ASA BANKA D.D. SARAJEVO

Financial statements for the year ended
31 Ddecember 2024 and Independent Auditor's Report

Content

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) issued by the International Accounting Standards Board, which provide a true and fair view of the financial position of ASA Bank d.d. Sarajevo ("the Bank"), as well as its operating results for that period, or in accordance with the legal accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

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
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Davor Tomić
Board Member

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

14 February 2025

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 2024, 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 2024 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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.

Estimate of impairment for loan losses and receivables from customers

For accounting policies, refer to Note Impairment of Financial Assets in Section 3 Basis of Presentation and Summary of Accounting Policies. For more information on the key audit matter, see Note Impairment Losses on Loans and Receivables in Section 4 Significant Accounting Estimates and Key Sources of Estimation Uncertainty.

As of December 31, 2024, the gross book value of loans to customers amounted to 2,042,391 thousand KM. The corresponding provisions for impairment amounted to 76,887 thousand KM.

Credit risk is one of the most significant financial risks the Bank faces in its operations. Therefore, the determination of appropriate methods and models for measuring and managing credit risk by the Management represents one of the most important areas in preserving the Bank's capital. As part of the credit risk management process, recognizing appropriate provisions for impairment for expected credit losses on loans to customers represents key considerations for the Bank's Management.

Key audit matters (continued)

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 2024.

How our audit addressed the Key Audit Matter

To address the risks associated with the recognition of impairment allowances for expected credit losses on financings and receivables, identified as key audit matters, we designed audit procedures that enabled us to obtain sufficient appropriate audit evidence for our conclusion. We performed the following audit procedures in relation to the area of financing:

- Reviewing and verifying the Bank's methodology for recognizing allowances for expected credit losses and comparing the reviewed methodology with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina;
- Gaining an understanding of the control environment and internal controls established by Management in the process of measuring allowances for expected credit losses, including the applications and tools used, and related internal controls;
- Assessing the design and testing the implementation of identified internal controls relevant to the process of measuring allowances for expected credit losses;
- Testing the operational effectiveness of identified relevant controls.

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.

How our audit addressed the Key Audit Matter (continued)

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.

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.

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern, If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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, Director and Certified Auditor

BDO

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

Aida Čančar, Certified Auditor

Sarajevo, 17 February 2025

Income statement
for the year that ended on 31 December 2024
(all amounts are presented in thousands of BAM, unless stated otherwise)

	Notes	2024	2023
Interest income	5	101,854	86,398
Interest expense	6	(18,959)	(13,116)
Net interest income		**82,895**	**73,282**
Fee and commission income	7	43,760	39,894
Fee and commission expense	8	(5,225)	(4,805)
Net fee and commission income		**38,535**	**35,089**
Other gains	9	7,299	9,227
Other operating income	10	5,545	4,396
Income from operating activities		**134,274**	**121,994**
Employee expenses	11	(29,123)	(28,177)
Depreciation expenses	23	(7,709)	(7,840)
Other administrative expenses	12	(31,024)	(28,871)
Operating expenses		**(67,856)**	**(64,888)**
PROFIT BEFORE IMPAIRMENT LOSSES, PROVISIONS AND TAXATION		**66,418**	**57,106**
Impairment losses and provisions, net	13	(5,413)	(6,600)
PROFIT BEFORE TAXATION		**61,005**	**50,506**
Income tax	14	(5,297)	(4,676)
Profit/(loss) as a result of increase in deferred tax assets	14	126	175
PROFIT AFTER TAXATION		**55,834**	**46,005**
Earnings per share - basic and diluted (in BAM)	15	**17,79**	**14,66**

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

Statemenent of comprehensive income
for the year ended on 31 December 2024
(all amounts are presented in thousands of BAM, unless stated otherwise)

	Notes	2024	2023
Net profit		55,834	46,005
Other comprehensive income:			
Items that are or may be reclassified to profit or loss:			
Changes in the fair value of debt securities	20	(79)	(128)
TOTAL COMPREHENSIVE INCOME		55,755	45,877

