SPARKASSE BANK DD
BOSNA I HERCEGOVINA

Financial Statement for the year
ended 31 December 2024 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.

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Responsibility for the financial statements

Responsibilities of the Management Board and those charged with governance for the preparation and approval of the annual financial statement

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 88 were authorised by the Management Board on 21 March 2025 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 dd BiH:

Amir Softić	Sparkasse Bank dd Bosna i Hercegovina SPARKASSE Bank 100	**Igor Jokić**
President of the Management Board		Member of the Management Board

Independent Auditor's Report

To the Shareholder of Sparkasse Bank dd Bosna i Hercegovina:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sparkasse Bank dd Bosna i Hercegovina (the "Bank") as at 31 December 2024, and the Bank's financial performance and cash flows for the year then ended, in accordance with the Statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of profit or loss for the year then ended;
- the statement of other 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, comprising material accounting policy information 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 of 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 of the Federation of Bosnia and Herzegovina.

Our audit approach

Overview

Materiality	• Overall materiality: Bosnia and Herzegovina's Convertible Marks ("BAM") 3,205 thousand, which represents 1% of net assets of the Bank
Key audit matters	• Estimate of credit loss allowances for loans and receivables from clients

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 management 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 management 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 Bank 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 3,205 thousand
How we determined it	1% of the net assets of the Bank
Rationale for the materiality benchmark applied	The Bank is wholly owned by an international group and taking into account the interest of the other key stakeholders, who are depositors, debt instruments' holders and others, whose primary focus are the Bank's capital adequacy and ability to fulfil its obligations, we considered it appropriate to determine the materiality by reference to the capital resources of the Bank, using net assets as a proxy for capital for the purpose of materiality determination. 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Estimate of credit loss allowances for loans and receivables from clients

Refer to Note 33 Risk Management, Note 3 Critical accounting judgments and key sources of estimation uncertainty, Note 21 Impairment loss on financial instruments and provisions and Note 7 Financial assets at amortized cost to the financial statements for detailed information on the expected credit losses ("ECL") for loans and receivables from clients.

As at 31 December 2024, the gross book value of loans and receivables from clients and the credit loss allowances amounted to BAM 1,598,387 thousand and BAM 76,162 thousand, respectively.

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

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

In all of these cases, the ECL are determined by using the following key assumptions: 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 client level, ECL are determined on an individual basis using the following key assumptions: scenario probabilities, the amounts and timing of the expected cash flows including 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, with the involvement of our credit risk experts as deemed necessary:

- 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.
- We evaluated control activities and tested selected controls in the area of critical data, including the process of allocating loans and receivables from clients to the ECL stages and valuation of collateral. We also assessed the independent PD and LGD model validation framework, risk parameter validation results and overall model governance applied to the ECL calculation.
- We tested, on a sample basis, the accuracy of the critical data in the source systems and their input in the ECL calculation engine (PD, LGD and client 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 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 stage allocation and stage overlays for compliance with the relevant policies of the Bank.
- We verified the reconciliation of the output of the ECL calculation engine with the accounting records.
- We tested, on a sample basis, the adequacy of individual ECL allowances, assessing the reasonableness of the forecasted scenarios and the estimated expected cash flows.
- We tested, on a sample basis, the implementation of the Decision with regard to the application of the minimum impairment rates.

Other information

The Management Board is responsible for the other information. The other information obtained prior to the date of this auditor's report comprises 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 financial statements and our auditor's report thereon).

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 those charged with governance 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.

Those charged with governance are 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 judgement and maintain professional scepticism throughout the audit. We are 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 management.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 certified auditor engaged as partner on the audit resulting in this independent auditor's report is Amra Vučkić.

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

Refer to the original signed Bosnian version

Anesa Ustavdić, Director

Amra Vučkić, licensed auditor

Original report is signed in Bosnian language.

This version of our 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 report takes precedence over this translation.

Sarajevo, Bosnia and Herzegovina

21 March 2025

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

	Note	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	4	288,980	380,414
Financial assets at fair value through profit or loss	5	299	167
Financial assets at fair value through other comprehensive income	6	207,058	151,795
Financial assets at amortised cost	7	1,829,467	1,684,513
Obligatory reserve with the Central Bank	*7.1*	*199,690*	*187,801*
Loans and receivables from credit institutions	*7.2*	*94,524*	*43,204*
Loans and receivables from clients	*7.3*	*1,522,225*	*1,437,199*
Other financial assets at amortised cost	*7.4*	*13,028*	*16,309*
Derivative financial instruments - assets	-	-	2
Prepaid income tax		37	-
Deferred tax assets	27	3,499	4,121
Property and equipment	8	32,730	31,102
Right-of-use assets	9	3,356	3,685
Investment property	10	1,391	1,426
Intangible assets	11	3,650	3,821
Investments in associates	12	607	607
Long-term assets held for sale	13	19	4
Other assets and receivables	14	1,603	1,099
Total assets		**2,372,697**	**2,262,756**
Liabilities and equity			
Financial liabilities measured at amortised cost	15	2,034,746	1,958,931
Deposits from banks and other financial institutions	*15.1*	*121,438*	*154,756*
Deposits from customers	*15.2*	*1,821,564*	*1,735,437*
Borrowings	*15.3*	*83,204*	*56,617*
Lease liabilities	*15.4*	3,470	3,745
Other financial liabilities measured at amortised cost	*15.5*	5,070	8,376
Derivative financial instruments - liabilities	-	0	2
Current tax liabilities		0	438
Provisions	16	15,647	16,871
Provision for loan commitments and guarantees given		*10,810*	*11,575*
Pending legal issues		*367*	*568*
Other provisions		*4,470*	*4,728*
Other liabilities	17	1,817	1,839
Total liabilities		**2,052,210**	**1,978,081**
Share capital	18	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		-2,690	-6,808
Retained earnings		188,499	156,805
Profit for the year		*38,538*	*32,671*
Accumulated earnings from previous years		*149,961*	*124,134*
Total equity		**320,487**	**284,675**
Total liabilities and equity		**2,372,697**	**2,262,756**

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

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

	Note	2024	2023
Interest income and similar income at the effective interest rate		80,559	73,278
Interest income and similar income at the effective interest rate from financial assets at amortized cost		77,652	71,398
Interest income and similar income at the effective interest rate from financial assets at fair value through other comprehensive income		2,907	1,880
Interest expense and similar income at the effective interest rate		-18,808	-11,556
Interest expense and similar expense at the effective interest rate from financial liabilities at amortized cost		-18,808	-11,556
Net interest income and similar income at the effective interest rate	19	**61,751**	**61,722**
Fee and commission income		46,220	42,645
Fee and commission expense		-12,540	-10,377
Net fee and commission income	20	**33,680**	**32,268**
Impairment losses from financial instruments and provisions	21	**-6,574**	**-10,267**
Net allocation of provisions for financial assets at amortized cost		-6,390	-10,249
Net allocation (release) of provisions for financial assets at fair value through other comprehensive income		-51	-8
Net allocation (release) of provisions for pending legal provisions		42	208
Net allocation (release) of provisions for other provisions		-175	-218
Other gains and losses from financial assets		**340**	**-101**
Net gains/(losses) from modifications of financial assets at amortized cost not result in derecognition		330	-111
Gains/losses from financial instruments measured at fair value through profit or loss		10	10
Net trading result	22	**3,881**	**3,606**
Net gains/(losses) from non-current non-financial assets		**390**	**-25**
Net gains/ (losses) of land, buildings and equipment		428	67
Net gains/ (losses) of intangible assets		-	-
Net gains/ (losses) of non-current assets held for sale	13	60	714
Net gains/(losses) of other non-financial assets		-98	-806
Dividend income		580	-
Other income	23	3,809	5,013
Personnel expenses	24	-25,185	-23,552
Depreciation and amortisation	25	-5,903	-5,486
Other costs and expenses	26	-24,839	-27,622
Profit before tax		**41,930**	**35,556**
Current income tax		-3,233	-3,277
Deferred income tax		-159	392
Income tax	27	**-3,392**	**-2,885**
Profit		**38,538**	**32,671**
Earnings per share			
Basic and diluted earnings	28	44.57	37.78

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

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

	Note	2024	2023
Profit		**38,538**	**32,671**
Other comprehensive loss		**4,118**	**-1,132**
Items that may be reclassified to profit or loss		*4,118*	*-1,132*
Debt instruments at fair value through other comprehensive income	6	*4,581*	*-1,257*
Deferred taxes relating to items that may be reclassified		*-463*	*125*
Items that will not be reclassified to profit or loss			-
Total comprehensive income		**42,656**	**31,539**

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

(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 earnings	Total
1 January 2023	**86,473**	**3,000**	**45,205**	**-5,676**	**134,134**	**263,136**
Profit	-	-	-	-	*32,671*	*32,671*
Other comprehensive loss	-	-	-	*-1,132*	-	*-1,132*
Total comprehensive income	-	-	-	***-1,132***	***32,671***	***31,539***
Dividend payment	-	-	-	-	*-10,000*	*-10,000*
31 December 2023	**86,473**	**3,000**	**45,205**	**-6,808**	**156,805**	**284,675**
1 January 2024	**86,473**	**3,000**	**45,205**	**-6,808**	**156,805**	**284,675**
Profit					*38,538*	*38,538*
Other comprehensive income	-	-	-	*4,118*	-	*4,118*
Total comprehensive income	-	-	-	***4,118***	***38,538***	***42,656***
Dividend payment	-	-	-	-	*-6,844*	*-6,844*
31 December 2024	**86,473**	**3,000**	**45,205**	**-2,690**	**188,499**	**320,487**

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

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

	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES		
Inflows from interest and similar income at the effective interest rate	77,149	70,605
Outflows from interest and similar income at the effective interest rate	-20,126	-10,980
Inflows from fees and commissions	52,185	39,334
Outflows from fees and commissions	-5,314	-2,035
Inflows from the collection of previously written-off receivables for given loans	3,077	4,106
Payments to employees	-26,255	-23,775
Payment of operating expenses and costs	-24,683	-21,408
Other inflows from operating activities	779	1,554
Other outflows from operating activities	-609	-4,122
Income tax paid	-3,708	-3,165
Cash flows from operating activities before changes in operating assets and operating liabilities	**52,285**	**50,114**
Net increase in the obligatory reserve at the Central Bank B&H	-11,901	-14,420
Net (increase) / decrease in placements with other banks	-50,949	22,444
Net increase in loans and receivables from clients	-94,668	-110,412
Net increase in other assets and receivables	-1,185	-575
Net (decrease) / increase in deposits from banks and other financial institutions	-32,909	6,682
Net increase in deposits from clients	85,628	114,558
Net increase in other financial liabilities at amortized cost	108	580
Net decrease in provisions for liabilities	-1,861	-16
Net increase in other liabilities	1,823	724
NET CASH FLOW (USED IN) / FROM OPERATING ACTIVITIES	**-53,629**	**69,679**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchases of debt instruments at fair value through other comprehensive income	-54,881	-26,892
Proceeds from collection of debt instruments at fair value through other comprehensive income	4,202	17,928
Purchases of property and equipment	-4,620	-3,357
Proceeds from sale of property, plant and equipment	417	83
Purchases of intangible assets	-1,322	-1,674
Dividends received	580	-
Purchases of investments in associates	-121	-
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES	**-55,745**	**-13,912**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend payment	-6,844	-10,000
Proceeds from borrowings	37,161	18,247
Payment of principal on borrowings	-10,673	-13,078
Payment of principal on leases	-1,462	-1,455
NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES	**18,182**	**-6,286**
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**-91,192**	**49,481**
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**380,414**	**331,315**
EFFECTS OF CHANGES IN EXCHANGE RATES OF CASH AND CASH EQUIVALENTS	**-240**	**-382**
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	**288,980**	**380,414**

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

1. GENERAL

History and incorporation

Sparkasse Bank dd 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

1. GENERAL (CONTINUED)

Managing bodies of the Bank

Supervisory Board:

Gerhard Maier	President of the Supervisory Board
Walburga Seidl	Member, Deputy President of the Supervisory Board
Renate Ferlitz	Member of the Supervisory Board
Peter Konrad	Member of the Supervisory Board
Christoph Schoefboeck	Member of the Supervisory Board
Željko Šain	Independent member of the Supervisory Board
Fatima Mahmutćehajić Novalija	Independent member of the Supervisory Board

Management Board:

Amir Softić	President of the Management Board
Igor Bilandžija	Member of the Management Board
Amer Hadžikadić	Member of the Management Board
Igor Jokić	Member of the Management Board

Audit Board:

Zlatan Jašarević	President
Angelika Greimel-Rechling	Member of the Audit Board, from 21 May 2023
Amela Markić	Member of the Audit Board, from 21 May 2023
Edis Hadžimušović	Member of the Audit Board, from 21 May 2023
Samir El-Jibrini	Member of the Audit Board, from 1 December 2023

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).
- By decision of the Management Board of the Association of Accountants, Auditors and Financial Workers of the FB&H dated 19 September 2022, the application of IFRS 17 begins with annual periods beginning on or after 1 January 2026. However, if IFRS 17 had been applied in 2024, there would be no material impact on these financial statements.

