ASA BANKA D.D. SARAJEVO

Financial statements for the year ended
31 December 2022 prepared in accordance with
International Financial Reporting Standards and
Independent Auditor's Report

Contents

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	ASA BANKA DIONIČKO DRUŠTVO SARAJEVO ASA BANKA 1	Edina Vuk Member of the Board

ASA Banka d.d. Sarajevo
Trg međunarodnog prijateljstva 25
71000 Sarajevo
Bosnia and Herzegovina
21 February 2023

BH d.o.o. Sarajevo

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 of 31 December 2022, 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 2022 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.

As of 31 December 2022, gross carrying amount of loans to costumers was BAM 1,710,769 thousand. The related impairment allowance was in amount of BAM 90,962 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, 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.

Key Audit Matters (continued)

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

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;
- 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 2022.

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;

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 merging of ASA Banka Naša i Snažna 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 50 session held on August 31, 2022, Sarajevo passed the Decision on the status change - merger of ASA Banka Naša i Snažna did Sarajevo, in accordance with the Reorganization Plan and the Study on the Economic Justification of the Merger. On October 27, 2022, the FBiH Securities Commission approved the merger of ASA Banka Naša i Snažna d.d. Sarajevo to ASA Banka d.d. Sarajevo by Decision No. 03/1-19-220/22. Consequently, the Federal Banking Agency revoked the operating license of ASA Bank Naša i Snažna d.d. Sarajevo on November 29, 2022. On the date of the status change (November 30, 2022), all data and financial positions were migrated to the new bank information system.

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 2022.

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.

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

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.

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.

BDO BH d.o.o.

Lejla Kaknjo, Partner and Certified Auditor

BDO
BDO BH d.o.o.
Sarajevo
Društvo za reviziju

Ezita Imamović, Certified Auditor

Sarajevo, 21 February 2023

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

	Notes	2022	2021
Interest income	5	30,352	17,585
Interest expense	6	(7,184)	(4,881)
Net interest income		**23,168**	**12,704**
Fee and commission income	7	18,022	9,847
Fee and commission expense	8	(5,290)	(3,212)
Net fee and commission income		**12,732**	**6,635**
Other gains	9	13,771	3,792
Other operating income	10	664	176
Income from operating activities		**50,335**	**23,307**
Employee expenses	11	(12,219)	(7,996)
Depreciation expenses	23	(2,886)	(1,884)
Other administrative expenses	12	(10,911)	(5,930)
Operating expenses		**(26,016)**	**(15,810)**
PROFIT BEFORE IMPAIRMENT LOSSES, PROVISIONS AND TAXATION		**24,319**	**7,497**
Impairment losses and provisions, net	13	(3,534)	(370)
PROFIT BEFORE TAXATION		**20,785**	**7,127**
Income tax	14	(1,470)	(408)
Loss as a result of decrease in deferred tax assets	14	(459)	(5)
PROFIT AFTER TAXATION		**18,856**	**6,714**
Earnings per share - basic and diluted (in BAM)	15	**17,32**	**9,89**

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

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

	Notes	2022	2021
Net profit		18,856	6,714
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Changes in impairment of debt securities	20	-	(298)
Changes in the fair value of debt securities	20	194	(70)
TOTAL COMPREHENSIVE INCOME		19,050	6,346

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

Balance sheet
as at 31 December 2022

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

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	16	803,942	279,457
Obligatory reserve with Central bank B&H	17	247,673	92,583
Loans and receivables at amortized cost	18	1,618,885	565,009
Financial assets at FVTPL	19	9,620	1,424
Financial assets at FVTOCI	20	28,824	61,419
Debt instruments at amortized cost	21	-	798
Other assets and receivables, net	22	29,521	10,584
Tangible and intangible assets	23	61,546	25,766
Deferred tax assets	14	461	90
TOTAL ASSETS		**2,800,472**	**1,037,130**
LIABILITIES			
Due to banks	24	24,803	6,242
Due to customers	25	2,409,631	922,391
Subordinated debt	26	1,432	1,432
Lease liabilities	27	5,127	1,220
Other liabilities	28	14,696	9,905
Provisions	29	8,268	2,459
Total liabilities		**2,463,957**	**943,649**
EQUITY			
Shareholders' equity	30	313,873	90,205
Own (treasury) shares		-	(2,192)
Reserves		9,342	9,342
Revaluation reserves - financial assets at fair value through other comprehensive income		237	112
Accumulated loss		13,063	(3,986)
Total equity		**336,515**	**93,481**
TOTAL LIABILITIES AND EQUITY		**2,800,472**	**1,037,130**

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

Signed on behalf of Bank on 21 February 2023

Samir Mustafić
President of the Board

Edina Vuk
Member of the Board

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

	2022	2021
Operating activities		
Profit before taxation	20,785	7,127
Adjustments:		
Depreciation	2,886	1,884
Impairment losses and provisions, net	3,534	370
Decrease in deferred tax assets, net	459	5
(Gains)/losses on disposal of property and equipment, net	(4,908)	(1,233)
Effects of fair value adjustment on assets at fair value through profit and loss	42	(22)
Interest income on financial assets through OCI recognized in profit and loss	(468)	(746)
Interest income on financial assets at amortized cost recognized in profit and loss	(8)	(78)
Gains from sale of financial assets under FVOCI	(32)	(2)
Changes in assets and liabilities:		
Increase in receivables from CBBiH	(155,112)	(34,754)
Net increase in loans and receivables, before impairment	(1,058,421)	(183,443)
Net (increase)/decrease in other assets, before impairment	(17,874)	(2,617)
Net increase in due to customers	1,487,240	355,913
Net increase in due to banks	18,561	263
Net increase in other liabilities	4,791	7,250
Net increase in provisions and transfer from merger	5,849	733
Income tax paid	(1,470)	(408)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**305,854**	**150,242**
Investing activities		
Proceeds from financial assets at amortized cost, net	806	438
(Purchase of)/proceeds from financial assets at FVOCI, net	31,850	(23,711)
(Purchase of) / proceeds from financial assets at FVTPL	(8,238)	(205)
Dividends received	11	16
Purchase and transfer of tangible and intangible assets	(43,755)	(18,571)
Proceeds from sale of property and equipment	9,997	1,692
NET CASH (USED)/GENERATED FROM INVESTING ACTIVITIES	**(9,329)**	**(40,341)**
Financial activities		
Payment of lease liabilities	3,907	(901)
Increase/(payment) in liabilities for subordinated debt	-	1,432
Repurchase of treasury shares	1,016	(2,192)
Capital increase - merger process	223,037	26,764
NET CASH GENERATED/(USED) IN FINANCING ACTIVITIES	**227,960**	**25,103**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**524,485**	**135,004**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**279,457**	**144,453**
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**803,942**	**279,457**