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

Balance sheet
as at 31 December 2024

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

	Notes	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	16	870,959	830,327
Obligatory reserve with Central bank B&H	17	272,798	247,799
Loans and receivables at amortized cost	18	1,965,504	1,772,556
Financial assets at FVTPL	19	19,501	21,048
Financial assets at FVTOCI	20	27,708	28,290
Debt instruments at amortized cost	21	73,220	25,636
Other assets and receivables, net	22	27,570	25,276
Tangible and intangible assets	23	78,664	66,643
Deferred tax assets	14	762	636
TOTAL ASSETS		**3,336,686**	**3,018,211**
LIABILITIES			
Due to banks	24	58,896	30,420
Due to customers	25	2,845,830	2,583,977
Subordinated debt	26	1,432	1,432
Lease liabilities	27	6,883	8,329
Other liabilities	28	18,033	19,915
Provisions	29	5,513	7,767
Total liabilities		**2,936,587**	**2,651,840**
EQUITY			
Shareholders' equity	30	313,873	313,873
Reserves		20,428	11,227
Revaluation reserves - financial assets at fair value through other comprehensive income		222	112
Retained earnings		65,576	41,159
Total equity		**400,099**	**366,371**
TOTAL LIABILITIES AND EQUITY		**3,336,686**	**3,018,211**

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

Statement of cash flows
for the year ended on 31 December 2024
(all amounts are presented in thousands of BAM, unless stated otherwise)

	2024	2023
Operating activities		
Income before taxation	61,005	50,506
Adjustments:		
Depreciation	7,709	7,840
Impairment, net	5,413	6,600
Increase in deferred tax assets, net	(126)	(175)
Gains on disposal of property and equipment, net	(1,683)	(5,109)
Effects of fair value adjustment on assets at FVPL	1,894	3,137
Interest income on financial assets through OCI recognized in PL	(592)	(470)
Interest income on financial assets at AT recognized in PL	(2,161)	(955)
Adjustment of final income tax liability from previous year	(5)	-
Losses from sale of financial assets under FVOCI	-	12
Changes in assets and liabilities:		
Increase in receivables from CBBiH	(25,024)	(126)
Net increase in loans and receivables, before impairment	(196,269)	(156,716)
Net increase/(decrease) in other assets, before impairment	(4,743)	1,680
Net increase in due to customers	263,853	174,346
Net increase in due to banks	26,476	5,617
Net (decrease)/increase in other liabilities	(2,511)	6,964
Net decrease in provisions	(2,998)	(3,044)
Paid income tax	(4,669)	(4,676)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**125,569**	**85,431**
Investing activities		
(Purchase of) financial assets at amortized cost, net	(45,546)	(24,975)
Proceeds from financial assets at FVOCI, net	1,148	1,144
Purchase of financial assets at FVTPL	(369)	(15,647)
Dividends received	1,226	1,082
Purchase and transfer of tangible and intangible assets	(19,731)	(13,457)
Proceeds from sale of property and equipment	1,781	5,629
NET CASH USED FROM INVESTING ACTIVITIES	**(61,491)**	**(46,224)**
Financial activities		
Payment of lease liabilities	(1,446)	3,202
Dividend payment	(22,000)	(16,024)
NET CASH USED IN FINANCING ACTIVITIES	**(23,446)**	**(12,822)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**40,632**	**26,385**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**830,327**	**803,942**
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	**870,959**	**830,327**

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

Statement of changes in equity
for year ended on 31 December 2024

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

	Shareholders' equity	Treasury shares	Reserves	Revaluation reserves for financial instruments at FVOSD	Retained earnings	Total
Balance as at 31 December 2022	**313,873**	**-**	**9,342**	**237**	**13,063**	**336,515**
Net profit	-	-	-	-	46,005	46,005
Other comprehensive income	-	-	-	(128)	-	(128)
Total comprehensive income	-	-	-	*(128)*	*46,005*	*45,877*
Profit distribution in accordance with the Assembly Decision	-	-	1,885	-	(1,885)	-
Dividend payment	-	-	-	-	(16,024)	(16,024)
Transfer to the income statement based on maturity of debt securities	-	-	-	3	-	3
Balance as at 31 December 2023	**313,873**	**-**	**11,227**	**112**	**41,159**	**366,371**
Net profit	-	-	-	-	55,834	55,834
Other comprehensive income / (loss)	-	-	-	110	(189)	(79)
Total comprehensive income	-	-	-	*110*	*55,645*	*55,755*
Profit distribution in accordance with the Assembly Decision	-	-	9,201	-	(9,201)	-
Dividend payment	-	-	-	-	(22,000)	(22,000)
Transfer to the income statement based on maturity of debt securities	-	-	-	-	(22)	(22)
Adjustment of final income tax liability from previous year	-	-	-	-	(5)	(5)
Balance as at 31 December 2023	**313,873**	**-**	**20,428**	**222**	**65,576**	**400,099**