In accordance with the provisions of the Decision, as at 31 December 2024, the Bank created higher allowances for credit losses in the amount of BAM 14,698 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 2,788 thousand (for both allowances and provision for ECL),
- application of minimum impairment rates stipulated by the Article 24 of the Decision for exposures in Stage 2 and POCI performing of credit risk and application of Decision on temporary measures to mitigate the rise in interest rates – difference in the amount of BAM 6,851 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 and POCI of credit risk (non-performing assets) – difference in the amount of 5,059 thousand, of which amount of BAM 3,511 thousand refers to exposures not secured by acceptable collateral, the amount of BAM 1,548 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 impairment rates for contracts which fulfil the conditions stipulated by the Decision. By supplementing the decision from October 2023, the validity of the decision was extended until December 2025.

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

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of preparation and measurement basis (continued)

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

	1 January 2021	31 December 2021	31 December 2022	31 December 2023	31 December 2024
Decrease of assets	-10,343	-10,682	-13,604	-13,150	-13,257
Increase of liabilities	915	624	1,263	1,087	1,441
Decrease of equity	-11,258	-11,306	-14,867	-14,237	-14,698
Net result for the year ended	2,677	697	332	284	327

** Note: positive number represents an increase, and negative number represents a decrease. For year 2024 effects are mainly related to different stage overlay IFRS vs Local methodology*

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 Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except leasing transactions that are within the scope of IFRS 16 and measurement that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36. In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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 3.

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

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of preparation and measurement basis (continued)

These financial statements are separate financial statements of the Bank.

The Bank does not consolidate 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 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 EUR is exchanged to BAM at 1:1.95583 ratio (this rate was used in 2024 and 2023). It is expected that this exchange rate will continue in the foreseeable future.

d) Foreign currency translation

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

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

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

e) Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are changed and possibly in future periods if they are affected.
Information on areas with significant uncertainties in estimates, and information on critical judgments in application of accounting policies which have most significant effect on the amounts disclosed in these financial statements of the Bank are presented in Note 3.

f) Going concern

Financial statements are prepared under the assumption of going concern.

2. BASIS OF PREPARATION (CONTINUED)

g) New and amended standards adopted by the Bank

For the annual reporting period beginning on 1 January 2024, the following new and revised IFRS standards and amendments became effective:

- 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)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024)

The standards and 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.

h) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Company:

- Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025)
- 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 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).
- IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, the Management is required to make judgments, estimates and make assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

SPPI assessment

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

3. CRITICAL ACCOUNTING JUDGMENTS AND 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 33 Risk Management, section b, Credit risk.

Expected credit loss (“ECL”) measurement

Due to significant and rapid changes in the economic environment, the Bank has decided to adapt the approach to measuring expected credit losses ("ECL") for loans issued to micro, legal and natural persons. Management has performed a comprehensive portfolio analysis and has identified groups of borrowers for which sufficient reasonable and acceptable information is available to measure ECL on an industry basis.

After the COVID 19 stage overlay ceased to be valid, to ensure that risks are carefully and responsibly managed in accordance with the applicable accounting and regulatory framework, domestic and international standards of good practice, the Bank continued to apply the principle of stratification at the portfolio level, with amended rules.

More specifically, the bank applied rules for assessing a significant increase in credit risk based on cyclicality of industries and industrial segment specifics (energy, metals and chemicals are classified into S2) which ceased to be valid during the 2024. In November 2024 new stage overlay is introduced: Industry stage overlay - which applies only for legal entities, and it is based on risk profile and industry strategy.

Additional criteria for credit risk assessment were introduced considering the expectations of local supervisory bodies regarding the correct and timely recognition of increased credit risk, consideration of disruptions in supply chains, energy price instability and other relevant risks that may have consequences for individual economic branches or portfolios.

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

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

Considering the differences in the rules between the IFRS 9 compliant standards and the local regulatory defined standards, together with the specificities of the local market, some adaptation of the rules/practices was necessary for the local application of the above rules.

Additionally applied exceptions to the portfolio criteria for classification in Stage 2 are:

Additional criteria for exemption from stage overlay) 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 labelled 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 entitled to an exception, or the 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 exceptions is the conclusion that additional attributes are needed that will more adequately consider 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 IFRS 9 due to additional local regulatory rules – minimum regulatory CLA thresholds), and the local regulator did not specify the application of additional provisioning rules at portfolio level in detail, meaning that it is left to the Bank to define them in more detail.

As a result of the above, the Bank believes that the adapted application of additional local rules specific to the portfolio is reflected in the best possible application of overlapping portfolio phases adapted to local regulatory and market specificities. In addition, another reason for a customized local approach is the locally specific (not practiced in other countries) regulatory requirements that require the disclosure of stages in publicly available registers (CRK - Central Credit Register) that affect the reputation of clients and their ability to access a suitable source financing, especially for key customers in the overall local market with good credit quality (hence additional local criteria such as net debt / EBITDA). In order to minimize the possibility of systemic risk, these additional criteria were introduced.

Additional criteria applied by the Bank for stage overlay from the point of view of the local regulator:

Stage overlay is applied, as an additional criterion for determining the increased credit risk specific to a portfolio that is exposed to a significant increase in the interest rate, on the basis of which it is checked whether the increase in the interest rate has consequently led to an increase in the credit risk after the initial recognition for certain financial instrument.

The method of applying the stage overlay, as well as all the criteria, are explained in detail through the internal documents of the Bank, in accordance with the valid procedures of the parent group, as well as the decisions of the local regulator.

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

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.

The estimation of bond prices, hence revalorization reserve, is based on the methodology for determining the average spread: The spread resulting from the issue price of a new bond is taken for each observed new issue, and then the weighted average spread is calculated, which serves as an input for the credit spread for all active bonds in the portfolio. This method also allows for updating the spread even without new bond issues, since the weights will change depending on the passage of time and this is applicable to both local and foreign bonds.

Deferred tax assets and liabilities

Deferred 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, i.e. Increase the tax base in case of higher expenses, i.e. reduce the tax base in case of higher income, while at the same time recognizing tax assets / liabilities as 10% of these amounts.

Litigations

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

Bank has reserved BAM 367 thousand (2023: BAM 568 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 16, 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.

Useful lives of property and equipment

As described in Note 8 below, the Bank reviews the estimated useful lives of property and equipment at the end of each annual reporting period.

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

4. CASH AND CASH EQUIVALENTS

	2024	2023
Cash on hand	**167,564**	**277,211**
Cash balances at central banks above obligatory reserves with the CBBH	90,222	101,860
Impairment (Note 21)	-90	-102
Cash balances at central banks above obligatory reserves with the CBBH after impairment	**90,132**	**101,758**
Other demand deposits to credit institutions	31,445	1,541
Impairment (Note 21)	-161	-96
Other demand deposits to credit institutions after impairment	**31,284**	**1,445**
Cash and cash balances	**288,980**	**380,414**

Movement of allowance for impairment losses

	1 January 2024	**Allocation (new assets originated or purchased)**	**Derecognition (assets derecognised or repaid)**	**Other**	**31 December 2024**
Other demand deposits to credit institutions	-96	-3,702	3,637	-	-161
Cash balances at central banks above obligatory reserves with the CBBH	-102	-	12	-	-90
Total impairment	**-198**	**-3,702**	**3,649**		**-251**

	1 January 2023	**Allocation (new assets originated or purchased)**	**Derecognition (assets derecognised or repaid)**	**Other**	**31 December 2023**
Other demand deposits to credit institutions	-89	-3,394	3,386	1	-96
Cash balances at central banks above obligatory reserves with the CBBH	-84	-18	-	-	-102
Total impairment	**-173**	**-3,412**	**3,386**	**1**	**-198**

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
Equity instruments	299	167
Equity instruments	**299**	**167**

Investments in equity securities, except for investments in associates, are classified at fair value through profit or loss (FVTPL). The Bank holds investments in SWIFT, Belgium in the form of stakes. Compared to the previous year, there was a movement due to an increase in shares amounting to BAM 122 thsd and a fair value adjustment of BAM 10 thsd. The fair value is calculated at the Erste Group level.

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

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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.

	2024	**2023**
Government bonds - Federation Bosnia and Herzegovina and Republika Srpska	100,341	68,095
Government bonds - Republic of Austria	45,596	29,178
Government bonds - Kingdom of Belgium	19,899	14,932
Government bonds - Republic of Slovenia	16,302	15,816
Government bonds and treasury bills - Republic of France (treasury bills matured in April 2024.)	16,259	15,126
Government bonds - Republic of Croatia	8,872	8,808
Total debt securities	**207,269**	**151,955**
Impairment	-211	-160
Total debt securities, net	**207,058**	**151,795**

In 2024, the Bank invested in bonds and treasury bills. The yield on treasury bills was 3.4%. Yields on bond portfolio range from 0.08% to 4.85%.

Expected Maturity:

	2024	**2023**
- no more than 12 months after the reporting period	30,988	4,214
- more than 12 months after the reporting period	176,070	147,741
Total debt securities	**207,058**	**151,955**

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

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

31 December 2024	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	210,852			210,852	-211			-211	-3,583	207,058
Total	**210,852**			**210,852**	**-211**			**-211**	**-3,583**	**207,058**

31 December 2023	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	160,115	-	-	160,115	-160	-	-	-160	-8,160	151,795
Total	**160,115**	**-**	**-**	**160,115**	**-160**	**-**	**-**	**-160**	**-8,160**	**151,795**

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

	From	Allocation (increase in provision)	Derecognition (release of provision)	Transfer between stages	Release of provision, net (not resulted from derecognition)	To
	1 January 2024					**31 December 2024**
Stage 1	-160	-53	4	-	-2	-211
Total	**-160**	**-53**	**4**	**-**	**-2**	**-211**

	From	Allocation (increase in provision)	Derecognition (release of provision)	Transfer between stages	Release of provision, net (not resulted from derecognition)	To
	1 January 2023					**31 December 2023**
Stage 1	-152	-26	18	-	-	-160
Total	**-152**	**-26**	**18**	**-**	**-**	**-160**

7. FINANCIAL ASSETS AT AMORTIZED 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 “Obligatory reserve with the Central Bank”, “Loans and receivables from credit institutions”, “Loans and receivables from clients”, “Other financial assets at amortized cost”. 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.

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

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

7.1 Obligatory reserve with the Central Bank

2024	Gross carrying amount					Impairment					Carrying amount
	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	199,890	-	-	-	199,890	-200	-	-	-	-200	199,690
Total	**199,890**	**-**	**-**	**-**	**199,890**	**-200**	**-**	**-**	**-**	**-200**	**199,690**

Movement of allowance for impairment losses:

	1 January 2024	Allocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	31 December 2024
Obligatory reserve with the CBBH				
Obligatory reserve with the CBBH	-188	-12	-	-200
Total allowances for impairment losses	**-188**	**-12**	**-**	**-200**

2023	Gross carrying amount					Impairment					Carrying amount
	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	187,989	-	-	-	187,989	-188	-	-	-	-188	187,801
Total	**187,989**	**-**	**-**	**-**	**187,989**	**-188**	**-**	**-**	**-**	**-188**	**187,801**

Movement of allowance for impairment losses:

	1 January 2023	Allocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	31 December 2023
Obligatory reserve with the CBBH				
Obligatory reserve with the CBBH	-173	-15	-	-188
Total allowances for impairment losses	**-173**	**-15**	**-**	**-188**

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

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

7.2 Loans and receivables from credit institutions

2024	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Impairment Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount 31 December
Loans and receivables from credit institutions											
Credit institutions	94,618	-	-	-	94,618	-94	-	-	-	-94	94,524
Total	**94,618**	**-**	**-**	**-**	**94,618**	**-94**	**-**	**-**	**-**	**-94**	**94,524**

Movement of allowance for impairment losses:

	1 January 2024	Allocation (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 2024
Loans and receivables from credit institutions								
Stage 1								
Credit institutions	-43	-411	362	-	-	-	-2	-94
Total allowances for impairment losses	**-43**	**-411**	**362**	**-**	**-**	**-**	**-2**	**-94**

2023	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Impairment Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount 31 December
Loans and receivables from credit institutions											
Credit institutions	43,247	-	-	-	43,247	-43	-	-	-	-43	43,204
Total	**43,247**	**-**	**-**	**-**	**43,247**	**-43**	**-**	**-**	**-**	**-43**	**43,204**

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

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

7.2 Loans and receivables from credit institutions (continued)

Movement of allowance for impairment losses:

	1 January 2023	Allocation (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 2023
Loans and receivables from credit institutions								
Stage 1								
Credit institutions	-63	-45	65	-	-	-	-	-43
Total allowances for impairment losses	**-63**	**-45**	**65**	**-**	**-**	**-**	**-**	**-43**