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 2021	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*
Transfer to the income statement based on maturity of debt securities	-	-	-	20	-	20
Paid in capital - merger process (Note 35)	24,335	-	3,349	(6)	(920)	26,758
Repurchase of treasury shares	-	(2,192)	(10)	10	-	(2,192)
Balance as on 31 December 2021	90,205	(2,192)	9,342	112	(3,986)	93,481
Net profit	-	-	-	-	18,856	18,856
Other comprehensive income	-	-	-	194	-	194
Total comprehensive income	-	-	-	*194*	*18,856*	*19,050*
Paid in capital - merger process (Note 35)	223,668	-	-	-	(631)	223,037
Repurchase of treasury shares	-	2,192	-	-	(1,176)	1,016
Transfer to the income statement based on maturity of debt securities	-	-	-	(69)	-	(69)
Balance as on 31 December 2022	313,873	-	9,342	237	13,063	336,515

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 December 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.

Based on the decision of the General Assembly of Shareholders on the status change - merger of ASA Banka Naša i Snažna d.d. Sarajevo to ASA Banka d.d. Sarajevo, as of August 31, 2022, , a new status change was formally registered as of December 1, 2022 in the Register of Companies of the Municipal Court in Sarajevo by Decision no. 065-0-Reg-22-004501.

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

Management

Samir Mustafić	President of the Board
Edina Vuk	Member of the Management Board (till 10 April 2022 and from 1 December 2022)
Aldijana Rakić	Member of the Management Board (from 10 June 2022)
Arnela Alagić	Member of the Management Board (from 10 June 2022 and till 30 November 2022)
Davor Tomić	Member of the Management Board
Enver Lemeš	Member of the Management Board (from 1 December 2022)

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:

- 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);
- 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 (effective for annual periods beginning on or after 1 January 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);

2.2 Standards and Interpretations in issue not yet 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:

- 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);
- IFRS 16 "Leases" (Amendments to IFRS 16) - These amendments explain how a seller-lessee subsequently measures sales and lease transactions that meet the requirements of IFRS 15 that are accounted for as sales (effective for annual periods beginning on or after 1 January 2024);
- 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);
- 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);

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

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

- 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).
- IAS 1 "Presentation of financial statements" - Classification of liabilities as current or long-term - amendments to IAS 1 (effective for annual periods beginning on or after January 1, 2023);
- IAS 1 "Presentation of financial statements" (long-term liabilities with clauses in the contract - supplements to IAS 1) - these supplements explain how the binding conditions that the entity must fulfill in the period of 12 months after the reporting date affect the classification of liabilities (effective for annual periods that start on or after January 1, 2024).

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 August 31, 2022, Sarajevo passed the Decision on the status change - merger of ASA Banka Naša i Snažna 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. 04-1-3-3022-1/22 adopted as of August 20, 2022.

On October 27, 2022, the FBiH Securities Commission approved the merger of ASA Banka Naša i Snažna d.d. Sarajevo to ASA Banka d.d. Sarajevo by Decision No. 03/1-19-220/22. Consequently, the Federal Banking Agency revoked the operating license of ASA Banka Naša i Snažna d.d. Sarajevo on November 29, 2022. On the observed date of status change (November 30, 2022), all data or financial positions were migrated to the ASA Bank d.d. system 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 and expenses are recognized in the income statement for the accounting period to which it relates using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash flows of the financial asset or liability over the expected life of the financial instrument (or, if appropriate, a shorter period) to its book value. 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)

Basis of presentation (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.

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.

According to the impairment methodology updated in accordance with the requirements of the Decision on credit risk management and determination of expected credit losses, the Bank has defined the minimum criteria for measuring expected credit losses described below.

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) 8% 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:

$$ECL = PD \times LGD \times EaD$$

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 2022, Bank used fixed parameters in percentage of 45% and 75% due to completion of two mergers and data migration into one system.

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.

a) 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.

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

Financial instruments (continued)

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.

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 Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank 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 Bank 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:

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

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

Leases (continued)

(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.

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:

	2022.	**2021.**
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.

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

Impairment (continued)

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.

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% to 33.33% 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:

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

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

Foreign currency translation (continued)

31 December 2022.	1 EUR = 1.95583 KM	1 USD = 1.833705 KM	1 CHF = 1.986219 KM
31 December 2021.	1 EUR = 1.95583 KM	1 USD = 1.725631 KM	1 CHF = 1.887320 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.

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.

The basic earnings per share are allocated to the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period.

During 2022 and 2022 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.