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

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

1. GENERAL

ASA Banka d.d. Sarajevo, with its registered office at Trg međunarodnog prijateljstva No. 25, Sarajevo, has been operating since September 30, 2016. The Bank 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 Bord and Management Board

Supervisory Board

Samir Redžepović	President (new term starting from July 1, 2023)
Sead Aganspahić	Member (new term starting from July 1, 2023)
Ibrahim Fazlić	Member (new term starting from July 1, 2023)
Dženan Prevljak	Member (new term starting from July 1, 2023)
Arif Brkić	Non-executive member (new term starting from July 1, 2023)
Kemal Kozarić	Non-executive member (new term starting from July 1, 2023)
Rusmir Pašić	Member (new term starting from March 11, 2024)

Management Board

Samir Mustafić	President of the Board (new engagement started from December 1, 2022)
Edina Vuk	Member of the Management Board (new engagement started from December 1, 2022)
Davor Tomić	Member of the Management Board (new engagement started from December 1, 2022)
Aldijana Rakić	Member of the Management Board (new engagement started from December 1, 2022)
Hasan Hasić	Member of the Management Board (from April 1, 2023)

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 Standards and Interpretation effective in the current period

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

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosure - Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024);
- Amendment to IFRS 16 Leases: Amendments to IFRS 16 Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 Presentation of Financial Statements – Clarification of the Meaning of 'Settlement' in the Classification of Liabilities, Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2024);
- Amendment to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024).

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:

- Amendment to IAS 21: The Effects of Changes in Foreign Exchange Rates - Lack of exchangeability (effective for annual periods beginning on or after 1 January 2025);
- Amendements to IAS 7: Financial Instruments"Disclosures" - Cost Method and Dsiclosure of Deferred Difference between Fair Value and Transaction price (effective for annual periods beginning on or after 1 January 2026);
- Amendements to IFRS 1: First-time Adoption of IFRS - Hedge Accounting by First-time Adopter (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 7: Financial Instruments: Disclosures - Introduction and Credit Risk Dsiclosures: Gain or Loss on Derecognition (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 9: Financial Instruments - Classification and Measurement of Financial Instruments - Lessee Derecognition of Lease Liabilities (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 9: Financial Instruments - Classification and Measurement of Financial Instruments - Lessee Derecognition of Lease Liabilities (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 9: Financial Instruments - Classification and Measurement of Financial Instruments - Transaction Price (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 10: Consolidated Financial Statements - Determination of a "De Facto Agent" (effective for annual periods beginning on or after 1 January 2026);
- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027);
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027).

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 are prepared on the assumption of the going concern concept, which implies that the Bank will continue its business activities in the foreseeable future and be able to realize assets and settle liabilities in the normal course of business.

Basis of measurement

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

- The Law on Accounting and Auditing in FBiH stipulates preparation of the financial statements in accordance with the International Financial Reporting Standards (hereinafter "IFRS").

- The Law on Banks of FBiH stipulates preparation of annual financial statements in accordance with the aforementioned Law on Accounting and Auditing in the FBiH, this law and bylaws passed based on both laws.

- FBA adopted the Decision on Credit Risk Management and Determining Expected Credit Losses (hereinafter the "Decision"), which is in force as of 1 January 2020, and which resulted in certain differences arising from calculation of allowances for credit losses due to application of minimum rates stipulated by the Decision, which are not required by IFRS 9: Financial Instruments ("IFRS 9"). The Decision has an effect on valuation of non-financial assets arising from credit operations (repossessed collaterals whose valuation is within the scope of other relevant IFRSs).

- By decision of the Management Board of the Association of Accountants, Auditors and Financial Workers of the FB&H dated 19 September 2022, the application of IFRS 17 begins with annual periods beginning on or after 1 January 2026. However, if IFRS 17 had been applied in 2023, there would be no material impact on these financial statements.

As of December 31, 2024, the Bank conducted an impairment analysis under both the Decision and IFRS and determined that the differences were imaterial to the financial statements.

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.

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.

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

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.

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.

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

Financial instruments (continued)

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.

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.

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

Financial instruments (continued)

Business model assessment (continued)

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 is 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.

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.

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

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

Financial instruments (continued)

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%

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%

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

Financial instruments (continued)

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. 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.

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.

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

Financial instruments (continued)

Derecognition of financial assets (continued)

- 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.

Financial liabilities and equity instruments issued by the Bank.

Classification as debt or equity

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

Equity instruments

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

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.

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

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

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:

(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.