7.3 Loans and receivables from clients

	Gross carrying amount					Impairment					Carrying amount
2024	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	**31 December**
Loans and receivables from clients											
Credit institutions	-	-	-	-	-	-	-	-	-	-	-
General governments	34,884	8,342	-	-	43,226	-673	-497	-	-	-1,170	42,056
Other financial institutions	15,573	-	-	-	15,573	-261	-	-	-	-261	15,312
Non-financial institutions	641,627	171,444	14,523	3,958	831,552	-8,222	-11,933	-13,981	-698	-34,834	796,718
Households	573,243	100,807	32,753	1,233	708,036	-3,768	-8,266	-27,395	-468	-39,897	668,139
Total	**1,265,327**	**280,593**	**47,276**	**5,191**	**1,598,387**	**-12,924**	**-20,696**	**-41,376**	**-1,166**	**-76,162**	**1,522,225**

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

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

7.3 Loans and receivable from clients (continued)

Movement of allowance for impairment losses:

	1 January 2024	Allocation (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 2024
Loans and receivables from clients								
Stage 1	**-12,206**	**-13,076**	**2,426**	**3,421**	**6,511**	**-**	**-**	**-12,924**
General governments	-545	-157	-	-	29	-	-	-673
Other financial institutions	-219	-275	1	-	232	-	-	-261
Non-financial institutions	-7,868	-10,929	2,008	2,906	5,661	-	-	-8,222
Households	-3,574	-1,715	417	515	589	-	-	-3,768
Stage 2	**-21,586**	**-1,006**	**4,831**	**-10,160**	**7,225**	**-**	**-**	**-20,696**
General governments	-621	-	-	-	124	-	-	-497
Other financial institutions	-	-	-	-	-	-	-	-
Non-financial institutions	-14,026	-991	4,013	-5,110	4,181	-	-	-11,933
Households	-6,939	-15	818	-5,050	2,920	-	-	-8,266
Stage 3	**-41,348**	**-**	**4,046**	**-6,857**	**-6,084**	**8,867**	**-**	**-41,376**
Other financial institutions	-	-	-	-	-	-	-	-
Non-financial institutions	-16,098	-	3,428	-3,296	-1,834	3,819	-	-13,981
Households	-25,250	-	618	-3,561	-4,250	5,048	-	-27,395
POCI	**-827**	**-**	**77**	**-**	**-1,189**	**773**	**-**	**-1,166**
Non-financial institutions	-360	-	62	-	-1,092	692	-	-698
Households	-467	-	15	-	-97	81	-	-468
Total allowances for impairment losses	**-75,967**	**-14,082**	**11,380**	**-13,596**	**6,463**	**9,640**	**-**	**-76,162**

	Gross carrying amount					**Impairment**					**Carrying amount**
2023	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	**31 December**
Loans and receivables from clients											
Credit institutions	-	-	-	-	-	-	-	-	-	-	-
General governments	19,637	9,469	-	-	29,106	-545	-621			-1,166	27,940
Other financial institutions	12,925	-	-	-	12,925	-219	-	-	-	-219	12,706
Non-financial institutions	555,986	232,351	23,977	788	813,102	-7,868	-14,026	-16,098	-360	-38,352	774,750
Households	548,528	76,699	31,443	1,363	658,033	-3,574	-6,939	-25,250	-467	-36,230	621,803
Total	**1,137,076**	**318,519**	**55,420**	**2,151**	**1,513,166**	**-12,206**	**-21,586**	**-41,348**	**-827**	**-75,967**	**1,437,199**

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

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

7.3 Loans and receivable from clients (continued)

Movement of allowance for impairment losses:

	1 January 2023	Allocation (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 2023
Loans and receivables from clients								
Stage 1	**-11,802**	**-12,353**	**3,964**	**5,093**	**2,892**	**-**	**1**	**-12,206**
General governments	-81	-351	-	76	-189	-	-	-545
Other financial institutions	-225	-189	104	-	90	-	1	-219
Non-financial institutions	-8,298	-10,240	3,297	4,304	3,070	-	-1	-7,868
Households	-3,198	-1,574	562	714	-79	-	1	-3,574
Stage 2	**-19,864**	**-331**	**4,135**	**-13,500**	**7,974**	**-**	**-1**	**-21,586**
General governments	-	-	-	-646	25	-	-	-621
Other financial institutions	-	-	-	-	-	-	-	-
Non-financial institutions	-12,548	-326	3,459	-9,813	5,203	-	-1	-14,026
Households	-7,316	-5	676	-3,040	2,746	-	-	-6,939
Stage 3	**-36,311**	**-**	**4,554**	**-13,479**	**-4,472**	**8,362**	**-**	**-41,348**
Other financial institutions	-	-	-	-	-	-	-	-
Non-financial institutions	-10,804	-	3,872	-8,936	-710	480	-	-16,098
Households	-25,509	-	682	-4,544	-3,762	7,883	-	-25,250
POCI	**-1,209**	**-**	**82**	**-**	**-1,006**	**1,305**	**1**	**-827**
Non-financial institutions	-748	-	70	-	-688	1,005	-	-360
Households	-461	-	12	-	-318	300	-	-467
Total allowances for impairment losses	**-69,188**	**-12,684**	**12,735**	**-21,886**	**5,389**	**9,667**	**1**	**-75,967**

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

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

7.3 Loans and receivable from clients (continued)

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

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Gross carrying amount as at 1 January 2024	**1,180,323**	**318,519**	**55,420**	**2,151**	**1,556,413**
New assets originated or purchased	638,864	75,921	398	3,619	718,802
Assets derecognised or repaid (excluding write off)	-470,452	-121,140	-12,719	-1,044	-605,355
Transfer from Stage 1 to Stage 2	-85,701	85,701	-	-	-
Transfer from Stage 1 to Stage 3	-4,938	-	4,938	-	-
Transfer from Stage 2 to Stage 3	-	-8,773	8,773	-	-
Transfer from Stage 3 to Stage 2	-	4,582	-4,582	-	-
Transfer from Stage 2 to Stage 1	58,312	-58,312	-	-	-
Transfer from Stage 3 to Stage 1	287	-	-287	-	-
Amount written off	-	-	-8,867	-773	-9,640
Changes to contracts that did not change the stage	-51,368	-15,905	4,202	1,238	-61,833
At 31 December 2024	**1,265,327**	**280,593**	**47,276**	**5,191**	**1,598,387**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans and advances at amortised cost					
Gross carrying amount as at 1 January 2023	**1,183,971**	**248,620**	**41,696**	**2,150**	**1,476,437**
New assets originated or purchased	588,647	102,002	6,662	876	698,187
Assets derecognised or repaid (excluding write off)	-470,428	-91,847	-11,680	-508	-574,463
Transfer from Stage 1 to Stage 2	-119,574	119,574	-	-	-
Transfer from Stage 1 to Stage 3	-6,051	-	6,051	-	-
Transfer from Stage 2 to Stage 3	-	-15,572	15,572	-	-
Transfer from Stage 3 to Stage 2	-	177	-177	-	-
Transfer from Stage 2 to Stage 1	40,801	-40,801	-	-	-
Transfer from Stage 3 to Stage 1	190	-	-190	-	-
Amount written off	-	-	-8,362	-1,305	-9,667
Changes to contracts that did not change the stage	-37,233	-3,634	5,848	938	-34,081
At 31 December 2023	**1,180,323**	**318,519**	**55,420**	**2,151**	**1,556,413**

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

7. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

7.4 Other financial assets at amortized cost

2024	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total	Impairment Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount 31 December
Other financial assets at amortised cost											
Authorized exchange office receivables	5,584	-	2	-	5,586	-	-	-2	-	-2	5,584
Domestic transactions receivables	3,063	5	232	-	3,300	-96	-1	-228	-	-325	2,975
Fees and commission receivables	3,246	38	1,960	-	5,244	-68	-4	-1,943	-	-2,015	3,229
Western union receivables	47	-	-	-	47	-1	-	-	-	-1	46
Receivables from employees	196	-	40	-	236	-4	-	-40	-	-44	192
VAT receivables	2	-	-	-	2	-	-	-	-	-	2
Other assets	1,012	7	825	-	1,844	-21	-1	-822	-	-844	1,000
Total	**13,150**	**50**	**3,059**	**-**	**16,259**	**-190**	**-6**	**-3,035**	**-**	**-3,231**	**13,028**

Movement of allowance for impairment losses:

	1 January 2024	**Allocation (new assets originated or purchased)**	**Derecognition (assets derecognised or repaid)**	**Release of provision, net (not resulted from derecognition)**	**Write-offs**	**31 December 2024**
Other financial assets at amortised cost						
Other financial assets at amortised cost	-2,911	-341	-	-	21	-3,231
Total allowances for impairment losses	**-2,911**	**-341**	**-**	**-**	**21**	**-3,231**

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

7. FINANCIAL ASSETS AT AMORTISED COST 8 (CONTINUED)

7.4 Other financial assets at amortized cost (continued)

2023	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	5,241	-	2		5,243	-	-	-2	-	-2	5,241
Domestic transactions receivables	5,820	5	183	-	6,008	-124	-1	-179	-	-304	5,704
Fees and commission receivables	4,498	32	1,675	-	6,205	-89	-3	-1,657	-	-1,749	4,456
Western union receivables	23	-	-	-	23	-	-	-	-	-	23
Receivables from employees	136	-	40	-	176	-3	-	-40	-	-43	133
VAT receivables	1	-	-	-	1	-	-	-	-	-	1
Other assets	765	1	798	-	1,564	-15	-	-798	-	-813	751
Total	**16,484**	**38**	**2,698**	**-**	**19,220**	**-231**	**-4**	**-2,676**	**-**	**-2,911**	**16,309**

Movement of allowance for impairment losses:

	1 January 2023	Allocation (new assets originated or purchased)	Derecognition (assets derecognised or repaid)	Release of provision, net (not resulted from derecognition)	Write-offs	31 December 2023
Other financial assets at amortised cost						
Other financial assets at amortised cost	-2,734	-475	50	-	248	-2,911
Total allowances for impairment losses	**-2,734**	**-475**	**50**	**-**	**248**	**-2,911**

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

7.5 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.

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.

7. FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

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

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”.

7.6 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.

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.

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

8. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation and any recognized accumulated impairment losses.

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

Estimated useful lives were as follows:

	2024	2023
Land and buildings	50 years	50 years
Office equipment and installations	5-10 years	5-10 years
IT assets (hardware)	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.

Property and equipment

a) Purchase value

	Land and buildings	Office equipment and installations	IT assets (hardware)	Asset under construction (AUC)	Total
1 January 2023	**34,247**	**15,102**	**6,110**	**-**	**55,459**
Additions (+)	-	-	-	3,357	3,357
Sales and expenses (-)	-38	-1,574	-908	-	-2,520
Transfer from AUC (+/-)	839	1,814	663	-3,316	-
Balance at 31 December 2023	**35,048**	**15,342**	**5,865**	**41**	**56,296**
Additions (+)				4,620	4,620
Sales and expenses (-)	-	-1,557	-79	-	-1,636
Transfer from AUC (+/-)	103	2,104	696	-2,903	-
Balance at 31 December 2024	**35,151**	**15,889**	**6,482**	**1,758**	**59,280**

b) Accumulated depreciation

	Land and buildings	Office equipment and installations	IT assets (hardware)	Asset under construction (AUC)	Total
January 1, 2023	**-9,422**	**-11,084**	**-4,497**	**-**	**-25,003**
Depreciation (-)	-839	-1,276	-575	-	-2,690
Sales and expenses (+)	37	1,556	906	-	2,499
Balance at 31 December 2023	**-10,224**	**-10,804**	**-4,166**	**-**	**-25,194**
Depreciation (-)	-887	-1,401	-680	-	-2,968
Sales and expenses (+)	-	1,533	79	-	1,612
Balance at 31 December 2024	**-11,111**	**-10,672**	**-4,767**	**-**	**-26,550**

c) Book value

	Land and buildings	Office equipment and installations	IT assets (hardware)	Asset under construction (AUC)	Total
Balance at 31 December 2024	**24,040**	**5,217**	**1,715**	**1,758**	**32,730**
Balance at 31 December 2023	**24,824**	**4,538**	**1,699**	**41**	**31,102**
Balance at 1 January 2023	**24,825**	**4,018**	**1,613**	**-**	**30,456**

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

9. RIGHT OF USE ASSETS

Land and buildings

Estimated useful lives for right of use assets are 5 years.

a) Purchase value

1 January 2023	**5,915**
Additions (+)	2,188
Sales and expenses (+)	-1,450
Balance at 31 December 2023	**6,653**
Additions (+)	1,192
Sales and expenses (+)	-716
Balance at 31 December 2024	**7,129**

b) Accumulated depreciation

1 January 2023	**-2,878**
Depreciation (-)	-1,238
Sales and expenses (+)	1,148
Impairments (-)	-
Balance at 31 December 2023	**-2,968**
Depreciation (-)	-1,407
Sales and expenses (+)	602
Balance at 31 December 2024	**-3,773**

c) Book values

Balance at 31 December 2024	**3,356**
Balance at 31 December 2023	**3,685**
Balance at 1 January 2023	**3,037**

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

10. INVESTMENT PROPERTIES

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 2024 the Bank generated a total income from rents in the amount of BAM 544 thousand – Note 23 (2023 – BAM 347 thousand), while direct costs for the year amounted to BAM 25 thousand (2023 – BAM 25 thousand).

a) Purchase value

1 January 2023	**1,760**
Additions (+)	-
Sales and expenses (+)	-
Reclassification (+/-)	-
Balance at 31 December 2023	**1,760**
Additions (+)	-
Sales and expenses (+)	-
Reclassification (+/-)	-
Balance at 31 December 2024	**1,760**

b) Accumulated depreciation

1 January 2023	**-299**
Depreciation (-)	-35
Sales and expenses (+)	-
Balance at 31 December 2023	**-334**
Depreciation (-)	-35
Sales and expenses (+)	-
Balance at 31 December 2024	**-369**

c) Book values

Balance at 31 December 2024	**1,391**
Balance at 31 December 2023	**1,426**
Balance at 1 January 2023	**1,461**

Fair value of investment properties as at 31 December 2024 and 2023 does not significantly differ from the carrying value of the building during 2024 and 2023.

