ASA BANKA D.D. SARAJEVO

Financial statements for the year ended
31 December 2021 prepared in accordance with
International Financial Reporting Standards and
Independent Auditor's Report

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Responsibility for the financial statements

The Management Board is responsible for ensuring that financial statements are prepared for each financial period in accordance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), which give a true and fair view of the state of affairs and results of ASA Banka d.d. Sarajevo (the “Bank”) for that period.

After making enquiries, the Management Board expects that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also; ensure that the financial statements comply with the Accounting and Audit Law in the Federation of Bosnia and Herzegovina. The Management Board is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

Samir Mustafić President of the Board	Edina Vuk Member of the Board	Davor Tomić Member of the Board

ASA Banka d.d. Sarajevo
Trg međunarodnog prijateljstva 25
71000 Sarajevo
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28 January 2022

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Independent Auditor's Report

To the shareholders of ASA Banka d.d. Sarajevo

Opinion

We have audited the accompanying financial statements of ASA Banka d.d. Sarajevo (the "Bank"), which comprise the balance sheet as at 31 December 2021, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Decision on Credit Risk Management and Determination of Expected Credit Losses, issued by the Banking Agency of the Federation of Bosnia and Herzegovina.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

1. Estimate of impairment for loan losses and receivables from customers

For accounting policies, see note Impairment of financial assets in Section 3 *Basis for presentation and summary of significant accounting policies.* For more information about key audit matter see Impairment losses on loans and receivables in Section 4 Critical accounting judgments and key sources of estimation uncertainty.

Key Audit Matters (continued)

1. Estimate of impairment for loan losses and receivables from customers (continued)

As of 31 December 2021 gross carrying amount of loans to costumers was BAM 616,898 thousand. The related impairment allowance was in amount of BAM 51,889 thousand.

Credit risk represents one of the most important types of financial risks to which the Bank is exposed to. Determining appropriate methods and models by the Management to measure and manage credit risk, with the special emphasis on the effects of the COVID-19 pandemic, is therefore one of the most important areas in safeguarding the Bank's capital. As part of the credit risk management process, appropriate determination impairment allowances for expected credit losses on loans and receivables from customers represent key considerations for Bank's Management.

In determining the timing and amount of impairment losses on expected credit losses on loans to customers, the Bank's management uses statistical models and a certain level of judgment in the following areas:

- Use of historical data in the process of determining risk parameters;
- Credit risk exposure assessment;
- Assessment of credit level risk assignment;
- Success of the "Program of Special Measures" adopted in accordance with the bylaws of the regulator in response to the Covid-19 pandemic, in order to recover from the negative economic consequences caused by the pandemic;
- Assessment of the significance of subsequent changes in credit risk in order to determine a significant increase of credit risk, which leads to changes in the levels of risks and the necessary measurement of expected credit losses over the lifetime cycle;
- Expected future cash flows from operating activities;
- Valuation of collateral and estimation of realization period.

Since determination of appropriate impairment allowances for expected credit losses on loans and receivables requires use of complex models (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to management bias. This fact led to the determination of impairment allowances for expected credit losses on loans and receivables from customers as key audit matter in our audit of the Bank's financial statements for the year ended 31 December 2021.

How our audit addressed the Key Audit Matter

Performing substantive tests over recognition and measurement of impairment allowance for expected credit losses on sample of loans and receivables allocated to Stage 1 and Stage 2, focusing on:

- Models applied in stage allocation;
- Assumptions used by the Management in the expected credit loss measurement models;
- Criteria used for determination of significant increase in credit risk;
- Assumptions applied to calculate lifetime probability of default;
- Methods applied to calculate loss given default;
- Methods applied for including data related to future events;

Performing substantive tests over recognition and measurement of impairment allowance for expected credit losses on sample of individually assessed non-performing loans and receivables allocated to Stage 3, which included:

- Assessment of borrower's financial position and performance following latest financial reports and available information;
- Critical assessment of judgements and assumptions applied in the calculation and measurement of expected future cash flows from operations taking into consideration borrower's financial status and performance;

Key Audit Matters (continued):

How our audit addressed the Key Audit Matter (continued)

Reviewing and critically assessing estimated value of collateral and estimated realization period, discount rates used in the estimation of the expected cash flows from operations and/or collateral, re-performing calculation of expected credit losses by applying our own judgment and assumptions on to calculation and comparing derived result of the impairment losses per certain sampled loans and receivables with the ones provided by the Bank.

2. Adequacy of the migration process during the mergering of Vakufska banka d.d. Sarajevo

In order to create additional preconditions for growth and development, i.e. to strengthen the position on the banking market, the General Assembly of Shareholders of ASA Banka d.d. at the session held on June 30, 2020, Sarajevo passed the Decision on the status change - merger of Vakufska banka d.d. Sarajevo, in accordance with the Reorganization Plan and the Study on the Economic Justification of the Merger. On November 4, 2021, the FBiH Securities Commission approved the merger of Vakufska banka d.d. to ASA Banka d.d. Sarajevo by Decision No. 03 / 2-19-87 / 20. Consequently, the Federal Banking Agency revoked the operating license of Vakufska banka d.d. Sarajevo on December 1, 2021. On that date, i.e. December 1, 2021, all data, were migrated to the system of ASA Banka d.d. Sarajevo.

Since the success of the status change was preceded by a series of formal - legal actions, i.e. intensive preparation of all departments of both banks to synchronize internal processes, internal acts, financial data, then a new organizational structure, selection of software applications which will be further in use, and which as the ultimate goal have the smooth functioning of the parent Bank, the above facts have led to the conclusion that data migration in terms of completeness and accuracy is our key audit issue during our audit of the Bank's financial statements for the year ended 31 December 2021.

How we approached the key audit issue during our audit

Conducting evidence-based testing on data transmission consisted of checks:

- formal - legal bases and substantiation of status change,
- the process of hiring staff and assembling project teams,
- checking the integrity of data and detected errors, error correction mechanisms,
- data transformation according to the requirements of the target system, process automation,
- mapping of source and target system data,
- reporting on transmitted and non-transmitted data,
- verification of validation of transmitted data,
- repetition of the whole process or parts of the process in order to analyse the accuracy and reliability,
- checking the impact on regular business processes,
- checking the quality of output data (financial reporting).

Other information

Management is responsible for the other information. In accordance with Law on accounting and audit in Federation B&H, the other information comprises the Annual Report and corporate governance rules. 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, 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.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatements 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 material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations or the override of internal controls.
- 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 controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 controls that we identify during our audit.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Lejla Kaknjo

RSM BH d.o.o.

Lejla Kaknjo, Director and Certified Auditor

Berna Šljokić, Partner and Certified Auditor

Sarajevo, 28 January 2022

Income statement
For the year that ended on 31 December 2021
(all amounts are expressed in thousands on BAM, unless stated otherwise)

	Note	2021	2020
Interest income	5	17,585	15,521
Interest expense	6	(4,881)	(4,870)
Net interest income		**12,704**	**10,651**
Fee and commission income	7	9,847	7,741
Fee and commission expense	8	(3,212)	(2,725)
Net fee and commission income		**6,635**	**5,016**
Other gains	9	3,792	2,491
Other operating income	10	176	391
Income from operating activities		**23,307**	**18,549**
Employee expenses	11	(7,996)	(7,242)
Depreciation expenses	23	(1,884)	(2,015)
Other administrative expenses	12	(5,930)	(5,475)
Operating expenses		**(15,810)**	**(14,732)**
PROFIT BEFORE IMPAIRMENT LOSSES, PROVISIONS AND TAXATION		**7,497**	**3,817**
Impairment losses and provisions, net	13	(370)	249
PROFIT BEFORE TAXATION		**7,127**	**4,066**
Income tax	14	(408)	-
Loss as a result of decrease in deferred tax assets	14	(5)	(13)
PROFIT AFTER TAXATION		**6,714**	**4,053**
Earnings per share – basic and diluted (in BAM)	15	**9,89**	**6,15**

The accompanying notes form an integral part of these financial statement.

Statemenent of comprehensive income
for the year ended on 31 December 2021
(all amounts are expressed in thousands of BAM, unless stated otherwise)

	Notes	2021	2020
Net profit		**6,714**	**4,053**
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Changes in impairment of debt securities	20	(298)	(320)
Changes in the fair value of debt securities	20	(70)	36
TOTAL COMPREHENSIVE INCOME		**6,346**	**3,769**

The accompanying notes form an integral part of these financial statement.

Statement of cash flows
for the year ended on 31 December 2021
(all amounts are expressed in thousands of BAM, unless stated otherwise)

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	16	279,457	144,453
Obligatory reserve with Central bank B&H	17	92,583	57,834
Loans and receivables at amortized cost	18	565,009	380,070
Financial assets at FVTPL	19	1,424	1,213
Financial assets at FVTOCI	20	61,419	37,066
Debt instruments at amortized cost	21	798	1,158
Other assets and receivables, net	22	10,584	9,327
Tangible and intangible assets	23	25,766	9,538
Deferred tax assets	14	90	95
TOTAL ASSETS		**1,037,130**	**640,754**
LIABILITIES			
Due to banks	24	6,242	5,979
Due to customers	25	922,391	566,478
Subordinated debt	26	1,432	-
Lease liabilities	27	1,220	2,121
Other liabilities	28	9,905	2,655
Provisions	29	2,459	972
Total liabilities		**943,649**	**578,205**
EQUITY			
Shareholders' equity	30	90,205	65,870
Own (treasury) shares		(2,192)	-
Reserves		9,342	6,003
Revaluation reserves – financial assets at fair value through other comprehensive income		112	456
Accumulated loss		(3,986)	(9,780)
Total equity		**93,481**	**62,549**
TOTAL LIABILITIES AND EQUITY		**1,037,130**	**640,754**

The accompanying notes form an integral part of these financial statement.

Signed on behalf of Bank on 28 January 2022

Samir Mustafić
President of the Board

Edina Vuk
Member of the Board

Davor Tomić
Member of the Board

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

	2021	2020
Operating activities		
Profit before taxation	7,127	4,066
Adjustments:		
Depreciation	1,884	2,015
Impairment losses and provisions, net	370	(249)
Decrease in deferred tax assets, net	5	13
(Gains)/losses on disposal of property and equipment, net	(1,233)	659
Effects of fair value adjustment on assets at fair value through profit and loss	(22)	-
Dividend income recognized in profit and loss	-	(1)
Interest income on financial assets through OCI recognized in profit and loss	(746)	(1,158)
Interest income on financial assets at amortized cost recognized in profit and loss	(78)	(113)
Lease liabilities adjustment	-	44
Gains from sale of financial assets under FVOCI	(2)	-
Reconciliation of impairment of tangible assets	-	6
Changes in assets and liabilities:		
Increase in receivables from CBBiH	(34,754)	(10,003)
Net increase in loans and receivables, before impairment	(183,443)	(56,246)
Net (increase)/decrease in other assets, before impairment	(2,617)	1,552
Net increase in due to customers	355,913	93,245
Net increase in due to banks	263	619
Net increase in other liabilities	7,250	255
Net increase in provisions and transfer from merger	733	-
Income tax paid	(408)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	**150,242**	**34,704**
Investing activities		
Proceeds from financial assets at amortized cost, net	438	496
(Purchase of)/proceeds from financial assets at FVOCI, net	(23,711)	13,337
(Purchase of) / proceeds from financial assets at FVTPL	(205)	(960)
Dividends received	16	1
Purchase and transfer of tangible and intangible assets	(18,571)	(3,427)
Proceeds from sale of property and equipment	1,692	331
NET CASH (USED)/GENERATED FROM INVESTING ACTIVITIES	**(40,341)**	**9,778**
Financial activities		
Payment of lease liabilities	(901)	(628)
Increase/(payment) in liabilities for subordinated debt	1,432	(3,059)
Repurchase of treasury shares	(2,192)	-
Capital increase – merger process	26,764	-
NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES	**25,103**	**(3,687)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**135,004**	**40,795**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**144,453**	**103,658**
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**279,457**	**144,453**

The accompanying notes form an integral part of these financial statement.

