužna pripremiti finansijske izvještaje za svaku finansijsku godinu, koji daju istinit i pošten prikaz finansijskog stanja Banke, rezultata poslovanja i novčanih tokova, u skladu s važećim računovodstvenim standardima, i odgovorna je za održavanje odgovarajuće računovodstvene evidencije koje omogućavaju pripremu finansijskih izvještaja u bilo kojem trenutku.

Uprava je općenito odgovorna za poduzimanje koraka koji su razumno dostupni radi zaštite imovine Banke i za sprečavanje i otkrivanje prevara i drugih nepravilnosti.

Uprava je odgovorna za odabir prikladnih računovodstvenih politika koje su u skladu sa važećim zakonskim zahtjevima i dosljedno ih primjenjuje; za donošenje odluka i procjena koje su razumne; i za pripremu financijskih izvještaja na osnovu vremenske neograničenosti poslovanja, osim ako je neprikladno pretpostaviti da će Banka nastaviti s poslovanjem.

Uprava je odgovorna za podnošenje godišnjeg izvještaja Nadzornom odboru, zajedno sa godišnjim finansijskim izvještajima, nakon čega Nadzorni odbor treba odobriti godišnje finansijske izvještaje za podnošenje Skupštini na usvajanje.

Sparkasse Bank dd Bosna i Hercegovina SPARKASSE Bank 100

M.P.

Amir Softić, Predsjednik Uprave Banke

Odgovorno lice