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

11. INTANGIBLE ASSETS

Intangible assets are initially measured at acquisition cost and are amortized on a straight-line method over their estimated useful lives.

Estimated useful lives were as follows:

	2024	**2023**
Software	5 years	5 years
Licenses and patents	5 years	5 years

a) Purchase value

	Software	Other (licenses, patents, etc.)	Asset under construction (AUC)	Total
1 January 2023	**12,140**	**6,765**	**-**	**18,905**
Additions (+)	-	-	1,674	1,674
Sales and expenses (-)	-60	-5	-	-65
Transfer from AUC (+/-)	1,108	84	-1,192	-
Balance at 31 December 2023	**13,188**	**6,844**	**482**	**20,514**
Additions (+)	-	-	1,322	1,322
Transfer from AUC (+/-)	1,616	72	-1,688	-
Balance at 31 December 2024	**14,804**	**6,916**	**116**	**21,836**

b) Accumulated amortization

	Software	Other (licenses, patents, etc.)	Asset under construction (AUC)	Total
1 January 2023	**-9,125**	**-6,110**	-	**-15,235**
Depreciation (-)	-1,116	-407	-	-1,523
Sales and expenses (+)	60	5	-	65
Balance at 31 December 2023	**-10,181**	**-6,512**	**-**	**-16,693**
Depreciation (-)	-1,296	-197	-	-1,493
Balance at 31 December 2024	**-11,477**	**-6,709**	**-**	**-18,186**

c) Book values

	Software	Other (licenses, patents, etc.)	Asset under construction (AUC)	Total
Balance at 31 December 2024	**3,327**	**207**	**116**	**3,650**
Balance at 31 December 2023	**3,007**	**332**	**482**	**3,821**
Balance at 1 January 2023	**3,015**	**655**	**-**	**3,670**

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

12. 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.

Investment in associate in the financial statements are stated at cost less any impairment in the value of individual investments if needed. As described in Note 2b, the Bank does not consolidate its associate – Sparkasse Leasing d.o.o. Sarajevo.

The Bank's investments in associates are as follows:

Name of the company	Principal activity	2024	2023
Sparkasse Leasing d.o.o. Sarajevo (49%)	Financial and operating leasing	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:

	2024	2023
Total assets	150,052	133,345
Total liabilities	-137,290	-120,887
Net result for the period	1,488	1,763
Net assets	**12,762**	**12,458**

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

	Cost method	
	2024	**2023**
Balance at 1 January	**607**	**607**
Increase in risk provision	-	-
Balance at 31 December	**607**	**607**

13. LONG-TERM ASSETS HELD FOR SALE

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 BAM 1, as prescribed by the FBA.

	2024	2023
Repossessed collaterals	609	1,155
Impairment of repossessed collaterals	-590	-1,151
Net Repossessed long-term assets	**19**	**4**

Movement of impairment for repossessed collaterals:

	From	Additions (increase in provision)	Derecognition (release of provision)	Write-off and Sales	To
	1 January 2024				**31 December 2024**
Repossessed collaterals	-1,151	-98	-	659	-590
Total	**-1,151**	**-98**	**-**	**659**	**-590**

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

13. LONG-TERM ASSETS HELD FOR SALE (CONTINUED)

Movement of impairment for repossessed collaterals (continued):

	From	Additions (increase in provision)	Derecognition (release of provision)	Write-off and Sales	To
	1 January 2023				31 December 2023
Repossessed collaterals	-2,324	-809	3	1,979	-1,151
Total	**-2,324**	**-809**	**3**	**1,979**	**-1,151**

	2024	2023
Gains on sale	60	714
Total	**60**	**714**

14. OTHER ASSETS AND RECEIVABLES

	2024	2023
Paid in advance expenses	1,457	972
Consumables	24	44
Other assets	192	139
Total other assets before impairment losses	*1,673*	*1.155*
Less: Impairment losses	-70	-56
Net other assets and receivables	**1,603**	**1.099**

Movement of impairment for other assets:

	From	Additions (increase in provision)	Derecognition (release of provision)	Write-off and Sales	To
	1 January 2024				31 December 2024
Other assets	-56	-76	62	-	-70
Total	**-56**	**-76**	**62**	**-**	**-70**

	From	Additions (increase in provision)	Derecognition (release of provision)	Write-off	To
	1 January 2023				31 December 2023
Other assets	-135	-64	143	-	-56
Total	**-135**	**-64**	**143**	**-**	**-56**

15. 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 from banks and other financial institutions”, “Deposits from customers”, “Borrowings”, “Lease liabilities” and “Other financial liabilities measured at amortized cost”.

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'.

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

15. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (CONTINUED)

15.1 Deposits from banks and other financial institutions

	2024	2023
Overnight deposits	16,930	624
Term deposits	104,508	154,132
Deposits from banks and other financial institutions	**121,438**	**154,756**

15.2 Deposits from customers

	2024	2023
Current accounts / overnight deposits	**1,112,212**	**1,044,352**
Transaction accounts	**1,112,212**	**1,044,352**
General governments	83,097	68,116
Non-financial corporations	408,842	397,379
Households	620,273	578,857
Term deposits	**709,352**	**691,085**
Deposits with agreed maturity	**709,352**	**691,085**
Savings deposits	**355,816**	**329,821**
Non-financial corporations	31,487	24,539
Households	324,329	305,282
Non-saving deposits	**353,536**	**361,264**
General governments	10,317	30,794
Non-financial corporations	308,084	295,618
Households	35,135	34,852
Deposits from customers	**1,821,564**	**1,735,437**
General governments	93,414	98,910
Non-financial corporations	748,413	717,536
Households	979,737	918,991

Average IR on total client deposits at the end of 2024 amounted 0.66% p.a. and are higher compared to the previous year (2023 0.40%) by 26 b.p, of which: non-financial corporation's deposits at the end of 2024 amounted 0.88% p.a. and are higher compared to the previous year (2023 0.44%) by 44 b.p. while households amounted 0.52% vs 0.35% in 2023.

In deposit structure the highest increase achieved in long-term deposits in Corporate from 1.051% (2023) to 1.81% (2024), by Household from 1.015% (2023) to 1.390% (2024).

Interest rates on short-term deposits increased in Corporate from 0.536% (2023) to 1.795% (2024), by Household from 0.376% (2023) to 0.949% (2024) while in public sector increased from 0.405% to 0.592% in 2024.

A vista deposits average interest rates increased from 0.004% to 0.007%, while a vista saving accounts average interest rates increased from 0.055% and 0.066%.

15.3 Borrowings

	2024	2023
European Bank for Reconstruction and Development (EBRD), maturity 10 July 2026	29,350	23,390
GGF (Fond Green for Growth), maturity 15 June 2029	17,630	17,643
Steiermarkiche bank und Sparkassen AG - subordinated debt, maturity 31 August 2034	33,425	9,984
The European Fund for Southeast Europe (EFSE), maturity 15 December 2025	2,799	5,600
Total	**83,204**	**56,617**

Interest rates for taken loans depend on the term, as well as the type of interest rate applied (fixed or variable). Loans with a variable interest rate are tied to the 6-month Euribor.

Expected Maturity:

	2024	2023
- within 12 months after the reporting period	19,835	11,130
- more than 12 months after the reporting period	63,369	45,487
Total	**83,204**	**56,617**

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

15. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (CONTINUED)

15.3 Borrowings (continued)

The Bank complied with all financial covenants under EBRD financing agreements as of 31 December 2024 and 31 December 2023.
Financial covenant terms of the club financing facilities were as follows:

Covenant	Calculation	Target	2024	2023
Capital Adequacy ratio	means the ratio obtained by dividing: (a) own funds; by (b) total risk exposure amount	min 15.5%	19.28%	19.61%
Open Credit Exposure Ratio (OCER)	means the ratio obtained by dividing: (a) the total NPLs reduced by total Provisions (FBA or IFRS whichever is higher); by (b) the Tier I Capital (FBA)	max 25%	-5.06%	-10.04%
Net Stable Funding Ratio (NSFR)	means the ratio obtained by dividing: (a) the Borrower's available amount of stable funding; by (b) the Borrower's required amount of stable funding	min 100%	147.27%	138.79%
Liquidity Coverage Ratio (LCR)	means the ratio obtained by dividing: (a) the stock of high-quality liquid assets of the Borrower; by (b) the total net cash outflows of the Borrower over the next 30 calendar days	min 100%	215.87%	184.35%

Carrying amount of financial assets pledged as collaterals

	2024	2023
Financial assets at FVOCI	10,797	10,645
Total	**10,797**	**10,645**

The financial assets pledged as collateral consist of bonds. Collaterals were pledged as a result of transactions shown in line Financial liabilities at amortised cost, borrowings with EBRD.

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

15. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (CONTINUED)

15.4 Lease liabilities

	2024	2023
Lease liabilities	3,470	3,745

	2024	2023
Maturity analysis		
- less than one year	1,379	1.288
- one to five years	2,091	2.517
- more than five years	-	-
Total	**3,470**	**3,745**

Lease liabilities

	2024	2023
Current	1,379	1,228
Non-current	2,091	2,517

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.

The Bank does not provide any guaranteed residual value.

Interest expenses on lease liabilities for the year ended 31 December 2024 amounted to 105 thousand BAM, in year 2023 93 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 2024 is 565 thousand BAM (2023: 602 thousand BAM).

Amounts recognised for the reporting period

The following amounts are recognised in profit or loss:

	2024	2023
Interest expense on lease liabilities (included in finance expenses)	105	93
Expense relating to leases of low-value assets that are not short-term leases (included in personnel expenses, other administrative expenses and depreciation expenses)	565	602
Total	**670**	**695**

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

15. FINANCIAL LIABILITIES MEASURED AT AMORTISED COST (CONTINUED)

15.4 Lease liabilities (continued)

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

	2024	2023
Cash outflow for leases – within financing activities		
Principal	1,462	1,362
Interest	105	93
Expense relating to short-term leases	565	622
Total	**2,132**	**2,077**

15.5 Other financial liabilities measured at amortised cost

	2024	2023
Liabilities to banks	1,396	2,836
Liabilities towards suppliers	1,325	2,804
Card business obligations	1,094	982
Liabilities for unallocated payments	831	1,414
Liabilities for taxes	389	300
Liabilities towards employees	35	40
Total	**5,070**	**8,376**

16. PROVISIONS

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.

	2024	2023
Loan commitments and guarantees given	**10,810**	**11,575**
Pending legal issues	**367**	**568**
Other provisions	**4,470**	**4,728**
Long-term employee provisions	*1,504*	*1,441*
Other provisions	*2,966*	*3,287*
Provisions	**15,647**	**16,871**

Movement of provision for Long-term employee provisions

Long-term provisions for employees	2024	2023
Present value of long-term provisions for employee benefits, 1 January	**1,441**	**1,339**
Cost of services	59	111
Interest expense	81	78
Payments	-77	-87
Present value of long-term provisions for employee benefits, 31 December	**1,504**	**1,441**

16. PROVISIONS (continued)

Provisions for employee benefits

As of 31 December 2024, the provisions for employee benefits represent unused vacation days and severance and retirement severance payments and were determined using the projected credit unit.

Provision for employee benefits are calculated on the basis of an independent actuarial report on the implementation of IAS 19 – Employee benefits

In order to make actuarial estimates, following assumptions were used:

- Demographic assumptions on future characteristics of employees (mortality, employee fluctuation rate):
  - Average mortality rate 0.58% (2023: 0.98%)
  - Average fluctuation rate 1.76% (2023: 1.33%)
- Financial assumptions (discount rate, wage levels, expected wage growth):
  - Discount rate 6.00% (2023: 5.0%)
  - Expected wage growth rate of 3.00% (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).