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 prepared these financial statements in accordance with the going concern principle. Namely, this was preceded by the preparation of the Reorganization Plan, the Elaborate on the economic justification of the merger of ASA Banka Naša and Snažna d.d. ASA Bank d.d. Sarajevo, and other relevant documentation. 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 balance and off-balance sheet positions is ensured, the Management Board the going concern principle to be appropriate

Influence of the (COVID-19) and the war in Ukraine

The Bank's management made an assessment in consideration of the impact that the Coronavirus pandemic (COVID-19) had, or that the war in Ukraine could have on the Bank, based on known information. This consideration refers to the nature of products and services offered, customers, lending and deposit collection process, employees and geographic regions in which the Bank operates, macroeconomic factors. According to the Bank's assessment, there are currently no indicators that indicate the existence of a significant impact on the financial statements or any significant uncertainty related to events or conditions that may adversely affect the Bank at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic and the war in Ukraine.

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.

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

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

Impairment losses on loans and receivables (continued)

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. 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 28, 2022, 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.

5. INTEREST INCOME

	2022	2021
Interest on retail loans	16,732	6,801
Interest on corporate loans	12,816	9,950
Financial assets at fair value through OCI (Note 20)	468	746
Interest income from banks	321	5
Debt instruments at amortized cost (Note 21)	8	78
Factoring income	7	5
	30,352	17,585

6. INTEREST EXPENSES

	2022	2021
Interest on retail deposits	2,972	2,422
Interest on corporate deposits	2,937	1,867
Interest on subordinated debt	90	32
Other interest expenses	1,185	560
	7,184	4,881

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

7. FEE AND COMMISSION INCOME

	2022	2021
Fees from services rendered	11,055	5,506
Payment operations fees	6,033	3,807
Fees on issued guarantees	934	534
	18,022	9,847

8. FEE AND COMMISSION EXPENSE

	2022	2021
Payment transactions fees	3,798	2,461
Other fees to banks	1,492	751
	5,290	3,212

9. OTHER GAINS

	2022	2021
Collected written-off receivables	5,109	675
Gains on sale of property, equipment and assets available for sale (Note 22 and 23)	4,908	1,233
Foreign exchange differences, net	2,919	1,340
Income from rented premises or equipment	834	504
Fair value adjustment - financial assets at FVPL (Note 19)	(42)	22
Income from dividends	11	16
Sale of bonds - financial assets at FVTOCI	32	2
	13,771	3,792

10. OTHER OPERATING INCOME

	2022	2021
Income from suspended interest	40	29
Other income	624	147
	664	176

11. PERSONNEL EXPENSES

	2022	2021
Net salaries	6,201	4,459
Tax and contributions	3,855	2,700
Other	2,163	837
	12,219	7,996

The average number of personnel employed by the Bank on 31 December 2022 and 2021 was 347 and 235 respectfully.

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

12. OTHER ADMINISTRATIVE EXPENSES

	2022	2021
Services	3,156	1,621
Equipment and building maintenance	2,175	1,582
Insurance	713	297
Donations	697	183
Energy	606	462
Marketing and representation	576	255
Telecommunication services	555	374
Tax expenses	460	378
Material expenses	377	192
Rent	214	130
Membership fees	214	55
Subsequently identified other expenses	121	34
Utilities	104	59
Supervisory Board fees	88	49
Services contracts	59	50
Penalties	13	1
Other	783	208
	10,911	5,930

13. IMPAIRMENT LOSSES AND PROVISIONS

	Note	2022	2021
Cash and cash equivalents	16	139	45
Obligatory reserves at Central Bank	17	22	5
Loans to customers	18	4,545	(1,496)
Provisions for litigations	29	(369)	71
Financial assets at FVOCI	20	(69)	(298)
Provisions for commitments and contingencies	29	38	98
Provisions for employee benefits	29	468	564
Other provisions	29	(177)	21
Other asse	22	(1,239)	309
Impairment of acquired assets	22	176	1,051
		3,534	370

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

14 INCOME TAX

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

	2022	2021
Current income tax	1,470	408
Total tax	1,470	408

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

	2022	2021
Profit / (loss) before income tax	20,785	7,127
Income tax expense, at the statutory rate of 10%	*2,079*	*713*
Effects of non-deductible expenses	146	117
Effects of non-taxable income	(700)	(43)
Decrease in tax liability based on carry-forward losses	(55)	(379)
Current income tax	1,470	408
Effective income tax rate	7.07%	5.72%

Changes in deferred tax asset can be presented as follows:

	2022	2021
Balance on 1 January	90	95
Used deferred tax assets	(459)	(5)
Transfer from merger	830	-
Balance as on 31 December	461	90

15. PROFIT PER SHARE

	2022	2021
Net result (in BAM thousands)	18,856	6,714
Weighted average number of shares for the purpose of basic earnings per share	1,088,440	678,975
Basic earnings per share (in BAM)	17.32	9.89

16. CASH AND CASH EQUIVALENTS

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Current account with the Central Bank of BH	586,222	-	-	586,222
Current accounts with other banks	50,064	10	-	50,074
Cash in hand in domestic currency	60,711	-	-	60,711
Cash in hand in foreign currency	48,721	-	-	48,721
Term-deposits on accounts with other banks*	58,214	-	-	58,214
	803,932	10	-	803,942

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

16. CASH AND CASH EQUIVALENTS (CONTINUED)

*Term-deposits on accounts with other banks in the gross amount of BAM 58,284 thousand relate to four term-deposit agreements as follows:

- Privredna Banka Zagreb, EUR 2 million, with an interest rate of 1% p.a. and final maturity on 30 January 2023;

- Commerzbank AG Frankfurt am Main, EUR 5 million, with an interest rate of 1.67% p.a and final maturity on 31 March 2023;

- Landesbank baden-Wuerttemberg, Stutgart, EUR 2,8 million with an interest rate of 2.56% p.a. and final maturity on 31 December 2023;

- Intesa SanPaolo SPA Milano, EUR 20 million with an interest rate of 1.82% and final maturity on 4 January 2023.