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

	Shareholders' equity	**Treasury shares**	**Reserves**	**Revaluation reserves for financial instruments at FVOSD**	**Accumulated (loss)**	**Total**
Balance as on 1 January 2020	**65,870**	**-**	**6,003**	**702**	**(4,405)**	**68,170**
The effect of the first decision by FBA	-	-	-	(56)	(9,521)	(9,577)
Net profit	-	-	-	-	4,053	4,053
Other comprehensive income	-	-	-	(284)	-	(284)
Total comprehensive income	-	-	**-**	***(284)***	***4,053***	***3,769***
Transfer to the income statement based on maturity of debt securities	-	-	-	94	-	94
Adjustment of tax liability from the previous period	-	-	-	-	93	93
Balance as on 31 December 2020	**65,870**	**-**	**6,003**	**456**	**(9,780)**	**62,549**
Net profit	-	-	-	-	6,714	6,714
Other comprehensive income	-	-	-	(368)	-	(368)
Total comprehensive income	-	-	-	***(368)***	***6,714***	***6,346***
Paid in capital – merger process	24,335	-	3,349	(6)	(920)	26,758
Repurchase of treasury shares	-	(2.192)	(10)	10	-	(2,192)
Transfer to the income statement based on maturity of debt securities	-	-	-	20	-	20
Balance as on 31 December 2021	**90,205**	**(2.192)**	**9,342**	**112**	**(3,986)**	**93,481**

The accompanying notes form an integral part of these financial statement.

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

1. General

Under the name ASA Banka d.d. Sarajevo, with its registered office at Trg međunarodnog prijateljstva No. 25, Sarajevo, the Bank has been operating since September 30, 2016, after the registered status change of the merger Moja banka d.d. Sarajevo with Investment - Commercial Bank d.d. Zenica.

Based on the decision of the General Assembly of Shareholders on the status change - merger of Vakufska banka d.d. Sarajevo to ASA Banka d.d. Sarajevo, as of June 30, 2020, a new status change was formally registered as of December 13, 2021 in the Register of Companies of the Municipal Court in Sarajevo by Decision no. 065-0-Reg-21-004678.

The Bank's main operations are as follows;

- accepting and placing of deposits or other funds with repayment liability;
- granting and receiving of loans;
- granting of guarantees;
- services of local and international payments according to regulation;
- foreign exchange transactions and buying of precious metals;
- issuing and managing with payment instruments (including cards, travellers and banking cheques);
- financial lease;
- buy, sale and collection of receivables (factoring, forfeiting, etc.);
- participation, buying and selling of money market instruments on its own benefit and on behalf of third parties
- securities transactions (brokerage-dealers transaction);
- managing od securities portfolio and other valuable items;
- support to securities markets, agent transactions, support to issues of securities according to regulation;
- investing consultancy services and custody accounts;
- financial advisory and consultancy services;
- collecting data services, providing analysis and information about creditworthiness of legal entities and entrepreneurs;
- renting of vaults;
- agency services in insurance transactions according to regulation except for car liability insurance;
- other, which represent support to bank main activities.

Supervisory board and Management board

Supervisory board

Eldin Hadžiselimović	President
Sead Aganspahić	Member
Samir Redžepović	Member
Ibrahim Fazlić	Non-executive member
Arif Brkić	Non-executive member

Management

Samir Mustafić	President of the Board
Davor Tomić	Member of the Management Board
Edina Vuk	Member of the Management Board from 1 December 2021
Arnela Alagić	Member of the Management Board until 30 November 2021

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretation effective in the current period

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Reform of the Reference Rate for Interest Rates - Phase 2 (effective for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 16 “Leases” - Amendments extending the exemptions from the assessment of whether an annuity relief due to the Covid 19 impact is a modification of a lease (effective for annual periods beginning on or after 1 April 2021);
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Amendments to Substitution in the Context of IBOR Reform (effective for annual periods beginning on or after 1 January 2021).

2.2 Standards and interpretations that have been published but have not yet been adopted

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

- Amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” - amendments resulting from annual improvements to IFRS for the period 2018-2020. years (effective for annual periods beginning on or after 1 January 2022);
- Amendment to IFRS 3 “Business Combinations” - link to the conceptual reporting framework (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 9 “Financial Instruments” - Amendments explaining what fees an entity includes when applying the “10%” test - in relation to the assessment of derecognition of a financial liability (effective for annual periods beginning on or after 1 January 2022);
- IFRS 17 “Insurance Contracts” - IFRS 17 creates one accounting model for all insurance contracts in all jurisdictions applying IFRS (effective for annual periods beginning on or after 1 January 2023);
- IAS 1 “Presentation of Financial Statements” - Classification of current and non-current liabilities: limitation of amendments to IAS 1 to clarify the classification of debt and other liabilities as current or non-current (effective for annual periods beginning on or after 1 January 2022);
- IAS 16 Property, Plant and Equipment - Property, Plant and Equipment: Pre-Interacted Inflows: The amendments prohibit an entity from offsetting the cost of acquisition and any inflow from the sale of an asset, during the period when the asset is brought to its location and condition necessary for its intended use. Instead, the entity recognizes in full the proceeds from the sale of such assets, i.e., the cost of acquisition through the income statement (effective for annual periods beginning on or after 1 January 2022);
- IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Harmful Contracts - Performance Costs: The amendments define which costs should be included in an entity's assessment of whether a contract will be harmful 2022);
- IAS 41 Agriculture - Annual Improvements to IFRS 2018-2020: the amendment removes the requirement for entities to exclude cash flows from taxation when measuring the fair value of biological assets using the present value method (effective for annual periods beginning on or after 1 January 2022);
- IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates - Amendments to IAS 8 (effective for annual periods beginning on or after 1 January 2023);

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 Standards and Interpretations in issue not yet adopted (continued)

- IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies, i.e., Amendments to IAS 1 and IFRS Statement of Practice 2 (effective for annual periods beginning on or after 1 January 2023);
- IAS 12 “Income Taxes” - Deferred tax on assets and liabilities arising from a single transaction, i.e., amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023).

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. In accordance with Article 42 of the Law on Accounting and Auditing of the Federation of BiH, legal entities are required to prepare a Business Report that provides an objective overview of the legal entity's operations and position, including a description of the main risks and uncertainties faced by the legal entity. With regard to local regulatory requirements, the Bank's governing bodies also received and reviewed information related to the assessment of the effectiveness of the Bank's control functions, including the adequacy of the process. The Management Board and the Supervisory Board confirmed the correctness of the activities performed by these functions. The Bank's governing bodies, by adopting operational reports and reports of independent external auditors, confirmed the activities of the Management Board and assessed them as compliant with laws, internal documents, decisions, policies, procedures and programs. The Bank's Supervisory Board performed and implemented all necessary activities through its sub-committees, which held their regular meetings during the year and informed the Supervisory Board about its activities in a timely manner.

Going concern

The financial statements have been prepared on the going concern basis, which means that the Bank will be able to collect its receivables and settle its liabilities in the ordinary course of business. In order to create additional preconditions for growth and development, i.e. to strengthen the position on the banking market, the General Assembly of Shareholders of ASA Banka d.d. on June 30, 2020, Sarajevo passed the Decision on the status change - merger of Vakufska banka d.d. Sarajevo, in accordance with the Reorganization Plan and the Study on the Economic Justification of the Merger. The Banking Agency of the Federation of BiH gave prior approval to the previously mentioned documents, as well as on the Business Plan of the Successors Bank, by Act No. 04-1-3-1084-1 / 20 adopted as of June 29, 2020. Given the circumstances related to the work of the Securities Commission of the Federation of BiH, the originally scheduled date of the status change (June 30, 2020) has been extended.

Accordingly, the Federal Banking Agency, by letter no. 04-1-3-930-1 / 21 issued as of 4 October 2021 and letter no. 04-1-3-930-2 / 21 issued as of 14 October 2021 informed the Successor Bank that the status change could be implemented on the planned date of 1 December 2021. On November 4, 2021, the Federal Securities Commission approved the merger of Vakufska banka d.d. to ASA Banka d.d. Sarajevo by Decision No. 03 / 2-19-87 / 20.

Consequently, the Federal Banking Agency revoked the operating license of Vakufska banka d.d. Sarajevo on December 1, 2021. On the observed date, all data, i.e. financial positions were migrated to the system of ASA Banka d.d. Sarajevo.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments measured at fair value 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 for sale or be paid for the transfer of duties in a regular transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using other valuation techniques. In estimating the fair value of assets or liabilities, the Bank takes into account the characteristics of the asset or liability which would be taken into account by market participants when determining the price of 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 for measurements that have some similarities to fair value, but are not affair value, such as value in use in IAS 36.

In addition to financial reporting, fair value indicators are classified at levels 1, 2 or 3 based on the degree to which the evaluation of the fair value can be seen and of the importance of evaluating the fair value in a whole, as follows:

- Level 1 inputs are quoted prices (uncorrected) on active markets for identical assets or liabilities that the Bank may access on the measurement date; fair value indicators are those derived from quoted prices in active markets
- Level 2 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 not observable inputs for the asset or liability.

The financial statements are presented in convertible marks (BAM), since that is the currency in which the majority of the Bank's business events is expressed. Convertible Mark is officially tied to the euro (EUR 1 = BAM 1.95583)

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets and liabilities, income and expenses. Actual results could differ from those 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 eventually in future periods, if they have an impact on them.

Information on areas with significant uncertainty in the estimates and critical judgments in applying accounting policies that have the most significant effect on the amounts and disclosures in the financial statements, are disclosed in Note 4. Accounting policies, stated below, are adequately adopted and implemented for all periods presented in these financial statements

Interest income and expense

Interest income / expense is recognized in the income statement for the period that belongs to, at the applicable effective interest rate, which is the rate that exactly discounts estimated future cash receipts / payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset / liability, or, where appropriate, a shorter period. Interest income is calculated on the gross book value of the financial instrument for Stage 1 and Stage 2, while for Stage 3 the Bank calculates interest on the net amortised amount of the financial instrument.

For the POCI assets, interest income is calculated using the adjusted effective interest rate on the net amortised amount.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest income and expense (continued)

Calculation of the effective interest rate includes all paid or received transaction costs, fees and points, which are an integral part of the effective interest rate. Transaction costs include all incremental costs incurred directly in connection with the issuance or acquisition of financial assets or financial liabilities.