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:

	2023	2022
Buildings	1.5%	1.5%
Furniture 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.

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

Impairment

At each reporting period date, the Bank reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than it's carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or building other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Reversal of impairment loss is recognised as income immediately, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

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.

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

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

Foreign currency translation (continued)

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

31 December 2024	1 EUR = 1.95583 KM	1 USD = 1.872683 KM	1 CHF = 2.072952 KM
31 December 2023	1 EUR = 1.95583 KM	1 USD = 1.769982 KM	1 CHF = 2.112127 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 BAM 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 2024 and 2024 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 statement 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 preparation of financial statements in accordance with the legal accounting regulations applicable to the banks in the Federation of Bosnia and Herzegovina requires the Management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses.

Actual results may differ from these estimates. Estimates and related assumptions are regularly reviewed. Changes in accounting estimates are recognized in the period in which the estimates are changed and, if applicable, in future periods if they affect them. Information about areas with significant uncertainty in estimates and critical judgments in the application of accounting policies, which have the most significant impact on the amounts disclosed in these financial statements, is disclosed in Note 3.

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

The bank makes estimates and assumptions about uncertain events, including estimates and judgments about the future. Such accounting assumptions and estimates are regularly reviewed and are based on historical experience and other factors such as the expected course of future events that can be realistically assumed under existing circumstances, but nonetheless inevitably represent sources of uncertainty in estimates.

The estimation of impairment of the client financing portfolio of the Bank is the most significant source of uncertainty in estimates. These and other key sources of uncertainty in estimates, which pose a significant risk of causing material discrepancies in the book value of assets and liabilities in the next financial year, are described below.

Useful lives of property and equipment

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

Impairment losses on loans and receivables

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

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

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

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

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

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 13 November 2024, the Bank's Supervisory Board adopted an updated Expected Credit Loss Policy with Methodology. Changes in the updated Policy for determining expected credit losses are mainly related to the application of the new PD rating model.

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

	2024	2023
Interest on retail loans	41,916	38,855
Interest on corporate loans	41,357	35,735
Interest income from banks	15,804	10,355
Debt instruments at amortized cost (Note 21)	2,161	955
Financial assets at fair value through OCI (Note 20)	592	470
Factoring income	24	28
	101,854	**86,398**

6. INTEREST EXPENSES

	2024	2023
Interest on corporate deposits	9,204	6,234
Interest on retail deposits	8,431	6,605
Interest on subordinated debt	1,182	181
Other interest expenses	142	96
	18,959	**13,116**

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

7. FEE AND COMMISSION INCOME

	2024	2023
Fees from services rendered	28,141	25,159
Payment operations fees	12,756	11,520
Fees on issued guarantees	2,863	3,215
	43,760	**39,894**

8. FEE AND COMMISSION EXPENSE

	2024	2023
Payment transactions fees	2,280	2,272
Other fees to banks	2,945	2,533
	5,225	**4,805**

9. OTHER GAINS

	2024	2023
Foreign exchange differences, net	4,113	3,918
Collected written-off receivables	1,976	2,056
Gains on sale of property, equipment and assets available for sale (Note 22 and 23)	1,683	5,109
Income from dividends	1,226	1,082
Income from rented premises or equipment	195	187
Sale of bonds - financial assets at FVTOCI	-	12
Fair value adjustment - financial assets at FVPL (Note 19)	(1,894)	(3,137)
	7,299	**9,227**

10. OTHER OPERATING INCOME

	2024	2023
Income from suspended interest	1,957	1,629
Other income	3,588	2,767
	5,545	**4,396**

11. PERSONNEL EXPENSES

	2024	2023
Net salaries	14,044	13,161
Tax and contributions	10,327	9,681
Other	4,752	5,335
	29,123	**28,177**

The average number of personnel employed by the Bank on 31 December 2024 and 2023 was 688 and 678 respectfully.