	31 December 2022			
	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**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	***279,727***	-	-	***279,727***
Acquired financial assets	196,227	-	-	196,227
Transfer from merger	328,708	10	197	328,915
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As on 31 December 2022	***804,662***	***10***	***197***	***804,869***

	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 2022	***279,727***	-	-	***279,727***

(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 2022	*270*	-	-	*270*
Impairment (Note 13)	139	-	-	139
Transfer from merger	319	1	197	517
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As on 31 December 2022	*728*	*1*	*197*	*926*

	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*

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

	31 December 2022	31 December 2021
Obligatory reserve with CBBH	247,921	92,675
Less: value adjustment	(248)	(92)
	247,673	92,583

Changes in impairments are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as on 1 January 2022	**92**	-	-	**92**
Impairment (Note 13)	22	-	-	22
Transfer from merger	134	-	-	134
As on 31 December 2022	*248*	-	-	*248*

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 CBBH does not charge a fee on the amount of mandatory reserve funds, based on funds in domestic currency, on mandatory reserve funds based on the base in foreign currencies and in domestic currency with a currency clause - it charges a fee at the rate applied by the European Central Bank to deposits of commercial banks (Deposit Facility Rate) reduced by 10 basis points. On the amount of funds above the mandatory reserve, CBBH calculates compensation at the rate applied by the European Central Bank to commercial bank deposits (Deposit Facility Rate).

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

18. LOANS AND RECEIVABLES

	31 December 2022	31 December 2021
Short - term loans:		
(including current portion of long-term loans)		
Corporate	325,126	127,602
Retail	28,762	14,790
	353,888	*142,392*
Long - term loans:		
(excluding current portion of long-term loans)		
Corporate	625,381	206,244
Retail	730,365	268,262
	1,355,746	*474,506*
Total loans before allowance for impairment	***1,709,634***	***616,898***
Less: Allowance for impairment losses based on individual assessment	(34,949)	(41,380)
Less: Allowance for impairment losses based on collective assessment	(55,800)	(10,509)
	1,618,885	**565,009**

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

	Stage 1	Stage 2	Stage 3		
31 December 2022	**Collective assessment**	**Collective assessment**	**Individually assessed**	**Collective assessment**	**Total**
Loans to individuals					
Housing loan	105,848	1,589	1,597	20	109,054
Other loans to individuals	592,639	21,361	3,721	32,352	650,073
	698,487	***22,950***	***5,318***	***32,372***	***759,127***
Loans to corporate					
Revolving loans	215,511	8,153	3,662	328	227,654
Investment loans	192,429	29,655	2,789	33	224,906
Other loans to corporate	439,095	19,788	37,144	1,920	497,947
	847,035	***57,596***	***43,595***	***2,281***	***950,507***
Less: Impairment	(16,626)	(10,176)	(34,949)	(28,998)	(90,749)
	1,528,896	**70,370**	**13,964**	**5,655**	**1,618,885**

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

18. LOANS AND RECEIVABLE (CONTINUED)

31 December 2021

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**

Changes in gross carrying amount for loans are shown below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	***543,297***	***15.138***	***58.463***	***616,898***
Acquired assets	404,531	3,610	1,099	409,240
Transfer from merger	903,576	64,901	39,160	1,007,637
Derecognition or proceeds from collection (excluding write off)	(293,892)	(6,058)	(3,843)	(303,793)
Transfer to Stage 1	3,401	(3,360)	(41)	-
Transfer to Stage 2	(12,109)	12,234	(125)	-
Transfer to Stage 3	(3,282)	(5,919)	9,201	-
Write off	-	-	(20,348)	(20,348)
At 31 December 2022	***1,545,522***	***80,546***	***83,566***	***1,709,634***

	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***

Changes in impairment for loans receivables are shown below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2022	***4,758***	***1,051***	***46,080***	***51,889***
Transfer from merger	17,828	5,836	30,999	54,663
Impairment (Note 13)	(1,815)	4,736	1,625	4,545
Transfer to Stage 1	46	(45)	(1)	-
Transfer to Stage 2	(2,141)	2,153	(12)	-
Transfer to Stage 3	(2,050)	(3,555)	5,605	-
Write off	-	-	(20,348)	(20,348)
At 31 December 2021	***16,626***	***10,176***	***63,947***	***90,749***

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

18. LOANS AND RECEIVABLES (CONTINUED)

	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*

Weighted average interest rate can be presented as follows:

	31 December 2022	31 December 2021
Corporate	3.70%	3.95%
Retail	5.60%	6.65%

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

31 December 2022	Average PD	Average LGD
Corporate	0.088	0.51
Retail	0.015	0.66
31 December 2021		
Corporate	0.015	0.65
Retail	0.009	0.74

Ana Analysis of loans before allowance for impairment losses by industry:

	31 December 2022	31 December 2021
Citizens	759,127	283,052
Trade	326,530	122,993
Agriculture, forestry, mining and industry	305,367	116,341
Construction industry	126,002	36,290
Services, finance, sport and tourism	107,216	34,788
Transport and communications	43,576	12,944
Governmental institutions, NGO's and other	41,816	10,490
	1,709,634	616,898

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.

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

18. LOANS AND RECEIVABLES (CONTINUED)

31 December 2022	Number of reprogramed loans	Gross credit exposure	Stage 1	Stage 2	Stage 3
Corporate	11	9,835	-	-	9,835
Retail	109	3,282	16	-	3,266
	120	**13,117**	**16**	**-**	**13,101**
31 December 2021					
Corporate	35	16,151	-	82	16,069
Retail	15	991	651	-	340
	50	**17,142**	**651**	**82**	**16,409**

Syndicated loans

As at December 31, 2022, the bank had 2 syndicated loans (2021: 4 syndicated loans) together with other banks. On this basis, the participation of other banks as at December 31, 2022 was in the amount of BAM 47,153 thousand. (2021: from BAM 2,906 thousand). The bank bears the risk only for its participation in the syndication.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2022	31 December 2021
Investments in funds:		
Investment fund "Raiffeisen Cash" Sarajevo	-	1,000
Shares:		
Shares of public companies	5,467	66
Shares of banks	4,045	199
Shares of private companies	95	132
Shares of non-banking financial institutions	13	27
	9,620	**1,424**