Fee and commission income and expense

Fees and commissions consist mainly of fees earned on domestic and foreign payment transactions, and fees for loans and other credit instruments issued by the Bank. Fees for payment transactions are recognized in the period when services are rendered

Taxation

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

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

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank has the ability and intention to settle on a net basis.

Cash and cash equivalents

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

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

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments, i.e., when funds are transferred to the customers' accounts, or when funds from balances due to customers are transferred to the Bank.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Initial recognition and measurement (continued)

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial assets and financial liabilities are initially measured at fair value, except in the case of financial assets and financial liabilities recorded at FVPL. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial liabilities, except commitments and contingencies, are measured at amortised cost or fair value through profit and loss.

Financial assets at amortised cost

Bank measures financial assets at amortised costs using the effective interest method, if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on management’s intentions for an individual instrument. Thus, this condition is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. However, a single entity may have more than one business model for managing its financial instruments.

An entity’s business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity’s business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

Consequently, this assessment is performed on the basis of scenarios that the entity does not reasonably expect to occur, such as so-called “worst case” or “stress case” scenarios. For example, if an entity expects that it will sell a particular portfolio of financial assets only in a stress case scenario, that scenario would not affect the entity’s assessment of the business model for those assets if the entity reasonably expects that such a scenario will not occur.

If cash flows are not realised in a way that is different from the entity’s expectations at the date that the entity assessed the business model (for example, if the entity sells more or fewer financial assets than it expected when it classified the assets), that does not give rise to a prior period error in the entity’s financial statements nor does it change the classification of the remaining financial assets held in that business model (i.e. those assets that the entity recognised in prior periods and still holds) as long as the entity considered all relevant information that was available at the time that it made the business model assessment.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Business model assessment (continued)

However, when an entity assesses the business model for newly originated or newly purchased financial assets, it must consider information about how cash flows were realised in the past, along with all other relevant information.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial to identify whether they meet the SPPI test. For the purpose of this test, definitions of principal and interest are presented below:

a) principal is fair value of the financial asset at initial recognition.
b) interest is consisted of consideration for the time value of money, for credit risk associated with outstanding amount of principal over a certain period of time and other basic risks and borrowing costs, as well as a profit margin.

Debt instruments at fair value through other comprehensive income (FVTOCI)

The Bank applies the new category under IFRS 9 of debt instruments measured at FVTOCI when both of the following conditions are met:

a) the financial assets are held within a business model, which objective is achieved by both collecting contractual cash flows and selling financial assets.
b) contractual terms of a financial asset arise, on a specific date, cash flows that are solely payments of principal and interest on the principal outstanding.

These instruments had previously been classified as financial instruments available for sale.

FVOCI debt instruments are subsequently measured at fair value. Gains and losses arising due to changes in fair value of instrument should be presented in other comprehensive income until the financial assets are derecognised or their reclassification in other categories of financial assets.

Interest income are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

Upon initial recognition, the Bank can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of particular investments in equity instrument that is not held for trading and it is not contingent consideration granted in a business combination within the scope of IFRSI 3.

Gains and losses on these equity instruments are never recognized through profit or loss. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

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

Financial assets should be measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Bank may make an irrevocable election for certain investments in equity instruments, that should be measured at fair value through profit and loss, to reflect fair value adjustments in other comprehensive income.

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets

Recognition of expected credit losses

The Bank recognizes provisions for the impairment of expected credit losses of financial assets measured at amortised cost and fair value through other comprehensive income, lease receivables, contractual assets or lease obligations and a financial guarantee contract.

The Bank is required to apply impairment requirements for the recognition and measurement of provisions for financial assets measured at fair value through other comprehensive income. However, impairment provisions should be recognized in other comprehensive income and may not reduce the carrying amount of financial assets in the balance sheet.

At each reporting date, the Bank is required to measure impairment provisions for a financial instrument in the amount equal to the duration of expected loan losses if the credit risk for that financial instrument has increased significantly from initial recognition.

Lifetime expected credit losses (LTECL) are credit losses arising from all possible unfulfilled obligations during the expected life of a financial instrument.

12-month expected credit losses (12m ECL) are a portion of the lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

In accordance with abovementioned decision, the banks are required to establish an appropriate process for allocating exposures to credit risk levels which directly affect the establishment of expected credit losses.

In accordance with the schedule of exposures to credit risk levels, the Bank is required to apply the following minimum rates for expected credit losses:

1. Level 1: if the Bank does not have an adequate time series, and/or quantity or quality of historical relevant data and is unable to determine a value of PD parameter using its model in an adequate and documented manner, the Bank cannot determine expected credit losses for other exposures which are allocated to the credit level risk 1 less than 1 % of the exposure.
2. Level 2: For exposure allocated to credit risk level 2, the Bank is required to determine and record expected credit losses in the amount greater than two:
   a) 5% exposures,
   b) amount determined in accordance with internal methodology of the Bank.
3. Level 3: The minimum rates of expected credit losses allocated to Level 3 depend on the fact that the exposure is secured by acceptable collateral or not, and accordingly the minimum rates are as follows:

a) exposures secured by acceptable collateral:

Ordinal number	Day of delay	Minimum expected credit loss
1.	from 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%

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Impairment of financial assets (continued)

Recognition of expected credit losses (continued)

b) exposures not secured by acceptable collateral:

Ordinal number	Day of delay	Minimum expected credit loss
1.	from 180 days	15%
2.	from181 to 270 days	45%
3.	from 271 to 365 days	75%
4.	from 366 to 456 days	85%
5.	over 465 days	100%

Minimum rates of expected credit losses for trade receivables, factoring and financial leasing receivables, and other receivables, are applied according to the table as follows:

Ordinal number	Day of delay	Minimum expected credit loss
1.	No delay in materially significant amount	0,5%
2.	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%

Parameters of credit risk

Credit loss for exposures on individual basis is determined as positive differences between gross carrying amount of exposures and the estimated future cash flows (from operating income and/or realization of collateral) during expected useful life of the financial asset item, discounted at the effective interest rate which is valid at the reporting date. The Bank may use a number of different scenarios (from operating income and/or realization of collateral) when assessing certainty of future cash flows with a probability of their realization.

The Bank determine expected credit loss for exposures on group basis in accordance with the following general formula:

$$\boldsymbol{ECL} = \boldsymbol{PD} \times \boldsymbol{LGD} \times \boldsymbol{EaD}$$

Probability of default status (PD parameter)

The Bank determined the value of PD parameter on the basis on defined segments of credit exposures or PD of homogeneous group, which are appropriately (in accordance with its internal methodology) assigned the value of the PD parameter. The PD parameter for homogeneous group is estimated as the ratio of the number of placements at which default status occurred during the observation period (historical data for 3 years) and the total number of placements that were not in default at the beginning of the observed period.

Loss given default (LGD parameter)

Loss given default (LGD parameter) represents the banks internal estimate of the level of expected loss related to exposure in the event of default status. LGD parameter is also calculated at the level of the relevant homogenous group, based on historical data on collections from collateral or other sources after the occurrence of default status for identified homogenous groups for a period of a least recent five years.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Loss given default (LGD parameter) (continued)

If the Bank does not have adequate time series, and/or quantity or quality of historical relevant data, and is unable to determine a value of PD parameter using its model in an adequate and documented manner, then the Bank uses fixed values of this parameter based on conservative estimates, which cannot be lower than:

a. 45% for exposures secured by acceptable collateral,

b. 75% for exposures not secured by acceptable collateral.

As of 31 December 2021, Bank used fixed parameters in percentage of 45% and 75%.

Derecognition of financial assets

A financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset in the case of transfers of financial assets that meet the definition of derecognition:

- The Bank has transferred its contractual rights to receipts cash flows from the financial asset.

- The Bank retains the rights to the cash flows from financial assets, but has assumed an obligation to pay the received cash flows to one or more recipients.

When the bank transfers the financial assets, it is obliged to assess the extent to which it retains the risks and the benefit of the financial asset. In this case:

- if Bank has transferred substantially all the risks and rewards of the assets, it is obliged to derecognize the financial assets and recognize separately like assets or liabilities all rights and obligations that are incurred or retained by transfer.

- if Bank has retained substantially all the risks and rewards of the assets, it is obliged to continue to recognize the financial assets.

- If Bank has neither transferred nor retained substantially all the risks and the benefits of the financial assets, it is obliged to determine whether it has retained control over financial assets. In this case:

(i) if Bank has not retained the control, it is obliged to derecognize the financial assets and recognize separately like assets or liabilities all rights and obligations that are incurred or retained by transfer.

(ii) if the Company retained the control, it is obliged to continue to recognize the financial assets in the amount of its part in financial assets.

c) Financial liabilities and equity instruments issued by the Bank

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recorded at the amount of received funds, less then direct issue costs.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial guarantee contract liabilities

Financial guarantee contract liabilities initially are measured at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37: "Provisions, Contingent Liabilities and Contingent Assets"; or
- the amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out at above.

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss", or "other financial liabilities".

Other financial liabilities

Other financial liabilities, including liabilities to banks, customers and subordinated debt, are initially recognized at fair value less transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

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

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, expect for short-term leases and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments, less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Bank adjusts the value of the lease liability determined by remeasurement and recognises it as an adjustment to the right-use of asset using the effective interest method. The cost of the right-of-use asset shall comprise the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the lessee. Asset with the right-of-use is subsequently measure at cost less any accumulated depreciation and any accumulated impairment losses.

Property and equipment

Property and equipment are initially stated at procurement cost less impairment losses and accumulated impairment losses. Procurement cost includes the purchase price and directly associated cost of bringing the asset to a working condition for its intended use. The costs of ongoing maintenance and repairs, replacement and investment maintenance of a smaller scale are recognized as an expense when incurred.

Assets under construction, built for the purpose of providing services or for administrative purposes, are stated at cost less any impairment loss. The cost of procurement includes professional fees, and, for qualifying assets, borrowing costs capitalized in accordance with the Bank's accounting policy. Such assets are reclassified to appropriate categories of property and equipment after being completed and ready for intended use.

Depreciation is charged from the moment the asset is ready for its intended use. Depreciation is calculated on a straight-line basis over the estimated useful life of the applicable assets. Estimated useful lives were as follows:

	2021.	**2020.**
Buildings	1.5%	1.5%
Furnitures and vehicles	10% do 15%	10% do 15%
Computers and other equipment	10% -20%	10% -20%

The gain and loss arising on the disposal or retirement of an asset is recognized in the statement of profit and loss in the period they occur.

Impairment

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

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

If the recoverable amount of an asset is estimated to be less than it's carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or building other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

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

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives using rate of 14.3% annually.

Assets classified as held for sale

Non-current assets are classified as held for sale if it's carrying amount will be largely compensated by selling rather than by constant use. This requirement is met only if the sale is highly probable and the assets available for sale in the current state. Management must be decisive in sales, which should be determined for recognition as a complete sale within one year from the date of classification. Assets classified as held for sale are measured at a lower of the carrying amount and fair value less costs to sell.

Employee benefits

On behalf of its employees, the Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Bank pays the tax and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels).

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

Foreign currency translation

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

The Bank values its assets and liabilities by middle rate of CBBH valid at the date of balance sheet, which approximates market rates. The principal rates of exchange set forth by CBBH and used in the preparation of the Bank's balance sheet at the reporting dates were as follows:

31 December 2021	1 EUR = 1,95583 KM	1 USD = 1,725631 KM	1 CHF = 1,887320 KM
31 December 2020	1 EUR = 1,95583 KM	1 USD = 1,592566 KM	1 CHF = 1,801446 KM

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, it 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.