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

16. 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 2024						**31 December 2024**
Stage 1	6,095	6,167	-3,372	-1,299	-1,953	4	5,642
Stage 2	5,381	83	-2,836	2,962	-437	-	5,153
Stage 3	99	-	-223	245	-106	-	15
Total	**11,575**	**6,250**	**-6,431**	**1,908**	**-2,496**	**4**	**10,810**

	From	Increase	Derecognition	Transfer between stages	Other changes in credit risk (net)	Others	To
	1 January 2023						**31 December 2023**
Stage 1	5,393	5,530	-3,346	-1,597	115	-	6,095
Stage 2	7,242	42	-2,233	2,561	-2,231	-	5,381
Stage 3	126	-	-73	61	-14	-1	99
Total	**12,761**	**5,572**	**-5,652**	**1,025**	**-2,130**	**-1**	**11,575**

16. PROVISIONS (CONTINUED)

Movement of pending legal proceedings

	From	Increase	Derecognition	Others and Use	To
	1 January 2024				31 December 2024
Pending legal proceedings	568	166	-208	-159	367
Total	**568**	**166**	**-208**	**-159**	**367**

	From	Increase	Derecognition	Others and Use	To
	1 January 2023				31 December 2023
Pending legal proceedings	792	46	-254	-16	568
Total	**792**	**46**	**-254**	**-16**	**568**

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.

	2024	2023
Granted but undrawn loans	288,586	261,049
Performance guarantees	159,253	156,864
Payment guarantees	100,233	101,158
Letters of credit	4,631	1,046
Total	**552,703**	**520,117**

17. OTHER LIABILITIES

	2024	2023
Liabilities for unallocated funds	1,051	1,044
Deferred income	766	792
Other accrued expenses	-	3
Total	**1,817**	**1,839**

18. SHARE CAPITAL

Shareholding structure as at 31 December 2024 and 2023 was as follows:

	2024				2023			
	No. of shares	Share capital Amount in BAM '000	%	Share premium Amount in BAM '000	No. of shares	Amount in BAM '000	%	Share premium Amount in BAM '000
Steiermarkische Bank und Sparkassen AG, Graz, Austrija	864,733	86,473	100	3,000	864,733	86,473	100	3,000
Total paid capital	**864,733**	**86,473**	**100**	**3,000**	**864,733**	**86,473**	**100**	**3,000**

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)

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

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.

	2024	2023
Interest and other similar income		
Financial assets at amortised cost	77,652	71,398
of which unwinding (Note 7.3)	*-841*	*-852*
Financial assets measured at fair value through other comprehensive income	2,907	1,880
Total interest and other similar income	**80,559**	**73,278**
Interest expenses and similar expenses		
Financial liabilities at amortised cost	-18,808	-11,556
Interest expenses	-18,808	-11,556
Net interest income	**61,751**	**61,722**

20. NET FEE AND COMMISSION INCOME

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.

	2024		2023	
	Income	**Expense**	**Income**	**Expense**
Payment services	**38,978**	**-12,003**	**35,689**	**-9,782**
Card business	9,272	-6,457	8,016	-5,375
Other	29,706	-5,546	27,673	-4,407
Customer resources distributed but not managed	**1,631**	**-**	**1,419**	**-**
Collective investment	1,624	-	1,418	-
Other	7	-	1	-
Lending business	**5,270**	**-498**	**5,249**	**-563**
Guarantees given, guarantees received	4,332	-120	4,349	-139
Loan commitments given, loan commitments received	938	-378	900	-424
Other	**341**	**-39**	**288**	**-32**
Total fee and commission income and expenses	**46,220**	**-12,540**	**42,645**	**-10,377**
Net fee and commission income	**33,680**	**-**	**32,268**	**-**

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

21. IMPAIRMENT LOSSES OF FINANCIAL INSTRUMENTS AND PROVISIONS

	2024	2023
Net credit losses from financial assets at amortized cost	**-6,390**	**-10,249**
Net increase of credit loss allowances (Notes 4, 7.2, 7.3)	-9,098	-15,616
Thereof: Net decrease/(increase) of credit loss allowances for Cash balances at central banks above obligatory reserves with the CBBH (Note 4)	12	-18
Thereof: Net increase of credit loss allowances for other demand deposits to credit institutions (Note 4)	-65	-7
Thereof: Net (increase)/ decrease of credit loss allowances for Credit institutions (Note 7.2)	-51	20
Thereof: Net increase of credit loss allowances for Loans and receivable from clients (Note 7.3)	-9,835	-16,445
PL-impairment-neutral CLA (increase) due to the time-value-of-money effect (UWC)	841	852
Thereof: PL impairment effects Other	-	-18
Net allocation / release of provisions for commitments and guarantees given under IFRS 9 (Note 16)	765	1,184
Thereof: unused credit commitments	-581	1,443
Thereof: other commitments	1,346	-259
Collection of previously written-off financial assets at amortized cost	3,074	4,106
Net allocation / release of provisions for Obligatory reserve with the CBBH (Note 7.1)	-12	-15
Initial recognition of POCI loans	-600	733
Net allocation / release of provisions for other assets at amortized cost (Note 7.4)	-341	-427
Direct write off of other assets at amortized costs	-206	-219
Recoveries recorded directly to the income statement	28	5
Net increase of provisions for other provisions	**-175**	**-218**
Net release of provisions for litigation (Note 16)	**42**	**208**
Net increase of credit loss allowances from financial assets at fair value through other comprehensive income (Note 6)	**-51**	**-8**
Total	**-6,574**	**-10,267**

22. NET TRADING RESULT

	2024	2023
Foreign exchange transactions gains	64,071	68,198
Foreign exchange transactions losses	-60,190	-64,592
Total	**3,881**	**3,606**

23. OTHER INCOME

	2024	2023
Subsequently recognized income and income from release of calculated cost from previous years	2,148	3,672
Payment transactions	*9*	*1,912*
Administrative expenses	*1,137*	*722*
Card business	*802*	*486*
Insurance business	*-*	*87*
Interest and fees	*164*	*76*
Other fees	*36*	*389*
Collected of-balance accrued interest for loans in default	751	776
Rental income	560	347
Donation	78	51
Other	272	167
Total	**3,809**	**5,013**

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

24. PERSONNEL EXPENSES

The average employee number of the Bank during the year ending 31 December 2024 was 512 (2023: 501).

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 in the period in which the salary expense is incurred.

	2024	2023
Wages and salaries	12,046	11,045
Social contributions	8,845	8,285
Other	4,294	4,222
Total	**25,185**	**23,552**

25. DEPRECIATION AND AMORTIZATION COSTS

	2024	2023
Property and equipment (Note 8.)	2,968	2,690
Intangible assets (Note 11.)	1,493	1,523
Right-of-use assets (Notes 9.)	1,407	1,238
Investment properties (Notes 10.)	35	35
Total	**5,903**	**5,486**

26. OTHER COSTS AND EXPENSES

	2024	2023
IT expenses	5,482	5,792
Deposit insurance contribution	4,680	4,341
Expenses for office space	3,426	3,417
Office operating expenses	3,141	3,130
Advertising/marketing	1,594	1,477
Legal and consulting costs	1,578	1,252
Taxes	1,572	507
Other card business expenses	969	1,086
Per diems and travelling costs	673	607
Expenses for temporary contracts	411	472
Additionally determined tax liability	-	4,212
Other administrative expenses	1,313	1,329
Total	**24,839**	**27,622**

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

27. 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 2024 and 31 December 2023 was 10%.

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

	2024	**2023**
Current income tax	-3,233	-3,277
Deferred income tax	-159	392
Total income tax	**-3,392**	**-2,885**

	2024	**2023**
Profit before tax	**41,930**	**35,556**
Income tax at the legal rate of 10%	4,193	3,556
Adjusted for:		
- Effect of non-deductible expenses	471	641
- Effect of non-taxable income	-565	-200
- Effect of transfer pricing	2	-
- Effect of tax relief due to new employees	-868	-720
Income tax	**3,233**	**3,277**
Effective tax rate for the year	**7.71%**	**9.22%**

Major components of deferred tax assets and deferred tax liabilities.

Movement in deferred tax assets can be presented as follows:

	2024	**2023**
Balance at 1 January	**4,175**	**3,758**
Increase/decrease in deferred tax assets – Impairment Stage 1; Stage 2	-81	104
Increase/decrease in deferred tax assets – Fair value reserves FVOCI	-299	24
Increase/decrease in deferred tax assets – Other	-67	289
Balance at 31 December	**3,728**	**4,175**

Movement in deferred tax liabilities can be presented as follows:

	2024	**2023**
Balance at 1 January	**-54**	**-154**
Increase/decrease in deferred tax liabilities – Impairment Stage 1; Stage 2	-	-
Increase/decrease in deferred tax liabilities – Fair value reserves FVOCI	-164	100
Increase/decrease in deferred tax liabilities – Other	-11	-
Balance at 31 December	**-229**	**-54**

Deferred tax assets, net

	2024	**2023**
Balance at 31 December	**3,499**	**4,121**

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

28. 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.

	2024	2023
Profit attributable to shareholders, net	38,538	32,671
Average number of ordinary shares during the year	864,733	864,733
Basic earnings per share (BAM)	**44.57**	**37.78**

There were no dilution effects during 2024 and 2023. During 2024, a dividend of BAM 6,84 million was paid, while in 2023, a dividend of BAM 10 million was paid.

29. 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

	2024		2023	
	Receivables	Liabilities	Receivables	Liabilities
Steiermarkische Bank und Sparkassen AG, Graz, Austria	366	104,625	1,674	111,919
Total	**366**	**104,625**	**1,674**	**111,919**

	2024		2023	
	Income	Expense	Income	Expense
Steiermarkische Bank und Sparkassen AG, Graz, Austria	2	4,479	51	3,154
Total	**2**	**4,479**	**51**	**3,154**

Transactions with the ultimate shareholder

	2024		2023	
	Receivables	Liabilities	Receivables	Liabilities
Erste Bank der Oesterreichischen Sparkassen AG Vienna, Austria	31,973	854	28,090	2,852
Total	**31,973**	**854**	**28,090**	**2,852**

	2024		2023	
	Income	Expense	Income	Expense
Erste Bank der Oesterreichischen Sparkassen AG Vienna, Austria	651	508	818	443
Total	**651**	**508**	**818**	**443**

Transactions with the associate

	2024		2023	
	Receivables	Liabilities	Receivables	Liabilities
Sparkasse Leasing d.o.o. Sarajevo, Bosnia and Herzegovina	6,127	508	5,975	849
Total	**6,127**	**508**	**5,975**	**849**

	2024		2023	
	Income	Expense	Income	Expense
Sparkasse Leasing d.o.o. Sarajevo, Bosnia and Herzegovina	897	-	332	-
Total	**897**	**-**	**332**	**-**

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

29. RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with other related parties

	2024		2023	
	Receivables	Liabilities	Receivables	Liabilities
Erste and Steiermarkische bank d,d, Zagreb, Croatia	2,735	54	1,758	367
Erste Bank Akcionarsko Društvo, Novi Sad, Serbia	67	251	68	201
Sparkasse Bank a.d. Skopje, North Macedonia	156	-	173	-
Erste Digital GmbH (S IT Solutions AT Spardat GmBH) Vienna, Austria	96	207	-	949
Erste Group Card Processor d,o,o, (vm,MBU), Zagreb, Croatia	156	2	-	207
Total	**3,210**	**514**	**1,999**	**1,724**

	2024		2023	
	Income	Expense	Income	Expense
Erste and Steiermarkische bank d,d, Zagreb, Croatia	37	152	15	65
Erste Bank Akcionarsko Društvo, Novi Sad, Serbia	-	27	-	22
Sparkasse Bank a.d. Skopje, North Macedonia	-	-	-	-
Erste Group Card Processor d,o,o, (vm,MBU) Zagreb, Croatia	-	880	-	1,014
Erste Digital GmbH (S IT Solutions AT Spardat GmBH Vienna, Austria)	-	1,360	-	1,559
S IT Solutions HR d,o,o, Bjelovar, Croatia	-	-	-	65
Total	**37**	**2,419**	**15**	**2,725**

Management remunerations

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

	2024	2023
Gross salaries of the Management Board members	1,251	1,270
Other benefits of the Management Board members	139	139
Fees to the Supervisory Board members	32	33
Total	**1,422**	**1,442**

30. 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:

	2024	2023
Loans		
Corporate	13,116	13,160
Individuals	2,123	2,148
	15,239	**15,308**
Financing sources		
Employment agency of Federation of Bosnia and Herzegovina	13,834	13,895
Bosnian-Podrinje Canton Government	799	799
International guarantee agency – IGA	264	264
Ministry of war military invalids of Zenica–Doboj Canton	194	202
Employment agency of Zenica-Doboj Canton	102	102
Housing fund of Unsko-Sanski Canton	25	25
Employment agency of Bosnian-Podrinje Canton	21	21
Lutheran World Federation		-
	15,239	**15,308**
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)

31. FEE DISCLOSURE

PricewaterhouseCoopers d.o.o. Sarajevo, the auditor of the Bank received the following fee:

	2024	2023
Audit service	140	143
Other services	1	1
Total	**141**	**144**

The auditors' services comprised services for the audit of the annual financial statements and the audit of the additional regulatory reports.