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

	2022	2021
Balance at the beginning of the year	**1,424**	**1,213**
New assets (purchased)	9,238	-
Sale / (purchase) of acquired real estate	(1,000)	-
Transfer from merger	-	189
(Gains from fair value adjustments (Note 9)	(42)	22
Balance at the end of the year	**9,620**	**1,424**

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2022	31 December 2021
Debt securities:		
Ministry of Finance RS	16,855	42,259
JP Autoceste FBIH Mostar	5,008	-
Ministry of Finance FBiH	3,837	17,371
Accrued interest	329	896
Sub-total	*26,029*	*60,526*
Equity instruments:		
Bamcard d.d. Sarajevo	2,051	226
Sarajevo Stock exchange d.d. Sarajevo	103	103
Securities' Register of FBiH	51	33
Bank Association	9	9
Sub-total	*2,214*	*371*
Investment in funds:		
Open investment fund "Lilium Global" Sarajevo	581	522
	28,824	61,419

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	***61,419***	-	-	***61,419***
New financial assets (purchased)	5,458	-	-	5,458
Transfer from merger	10,027	-	-	10,027
Derecognition or proceeds from collection (excluding write off)	(48,742)	-	-	(48,742)
Interest (Note 5)	468	-	-	468
Unrealised loss from fair value adjustment, net	194	-	-	194
At 31 December 2021	***28,824***	-	-	***28,824***

	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***

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

21. DEBT INSTRUMENTS AT AMORTISED COST

	31 December 2022	31 December 2021
Bonds:		
Ministry of Finance of FBiH	-	798
	-	**798**

Changes in debt instruments at amortized cost are presented below:

	2022	2021
Balance at beginning of the year	798	1.158
Interest (Note 5)	8	78
Decrease, net	(790)	(438)
Balance at end of the year	**-**	**798**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	***798***	-	-	***798***
Derecognition or proceeds from collection (excluding write off)	(790)	-	-	(790)
Interest (Note 5)	(8)	-	-	(8)
At 31 December 2022	-	-	-	-

	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***

During 2022 and 2021, there were no changes in value corrections.

22. OTHER ASSETS AND RECEIVABLES, NET

	31 December 2022	31 December 2021
Receivables from banks	7,838	3,633
Receivables from Moneygram	6,023	-
Receivables from BH Pošta based on the foreign exchange Contract	4,824	2,969
Prepaid expenses	1,773	684
Inventories and other office supplies	874	134
Acquired tangible assets	648	1,260
Receivables from government institutions	137	202
Prepaid income tax	16	-
Other	8,537	3,397
	30,670	***12,279***
Less: Impairment	(1,149)	(1,695)
	29,521	**10,584**

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

22. OTHER ASSETS AND RECEIVABLES, NET (CONTINUED)

Changes in acquired assets are presented below:

	Book value	Gains from sale
Balance as of January 1, 2021	**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**
Sale / (purchase) of acquired real estate	(997)	(228)
Collection of credit receivables through the acquisition of real estate	497	-
Transfer from merger	64	-
Impairment of acquired real estate (Note 13)	(176)	-
Balance as of December 31, 2022	**648**	**(228)**

Changes in impairment are presented below:

	2022	2021
Balance at 1 January	**1,695**	**1,386**
Transfer from merger	517	-
Impairment (Note 13)	(1,063)	309
Balance at 31 December	**1,149**	**1,695**

(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	Investments in assets	Total
COST									
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
Additions	202	-	-	145	-	-	17.121	-	17,468
Transfer from merger	2,631	16,934	-	18,260	18,465	7.513	70	10,454	74,327
Transfer (from) / to	14,906	409	-	138	297	320	(16.070)	-	-
Reclassification	(1,994)	-	-	-	-	-	-	1,944	-
Disposals	(5,134)	(1,558)	(92)	(976)	(1,970)	(192)	(50)	-	(9,972)
At 31 December 2022	32,909	18,540	874	30,290	22,636	10.219	2.118	12,448	130,034
ACCUMULATED DEPRECIATION									
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
Depreciation	445	1,084	119	356	602	280	-	-	2,886
Transfer from merger	972	11,817	-	14,924	14,616	5.711	-	-	48,040
Disposals	(851)	(849)	(20)	(801)	(2,175)	(187)	-	-	(4,883)
Reclassification	(879)	-	-	-	-	-	-	879	-
At 31 December 2022	3,009	13,630	541	25,605	17,824	7.000	-	879	68,488
NET BOOK VALUE									
At 31 December 2022	29,900	4,910	333	4,685	4,812	3.219	2.118	11,569	61,546
At 31 December 2021	18,976	1,177	524	1,597	1,063	1.382	1.047	-	25,766

The cost of fully written off tangible and intangible assets in use as at 31 December 2022 amounts to BAM 37,900 thousand (2021: BAM 14,789 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 2022 (BAM 000)	4,910
Addition investment in assets with right of use (BAM 000)	409
Depreciation rate	10% - 100%
Number of lease agreement	59
Period of right of use	from 1 to 10 years

24. DUE TO BANKS

	31 December 2022	31 December 2021
Deposits:		
Demand deposits	14,004	1,242
Fixed-term deposits	10,799	5,000
	24,803	6,242