3. BASIS FOR PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included in the cost of procurement of assets, until the assets are substantially ready for its intended use or sale.

All other borrowing costs are charged to the statement of income in the period in which they are incurred.

Equity and reserves

Share capital

Share capital includes paid ordinary and preference shares and is expressed in KM at nominal value.

Revaluation reserve for investments

Revaluation reserve for investments comprises changes in fair value of financial assets through other comprehensive income.

Earnings per share

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

loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

During 2021 and 2020 there were no dilution effects.

If the number of ordinary or potential ordinary shares increases as a result of capitalization, free issue or division of shares, or if the number decreases as a result of activities contrary to division of shares, the calculation of basic and diluted earnings per share for all periods is adjusted retroactively.

If these changes occur after the statement of financial position date but before the financial statements are issued, the calculation of the amount per share for those financial statements and the statements of any prior period is based on the new number of shares.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, which are described in Note 3, the Management is required to make judgements, estimates and 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 on-going 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.

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

Assumptions of the Management Board regarding the adoption of the going concern principle

Following the conducted comprehensive analyses and formal legal actions in the period before the status change, the Bank's Management Board prepared these financial statements in accordance with the going concern principle. Namely, this was preceeded by the preparation of the Reorganization Plan, the Study on the economic justification of the merger of Vakufska banka d.d. to ASA Banka d.d. Sarajevo, Business Plan for the period from 2020 to 2023, and the Bank's Capital Plan for the period from 2020 to 2023. All documents were adopted by the Supervisory Boards of banks, i.e. the Annual Assemblies, and the Federal Banking Agency approved them. Given that all assets, rights and obligations of the Bank have been transferred to the Successor Bank, where the continuity of on-balance sheet and off-balance sheet positions is ensured, the Management Board considers the going concern principle to be appropriate.

Influence of the COVID-19 pandemic

The Bank's management has made estimates in considering the impact that the Coronavirus pandemic (COVID-19) has had or could have on the Bank based on known information. This consideration relates to the nature of the products and services offered, customers, the lending and deposit collection process, employees and the geographical regions in which the Bank operates. According to the Bank, there are currently no indicators that there is a significant impact on the financial statements or any significant uncertainties regarding events or conditions that may adversely affect the Bank at the reporting date or subsequently as a result of the Coronavirus pandemic (COVID-19). As at 31 December 2021, the Bank had in its loan portfolio 14 credit accounts of individuals and 28 credit accounts of legal entities covered by special measures, and whose balance sheet net exposure were KM 449 thousand and KM 10,614 thousand, respectively.

Useful lives of property and equipment

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

Impairment losses on loans and receivables

As described in Note 3 above, at each reporting period date, the Bank assessed indicators for impairment of loans and receivables and their impact on the estimated future cash flows from the loans and receivables.

Impairment losses on loans and receivables and provisions for off-balance exposure

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on-and off-balance credit risk exposures is assessed on a monthly basis. Impairment losses are made mainly against the carrying value of loans to corporate and retail customers and as provisions for liabilities and charges arising from off-balance-sheet risk exposure to customers, mainly in the form of unused loan facilities and guarantees. Impairment losses are also considered for credit risk exposures to banks and for other assets not carried at fair value, where the primary risk of impairment is not credit risk.

With regard to the financial assets carried at amortised cost, the Bank first assesses whether objective evidence of impairment exists individually for assets that are individually significant and collectively for assets that are not individually significant.

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

Impairment losses on loans and receivables (continued)

In assessing collective impairment, the following guidelines are used:

- future cash flows of a homogeneous segment/product group are estimated based on historical losses for assets with similar credit risk characteristics;
- criteria for assessing a significant increase in credit risk and measurement of losses on LTECL basis;
- information on historical loss rates is applied consistently to defined homogeneous segments/groups;
- historical losses are adjusted in line with current data which can be used consistently with the current conditions;
- methodology and assumptions used to estimate future cash flows are regularly revised, and updated as necessary.

As explained further below, the Bank calculates provisions under FBA rules, as well as estimating impairment allowances under IFRS.

On December 29, 2021, the Supervisory Board of the Bank passed a Decision on the adoption of the updated Internal impairment methodology according to IFRS.

Fair value of financial instruments and derivatives

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 are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

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

5. INTEREST INCOME

	2021	2020
Interest on corporate loans	9,950	9,613
Interest on retail loans	6,801	4,627
Financial assets at fair value through OCI (Note 20)	746	1,158
Debt instruments at amortized cost (Note 21)	78	113
Factoring income	5	1
Interest income from banks	5	9
	17,585	**15,521**

6. INTEREST EXPENSES

	2021	2020
Interest on retail deposits	2,422	2,500
Interest on corporate deposits	1,867	1,822
Interest on subordinated debt	32	130
Other interest expenses	560	418
	4,881	**4,870**

7. FEE AND COMMISSION INCOME

	2021	2020
Fees from services rendered	5,506	4,161
Payment operations fees	3,807	3,109
Fees on issued guarantees	534	471
	9,847	**7,741**

8. FEE AND COMMISSION EXPENSE

	2021	2020
Payment transactions fees	2,461	2,127
Other fees to banks	751	598
	3,212	**2,725**

9. OTHER GAINS

	2021	2020
Foreign exchange differences, net	1,340	894
Gains on sale of property, equipment and assets available for sale (Note 22 and 23)	1,233	300
Collected written-off receivables	675	814
Income from rented premises or equipment	504	472
Fair value adjustment – financial assets at FVPL (Note 19)	22	10
Income from dividends	16	1
Sale of bonds - financial assets at FVTOCI	2	-
	3,792	**2,491**

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

10. OTHER OPERATING INCOME

	2021	2020
Income from suspended interest	29	69
Other income	147	322
	176	**391**

11. PERSONNEL EXPENSES

	2021	2020
Net salaries	4,459	4,091
Tax and contributions	2,700	2,479
Other	837	672
	7,996	**7,242**

The average number of personnel employed by the Bank on 31 December 2021 and 2020 was 235 and 212 respectfully.

12. OTHER ADMINISTRATIVE EXPENSES

	2021	2020
Equipment and building maintenance	1,582	1,453
Services	1,621	1,320
Energy	462	367
Tax expenses	378	260
Telecommunication services	374	318
Insurance	297	247
Marketing and representation	255	321
Material expenses	192	206
Donations	183	253
Rent	130	117
Utilities	59	56
Membership fees	55	166
Services contracts	50	29
Supervisory Board fees	49	49
Subsequently identified other expenses	34	119
Penalties	1	7
Other	208	187
	5,930	**5,475**

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

13. IMPAIRMENT LOSSES AND PROVISIONS

	Note	2021	2020
Cash and cash equivalents	16	45	5
Obligatory reserves at Central Bank	17	5	-
Loans to customers	18	(1,496)	(35)
Provisions for litigations	29	71	80
Financial assets at FVOCI	20	(298)	(10)
Provisions for commitments and contingencies	29	98	(198)
Provisions for employee benefits	29	564	5
Other provisions	29	21	-
Financial assets at AC	21	-	(10)
Other assets	22	309	(86)
Impairment of acquired assets	22	1,051	-
		370	**(249)**

14. INCOME TAX

Total income tax recognised in income statement may be presented as follows:

	2021	2020
Current income tax	408	-
Total tax	**408**	**-**

Adjustment between income tax presented in tax balance and accounting income tax is presented as follows:

	2021	2020
Profit / (loss) before income tax	**7,127**	**4,066**
Income tax expense, at the statutory rate of 10%	***713***	***407***
Effects of non-deductible expenses	117	71
Effects of non-taxable income	(43)	(199)
Capital losses	-	(646)
Decrease in tax liability based on carry-forward losses	(379)	-
Current income tax	**408**	**-**
Effective income tax rate	**5.72%**	**-**

Changes in deferred tax asset can be presented as follows:

	2021	2020
Balance on 1 January	**95**	**108**
Used deferred tax assets	(5)	(13)
Balance as on 31 December	**90**	**95**

15. PROFIT PER SHARE

	2021	2020
Net result (in BAM thousands)	6,714	4,053
Weighted average number of shares for the purpose of basic earnings per share	678,975	658,695
Basic earnings per share (in BAM)	**9.89**	**6.15**

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

16. CASH AND CASH EQUIVALENTS

	31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current account with the Central Bank of BH	186,490	-	-	186,490
Current accounts with other banks	24,021	-	-	24,021
Cash in hand in domestic currency	52,063	-	-	52,063
Cash in hand in foreign currency	12,705	-	-	12,705
Term-deposits on accounts with other banks*	4,178	-	-	4,178
	279,457	**-**	**-**	**279,457**

*Term-deposits on accounts with other banks in the gross amount of KM 4,199 thousand relate to three term-deposit agreements with Aktif Yantrim Bankasi A.S. as follows:

- USD 800 thousand, with an interest rate of 2% p.a. and final maturity on 27 April 2022;

- USD 500 thousand, with an interest rate of 2.1% p.a. and final maturity on 27 April 2022;

- EUR 1 million, with an interest rate of 1.2% p.a. and final maturity on 19 January 2022.

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current account with the Central Bank of BH	88,326	-	-	88,326
Current accounts with other banks	17,020	-	-	17,020
Cash in hand in domestic currency	31,324	-	-	31,324
Cash in hand in foreign currency	7,783	-	-	7,783
	144,453	**-**	**-**	**144,453**

Changes in gross carrying amount are presented below:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	***144,634***	***-***	***-***	***144,634***
Acquired financial assets	135,093	-	-	135,093
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As on 31 December 2021	***279,727***	***-***	***-***	***279,727***

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	***103,675***	***-***	***-***	***103,675***
Acquired financial assets	40,959	-	-	40,959
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As on 31 December 2020	***144,634***	***-***	***-***	***144,634***

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

16. CASH AND CASH EQUIVALENTS (CONTINUED)

Changes in impairments are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as on 1 January 2021	***181***	***-***	***-***	***181***
Impairment (Note 13)	45	-	-	45
Reclassification (Note 17)	(58)	-	-	(58)
Transfer from merger	102	-	-	102
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As on 31 December 2021	***270***	***-***	***-***	***270***

	Stage 1	Stage 2	Stage 3	Total
Impairments as on 1 January 2020	***17***	***-***	***-***	***17***
Effect of the first-time adoption FBA Decision	159	-	-	159
Impairment (Note 13)	5	-	-	5
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As on 31 December 2020	***181***	***-***	***-***	***181***

17. OBLIGATORY RESERVE WITH THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA

	31 December 2021	31 December 2020
Obligatory reserve with CBBH	92,675	57,834
Less: value adjustment	(92)	-
	92,583	**57,834**

Changes in impairments are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as on 1 January 2021	***-***	***-***	***-***	***-***
Reclassification (Note 16)	58	-	-	58
Transfer from merger	29	-	-	29
Impairment (Note 13)	5	-	-	5
As on 31 December 2021	***92***	***-***	***-***	***92***

The basis for the calculation of obligatory reserves consists of deposits and borrowed funds, regardless of the currency in which they are denominated. Also, a single required reserve rate of 10% has been established, which the CBBH applies to the base for calculating required reserves.