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

12. OTHER ADMINISTRATIVE EXPENSES

	2024	2023
Services	9,268	8,838
Insurance	5,750	5,354
Equipment and building maintenance	5,548	5,310
Marketing and representation	2,179	1,582
Telecommunication services	1,456	1,446
Energy	1,056	1,089
Tax expenses	984	1,002
Material expenses	741	716
Rent	693	842
Donations	622	616
Membership	331	263
Supervisory Board fees	300	185
Utilities	159	159
Services contracts	73	143
Other	1,864	1,326
	31,024	**28,871**

13. IMPAIRMENT LOSSES AND PROVISIONS

	Note	2024	2023
Cash and cash equivalents	16	153	(119)
Obligatory reserves at Central Bank	17	25	-
Loans to customers	18	3,321	3,046
Financial assets at FVOCI	20	(53)	16
Financial assets at amortized cost	21	123	294
Other assets	22	1,082	777
Impairment of acquired assets	22	18	43
Legal claims	29	(25)	125
Provisions for commitments and contingencies	29	107	(264)
Other provisions	29	662	2,682
		5,413	**6,600**

14. INCOME TAX

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

	2024	2023
Current income tax	5,297	4,676
Total tax	**5,297**	**4,676**

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

14. INCOME TAX

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

	2024	2023
Profit / (loss) before income tax	**61,005**	**50,506**
Income tax expense, at the statutory rate of 10%	***6,101***	***5,051***
Effects of non-deductible expenses	447	604
Effects of non-taxable income	(638)	(541)
Decrease in tax liability based on carry-forward losses and incentives	(613)	(438)
Current income tax	**5,297**	**4,676**
Effective income tax rate	**8.68%**	**9.26%**

Changes in deferred tax asset can be presented as follows:

	2024	2023
Balance as at 1 January	**636**	**461**
Newly recognized tax assets /used deferred tax assets	126	175
Balance as at 31 December	**762**	**636**

15. EARNINGS PER SHARE

	2024	2023
Net result (in BAM thousands)	55,834	46,005
Weighted average number of shares for the purpose of basic earnings per share	3,138,735	3,138,735
Basic earnings per share (in BAM)	**17.79**	**14.66**

16. CASH AND CASH EQUIVALENTS

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current account with the Central Bank of BH	337,609	-	16	337,625
Current accounts with other banks	33,525	-	8	33,533
Cash in hand in domestic currency	32,769	-	-	32,769
Cash in hand in foreign currency	64,024	-	-	64,024
Term-deposits on accounts with other banks*	403,008	-	-	403,008
	870,935	**-**	**24**	**870,959**

*Term-deposits on accounts with other banks in the gross amount of BAM 403,531 thousand relate to seven term-deposit agreements as follows:

- Intesa SanPaolo SPA Milano, one agreement/1 MM placement in the amount of EUR 37 million, with an interest rate of 2.98% p.a. and final maturity on 3 January 2025;

- Commerzbank AG Frankfurt am Main, two agreements/MM placements in the total amount of EUR 12,2 million, with an interest rates from 2.40% to 2.55% p.a and final maturity on 3 January 2025 and 27 March 2025;

- Unicredit Bank Austria AG, one agreement/1MM placement in the amount of EUR 26,4 million, with an interest rate of 2.30% p.a., and final maturity on 3 January 2025;

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

16. CASH AND CASH EQUIVALENTS (CONTINUED)

- Erste Group Bank AG Vienna Austria, two agreements/MM placements in the total amount of EUR 21,5 million, and USD 14,5 million and with an interest rates from 1.80% to 4.00% p.a and final maturity on 7 January 2025;

- Landesbank Baden-Wuerttemberg, Stuttgart, one agreement/1 MM placement in the amount of EUR 37,5 million, with an interest rate of 2.96% p.a. and final maturity on 10 January 2025;

- DZ Bank AG, one agreement/1 MM placement in the amount of EUR 37,5 million, with an interest rate of 2.00% p.a. and final maturity on 3 January 2025;

- Privredna banka d.d. Zagreb, one agreement/1 MM placement in the amount of EUR 5 million, with an interest rate of 2.75% p.a. and final maturity on 7 January 2025;

- Nova Banka a.d. Banja Luka, one agreement/1 MM placement in the amount of EUR 30 million, with an interest rate of 2.00% p.a. and final maturity on 10 January 2025.

	31 December 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Current account with the Central Bank of BH	516,728	-	-	516,728
Current accounts with other banks	23,889	117	-	24,006
Cash in hand in domestic currency	61,312	-	-	61,312
Cash in hand in foreign currency	27,990	-	-	27,990
Term-deposits on accounts with other banks	200,291	-	-	200,291
	830,210	**117**	**-**	**830,327**

Changes in gross carrying amount are presented below:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2024	***830,990***	***127***	***17***	***831,134***
Acquired financial assets	40,888	-	24	40,912
Derecognition or proceeds from collection	-	(127)	-	(127)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2024	***871,878***	***-***	***41***	***871,919***