25. DUE TO CUSTOMERS

	31 December 2022	31 December 2021
Demand deposits:		
Retail:		
In domestic currency	311,064	129,759
In foreign currencies	108,588	36,965
	419,652	*166,724*
Corporate:		
In domestic currency	287,212	109,185
In foreign currencies	43,242	10,479
	330,454	*119,664*
Deposits from NGOs, cantonal government, municipalities etc.:		
In domestic currency	692,324	210,464
In foreign currencies	44,529	23,133
	736,853	*233,597*
	1,486,959	**519,985**
Fixed-term deposits:		
Retail:		
In domestic currency	156,522	96,973
In foreign currencies	284,927	117,737
	441,449	*214,710*
Corporate:		
In domestic currency	114,901	43,765
In foreign currencies	13,025	2,463
	127,926	*46,228*
Deposits from NGOs, cantonal government, municipalities etc.:		
In domestic currency	290,234	73,829
In foreign currencies	63,063	67,639
	353,297	*141,468*
	922,672	**402,406**
	2,409,631	**922,391**

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

25. DUE TO CUSTOMERS (CONTINUED)

Interest rate during the year is presented below:

	2022	2021
Demand deposits in KM and foreign currencies	0%-0.10%	0% - 0.10%
Fixed-term deposits of legal entities	0.36% - 1.53%	0.7% - 1.52%
Fixed-term deposits of private individuals	0.13% - 1.77%	0.2% - 1.86%

26. SUBORDINATED DEBT

	31 December 2022	31 December 2021
Vlada Hercegovačko - neretvanskog Kantona	1,089	1,089
Medžlis IZ Mostar	343	343
	1,432	**1,432**

The Bank has funds in the amount of BAM 1,089 thousand as at 31 December 2022, which were transferred from the merged Vakufska banka d.d. Sarajevo. The funds received from the Government of HNK 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 BAM 343 thousand as of December 31, 2022, 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 2022	31 December 2021
Long term liabilities	2,597	518
Short term liabilities	2,530	702
	5,127	***1,220***
Maturity analysis:		
Within one year	2,530	702
In the second year	1,225	360
In the third year	775	81
In the fourth year	482	27
In the fifth year	88	12
After five years	27	38
	5,127	1,220

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 2022	31 December 2021
Liabilities for suppliers	4,705	1,262
Card operations	1,821	3,181
Liabilities for undistributed inflows	1,097	600
Liabilities for inactive accounts	473	526
Liabilities from managed funds (Note 31)	120	66
Other	6,480	4,270
	14,696	**9,905**

29. PROVISIONS

	31 December 2022	31 December 2021
Provisions for legal proceedings	1,891	503
Provisions for commitments and contingencies	1,667	564
Provisions for employee benefits	712	1,028
Other provisions	3,998	364
	8,268	**2,459**

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 2022	31 December 2021
Unused approved loans	132,005	40,514
Performance guarantees	112,805	26,850
Payment guarantees	52,795	4,135
Letters of credit	39	89
	297,644	**71,588**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	***71,470***	***104***	***14***	***71,588***
New financial liabilities	72,479	309	111	72,899
Transfer from merger	215,718	2,678	57	218,453
Derecognition or payment of liabilities (excluding write off)	(79,689)	(676)	(51)	(80,416)
Increase in exposure under existing contracts	14,700	109	311	15,120
Transfer to Stage 1	73	(72)	(1)	-
Transfer to Stage 2	(1,391)	1,391	-	-
Transfer to Stage 3	(79)	(52)	131	-
At 31 December 2022	***293,281***	***3,791***	***572***	***297,644***

(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 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*

Changes in impairment are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2022	*548*	*5*	*11*	*564*
Impairment (Note 13)	(360)	226	172	38
Transfer from merger	982	67	16	1,065
Transfer to Stage 1	181	(181)	-	-
Transfer to Stage 2	(73)	73	-	-
Transfer to Stage 3	(34)	(13)	47	-
At 31 December 2022	*1,244*	*177*	*246*	*1,667*

	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*

Changes in provisions are presented below:

	Court proceeding	Commitments and contingencies	Employee benefits	Other provisions	Total
Balance as of 1 January 2021	**227**	**396**	**349**	**-**	**972**
Increase / (decrease) (Note 13)	71	98	564	21	754
Transfer from merger	615	70	415	343	1,443
Payments	(410)	-	(300)	-	(710)
Balance as of 31 December 2021	**503**	**564**	**1,028**	**364**	**2,459**
Increase / (decrease) (Note 13)	(369)	38	468	(177)	(40)
Transfer from merger	1,453	1,065	550	3,811	6,879
Adjustments - reclassification	304	-	(304)	-	-
Payments	-	-	(1,030)	-	(1,030)
Balance as of 31 December 2022	**1,891**	**1,667**	**712**	**3,998**	**8,268**

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

30. SHARE CAPITAL

The share capital of the Bank as at 31 December 2022 consists of 3,137,454 ordinary shares and 1,281 preference shares with a nominal value of BAM 100 (2021: 900,768 ordinary shares and 1, preference shares with a nominal value of BAM 100).

Ordinary shares:	31 December 2021		31 December 2021	
	'000 BAM	% of ownership	'000 BAM	% of ownership
ASA Finance d.d. Sarajevo	279,650	89.13%	53,750	59.67%
ZIF "prevent INVEST" d.d. Sarajevo	7,548	2.40%	7,548	8.38%
Nermina Čago	1,825	0.58%	1,350	1.50%
Validus d.d. Varaždin - in bankruptcy	1,780	0.57%	1,780	1.98%
MahmalInvestment Co. Limited, GB	1,775	0.57%	1,775	1.97%
Almy d.o.o. Zenica	1,403	0.45%	1,403	1.56%
ZIF "PROF-PLUS" d.d. Sarajevo	1,010	0.32%	1,010	1.12%
Raiffeisen bank d.d. BiH	430	0.14%	446	0.50%
Other shareholders	18,324	5.84%	21,015	23.32%
Subtotal	***313,745***	***100.00%***	***90,077***	***100.00%***
Preference shares:				
Urban Katharina	128	-	128	-
Subtotal:	***128***	-	***128***	-
TOTAL:	313,873	100.00%	90,205	100.00%