The Decision also determine that no fee will be calculated for the obligatory reserve amount. For the amount of assets over the obligatory reserve, CBBH calculates fee at the rate applied by the European Central Bank (ECB) on commercial bank’s deposits (Facility Rate) reduced by 10 basis points.

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

18. LOANS AND RECEIVABLES

	31 December 2021	31 December 2020
Short - term loans:		
(including current portion of long-term loans)		
Corporate	127,602	123,306
Retail	14,790	8,249
	142,392	*131,555*
Long - term loans:		
(excluding current portion of long-term loans)		
Corporate	206,244	173,160
Retail	268,262	103,064
	474,506	*276,224*
Total loans before allowance for impairment	***616,898***	***407,779***
Less: Allowance for impairment losses based on individual assessment	(41,380)	(18,735)
Less: Allowance for impairment losses based on collective assessment	(10,509)	(8,974)
	565,009	**380,070**

Below is the overview of loans given to customers by segment and level of credit risk:

	Stage 1	Stage 2	Stage 3		
31 December 2021	**Collective assessment**	**Collective assessment**	**Individually assessed**	**Collective assessment**	**Total**
Loans to individuals					
Housing loan	35,177	66	319	60	35,622
Other loans to individuals	235,522	3,218	3,832	4,858	247,430
	270,699	**3,284**	***4,151***	**4,918**	***283,052***
Loans to corporate					
Revolving loans	64,416	2,744	3,439	-	70,599
Investment loans	39,577	40	4,447	-	44,064
Other loans to corporate	168,605	9,070	41,508	-	219,183
	272,598	***11,854***	***49,394***	***-***	***333,846***
Less: Impairment	(4,758)	(1,051)	(41,380)	(4,700)	(51,889)
	538,539	**14,087**	**12,165**	**218**	**565,009**
31 December 2020					
Loans to individuals					
Housing loan	20,745	253	273	47	21,318
Other loans to individuals	84,442	814	1,353	3,386	89,995
	105,187	**1,067**	**1,626**	**3,433**	**111,313**
Loans to corporate					
Revolving loans	84,012	3,994	2,377		90,383
Investment loans	24,449	3,189	2,115		29,753
Other loans to corporate	147,496	5,808	23,026		176,330
	255,957	**12,991**	**27,518**	**-**	**296,466**
Less: Impairment	(4,084)	(1,551)	(18,735)	(3,339)	(27,709)
	357,060	**12,507**	**10,409**	**94**	**380,070**

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

18. LOANS AND RECEIVABLE (CONTINUED)

Changes in gross carrying amount for loans are shown below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**361,144**	**14,059**	**32,576**	**407,779**
Acquired assets	239,057	2,251	775	242,083
Transfer from merger	145,850	1,760	29,137	176,747
Derecognition or proceeds from collection (excluding write off)	(196,621)	(4,601)	(5,300)	(206,522)
Transfer to Stage 1	703	(692)	(11)	-
Transfer to Stage 2	(6,038)	6,375	(337)	-
Transfer to Stage 3	(798)	(4,014)	4,812	-
Write off	-	-	(3,189)	(3,189)
At 31 December 2021	***543,297***	***15,138***	***58,463***	***616,898***

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	***309,357***	***15,981***	***49,661***	***374,999***
Acquired financial assets	198,724	3,417	29	202,170
Derecognition or proceeds from collection (excluding write off)	(141,687)	(4,232)	(2,166)	(148,085)
Increase in exposure under existing contracts	1,988	119	54	2,161
Transfer to Stage 1	895	(845)	(50)	-
Transfer to Stage 2	(7,596)	7,615	(19)	-
Transfer to Stage 3	(537)	(7,996)	8,533	-
Write off	-	-	(23,466)	(23,466)
At 31 December 2020	**361,144**	**14,059**	**32,576**	**407,779**

Changes in impairment for loans receivables are shown below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2021	**4,083**	**1,550**	**22,076**	**27,709**
Transfer from merger	1,080	174	27,611	28,865
Impairment (Note 13)	517	366	(2,379)	(1,496)
Transfer to Stage 1	5	(5)	-	-
Transfer to Stage 2	(577)	594	(17)	-
Transfer to Stage 3	(350)	(1,628)	1,978	-
Write off	-	-	(3,189)	(3,189)
At 31 December 2021	***4,758***	***1,051***	***46,080***	***51,889***

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2020	***3,799***	***443***	***37,924***	***42,166***
Effect of the first-time adoption FBA Decision	1,535	1,220	6,289	9,044
Impairment (Note 13)	165	62	(262)	(35)
Transfer to Stage 1	7	(7)	-	-
Transfer to Stage 2	(1,174)	1,175	(1)	-
Transfer to Stage 3	(249)	(1,343)	1,592	-
Write off	-	-	(23,466)	(23,466)
At 31 December 2020	**4,083**	**1,550**	**22,076**	**27,709**

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

18. LOANS AND RECEIVABLES (CONTINUED)

Weighted average interest rate can be presented as follows:

	31 December 2021	31 December 2020
Corporate	3.95%	3.92%
Retail	6.65%	6.23%

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

31 December 2021	Average PD	Average LGD
Corporate	0.015	0.65
Retail	0.009	0.74
31 December 2020		
Corporate	0.0187	0.64
Retail	0.006	0.74

Analysis of loans before allowance for impairment losses by industry:

	31 December 2021	31 December 2020
Citizens	283,052	111,313
Trade	122,993	127,839
Agriculture, forestry, mining and industry	116,341	84,524
Construction industry	36,290	25,609
Services, finance, sport and tourism	34,788	39,750
Transport and communications	12,944	10,567
Governmental institutions, NGO's and other	10,490	8,177
	616,898	**407,779**

Reprograms and restructuring

Restructuring measures include a "concession" to the debtor as a result of the deterioration in the economic and financial position of the client and the impossibility of repaying the debt under the initially agreed terms. The "concession" may be change in terms of the original contract (annex) or a new contract (refinancing). Restructuring of the liabilities aims to enable the client to repay the obligations according to his real possibilities, with the provision of more efficient and secure collection of the Bank's receivables. According to this, restructuring of the liabilities represents a change in the terms and conditions agreed in the moment of loan approving (e.g., extension of repayment deadlines, reduction of interest rates, etc.). Decision on restructuring of the liabilities make authorized body of the Bank. Restructured exposures can be identified both in the non-performing and performing parts of the portfolio.

31 December 2021	Number of reprogramed loans	Gross credit exposure	Stage 1	Stage 2	Stage 3
Corporate	35	16,151	-	82	16,069
Retail	15	991	651	-	340
	50	**17,142**	**651**	**82**	**16,409**
31 December 2020					
Corporate	28	5,275	521	-	4,754
Retail	14	394	16	-	378
	42	**5,669**	**537**	**-**	**5,132**

18. LOANS AND RECEIVABLES (CONTINUED)

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

Loans under special measures

As at 31 December 2021, the Bank had in its loan portfolio 14 credit accounts of individuals and 28 credit accounts of legal entities covered by special measures, and whose balance sheet net exposure was KM 449 thousand or KM 10,614 thousand.

Syndicated loans

During 2021, the Bank approved 4 syndicated loans to clients (2020: 8 syndicated loans) together with other banks. On this basis, the participation of other banks as of December 31, 2021 was in the amount of KM 2,906 thousand. (2020: from 3,232 thousand KM). The bank bears the risk only for its participation in the union.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2021	**31 December 2020**
Investments in funds:		
Investment fund "Raiffeisen Cash" Sarajevo	1,000	995
Shares:		
Shares of banks	199	21
Shares of private companies	132	155
Shares of public companies	66	40
Shares of non-banking financial institutions	27	2
	1,424	**1,213**

Movements in fair value of assets through profit and loss were as follows:

	2021	**2020**
Balance at the beginning of the year	**1,213**	**243**
New assets (purchased)	-	995
Transfer from merger	189	-
Gains from fair value adjustments (Note 9)	22	10
Collected during the year	-	(35)
Balance at the end of the year	**1,424**	**1,213**

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	31 December 2021	31 December 2020
Debt securities:		
Ministry of Finance RS	42,259	26,212
Ministry of Finance FBiH	17,371	9,486
Accrued interest	896	481
Sub-total	*60,526*	*36,179*
Equity instruments:		
Bamcard d.d. Sarajevo	226	219
Sarajevo Stock exchange d.d. Sarajevo	103	103
Securities' Register of FBiH d.d.	33	15
Vakufska banka d.d. Sarajevo	-	17
Bank Association	9	9
Sub-total	*371*	*363*
Investment in funds:		
Open investment fund “Lilium Global” Sarajevo	522	524
	61,419	**37,066**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	***37,066***	**-**	**-**	***37,066***
New financial assets (purchased)	4,133	-	-	4,133
Transfer from merger	24,396	-	-	24,396
Derecognition or proceeds from collection (excluding write off)	(4,852)	-	-	(4,852)
Interest (Note 5)	746	-	-	746
Unrealised loss from fair value adjustment, net	(70)	-	-	(70)
At 31 December 2021	***61,419***	**-**	**-**	***61,419***

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	***49,609***	**-**	**-**	***49,609***
New financial assets (purchased)	10,412	-	-	10,412
Derecognition or proceeds from collection (excluding write off)	(23,749)	-	-	(23,749)
Interest (Note 5)	1,158	-	-	1,158
Unrealised loss from fair value adjustment, net	(364)	-	-	(364)
At 31 December 2020	***37,066***	**-**	**-**	***37,066***

21. DEBT INSTRUMENTS AT AMORTISED COST

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

	31 December 2021	31 December 2020
Bonds:		
Ministry of Finance of FBiH	798	1,158
	798	**1,158**

Changes in debt instruments at amortized cost are presented below:

	2021	2020
Balance at beginning of the year	**1,158**	**1,541**
Interest (Note 5)	78	113
Decrease, net	(438)	(496)
Balance at end of the year	**798**	**1,158**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	***1,158***	**-**	**-**	***1,158***
Derecognition or proceeds from collection (excluding write off)	(438)	-	-	(438)
Interest (Note 5)	78	-	-	78
At 31 December 2021	***798***	**-**	**-**	***798***

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	***1,551***	**-**	**-**	***1,551***
Derecognition or proceeds from collection (excluding write off)	(506)	-	-	(506)
Interest (Note 5)	113	-	-	113
At 31 December 2020	***1,158***	**-**	**-**	***1,158***

Changes in impairment are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairment as at 1 January 2021	**-**	**-**	**-**	**-**
Release of reservation (Note 13)	-	-	-	-
At 31 December 2021	**-**	**-**	**-**	**-**

	Stage 1	Stage 2	Stage 3	Total
Impairment as at 1 January 2020	***10***	**-**	**-**	***10***
Release of reservation (Note 13)	(10)	-	-	(10)
At 31 December 2020	**-**	**-**	**-**	**-**

22. OTHER ASSETS AND RECEIVABLES, NET

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

	31 December 2021	31 December 2020
Receivables from banks	3,633	2,645
Receivables from BH Pošta based on the foreign exchange Contract	2,969	2,969
Acquired tangible assets	1,260	2,296
Prepaid expenses	684	653
Receivables from government institutions	202	108
Inventories and other office supplies	134	75
Prepaid income tax	-	219
Other	3,397	1,748
	12,279	***10,713***
Less: Impairment	(1,695)	(1,386)
	10,584	**9,327**