32. 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:

	2024	2023
Debt	2,029,676	1,950,555
Equity	320,487	284,675
Debt to capital ratio	**6.3**	**6.9**

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)

32. REGULATORY CAPITAL AND CAPITAL REQUIREMENTS (CONTINUED)

As of 31 December 2024, and 2023 the Bank complied with all of the externally imposed capital requirements to which it was subject. As of 31 December 2024, the adequacy of the Bank's capital amounts to 21.0% (2023: 19.6%).

	2024	2023
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	178,658	149,961
Accumulated other comprehensive income	-2,849	-6,809
(-) Other intangible assets	-3,035	-3,821
(-) Deductible deferred tax assets that rely on future profitability and arise from temporary differences	-2,606	-2,765
(-) 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	**304,239**	**270,637**
Tier 2 capital		
Paid up capital instruments and subordinated loans	27,851	6,341
T2 capital elements or deductions - other	-	-
Tier 2 capital	**27,851**	**6,341**
Regulatory capital	**332,090**	**276,978**
Risk weighted exposure amounts for credit risks (unaudited)	1,476,054	1,322,991
Risk exposure amount for position, foreign exchange and commodities risks (unaudited)	3,115	3,113
Risk exposure amount for operational risk (unaudited)	98,702	86,116
Total Risk Weighted asset	**1,577,872**	**1,412,220**
Total capital ratio (%) *	**21.0**	**19.6**

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

33. 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.
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.

33. RISK MANAGEMENT

b) Credit risk management (continued)

Credit risk classification (internal rating) (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 allowances are 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.

33. 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-obligor 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)

33. 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 2024 are shown below:

Scenarios	Scenario probabilities		
	Year 1	Year 2	Year 3
	2025	2026	2027
Downside	49%	49%	49%
Base	50%	50%	50%
Upside	1%	1%	1%

Scenarios	GDP GROWTH		
	Year 1	Year 2	Year 3
	2025	2026	2027
Downside	-4.13%	-3.91%	-3.77%
Base	2.70%	3.10%	3.30%
Upside	5.37%	5.77%	5.97%

Scenarios	INFLATION - CPI		
	Year 1	Year 2	Year 3
	2025	2026	2027
Downside	10.00%	9.74%	10.26%
Base	2.70%	2.50%	2.90%
Upside	-0.64%	-0.84%	-0.44%

Scenarios	UNEMPLOYMENT		
	Year 1	Year 2	Year 3
	2025	2026	2027
Downside	17.59%	17.41%	17.16%
Base	12.70%	12.30%	11.80%
Upside	10.88%	10.48%	9.98%

Probabilities of three scenarios (base, downside, upside) are calculated in coordination with Erste Group. For 2025 - 2027 macro variables 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.

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 dd BiH, this threshold is BAM 150 thousand. Individually material exposure is individually tested for objective evidence of impairment.

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

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 lifetime 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 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

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.

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,

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Minimum rates of expected credit losses for Stage 1 (continued)

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)

33. 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>Expected losses in accordance with Table 1</td></tr>
<tr><td rowspan="2">Exposure partially secured by an acceptable collateral</td><td>Secured part</td><td></td></tr>
<tr><td>Unsecured part</td><td>Expected losses in accordance with Table 2</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)

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

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

2024	Credit risk exposure	Credit loss allowances	Adjustments (FVOCI)	Net carrying amount
Cash and cash balances - demand deposits to credit institutions	**31,445**	**-161**	**-**	**31,284**
Non-trading debt instruments at FVPL	**-**	**-**	**-**	**-**
Debt instruments at FVOCI	**210,852**	**-211**	**-3,583**	**207,058**
Debt securities	210,852	-211	-3,583	207,058
Debt instruments at AC	**1,709,264**	**-79,487**	**-**	**1,629,777**
Deposits with other banks	94,618	-94	-	94,524
Loans and advances to customers	1,598,387	-76,162	-	1,522,225
Other financial assets at amortised cost	16,259	-3,231	-	13,028
Off balance-sheet exposures	**552,703**	**-10,810**	**-**	**541,893**
Total	**2,504,264**	**-90,669**	**-3,583**	**2,410,012**

2023	Credit risk exposure	Credit loss allowances	Adjustments (FVOCI)	Net carrying amount
Cash and cash balances - demand deposits to credit institutions	**1,541**	**-96**	**-**	**1,445**
Non-trading debt instruments at FVPL	**2**	**-**	**-**	**2**
Debt instruments at FVOCI	**160,115**	**-160**	**-8,160**	**151,795**
Debt securities	160,115	-160	-8,160	151,795
Debt instruments at AC	**1,575,633**	**-78,921**	**-**	**1,496,712**
Deposits with other banks	43,247	-43	-	43,204
Loans and advances to customers	1,513,166	-75,967	-	1,437,199
Other financial assets at amortised cost	19,220	-2,911	-	16,309
Off balance-sheet exposures	**520,117**	**-11,575**		**508,542**
Total	**2,257,408**	**-90,752**	**-8,160**	**2,158,496**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by counterparty sector and financial instrument

2024	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	Other financial assets at amortised cost		
General governments	-	-	210,852	-	43,226	1	1,100	255,179
Credit institutions	31,445	-	-	94,618	-	7,919	7,647	141,629
Other financial corporations	-	-	-	-	15,573	-	1,304	16,877
Non-financial corporations	-	-	-	-	831,552	6,002	505,681	1,343,235
Households	-	-	-	-	708,036	2,337	36,971	747,344
Total	**31,445**	**-**	**210,852**	**94,618**	**1,598,387**	**16,259**	**552,703**	**2,504,264**

2023	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	Other financial assets at amortised cost		
General governments	-	-	160,115	-	29,106	1	3,235	192,457
Credit institutions	1,541	-	-	43,247	-	11,747	5,624	62,159
Other financial corporations	-	-	-	-	12,925	-	2,653	15,578
Non-financial corporations	-	2	-	-	813,102	5,519	473,848	1,292,471
Households	-	-	-	-	658,033	1,953	34,757	694,743
Total	**1,541**	**2**	**160,115**	**43,247**	**1,513,166**	**19,220**	**520,117**	**2,257,408**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and financial instrument

2024	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	Other financial assets at amortised cost		
I. Natural Resources & Commodities	-	-	-	-	82,085	98	29,168	111,351
II. Energy	-	-	-	-	70,382	276	35,911	106,569
III. Construction and building materials	-	-	-	-	178,105	85	163,821	342,011
IV. Automotive	-	-	-	-	33,096	33	32,931	66,060
V. Cyclical Consumer Products	-	-	-	-	144,428	1,564	56,247	202,239
VI. Non-Cyclical Consumer Products	-	-	-	-	84,887	190	43,942	129,019
VII. Machinery	-	-	-	-	26,874	5	22,472	49,351
VIII. Transportation	-	-	-	-	55,437	62	48,354	103,853
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	63,824	25	37,336	101,185
X. Healthcare & Services	-	-	-	-	26,566	60	33,993	60,619
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	51,151	108	3,347	54,606
XII. Real Estate	-	-	-	-	24,735	5	900	25,640
XIII. Public Sector	-	-	210,852	-	43,060	21	-	253,933
XIV. Financial Institutions	31,445	-	-	94,618	15,927	11,760	9,176	162,926
XV. Private Households	-	-	-	-	697,830	1,967	35,105	734,902
Total	**31,445**	**-**	**210,852**	**94,618**	**1,598,387**	**16,259**	**552,703**	**2,504,264**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and financial instrument (continued)

2023	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	Other financial assets at amortised cost		
I. Natural Resources & Commodities	-	-	-	-	73,482	27	22,704	96,213
II. Energy	-	-	-	-	66,794	282	28,710	95,786
III. Construction and building materials	-	-	-	-	168,660	98	166,174	334,932
IV. Automotive	-	-	-	-	22,914	25	35,237	58,176
V. Cyclical Consumer Products	-	-	-	-	154,475	1,454	57,599	213,528
VI. Non-Cyclical Consumer Products	-	2	-	-	96,641	79	38,587	135,309
VII. Machinery	-	-	-	-	32,549	5	18,429	50,983
VIII. Transportation	-	-	-	-	57,711	58	39,138	96,907
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	-	-	-	-	52,208	21	35,405	87,634
X. Healthcare & Services	-	-	-	-	26,794	41	32,222	59,057
XI. Hotels, Gaming & Leisure Industry	-	-	-	-	49,756	84	1,396	51,236
XII. Real Estate	-	-	-	-	18,838	4	876	19,718
XIII. Public Sector	-	-	160,115	-	29,108	1	2,085	191,309
XIV. Financial Institutions	1,541	-	-	43,247	13,282	15,340	8,483	81,893
XV. Private Households	-	-	-	-	649,954	1,701	33,072	684,727
Total	**1,541**	**2**	**160,115**	**43,247**	**1,513,166**	**19,220**	**520,117**	**2,257,408**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and stage

2024	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total Credit risk exposure (AC and FVOCI)**
I. Natural Resources & Commodities	97,696	13,135	524	-	111,355
II. Energy	85,022	16,390	5,157	-	106,569
III. Construction and building materials	292,309	48,039	1,640	23	342,011
IV. Automotive	43,844	22,150	66	-	66,060
V. Cyclical Consumer Products	154,254	41,280	3,944	2,758	202,236
VI. Non-Cyclical Consumer Products	120,285	6,539	1,504	690	129,018
VII. Machinery	44,154	5,194	3	-	49,351
VIII. Transportation	78,472	24,174	1,174	32	103,852
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	89,667	11,454	39	25	101,185
X. Healthcare & Services	53,890	5,874	826	29	60,619
XI. Hotels, Gaming & Leisure Industry	20,820	32,836	549	401	54,606
XII. Real Estate	14,527	11,108	5	-	25,640
XIII. Public Sector	245,589	8,342	1	-	253,932
XIV. Financial Institutions	161,483	540	903	-	162,926
XV. Private Households	593,819	105,825	34,027	1,233	734,904
Total	**2,095,831**	**352,880**	**50,362**	**5,191**	**2,504,264**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by industry and stage (continued)

2023	Stage 1	Stage 2	Stage 3	POCI	Total Credit risk exposure (AC and FVOCI)
I. Natural Resources & Commodities	77,721	15,374	3,111	6	96,212
II. Energy	37,485	53,149	5,152	-	95,786
III. Construction and building materials	270,511	62,516	1,759	148	334,934
IV. Automotive	39,687	18,360	129	-	58,176
V. Cyclical Consumer Products	141,910	66,983	4,633	-	213,526
VI. Non-Cyclical Consumer Products	124,307	3,581	7,245	176	135,309
VII. Machinery	40,376	10,521	54	32	50,983
VIII. Transportation	66,231	29,411	1,231	33	96,906
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	80,463	7,160	11	-	87,634
X. Healthcare & Services	52,462	5,783	813	-	59,058
XI. Hotels, Gaming & Leisure Industry	9,803	40,393	649	393	51,238
XII. Real Estate	19,451	261	3	-	19,715
XIII. Public Sector	181,839	9,469	1	-	191,309
XIV. Financial Institutions	80,852	188	853	-	81,893
XV. Private Households	573,480	77,239	32,645	1,363	684,727
Total	**1,796,578**	**400,388**	**58,289**	**2,151**	**2,257,406**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by region and stage

2024	Stage 1	Stage 2	Stage 3	POCI	Total Credit risk exposure (AC and FVOCI)
Erste Grupe market	**86,106**	**-**	**-**	**-**	**86,106**
Austria	75,112	-	-	-	75,112
Czech Republic	-	-	-	-	-
Croatia	10,994	-	-	-	10,994
Serbia	-	-	-	-	-
Other European Union	**54,653**	**-**	**-**	**-**	**54,653**
Slovenia	-	-	-	-	-
Other EU Countries	54,653	-	-	-	54,653
Emerging markets	**1,955,072**	**352,880**	**50,362**	**5,191**	**2,363,505**
BiH	1,955,072	352,880	50,362	5,191	2,363,505
Total	**2,095,831**	**352,880**	**50,362**	**5,191**	**2,504,264**

2023	Stage 1	Stage 2	Stage 3	POCI	Total Credit risk exposure (AC and FVOCI)
Erste Grupe market	**1,500**	**-**	**-**	**-**	**1,500**
Austria	-	-	-	-	-
Czech Republic	-	-	-	-	-
Croatia	1,500	-	-	-	1,500
Serbia	-	-	-	-	-
Other European Union	**43,287**	**-**	**-**	**-**	**43,287**
Slovenia	-	-	-	-	-
Other EU Countries	43,287	-	-	-	43,287
Emerging markets	**1,751,791**	**400,388**	**58,289**	**2,151**	**2,212,619**
BiH	1,751,791	400,388	58,289	2,151	2,212,619
Total	**1,796,578**	**400,388**	**58,289**	**2,151**	**2,257,406**

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Recognition of credit collateral

Recognition of Credit Collateral refers to the process by which banks acknowledge and evaluate the assets or securities provided by borrowers to secure loans. This collateral serves as a guarantee that the lender will recover the loan amount if the borrower defaults. The recognition process involves assessing the value and quality of the collateral to ensure it adequately covers potential losses.
Here are key aspects of recognizing credit collateral:

- Collateral Valuation: Bank determine the current market value of the collateral to ensure it is sufficient to cover the loan amount in case of default
- Risk Assessment: The bank assesses the probability that the collateral will be adequate to cover potential losses if the borrower defaults on the loan.
- Regulatory Compliance: Bank must comply with financial regulations, such as those set by the Basel Framework, which require them to maintain adequate capital against potential credit risks.
- Eligibility Criteria: Bank has specific criteria for what assets can be used as collateral, often requiring high credit standards and marketability.