On August 31, 2022, the Bank's Assembly adopted the Decision on the status change of the merger of ASA Banka Naša i Snažna d.d. Sarajevo. The date of the status change was December 1, 2022. 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 ASA Banka Naša i Snažna 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 2022	31 December 2021
PLACEMENTS		
Corporate	10,337	12,151
Retail	4,622	4,692
	14,959	16,843
SOURCES:		
Zenica - Doboj Canton	5,522	9,362
Sarajevo Canton	4,292	2,443
Others	5,265	5,104
	15,079	16,909
Current obligations due to Managed funds (Note 28)	120	66

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 BAM 10,337 thousand of loans to legal entities and BAM 4,622 thousand 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 2022 and 2021 balance outstanding with related parties comprised:

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

	31 December 2022			31 December 2021		
	Loans	Off-balance sheet exposure	Total	Loans	Off-balance sheet exposure	Total
Employees	12,375	1,169	13,544	4,503	411	4,914
Shareholders and related parties	82,886	96	82,982	6,479	1,654	8,133
	95,261	1,265	96,526	10,982	2,065	13,047

(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 2022 may be presented as follows:

	2022	2021
Compensation for Chairman and members of the Board	1,544	473
Taxes and contributions and other compensations	899	237
	2,443	710

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 2022	31 December 2021
Debt	2,440,993	931,285
Capital	336,515	93,481
Net debt to capital ratio	**7.25**	**9.96**

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.

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	18.23%
The rate of regulatory capital	18.33%
The rate of core capital including adjustments from Pillar 2	8.50%
The rate of core capital including adjustments from Pillar 2	10.75%
The rate of regulatory capital including adjustments from Pillar 2	13.75%

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

33. RISK MANAGEMENT (CONTINUED)

a) Capital risk managements (continued)

Table that is presented below shows structure of capital and capital indicators at 31 December 2022 and 2021:

	31 December 2022	31 December 2021
Regulatory capital	**299,606**	**93,480**
Core capital	*298,046*	*91,920*
Regular core capital	*298,046*	*91,920*
Paid-up equity instruments	313,746	90,077
Actual or contingent liabilities of purchase of own capital instruments	-	(2,192)
Share premium	27,773	-
Retained earnings	1,401	(10,701)
Profit or loss attributable to owners of the parent company	-	6,714
Other comprehensive income - revaluation reserves	(676)	113
Other reserves	(36,853)	9,342
Deductions from regular core capital		
intangible assets	(4,833)	(1,343)
deferred tax assets	(461)	(90)
instruments of regular core capital of financial sector entities if the Bank has a significant investment	(2,051)	-
Total regular core capital	**299,606**	**93,480**
Supplementary core capital		-
Core capital	**299,606**	**93,480**
Supplementary capital		
Subordinated debt	1,560	1,560
Total regulatory capital	**299,606**	**93,480**
Total risk-weighted assets (unaudited)	1,634,942	536,411
Rate of regular core capital	**18.33%**	**17.43%**

Capital adjustment plan

As of 31 December 2022, the ratio "tangible assets/core capital" amounted to 20.98% (31 December 2021: 27.46%). 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 2022 amounts to 10.04% (31 December 2021: 8.58%).

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

33. RISK MANAGEMENT (CONTINUED)

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 2022	31 December 2021
Financial assets		
Loans and receivables:	2,670,500	937,049
Cash and cash equivalents (including Obligatory reserves with the CBBH)	*1,051,615*	*372,040*
Loans to clients and receivables, net	*1,618,885*	*565,009*
Financial assets at FVTPL	9,620	1,424
Financial assets at FVTOCI	28,824	61,419
Financial assets at amortised cost	-	798
	2,708,944	**1,000,690**
Financial liabilities		
At amortised cost:		
Borrowings and liabilities to banks	24,803	6,242
Subordinated debt	1,432	1,432
Due to customers	2,409,631	922,391
Lease obligations	5,127	1,220
	2,440,993	**931,285**

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 2022						
ASSETS						
Cash and balances with other banks	646,659	116,722	27,873	10,056	2,632	803,942
Obligatory reserves with the CBBH	247,673	-	-	-	-	247,673
Loans to customers, net	1,616,786	2,099	-	-	-	1,618,885
Financial assets at FVTPL	9,596	24	-	-	-	9,620
Financial asset at FVTOCI	28,824	-	-	-	-	28,824
Debt instruments at amortised cost	12,146	4,216	2,258	13	52	18,685
Total	**2,561,684**	**123,061**	**30,131**	**10,069**	**2,684**	**2,727,629**
LIABILITIES						
Due to other banks and financial institutions	10,752	12,782	1,141	-	128	24,803
Amounts due to customers	1,849,225	519,195	28,712	9,916	2,583	2,409,631
Other financial liabilities	12,037	2,490	137	2	90	14,756
Total	**1,872,014**	**534,467**	**29,990**	**9,918**	**2,801**	**2,449,190**
As at 31 December 2021						
Total monetary assets	**969,504**	**30,346**	**6,869**	**2,612**	**1,175**	**1,010,506**
Total monetary liabilities	**679,650**	**248,726**	**6,859**	**2,612**	**944**	**938,791**

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 BAM strengthens 10% against USD. For a 10% weakening of BAM 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 2022	31 December 2021	31 December 2022	31 December 2021
Profit/(loss)	14	1	15	-

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 2022 would decrease / increase by BAM 5,657 thousand (2021: BAM 5,018 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, 2022						
Cash and balances with other banks	804,869	109,432	695,437	(197)	(729)	803,942
Obligatory reserves with the CBBH	247,921	-	247,921	-	(248)	247,673
Loans to customers and receivables at amortised cost	1,709,634	40,124	1,669,510	(34,949)	(55,800)	1,618,885
Financial assets at FVTPL	9,620	9,620	-	-	-	9,620
Financial assets at FVTOCI	28,824	2,795	26,029	-	-	28,824
	2,800,868	**161,971**	**2,638,897**	**(35,146)**	**(56,777)**	**2,708,944**
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**