Changes in acquired assets are presented below:

	Book value	Gains from sale
January 1, 2020	**2,729**	**260**
Sale / (purchase) of acquired real estate	(370)	252
Collection of credit receivables through the acquisition of real estate	81	-
Impairment of acquired real estate	(144)	-
Balance as of December 31, 2020	**2,296**	**252**
Sale / (purchase) of acquired real estate	(1,081)	1,116
Collection of credit receivables through the acquisition of real estate	642	-
Transfer from merger	454	-
Impairment of acquired real estate (Note 13)	(1,051)	-
Balance as of December 31, 2021	**1,260**	**1,116**

Changes in impairment are presented below:

	2021	2020
Balance at 1 January	**1,386**	**1,263**
The effect of the first-time adoption of the FBA Decision	-	209
Impairment (Note 13)	309	(86)
Balance at 31 December	**1,695**	**1,386**

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

23. TANGIBLE AND INTANGIBLE ASSETS

	Buildings and land	Assets under lease (IFRS 16)	Vehicles	Computer and other equipment	Intangible assets	Leasehold improvements	Investment in progress	Total
COST								
At 31 December 2019	**3,603**	**3,734**	**701**	**9,328**	**5,397**	**1,203**	**823**	**24,789**
Additions	-	1,452	-	139	-	175	1,661	3,427
Transfer (from) / to	3	-	247	44	193	796	(1,283)	-
Disposals	-	(1,514)	(178)	(53)	-	-	-	(1,745)
At 31 December 2020	**3,606**	**3,672**	**770**	**9,458**	**5,590**	**2,174**	**1.201**	**26,471**
Additions	-	-	-	-	-	-	10,552	10,552
Transfer from merger	9,239	1,036	140	4,098	45	402	16	14,976
Transfer (from) / to	9,453	-	117	652	332	25	(10,579)	-
Disposals	-	(1,953)	(61)	(1,485)	(123)	(23)	(143)	(3,788)
At 31 December 2021	**22,298**	**2,755**	**966**	**12,723**	**5,844**	**2,578**	**1,047**	**48,211**
ACCUMULATED DEPRECIATION								
At 31 December 2019	**1,298**	**1,048**	**390**	**8,118**	**4,293**	**520**	**-**	**15,667**
Depreciation	51	1,096	94	361	284	129	**-**	2,015
Disposals	-	(555)	(144)	(56)	-	-	-	(755)
Adjustments	6	-	-	-	-	-	-	6
At 31 December 2020	**1,355**	**1,589**	**340**	**8,423**	**4,577**	**649**	**-**	**16,933**
Depreciation	318	736	111	222	300	197	-	1,884
Transfer from merger	1,771	867	118	3,824	27	350	-	6,957
Disposals	-	(1,614)	(127)	(1,465)	(123)	-	-	(3,329)
Adjustments	(122)	-	-	122	-	-	-	-
At 31 December 2021	**3,322**	**1,578**	**442**	**11,126**	**4,781**	**1,196**	**-**	**22,445**
NET BOOK VALUE								
At 31 December 2021	**18,976**	**1,177**	**524**	**1,597**	**1,063**	**1,382**	**1,047**	**25,766**
At 31 December 2020	**2,251**	**2,083**	**430**	**1,035**	**1,013**	**1,525**	**1,201**	**9,538**

The cost of fully written off tangible and intangible assets in use as at 31 December 2021 amounts to KM 14,789 thousand (2020: KM 11,275 thousand).

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

23. TANGIBLE AND INTANGIBLE ASSETS (CONTINUED)

Assets under lease in accordance with IFRS 16 „Leases“ are presented below:

	Property
Net book value at 31 December 2021 (BAM 000)	1,177
Addition investment in assets with right of use (BAM 000)	-
Depreciation rate	10% - 100%
Number of lease agreement	25
Period of right of use	from 1 to 10 years

24. DUE TO BANKS

	31 December 2021	**31 December 2020**
Deposits:		
Demand deposits	1,242	979
Fixed-term deposits	5,000	5,000
	6,242	**5,979**

25. DUE TO CUSTOMERS

	31 December 2021	**31 December 2020**
Demand deposits		
Retail:		
In domestic currency	129,759	68,327
In foreign currencies	36,965	20,708
	166,724	*89,035*
Corporate:		
In domestic currency	109,185	77,990
In foreign currencies	10,479	12,138
	119,664	*90,128*
Deposits from NGOs, cantonal government, municipalities etc.:		
In domestic currency	210,464	83,849
In foreign currencies	23,133	27,762
	233,597	*111,611*
	519,985	**290,774**
Fixed-term deposits:		
Retail:		
In domestic currency	96,973	63,495
In foreign currencies	117,737	75,990
	214,710	*139,485*
Corporate:		
In domestic currency	43,765	33,539
In foreign currencies	2,463	2,875
	46,228	*36,414*
Deposits from NGOs, cantonal government, municipalities etc.:		
In domestic currency	73,829	50,580
In foreign currencies	67,639	49,225
	141,468	*99,805*
	402,406	**275,704**
	922,391	**566,478**

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

25. DUE TO CUSTOMERS (CONTINUED)

Interest rate during the year is presented below:

	2021	2020
Demand deposits in KM and foreign currencies	0% - 0.10%	0% - 0.10%
Fixed-term deposits of legal entities	0.7% - 1.52%	(0.08)% - 1.69%
Fixed-term deposits of private individuals	0.2% - 1.86%	(0.15)% - 1.88%

26. SUBORDINATED DEBT

	31 December 2021	31 December 2020
Vlada Hercegovačko – neretvanskog Kantona	1,089	-
Medžlis IZ Mostar	343	-
	1,432	**-**

The Bank has funds in the amount of 1,089 thousand KM as at 31 December 2021, which were transferred from the merged Vakufska banka d.d. Sarajevo. The funds received from the Government of the Croatian National Theatre are for the purpose of further crediting and financing the development of agriculture and improving employment. These funds are recognized as additional capital, according to FBA regulations.

The amount of 343 thousand KM as of December 31, 2021, represents the Bank's funds received from the Foundation "Bošnjaci", Mostar for the purpose of further lending and financing. These assets are also recognized as supplementary capital.

27. LIABILITIES FOR LEASE

	31 December 2021	31 December 2020
Long term liabilities	518	1,027
Short term liabilities	702	1,094
	1,220	**2,121**
Maturity analysis:		
Within one year	702	1,094
In the second year	360	563
In the third year	81	347
In the fourth year	27	80
In the fifth year	12	37
After five years	38	-
	1,220	**2,121**

Lease agreements have been signed for periods of 1 to 10 years. The Bank used an incremental borrowing rate of 0.8% to 3.5% per annum.

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

28. OTHER LIABILITIES

	31 December 2021	31 December 2020
Card operations	3,181	516
Liabilities for suppliers	1,262	430
Liabilities for undistributed inflows	600	554
Liabilities for inactive accounts	526	587
Liabilities from managed funds (Note 31)	66	21
Other	4,270	547
	9,905	**2,655**

29. PROVISIONS

	31 December 2021	31 December 2020
Provisions for employee benefits	1,028	349
Provisions for commitments and contingencies	564	396
Provisions for legal proceedings	503	227
Other provisions	364	-
	2,459	**972**

Commitments and contingencies

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 and undrawn commitments.

	31 December 2021	31 December 2020
Unused approved loans	40,514	22,086
Performance guarantees	26,850	15,654
Payment guarantees	4,135	2,373
Letters of credit	89	-
	71,588	**40,113**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	***40,033***	***75***	***5***	***40,113***
New financial liabilities	26,657	73	-	26,730
Derecognition or payment of liabilities (excluding write off)	(24,963)	(62)	(2)	(25,027)
Increase in exposure under existing contracts	4,187	13	1	4,201
Transfer from merger	25,553	11	7	25,571
Transfer to Stage 1	15	(15)	-	-
Transfer to Stage 2	(10)	10	-	-
Transfer to Stage 3	(2)	(1)	3	-
At 31 December 2021	***71,470***	***104***	***14***	***71,588***

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

29. PROVISIONS (CONTINUED)

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	***36,273***	***194***	***3***	***36,470***
New financial liabilities	29,319	46	1	29,366
Derecognition or payment of liabilities (excluding write off)	(26,904)	(188)	(1)	(27,093)
Increase in exposure under existing contracts	1,357	10	3	1,370
Transfer to Stage 1	20	(17)	(3)	-
Transfer to Stage 2	(30)	30	-	-
Transfer to Stage 3	(2)	-	2	-
At 31 December 2020	***40,033***	***75***	***5***	***40,113***

Changes in impairment are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2021	***390***	***3***	***3***	***396***
Impairment (Note 13)	98	1	(1)	98
Transfer from merger	63	1	6	70
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	(2)	(1)	3	-
At 31 December 2021	***548***	***5***	***11***	***564***

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2020	***481***	***2***	***2***	***485***
The effect of the first-time adoption of the FBA Decision	83	24	2	109
Impairment (Note 13)	(172)	(24)	(2)	(198)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	(1)		1	-
At 31 December 2020	***390***	***3***	***3***	***396***

Changes in provisions are presented below:

	Court proceeding	Commitments and contingencies	Employee benefits	Other provisions	Total
Balance as of 1 January 2020	**147**	**485**	**344**	**-**	**976**
The effect of the first-time adoption of the FBA Decision	-	109	-	-	109
Increase / (decrease) (Note 13)	80	(198)	5	-	(113)
Balance as of 31 December 2020	**227**	**396**	**349**	**-**	**972**
Increase / (decrease) (Note 13)	71	98	564	21	754
Transfer	615	70	415	343	1,443
Payments	(410)	-	(300)	-	(710)
Balance as of 31 December 2021	**503**	**564**	**1,028**	**364**	**2,459**

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

30. SHARE CAPITAL

The share capital of the Bank as at 31 December 2021 consists of 900,768 ordinary shares and 1,281 preference shares with a nominal value of KM 100 (2020: 658,695 ordinary shares with a nominal value of KM 100).

	31 December 2021		31 December 2020	
Ordinary shares:	**'000 BAM**	**% of ownership**	**'000 BAM**	**% of ownership**
ASA Finance d.d. Sarajevo	53,750	59.67%	35,993	54.64%
ZIF “prevent INVEST” d.d. Sarajevo	7,548	8.38%	7,548	11.46%
Validus d.d. Varaždin – in bankruptcy	1,780	1.98%	1,780	2.70%
Almy d.o.o. Zenica	1,403	1.56%	1,403	2.13%
Nermina Čago	1,350	1.50%	1,279	1.94%
Raiffeisen bank d.d. BiH	446	0.50%	1,194	1.81%
ZIF “PROF-PLUS” d.d. Sarajevo	1,010	1.12%	1,010	1.53%
MahmalInvestment Co. Limited, Great Britain	1,775	1.97%	-	-
Other shareholders	21,015	23.32%	15,663	23.79%
Subtotal:	***90,077***	***100.00%***	**65,870**	**100.00%**
Preference shares:				
Urban Katharina	128	-	-	-
Ravnjak Semin	-	-	-	-
Subtotal:	***128***	**-**	**-**	**-**
TOTAL:	**90,205**	**100.00%**	**65,870**	**100.00%**

On June 30, 2020, the Bank's Assembly adopted the Decision on the status change of the merger of Vakufska banka d.d. Sarajevo. Given the circumstances related to the work of the Securities Commission in Federation of B&H, the originally planned date of the status change has been extended to December 1, 2021. From the mentioned date, the integration of business activities and one accounting was performed, furthermore data migration was performed, i.e. assets and liabilities of Vakufska banka d.d. Sarajevo were transferred to ASA Banka d.d. Sarajevo (successor bank).