Main types of credit collateral

Mostly, the following types of credit collateral are accepted:
— real estate: residential and commercial real estate;
— financial collateral: securities, cash deposits and life insurance policies;
— guarantees: given by sovereigns, public sector entities, financial institutes, companies and private individuals. All guarantors must have a minimum credit rating, which is reviewed annually;
— movables: equipment, investment goods, machinery and motor vehicles;
— claims and rights: trade account receivables, leasehold rights and shares in a company's capital.

Collateral valuation and management

Collateral valuation is based on current market prices while considering an amount that can be recovered within a reasonable period. The valuation processes are defined, and their technical application is supported by IT system and by local collateral management team. The allocated collateral values are capped by the amount of the secured transaction.

Real estate valuation may only be performed by qualified valuators who are independent of the credit decision process. The valuation is to be made according to international, European or national standards and has to follow valuation methods defined by the bank. These methods may include the market comparison approach, income approach, and cost approach, depending on the type of property and its specific characteristics. Internal guidelines define criteria of qualification and requirements of independence for the selection of valuators. A valuator may only perform two sequential valuations of the same asset, any further valuation has to result in the rotation of the valuator. For quality assurance purposes, real estate valuators and real estate valuations are supervised on an ongoing basis.

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Recognition of credit collateral (continued)

To ensure compliance with BASEL III standards as well as the standards and regulations of the local regulator, the frequency of collateral revaluations and monitoring is defined based on what is 'stricter', i.e., what occurs more frequently. Apart from periodic revaluations, collateral is assessed when information becomes available that indicates a decrease in the value of the collateral for exceptional reasons, or when defined triggers are exceeded. Particularly real estate collateral assets in development, showing problems like significant cost or time overrun, as well as assets, collateralizing loans with lower credit quality, are monitored or revalued with higher frequencies.

Collateral Valuation Rates

The valuation rates used for collateral evaluation must reflect realistic expectations regarding potential recoveries in the event of collateral realization. Since these rates apply to entire categories of collateral, the actual realized amount in individual cases may vary. Therefore, it is necessary to use averages when defining valuation rates. Each collateral subtype must have predefined valuation rates.

The discount applied to the valuation rate accounts for evaluation and recovery risks. These rates, which can be a single percentage or a range of percentages, must be coded in the local IT system.

The Group Collateral Catalogue sets maximum valuation rates for all collateral types, which serve as a cap for local collateral catalogues. These maximum rates can only be used locally if supported by calculated collateral recovery ratios; otherwise, lower valuation rates must be applied.

Valuation methods and discounts are based on empirical data from past experiences of workout departments and collected recovery data from collateral realization. Valuation discounts are adjusted at least annually to reflect recoveries, taking into account foreseeable developments such as anticipated changes in real estate prices.

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Credit risk exposure by financial instrument and collateral

2024	Total credit risk exposure	Collaterals 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	**31,445**	**-**	**-**	**-**	**-**	**31,445**	**31,445**	**-**	**-**
Debt instruments - held for trading	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt instruments at FVOCI	**210,852**	**-**	**-**	**-**	**-**	**210,852**	**210,852**	**-**	**-**
Debt instruments at AC	**1,709,264**	**551,166**	**52,103**	**441,708**	**57,355**	**1,158,098**	**1,576,980**	**77,445**	**54,839**
Loans and advances to banks	**94,618**	**-**	**-**	**-**	**-**	**94,618**	**94,618**	**-**	**-**
Loans and advances to customers	**1,598,387**	**551,166**	**52,103**	**441,708**	**57,355**	**1,047,221**	**1,469,162**	**77,445**	**51,780**
Other financial assets at amortised cost	**16,259**	**-**	**-**	**-**	**-**	**16,259**	**13,200**	**-**	**3,059**
Off balance-sheet exposures	**552,703**	**32,496**	**-**	**23,889**	**8,607**	**520,207**	**511,760**	**40,915**	**28**
Total	**2,504,264**	**583,662**	**52,103**	**465,597**	**65,962**	**1,920,602**	**2,331,037**	**118,360**	**54,867**

2023	Total credit risk exposure	Collaterals 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	**1,541**	**-**	**-**	**-**	**-**	**1,541**	**1,541**	**-**	**-**
Debt instruments - held for trading	**2**	**-**	**-**	**-**	**-**	**2**	**2**	**-**	**-**
Debt instruments at FVOCI	**160,115**	**-**	**-**	**-**	**-**	**160,115**	**160,115**	-	-
Debt instruments at AC	**1,575,633**	**511,720**	**55,648**	**405,843**	**50,229**	**1,063,913**	**1,436,883**	**79,132**	**59,618**
Loans and advances to banks	43,247	-	-	-	-	43,247	43,247	-	-
Loans and advances to customers	1,513,166	511,720	55,648	405,843	50,229	1,001,446	1,377,114	79,132	56,920
Other financial assets at amortised cost	19,220	-	-	-	-	19,220	16,522	-	2,698
Off balance-sheet exposures	**520,117**	**27,551**	**-**	**22,228**	**5,323**	**492,566**	**468,608**	**51,337**	**172**
Total	**2,257,408**	**539,271**	**55,648**	**428,071**	**55,552**	**1,718,137**	**2,067,149**	**130,469**	**59,790**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing exposures

2024		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	-	246,836	140,712	16,578	1,086,876	604,829	2,095,831
		S2	-	8,342	-	300	234,817	104,453	347,912
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	135	547	682
	Past due > 30 days <= 90 days	S1	-	-	-	-	-	-	-
		S2	-	-	16	-	2,828	2,124	4,968
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	5	5
Non-performing	Unlikely to pay that are not past-due or past-due < = 90 days	S3	-	1	901	-	816	5,474	7,192
		POCI	-	-	-	-	3,753	272	4,025
	Past due > 90 days <= 180 days	S3	-	-		-	195	2,690	2,885
		POCI	-	-	-	-	15	-	15
	Past due > 180 days <= 1 year	S3	-	-	-	-	1,012	5,405	6,417
		POCI	-	-	-	-	-	-	-
	Past due > 1 year <= 5 years	S3	-	-	-	-	11,552	20,617	32,169
		POCI	-	-	-	-	53	405	458
	Past due > 5 years	S3	-	-	-	-	1,181	518	1,699
		POCI	-	-	-	-	2	4	6
								Total	**2,504,264**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing exposures (continued)

2023		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	-	182,688	61,308	15,578	956,271	580,632	1,796,477
		S2	-	9,769	-	-	301,005	77,804	388,578
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	136	514	650
	Past due > 30 days <= 90 days	S1	-	-	-	-	101	-	101
		S2	-	-	-	-	10,003	1,807	11,810
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	-	-
Non-performing	**Unlikely to pay that are not past-due or past-due < = 90 days**	S3	-	1	850	-	9,033	6,425	16,309
		POCI	-	-	-	-	397	382	779
	Past due > 90 days <= 180 days	S3	-	-	-	-	6,169	2,158	8,327
		POCI	-	-	-	-	34	22	56
	Past due > 180 days <= 1 year	S3	-	-	-	-	1,901	4,518	6,419
		POCI	-	-	-	-	-	310	310
	Past due > 1 year <= 5 years	S3	-	-	-	-	7,197	19,770	26,967
		POCI	-	-	-	-	180	132	312
	Past due > 5 years	S3	-	-	-	-	-	267	267
		POCI	-	-	-	-	40	4	44
								Total	**2,257,406**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing impairment (continued)

2024		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	-	-914	-469	-274	-13,587	-3,978	-19,222
		S2	-	-497	-	-55	-16,295	-8,122	-24,969
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-20	-71	-91
	Past due > 30 days <= 90 days	S1	-	-	-	-	-	-	-
		S2	-	-	-2	-	-366	-518	-886
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	-1	-1
Non-performing	**Unlikely to pay that are not past-due or past-due < = 90 days**	S3	-	-1	-898	-	-613	-3,858	-5,370
		POCI	-	-	-	-	-621	-49	-670
	Past due > 90 days <= 180 days	S3	-	-	-	-	-148	-1,260	-1,408
		POCI	-	-	-	-	-2	-	-2
	Past due > 180 days <= 1 year	S3	-	-	-	-	-1,012	-3,678	-4,690
		POCI	-	-	-	-	-	-	-
	Past due > 1 year <= 5 years	S3	-	-	-	-	-11,343	-20,007	-31,350
		POCI	-	-	-	-	-54	-342	-396
	Past due > 5 years	S3	-	-	-	-	-1,090	-518	-1,608
		POCI	-	-	-	-	-2	-4	-6
								Total	**-90,669**

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

33. RISK MANAGEMENT (CONTINUED)

b) Credit risk management (continued)

Information on performing and non-performing impairment (continued)

2023		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	-	-770	-393	-273	-13,617	-3,773	-18,826
		S2	-	-636	-	-	-18,526	-6,731	-25,893
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-20	-77	-97
	Past due > 30 days <= 90 days	S1	-	-	-	-	-5	-	-5
		S2	-	-	-	-	-660	-417	-1,077
		S3	-	-	-	-	-	-	-
		POCI	-	-	-	-	-	-	-
Non-performing	**Unlikely to pay that are not past-due or past-due < = 90 days**	S3	-	-1	-850	-	-2,994	-3,603	-7,448
		POCI	-	-	-	-	-60	-58	-118
	Past due > 90 days <= 180 days	S3	-	-	-	-	-5,195	-965	-6,160
		POCI	-	-	-	-	-29	-17	-46
	Past due > 180 days <= 1 year	S3	-	-	-	-	-1,215	-2,897	-4,112
		POCI	-	-	-	-	-	-180	-180
	Past due > 1 year <= 5 years	S3	-	-	-	-	-6,959	-19,178	-26,137
		POCI	-	-	-	-	-211	-131	-342
	Past due > 5 years	S3	-	-	-	-	-	-267	-267
		POCI	-	-	-	-	-40	-4	-44
								Total	**-90,752**

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

33. 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 analyse 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 2024 and 31 December 2023:

	2024	2023
Euro	2,543	-3,003
American dollar	-193	319
Other	455	100

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	
	2024	2023
Gain / (loss)	20	32

33. RISK MANAGEMENT (CONTINUED)

c) Market risk management (continued)

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 d).

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 2024 would increase / decrease by BAM thousand 9,425 (2023: by BAM 6,161 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 undiscounted financial assets cash flows.