(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 2022			
Cash and balances with other banks	803,942	-	-
Obligatory reserves with the CBBH	247,673	-	-
Loans to customers and receivables at amortised cost	1,618,885	297,644	1,090,914
Financial assets at FVTPL	9,620	-	-
Financial assets at FVTOCI	28,824	-	-
	2,708,944	297,644	1,090,914
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

Fair value of the collaterals

	31 December 2022	31 December 2021
Real estate	986,358	491,924
Deposits	66,115	15,027
Equipment	20,836	16,672
Warranties/Guarantees	17,605	-
Total	1,090,914	523,623

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 2022							
Corporate	950,507	819,427	64,002	30,750	832	1,085	34,411
Retail	759,127	638,453	56,027	38,031	3,426	2,416	20,774
Total	1,709,634	1,457,880	120,029	68,781	4,258	3,501	55,185
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

(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 2022							
Non- interest bearing	-	280,461	-	-	-	-	280,461
Variable interest rate instruments	2.11%	793,438	18,368	122,429	276,344	197,072	1,407,651
Fixed interest rate instruments	5.00%	127,894	97,492	273,145	423,956	141,943	1,064,430
		1,201,793	**115,860**	**395,574**	**700,300**	**339,015**	**2,752,542**
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**

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 2022							
Non- interest bearing	-	1,521,522	8,624	41,802	63,785	8,100	1,643,833
Variable interest rate instruments	0.88%	7,742	4,580	61,608	62,787	518	137,235
Fixed interest rate instruments	1.19%	61,896	68,166	195,635	356,148	6,775	688,620
		1,591,160	**81,370**	**299,045**	**482,720**	**15,393**	**2,469,688**
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**

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 31 December 2022	Fair value as at 31 December 2021	Fair value hierarchy	Valuation techniques and key inputs
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 - BAM 9,620 thousand	*Equity securities listed on a stock exchange in Bosnia and Herzegovina:* Shares of private and public companies, banks and non-banking financial institutions- BAM 424 thousand	Level 1	Prices quoted in an active market.
	Investment fund shares: -	*Investment fund shares:* Open-end investment funds - 1,000 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 - BAM 2,214 thousand	*Equity securities listed on the stock exchange in Bosnia and Herzegovina:* Shares of private and state companies, banks and non-banking financial institutions - BAM 371 thousand	Level 1	Prices quoted in an active market,
	Investment fund shares: -	*Investment fund shares:* Open-end investment funds - BAM 522 thousand	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 - BAM 9,174 thousand • Bonds of Republika Srpska - BAM 16,855 thousand	*Debt securities listed on the stock exchange in Bosnia and Herzegovina:* • Bonds issued by the Federation of BiH - BAM 17,370 thousand • Bonds of Republika Srpska - BAM 42,259 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 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
- Loans and receivables at amortized cost	1,618,885	1,694,163	565,009	594,954
- Debt instruments at amortised cost	-	-	798	838
Financial liabilities				
At amortised cost:				
-Deposits from clients and other banks; loans from other banks and fin. institution	2,434,434	2,418,652	928,633	921,854
-Subordinated debt	1,432	1,389	1,432	1,389

	Fair value hierarchy as of 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
- Loans to customers and receivables at amortised cost	-	1,694,163	-	594,954
- Debt instruments at amortised cost	-	-	-	838
	-	1,694,163	-	595,792
Financial liabilities				
At amortised cost:				
- Due to customers, other banks and financial liabilities	-	2,418,652	-	921,854
- Subordinated debt	-	1,389	-	1,389
	-	2,420,041	-	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 August 31, 2022, the General Assembly of the Bank passed the Decision on the status change of the merger of ASA Banka Naša i Snažna 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 04-1-3-3022-1/22 as of August 30, 2022. On October 27, 2022, the Federal Securities Commission approved the merger by Decision No. 03/1-19-220/22. Consequently, the Federal Banking Agency revoked the operating license of ASA Banka Naša i Snažna d.d. Sarajevo on November 29, 2022. On the December 01, 2022, all data, i.e. financial positions were migrated to the system of successor bank ASA Banka d.d. Sarajevo.

On December 1, 2022, 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.

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 30, 2022, the merger of ASA Banka Naša i Snažna 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 1 December 2022 the total share capital of the successor bank amounted to BAM 318,873,500 (nominal amount), and consisted of a total of 3,138,735 shares with a nominal value of BAM 100 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. After the exchange of shares, ASA Banka d.d. Sarajevo issued 2,236,686 ordinary shares with a nominal value of BAM 100 of nominal value per share.

The balance sheet of ASA Banka Naša i Snažna d.d. as of November 30, 2022 can be presented as follows:

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

35. BUSINESS COMBINATIONS (CONTINUED)

	30 November 2022
ASSETS	
Cash and cash equivalents	328,398
Obligatory reserve with Central bank B&H	133,585
Loans given to clients, net	952,974
Financial assets at FVTOCI	10,027
Other assets and receivables, net	30,126
Tangible and intangible assets	26,287
Deferred tax assets	830
TOTAL ASSETS	**1,482,227**
LIABILITIES	
Due to banks	16,901
Due to customers	1,216,586
Lease liabilities	5,263
Other liabilities	17,234
Provisions	3,206
Total liabilities	**1,259,190**
EQUITY	
Shareholders' equity	76,337
Share premium	27,773
Revaluation reserves financial assets under FVOSD	129
Accumulated loss and reserves	118,798
Total equity	**223,037**
TOTAL LIABILITIES AND EQUITY	**1,482,227**

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 2022.

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board on 21 February 2023.:

Samir Mustafić
President of the Board

ASA BANKA DIONIČKO DRUŠTVO SARAJEVO
ASA BANKA
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Edina Vuk
Member of the Board