31. MANAGED FUNDS

The funds for which the Bank acts as commissioner for and of behalf of third party are not Bank’s assets and therefore are not the part of financial statements. Analysis of managed funds is presented as follows:

	31 December 2021	31 December 2020
PLACEMENTS		
Corporate	12,151	9,332
Retail	4,692	2,025
	16,843	**11,357**
SOURCES:		
Zenica – Doboj Canton	9,362	9,359
Sarajevo Canton	2,443	1,705
Others	5,104	314
	16,909	**11,378**
Current obligations due to Managed funds (Note 28)	**66**	**21**

In accordance with the signed commission agreements with the Government of Zenica-Doboj Canton, the Government of Sarajevo Canton and other partners, the Bank had placed 12,151 thousand KM of loans to legal entities and 4,692 thousand KM to individuals, in order to invest in housing for third parties, employment promotion and agricultural development. In accordance with the above agreements, the Bank was obliged to place these funds to third parties. The owners of the sources of funds bear the risk of collecting them.

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

32. RELATED PARTY TRANSACTIONS

In accordance with the requirements of the International Accounting Standard 24 “Related Party Disclosures” A related party is a person or entity that is related to the entity that is preparing its financial statements:

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

As at 31 December 2021 and 2020 balance outstanding with related parties comprised:

All transaction that are presented below are done by commercial and banking conditions:

	31 December 2021			**31 December 2020**		
	Loans	**Off-balance sheet exposure**	**Total**	**Loans**	**Off-balance sheet exposure**	**Total**
Employees	4,503	411	4,914	3,251	337	3,588
Shareholders and related parties	6,479	1,654	8,133	12,362	633	12,995
	10,982	**2,065**	**13,047**	**15,613**	**970**	**16,583**

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

32. RELATED PARTY TRANSACTIONS (CONTINUED)

Remuneration to the Management Board and the Supervisory Board

The remuneration of directors and other key management personnel during the year ended 31 December 2021 may be presented as follows:

	2021	2020
Compensation for Chairman and members of the Board	473	433
Taxes and contributions and other compensations	237	246
	710	**679**

33. RISK MANAGEMENT

a) Capital risk managements

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

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

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

	31 December 2021	31 December 2020
Debt	931,285	574,578
Capital	93,481	62,549
Net debt to capital ratio	**9,96**	**9,19**

Debt is defined as liabilities toward clients, other banks and financial institutions presented in detail in Notes 24, 25, 26 and 27. Capital includes share capital and accumulated losses.

Regulatory capital of the Bank includes core and supplementary capital. Core capital of bank (totally equal to ordinary share capital) includes paid shares, premium on share, accumulated retained earnings and other reserves formed from earn after tax based on decision of Bank Assembly, net revaluation reserves by change of fair value of assets (accumulated comprehensive income), impaired by amount of treasury stocks, intangible assets and deferred tax assets. Supplementary capital consists of subordinated debt.

The prescribed minimum capital rates are as follows:

• rate of regular core capital 6.75%

• rate of core capital 9%

• rate of regulatory capital 12%

In addition to the regulatory minimum rates of adequacy, Bank also has to provide capital conservation buffer that needs to be in form of regular basis capital in amount of 2.5% of the total amount of risk exposure.

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

33. RISK MANAGEMENT (CONTINUED)

a) Capital risk managements (continued)

The total weighted risk used to calculate capital adequacy includes:

• risk- weighted assets and credit equivalents,

• positional, currency, commodity risk, and

• operational risk.

One of the basic processes that the Bank implements in the context of strategic risk management is the internal capital adequacy assessment process ("ICAAP"). The main objective of this process is to determine the positive level of capital that is sufficient to cover all risks that the Bank is exposed to and that are assessed as material. ICAAP serves as an internal capital adequacy assessment tool in relation to the risk profile of the Bank and the implementation of the Bank's strategy appropriate to maintaining an adequate level of internal capital.

At 31 December 2021, the rates and levels of capital were as follows:

The rate of core capital	17.14%
The rate of regulatory capital	17.43%
The rate of core capital including adjustments from Pillar 2	8.48%
The rate of core capital including adjustments from Pillar 2	11.30%
The rate of regulatory capital including adjustments from Pillar 2	15.07%

Table that is presented below shows structure of capital and capital indicators at 31 December 2021 and 2020:

	31 December 2021	**31 December 2020**
Regulatory capital	**93,480**	**56,995**
Core capital	*91,920*	*56,995*
Regular core capital	*91,920*	*56,995*
Paid-up equity instruments	90,077	65,870
Actual or contingent liabilities of purchase of own capital instruments	(2,192)	-
Retained earnings	(10,701)	(13,924)
Profit or loss attributable to owners of the parent company	6,714	-
Other comprehensive income – revaluation reserves	113	466
Other reserves	9,342	5,992
Deductions from regular core capital		
intangible assets	(1,343)	(1,314)
Deductions from regular core capital – missing reserves	(90)	(95)
Total regular core capital	**93,480**	**56,995**
Supplementary core capital	-	-
Core capital	**93,480**	**56,995**
Supplementary capital		
Subordinated debt	1,560	-
Total regulatory capital	**93,480**	**56,995**
Total risk-weighted assets (unaudited)	536,411	362,332
Rate of regular core capital	**17.43%**	**15.73%**

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

33. RISK MANAGEMENT (CONTINUED)

Capital adjustment plan

As of 31 December 2021, the ratio "tangible assets/core capital" amounted to 27.46% (31 December 2020: 16.68%). According to the Law on Banks, total bank's investments into tangible assets may not exceed 40% of the core capital.

Bank is obliged to ensure and maintain financial leverage rate, as additional security and simple capital protection, in minimum of 6%. The bank's financial leverage rate is ratio of core capital and amount of total bank exposure on reporting date, expressed as a percentage. Financial leverage ratio at 31 December 2021 amounts to 8.58% (31 December 2020: 8.57%).

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

c) Categories of financial instruments

	31 December 2021	31 December 2020
Financial assets		
Loans and receivables:	937,049	582,357
Cash and cash equivalents (including Obligatory reserves with the CBBH)	*372,040*	*202,287*
Loans to clients and receivables, net	*565,009*	*380,070*
Financial assets at FVTPL	1,377	1,213
Financial assets at FVTOCI	61,466	37,066
Financial assets at amortised cost	798	1,158
	1,000,690	**621,794**
Financial liabilities		
At amortised cost:		
Borrowings and liabilities to banks	6,242	5,979
Subordinated debt	1,432	-
Due to customers	922,391	566,478
Lease obligations	1,220	2,121
	931,285	**574,578**

d) Financial risk management objectives

The Bank's Risk department provides services to the business, 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.

e) Market risk

The Bank's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates (see below points f and g).

Market risk exposures are supplemented by sensitivity analysis. There has been no change to the Bank's exposure to market risks or the manner in which it manages and measures the risk.

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

33. RISK MANAGEMENT (CONTINUED)

f) Foreign currency risk management

The Bank undertakes certain transactions denominated in foreign currencies. The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	BAM	EUR	USD	CHF	Other	Total
As at 31 December 2020						
ASSETS						
Cash and balances with other banks	238,467	30,334	6,869	2,612	1,175	279,457
Obligatory reserves with the CBBH	92,583	-	-	-	-	92,583
Loans to customers, net	565,009	-	-	-	-	565,009
Financial assets at FVTPL	1,377	-	-	-	-	1,377
Financial asset at FVTOCI	61,454	12	-	-	-	61,466
Debt instruments at amortised cost	798	-	-	-	-	798
Other receivables	9,816	-	-	-	-	9,816
Total	**969,504**	**30,346**	**6,869**	**2,612**	**1,175**	**1,010,506**
LIABILITIES						
Due to other banks and financial institutions	6,242	-	-	-	-	6,242
Amounts due to customers	663,974	248,002	6,859	2,612	944	922,391
Other financial liabilities	9,434	724	-	-	-	10,158
Total	**679,650**	**248,726**	**6,859**	**2,612**	**944**	**938,791**
As at 31 December 2020						
Total monetary assets	**604,539**	**19,443**	**4,761**	**1,485**	**893**	**631,121**
Total monetary liabilities	**388,519**	**181,743**	**4,763**	**1,485**	**723**	**577,233**

Foreign currency sensitivity analysis

The Bank is mainly exposed to EUR, USD and CHF. 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 CHF, 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 and adjusts their translation at the period end for a 10% change in USD. A positive number below indicates an increase in profit where KM strengthens 10% against USD. For a 10% weakening of KM against USD and CHF, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	USD Effect		**CHF Effect**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Profit/(loss)	1	-	-	-

33. RISK MANAGEMENT (CONTINUED)

g) Interest rate risk management

The Bank is exposed to interest rate risk as the Bank places and borrows funds at both fixed and floating interest rates. The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings.

The Bank’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note (see point i).

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the reporting period date. The analysis is prepared assuming the number of financial instruments outstanding at the reporting period date was outstanding for the whole year. A 200-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 200 basis points higher/lower and all other variables were held constant, the Bank’ net result for the year ended 31 December 2020 would decrease / increase by BAM 5,018 thousand (2020: BAM 4,465 thousand – used 50-basis point according to the then current methodology).

h) 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 risk management committee (RICO) on a monthly basis.

The Bank does not have any significant credit risk exposure to any single counterparty or any company of counterparties having similar characteristics. The Bank defines counterparties as having similar characteristics if they are related entities.