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

33. 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
2024							
Non-interest bearing							
Cash balances as CBBiH	-	90,222	-	-	-	-	90,222
Cash on hand	-	120,708	-	-	-	-	120,708
Fixed interest rate instruments							
Cash balances as CBBiH	-	-	-	-	-	-	-
Other demand deposits	3.61%	172,320	-	-	-	-	172,320
Deposits with other banks	-	-	-	-	-	-	-
Loans and advances to customers	5.02%	89,795	60,648	277,777	289,211	563,769	1,281,200
Debt securities	1.61%	2,012	8,661	45,628	117,406	32,034	205,741
Variable interest rate instruments							
Cash balances as CBBiH	0.40%	199,816	-	-	-	-	199,816
Other demand deposits	-	-	-	-	-	-	-
Deposits with other banks	-	-	-	-	-	-	-
Loans and advances to customers	5.01%	10,129	80	9,743	127,941	212,161	360,054
		685,002	**69,389**	**333,148**	**534,558**	**807,964**	**2,430,061**

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

33. RISK MANAGEMENT (CONTINUED)

d) *Liquidity and interest risk tables(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
2023							
Non-interest bearing							
Cash balances as CBBiH	-	101,860	-	-	-	-	101,860
Cash on hand	-	237,147	-	-	-	-	237,147
Fixed interest rate instruments							
Cash balances as CBBiH	-	-	-	-	-	-	-
Other demand deposits	3.15%	84,641	-	-	-	-	84,641
Deposits with other banks	-	-	-	-	-	-	-
Loans and advances to customers	4.59%	81,228	59,164	338,963	178,064	464,887	1,122,307
Debt securities	1.25%	-	-	4,184	107,802	38,734	150,720
Variable interest rate instruments							
Cash balances as CBBiH	0.36%	187,921	-	-	-	-	187,921
Other demand deposits	-	-	-	-	-	-	-
Deposits with other banks	-	-	-	-	-	-	-
Loans and advances to customers	4.70%	8,141	306	31,150	129,769	260,648	430,013
		700,938	**59,470**	**374,297**	**415,635**	**764,269**	**2,314,609**

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

33. 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 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
2024							
Non-interest bearing							
Deposits from customers and banks		988,841	-	-	-	-	988,841
Variable interest rate instruments							
Deposits from customers and banks	6,52%	-	-	-	15,647	-	15,647
Borrowings	2,04%	-	-	9,500	13,691	-	23,191
Subordinated loans	7,05%	-	-	-	9,779	23,470	33,249
Fixed interest rate instruments							
Deposits from customers and banks	1,63%	245,025	132,740	192,970	353,181	11,625	935,540
Borrowings	3,54%	3,129	-	6,650	16,429	-	26,208
		1,236,995	**132,740**	**209,120**	**408,727**	**35,095**	**2,022,676**
2023							
Non-interest bearing							
Deposits from customers and banks		929,401					929,401
Variable interest rate instruments							
Deposits from customers and banks	0.98%	25					25
Borrowings	5.00%			8,717	18,105	1,956	28,779
Subordinated loans	8.04%				9,779		9,779
Fixed interest rate instruments							
Deposits from customers and banks	1.54%	242,716	111,957	189,033	399,767	14,411	957,883
Borrowings	4.41%	1,956			15,647		17,602
		1,174,097	**111,957**	**197,751**	**443,298**	**16,367**	**1,943,469**

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

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

34. FAIR VALUE MEASUREMENT

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

34.1 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 31 December 2024	31 December 2023	Fair value Hierarchy as at 31 December 2024	Valuation technique(s) and key input(s)
Non-trading financial assets at fair value through profit or loss (Note 5)	Listed equity securities on stock exchanges in other countries: Belgium –299 thousand BAM	Listed equity securities on stock exchanges in other countries: • Belgium –167 thousand BAM	Level 1	Quated bid prices in an active market
Financial assets at fair value through other comprehensive income (Note 6)	Listed debt securities in stock exchange in other countries: Croatia – 8,872 thousand BAM (A-) Austria – 45,596 thousand BAM (AA+) Belgium – 19,899 thousand BAM (AA) France – 16,259 thousand BAM (AA-) Slovenia - 16,302 thousand BAM (AA-)	Listed debt securities in stock exchange in other countries: • Croatia – 8,808 thousand BAM (Baa3/BBB) • Austria – 29,178 thousand BAM (AA/AA) • Belgium – 14,932 thousand BAM (AA/AA) • France – 15,126 thousand BAM (AA/AA) • Slovenia - 15,816 thousand BAM (AA/A)	Level 1	
	Listed debt securities in stock exchange in Bosnia and Herzegovina: FBiH Ministry of Finance 80,405 thousand BAM (B+) RS Ministry of Finance – 19,936 thousand BAM (B+)	Listed debt securities in stock exchange in Bosnia and Herzegovina: • FBiH Ministry of Finance – 46,119 thousand BAM (B+) • RS Ministry of Finance – 21,976 thousand BAM (B+)	Level 2	

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

34. FAIR VALUE MEASUREMENT (CONTINUED)

34.2 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.

	2024					2023				
	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	288,980	288,980	-	-	-	380,414	380,414	-	-	-
Financial assets at amortised cost	**1,829,467**	**1,817,916**	-	-	**1,817,916**	**1,684,513**	**1,672,189**	-	-	**1,672,189**
Obligatory reserve with the Central Bank	*199,690*	*199,690*	-	-	*199,690*	*187,801*	*187,801*			*187,801*
Deposits with other banks	94,524	94,635	-	-	94,635	43,204	43,151	-	-	43,151
Loans and receivables from clients	*1,522,225*	1,510,661	-	-	1,510,661	*1,437,199*	1,425,066	-	-	1,425,066
Other financial assets at amortised cost	13,028	12,929	-	-	12,929	16,309	16,171	-	-	16,171
LIABILITIES										
Financial liabilities measured at amortised cost	**2,026,206**	**2,018,577**	-	-	**2,018,577**	**1,946,810**	**1,919,278**	-	-	**1,919,278**
Deposits from banks and other financial institutions	*121,438*	118,653	-	-	118,653	*154,756*	153,412	-	-	153,412
Deposits from customers	*1,821,564*	1,816,720	-	-	1,816,720	*1,735,437*	1,709,249	-	-	1,709,249
Borrowings	*83,204*	83,204	-	-	83,204	*56,617*	56,617	-	-	56,617
FINANCIAL GUARANTEES AND COMMITMENTS										
Financial guarantees	38	38	-	-	38	-	-229	-	-	-229
Irrevocable commitments	6,961	6,961	-	-	6,961	-	25,791	-	-	25,791

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

34. FAIR VALUE MEASUREMENT (CONTINUED)

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

Fair values and fair value hierarchy of non-financial assets

2024	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	1,391	1,391	-	-	1,391
Assets whose fair value is shown in the statement of financial position					
Held-for-sale assets	-	-	-	-	-

2023	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	1,426	1,426	-	-	1,426
Assets whose fair value is shown in the statement of financial position					
Held-for-sale assets	-	-	-	-	-

35. EVENTS AFTER THE REPORTING DATE

There were no significant subsequent events that would have a significant impact on the financial statements for 2024 or that would require disclosure in the notes to the financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Management Board of the Bank on 21 March 2025.

Amir Softić President of the Management Board	**Igor Jokić** Member of the Management Board

Sparkasse Bank dd Bosnia i Hercegovina
SPARKASSE Bank
100

Sparkasse Bank dd BiH

Zmaja od Bosne 7,71000 Sarajevo

079
Šifra opštine

4200128200006
Jedinstveni identifikacioni broj (JIB)

64.19
Šifra djelatnosti

GODIŠNJI IZVJEŠTAJ O POSLOVANJU

za period od 01.01.2024 do 31.12.2024.

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 izvještaja.

Procjena očekivanog budućeg razvoja

U skladu sa svojim strateškim usmjerenjem, Sparkasse Bank dd BiH nastavlja jačati svoju poziciju u bosanskohercegovačkom bankarskom sektoru, oslanjajući se na stabilan rast i održivo kreiranje vrijednosti, te aktivno doprinosi ekonomskom razvoju zemlje.
Strateški ciljevi za period 2025 – 2029 su usmjereni ka poboljšanju tržišne pozicije, te rastu prihoda uz iskorištavanje novih poslovnih prilika, očuvanje kvalitete kreditnog portfolija i discipline u troškovima pojednostavljivanjem poslovnih procesa i povećanjem učinkovitosti.
Strategija Banke i planirani razvoj može se naći u dokumentu Plan poslovanja za 2025. godinu koji je sastavni dio ovog dokumenta.

Najvažnije aktivnosti u vezi s istraživanjem i razvojem – poslovanjem Banke

Tokom 2024. godine razvojne aktivnosti u segmentu poslovanja sa stanovništvom bile su usmjerene na unapređenje procesa, kao i na uvođenje ili poboljšanje postojećih proizvoda, te je u segmentu poslovanja sa stanovništvom učinjeno slijedeće:

- Implementacija održivog paketa za finansijsku inkluziju u skladu sa Odlukom FBA
- Implementacija fiksne kamatne stope na stambenim kreditima sa rokom otplate do 20 godina
- Implementacija novog paketa za studente „Full cool paket“
- Implementacija automatiziranog procesa odobrenja neobezbjeđenih plasmana
- Implementacija EBRD kreditnih linija sa i bez hipoteke
- Implementacija unaprijeđenja procesa rada na blagajni kroz III faze
- Implementirane su nove funkcionalnosti u okviru SIMPL aplikacije (aplikacija za mobilno bankarstvo), poput: upravljanje visinom odobrenih limita po karticama, omogućeno je apliciranje za račun maloljetnog djeteta, redizajn S-screen-a, apliciranje za štedni račun putem SIMPL aplikacije, opcija donacija za humanitarna udruženja. Pored navedenog implemetirani su novi izdavatelji računa unutar funkcionalnosti Plati račun-e.
- Nabavka i certifikacija novih ATM i depozitnih uređaja
- Realizovane su brojne kampanje i promotivne ponude;

Tokom 2024. godine razvojne aktivnosti Banke u segmentu poslovanja sa pravnim licima i SME su bile usmjerene na:
Redizajniranje kreditnog procesa radi povećanja efikasnosti (implementacija limita, automatizacija modela, skraćenje vremena odlučivanja);

- Implementiranje garantnih linija i zelenih proizvoda u saradnji sa garantnim fondovima (EIF, USAID, EBRD GO green);
- Implementacija novog proizvoda neobavezujući okvir za dokumentarno poslovanje
- Unapređenje procesa rada sa depozitima
- Unapređenje procesa onbordinga za internacionalne klijnte kao i jačanje saradnje sa cross border klijentima
- Unaprjeđenje procesa dokumentarno poslovanje;

Informacije o otkupu vlastitih dionica, odnosno udjela

Banka nije vršila otkup vlastitih dionica u 2024. godini.

Informacije o poslovnim segmentima

Ključni indikatori profitabilnosti i indikatori po segmentima:

Profitabilnost po poslovnim linijama	2024	2024	2024	2024	2024	2024	2024
u hilj. KM	Retail	Micro	SME	Corporate	TSY	Ostalo	Total Banka
Krediti - stanje	693,900	45,612	204,948	648,423	791,096	0	2,383,980
Depoziti	911,232	148,702	93,835	712,366	156,540		2,022,675
Neto kam.prihod nakon raspodjele	24,720	2,215	6,231	13,944	15,682	-224	62,569
Neto prihod od naknada	15,459	5,136	2,671	6,087	6,750	2,099	38,201
Trošak rezervisanja	-5,340	-708	-2,111	2,551	-165	-1	-5,785
Direktni troškovi	-14,721	-784	-2,061	-6,351	-1,476	2	-25,391
Ostali administrativni troškovi i amortizacija	-17,390	-1,132	-2,238	-6,444	-599		-27,803
Prihod od iznajmljivanja imovine						564	
Dividenda						580	
Ostali op.prihodi						-1,015	
Dobit prije porza	2,728	4,727	2,492	9,786	20,192	2,005	41,930
Porez	-221	-382	-202	-792	-1,634	-162	-3,392
Neto dobit	2,508	4,344	2,290	8,994	18,559	1,842	38,538

Detaljna analiza se može naći u Planu poslovanja za 2025 godinu, koji je sastavni dio ovog dokumenta.

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,

kamatni rizik u bankarskoj knjizi,rizik likvidnosti, te operativni rizik. Banka se također fokusira i na upravljanje ostalim vrstama rizika (reputacijski, političko-ekonomski, ESG rizici) kao i koncentracijama unutar i između različitih tipova rizika.
Analiza profila rizika provodi se temeljem kvalitativne i kvantitativne 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 30.09.2024. godine.

Mjere na zaštiti životne sredine

Banka svoju strategiju usmjerava na sektore i industrije koje imaju potencijal da kreiraju novu vrijednost, radna mjesta i ekonomski prosperitet Bosne i Hercegovine. Snažno zagovaramo koncepte ekološke održivosti i odgovornost prema okolišu, i opredjeljeni smo da ih integrišemo u sve osnove našeg poslovanja, što se može sažeti u četiri ključne oblasti:

- Održivo finansiranje i proizvodi kojima aktivno podržavamo klijente i zajednice u zelenoj tranziciji povećavajući udio zelenih kredita u našem portfoliju
- Anticipacija klimatskih i okolišnih rizika kroz naš sistem korporativnog upravljanja i poslovne prakse
- Javni projekti i inicijative za direktan rad na očuvanju prirode, ali i osvještavanje o odgovornosti prema okolišu u lokalnim zajednicama. Primjeri su projekti finansiranja energetski efikasnog/LED osvjetljavanja javnih prostora u saradnji sa lokalnim samoupravama i institucijama širom BiH, volonterske akcije čišćenja vodenih lokacija, akcija pošumljavanja i sl.
- Povećanje održivosti poslovanja naše organizacije.

U skladu sa ovim, principi očuvanja okoliša prožimaju i implementiraju se kroz sve pilare djelovanja opisane Strateškim planom za 2025-2029 i Planom poslovanja za 2025. godinu, koji je sastavni dio ovog dokumenta.

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.

M.P.

Sparkasse Bank dd Bosna i Hercegovina SPARKASSE Bank

Amir Softić, Predsjednik Uprave Banke

Odgovorno lice

Odgovorno lice svojim potpisom i pečatom pravnog lica potvrđuje da su podaci u elektronskoj i pisanoj formi vjerodostojni i istovjetni.