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

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

33. RISK MANAGEMENT (CONTINUED)

h) Credit risk management (continued)

Financial assets

	Total gross carrying amount	Unimpaired assets	Individually impairment assets	Individual impairment allowance	Collective impairment allowance	Total net carrying amount
As of 31 December, 2021						
Cash and balances with other banks	279,727	64,768	214,959	-	(270)	279,457
Obligatory reserves with the CBBH	92,675	-	92,675	-	(92)	92,583
Loans to customers and receivables at amortised cost	616,898	11,873	605,025	(41,380)	(10,509)	565,009
Financial assets at FVTPL	1,377	1,377	-	-	-	1,377
Debt instruments at amortised cost	798	798	-	-	-	798
Financial assets at FVTOCI	61,466	33,602	27,864	-	-	61,466
	1,052,941	**112,418**	**940,523**	**(41,380)**	**(10,871)**	**1,000,690**
As of 31 December, 2020						
Cash and balances with other banks	144,634	39,107	105,527	-	(181)	144,453
Obligatory reserves with the CBBH	57,834	57,834	-	-		57,834
Loans to customers and receivables at amortised cost	407,779	3,717	404,062	(18,735)	(8,974)	380,070
Financial assets at FVTPL	1,213	1,213	-	-	-	1,213
Debt instruments at amortised cost	1,158	1,158	-	-	-	1,158
Financial assets at FVTOCI	37,066	887	36,179	-	-	37,066
	649,684	**103,916**	**545,768**	**(18,735)**	**(9,155)**	**621,794**

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

33. RISK MANAGEMENT (CONTINUED)

h) Credit risk management (continued))

Credit exposure and collateral

	Credit risk exposure		
	Net exposure	Loan commitments / Guarantees	Fair value of collateral
As at 31 December 2021			
Cash and balances with other banks	279,365	-	-
Obligatory reserves with the CBBH	92,675	-	-
Loans to customers and receivables at amortised cost	565,009	71,499	523,623
Financial assets at FVTPL	1,377	-	-
Financial assets at FVTOCI	61,466	-	-
Debt instruments at amortised cost	798	-	-
	1,000,690	**71,499**	**523,623**
As at 31 December 2020			
Cash and balances with other banks	144,453	-	-
Obligatory reserves with the CBBH	57,834	-	-
Loans to customers and receivables at amortised cost	380,070	40,113	406,698
Financial assets at FVTPL	1,213	-	-
Financial assets at FVTOCI	37,066	-	-
Debt instruments at amortised cost	1,158	-	-
	621,794	**40,113**	**406,698**

Fair value of the collaterals

	31 December 2021	31 December 2020
Real estate	491,924	387,640
Equipment	16,672	8,837
Deposits	15,027	10,221
Total	**523,623**	**406,698**

Arrears

	Total gross loans to citizens	Not due	Up to 30 days	31 to 90 days	91 to 180 days	181 to 270 days	Over 270 days
31 December 2021							
Corporate	333,846	295,957	2,573	239	883	83	34,111
Retail	283,052	275,171	773	83	62	140	6,823
Total	**616,898**	**571,128**	**3,346**	**322**	**945**	**223**	**40,934**
31 December 2020							
Corporate	111,313	100,892	5,429	290	120	135	4,447
Retail	296,466	262,049	14,677	1,664	182	-	17,894
Total	**407,779**	**362,941**	**20,106**	**1,954**	**302**	**135**	**22,341**

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

33. RISK MANAGEMENT (CONTINUED)

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Management Board, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves and other financing sources, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following table details the Bank's remaining contractual maturity for its non-derivative financial asset. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets.

Maturity of financial assets

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	5+ years	Total
31 December 2021							
Non- interest bearing	-	81,481	489	-	146	9	82,125
Variable interest rate instruments	2.73%	61,371	41,993	49,912	129,429	59,773	342,478
Fixed interest rate instruments	4.95%	304,033	55,209	50,817	151,801	81,504	643,364
		446,885	**97,691**	**100,729**	**281,376**	**141,286**	**1,067,967**
31 December 2020							
Non- interest bearing	-	108,360	-	-	147	9	108,516
Variable interest rate instruments	3.66%	97,288	24,362	94,353	143,205	71,791	430,999
Fixed interest rate instruments	3.40%	18,987	7,643	44,988	34,490	14,855	120,962
		224,635	**32,004**	**139,341**	**177,842**	**86,656**	**660,478**

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

Maturity for financial liabilities

	Weighted average effective interest rate	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	5+ years	Total
31 December 2021							
Non-interest bearing	-	200,284	363	1,234	5,121	1,923	208,925
Variable interest rate instruments	0.03%	255,849	967	1,452	3,877	-	262,145
Fixed interest rate instruments	1.22%	107,433	78,304	79,027	201,768	6,261	472,793
		563,566	**79,634**	**81,713**	**210,766**	**8,184**	**943,863**
31 December 2020							
Non-interest bearing	-	97,333	278	3,428	1,449	826	103,314
Variable interest rate instruments	0.09%	200,000	484	3,565	3,706	-	207,754
Fixed interest rate instruments	1.50%	22,889	21,254	79,827	151,206	2,133	277,309
		320,222	**22,016**	**86,820**	**156,361**	**2,959**	**588,378**

The Bank expects to meet its other obligations from operating cash flows and proceeds of maturing financial asset.

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

34. FAIR VALUE MEASUREMENT

34.1 Fair value of the Bank's financial assets and liabilities measured at fair value on a recurring basis, from period to period

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

Financial assets / financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and key inputs**
	31 December 2021	**31 December 2020**		
1) Financial assets as at FVTPL (see Note19)	*Equity securities listed on the stock exchange in Bosnia and Herzegovina:* *Shares and stakes in private and state-owned companies, banks and non-banking financial institutions - KM 424 thousand*	*Equity securities listed on a stock exchange in Bosnia and Herzegovina:* Shares of private and public companies, banks and non-banking financial institutions– 218 thousand BAM,	Level 1	Prices quoted in an active market.
	Investment fund shares: Open-end investment funds - 1,000 thousand KM	Investment fund shares: Open-end investment funds - 995 thousand BAM	Level 2	Prices derived from the prices of other securities quoted in an active market
2) Financial assets as at FVTOCI	*Equity securities listed on the stock exchange in Bosnia and Herzegovina: Shares of private and state companies, banks and non-banking financial institutions - 371 thousand KM*	*Equity securities listed on the stock exchange in Bosnia and Herzegovina:* *Shares of private and state companies, banks and non-banking financial institutions - 363 thousand BAM*	Level 1	Prices quoted in an active market,
	Investment fund shares: Open-end investment funds - 522 thousand KM	Investment fund shares: Open-end investment funds - 524 thousand BAM	Level 2	Prices derived from the prices of other securities quoted in an active market
	Debt securities listed on the stock exchange in Bosnia and Herzegovina: • *Bonds issued by the Federation of BiH - KM 17,370 thousand* • *Bonds of Republika Srpska - KM 42,259 thousand*	*Debt securities listed on the stock exchange in Bosnia and Herzegovina:* • *Bonds issued by the Federation of BiH - BAM 9,486 thousand* • *Bonds of Republika Srpska – BAM 26,212 thousand*	Level 3	Discounted cash flow method

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

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 (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

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
- Loans and receivables at amortized cost	565,009	594,954	380,070	401,734
- Debt instruments at amortised cost	798	838	1,158	1,482
Financial liabilities				
At amortised cost:				
-Deposits from clients and other banks; loans from other banks and fin. institution	928,633	921,854	572,457	569,194
-Subordinated debt	1,432	1,389	-	-

	Fair value hierarchy as of 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
- Loans to customers and receivables at amortised cost	-	594,954	-	594,954
- Debt instruments at amortised cost	-	838	-	838
	-	**595,792**	**-**	**595,792**
Financial liabilities				
At amortised cost:				
- Due to customers, other banks and financial liabilities	-	921,854	-	921,854
- Subordinated debt	-	1,389	-	1,389
	-	**923,243**	**-**	**923,243**

The fair value of financial assets and liabilities included in the above categories of Level 2 were determined according to generally accepted models of assessment based on an analysis of discounted cash flows, the discount rate as most important input data, which reflects the credit risk of counterparties. As the discount rate used in the weighted average interest rate on the state level, published by CBBH separately for legal entities and individuals.

35. BUSINESS COMBINATIONS

On June 30, 2020, the General Assembly of the Bank passed the Decision on the status change of the merger of Vakufska banka d.d. Sarajevo to ASA Banka d.d. Sarajevo. The legal process was conducted in accordance with the Reorganization Plan and the Study on the economic justification of the merger. The Banking Agency of the Federation of BiH, based on the previously mentioned documents as well as the Business Plan of the Successor Bank - ASA Banka d.d. Sarajevo, gave prior approval by act number 04-1-3-1084-1 / 20 as of June 29, 2020. Given the circumstances related to the work of the Securities Commission of the Federation of BiH, the originally scheduled date of the status change (June 30, 2020) has been extended. Accordingly, the Federal Banking Agency, by letter no. 04-1-3-930-1 / 21 dated as of 4 October 2021 and letter no. 04-1-3-930-2 / 21 dated as of 14 October 2021 informed the Successor Bank that the status change could be implemented on the planned date as of 1 December 2021. On November 4, 2021, the Federal Securities Commission approved the merger by Decision No. 03 / 2-19-87 / 20. Consequently, the Federal Banking Agency revoked the operating license of Vakufska banka d.d. Sarajevo on December 1, 2021. On the observed date, all data, i.e. financial positions were migrated to the system of ASA Banka d.d. Sarajevo.

On December 13, 2021, the Municipal Court in Sarajevo issued a Decision registering the status change - merger, after which the changes were registered with the Securities Commission of the Federation of Bosnia and Herzegovina and the Register of Securities of the Federation of Bosnia and Herzegovina.

On November 30, 2021, the merger of Vakufska banka d.d. Sarajevo to ASA Banka d.d. Sarajevo was completed. In accordance with the adopted ratio of exchange of shares, purchase of own shares or rounding of the same, on 13 December 2021 the total share capital of the successor bank amounted to KM 90,204,900 (nominal amount), and consisted of a total of 902,049 shares with a nominal value of 100 KM per share. Out of the total number of shares, 1,281 shares are preference shares that the successor bank acquires in accordance with the legal regulations during the status change - merger and they have a special status. In exchange for 756,104 ordinary (ordinary) shares and 4,000 preferred shares of Vakufska banka d.d. Sarajevo with a nominal value of 37.50 KM; after the exchange of shares of ASA Banka d.d. Sarajevo issued 241,895 ordinary shares and 1,281 preference shares, and 178 treasury shares with a total nominal value of BAM 24,335,400, or BAM 100 of nominal value per share. The decision of the Assembly of Vakufska banka d.d. Sarajevo on the merger of ASA Banka d.d. Sarajevo was not accepted by a group of "small shareholders", who demanded from the Bank the purchase of their shares in accordance with Article 243 of the Law on Companies of the Federation of BiH. In accordance with the Decision of the Securities Commission of the Federation of BiH, the Bank recorded the purchase of treasury shares in the amount of KM 2,174 thousand.

The balance sheet of Vakufska banka as of November 30, 2021 can be presented as follows:

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

35. BUSINESS COMBINATIONS (CONTINUED)

	30 November 2021
ASSETS	
Cash and cash equivalents	96,515
Obligatory reserve with Central bank B&H	28,763
Placements with other banks	4,508
Loans given to clients, net	147,882
Financial assets at FVTPL	214
Financial assets at FVTOCI	24,371
Other assets and receivables, net	1,822
Tangible and intangible assets	8,019
TOTAL ASSETS	**312,094**
LIABILITIES	
Due to banks	-
Due to customers	279,946
Subordinated debt	1,431
Lease liabilities	166
Other liabilities	2,350
Provisions	1,443
Total liabilities	**285,336**
EQUITY	
Shareholders' equity	28,504
Revaluation reserves financial assets under FVOSD	(6)
Accumulated loss	(1,740)
Total equity	**26,758**
TOTAL LIABILITIES AND EQUITY	**312,094**

36. EVENTS AFTER THE BALANCE SHEET DATE

In accordance with the allegations of the Management Board, in the period after the date of the financial statements and until the date of this report, there were no events or transactions that would significantly affect the financial statements as of 31 December 2021.

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board on 28 January 2022.:

Samir Mustafić President of the Board	Edina Vuk Member of the Board	Davor Tomić Member of the Board