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	***804,662***	***10***	***197***	***804,869***
Acquired financial assets	26,445	-	-	26,445
Derecognition or proceeds from collection	-	-	(180)	(180)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(117)	117	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2023	***830,990***	***127***	***17***	***831,134***

(all amounts are presented 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
Impairment as at 1 January 2024	*780*	*10*	*17*	*807*
Impairment (Note 13)	163	(10)	-	153
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2024	*943*	-	*17*	*960*

	Stage 1	Stage 2	Stage 3	Total
Impairment as at 1 January 2023	*728*	*1*	*197*	*926*
Impairment (Note 13)	52	9	(180)	(119)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
As at 31 December 2023	*780*	*10*	*17*	*807*

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

	31 December 2024	31 December 2023
Obligatory reserve with CBBH	273,071	248,047
Less: value adjustment	(273)	(248)
	272,798	247,799

Changes in impairments are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairment as on 1 January 2024	*248*	-	-	*248*
Impairment (Note 13)	25	-	-	25
Balance as at 1 January 2024	*273*	-	-	*273*

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.

In accordance with the Decision on determining and maintaining reserve requirements and determining the fee on the amount of obligatory reserves, as well as the Decision on increasing fees on reserve requirements paid to commercial banks, the CBBH pays compensation to commercial banks at the rate of 50 basis points (0.50%) on the funds of required reserves, on the basis in the domestic currency KM, and on the funds of the required reserves on the basis in foreign currencies and in the domestic currency with a currency clause - the fee is paid at the rate of 30 basis points (0.50 basis points), basis points (0.30%). No fee is calculated on funds above the reserve requirement.

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

18. LOANS AND RECEIVABLES AT AMORTIZED COST

	31 December 2024	31 December 2023
Short - term loans:		
(including current portion of long-term loans)		
Corporate	611,459	328,988
Retail	162,343	30,187
	773,802	*359,175*
Long - term loans:		
(excluding current portion of long-term loans)		
Corporate	584,019	733,402
Retail	684,570	764,605
	1,268,589	*1,498,007*
Total loans before allowance for impairment	***2,042,391***	***1,857,182***
Less: Allowance for impairment losses based on individual assessment	(15,574)	(22,836)
Less: Allowance for impairment losses based on collective assessment	(61,313)	(61,790)
	1,965,504	**1,772,556**

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

31 December 2024	**Stage 1** Collective assessment	**Stage 2** Collective assessment	**Stage 3** Individually assessed	**Stage 3** Collective assessment	**Total**
Loans to individuals					
Housing loan	171,363	1,408	2,001	3	174,775
Other loans to individuals	619,754	15,808	2,400	34,177	672,139
	791,117	***17,216***	***4,401***	***34,180***	***846,914***
Loans to corporate					
Revolving loans	247,739	22,230	2,415	309	272,693
Investment loans	346,639	34,972	2,328	19	383,958
Other loans to corporate	485,837	39,153	12,768	1,068	538,826
	1,080,215	***96,355***	***17,511***	***1,396***	***1,195,477***
Less: Impairment	(19,076)	(9,553)	(15,578)	(32,680)	(76,887)
	1,852,256	**104,018**	**6,334**	**2,896**	**1,965,504**

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

18. LOANS AND RECEIVABLES AT AMORTIZED COST (CONTINUED)

31 December 2023	Stage 1 Collective assessment	Stage 2 Collective assessment	Stage 3 Individually assessed	Stage 3 Collective assessment	Total
Loans to individuals					
Housing loan	235,985	4,136	4,493	3	244,617
Other loans to individuals	494,778	11,549	979	35,408	542,714
	730,763	***15,685***	***5,472***	***35,411***	***787,331***
Loans to corporate					
Revolving loans	211,075	19,226	3,798	292	234,391
Investment loans	247,506	29,041	2,638	19	279,204
Other loans to corporate	488,979	44,670	21,039	1,568	556,256
	947,560	***92,937***	***27,475***	***1,879***	***1,069,851***
Less: Impairment	(17,518)	(10,691)	(22,836)	(33,581)	(84,626)
	1,660,805	**97,931**	**10,111**	**3,709**	**1,772,556**

Changes in gross carrying amount for loans are shown below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	***1,678,323***	***108,622***	***70,237***	***1,857,182***
Acquired assets	927,458	47,446	445	975,349
Derecognition or proceeds from collection (excluding write off)	(728,638)	(43,480)	(6,962)	(779,080)
Transfer to Stage 1	13,228	(12,535)	(693)	-
Transfer to Stage 2	(14,356)	17,147	(2,791)	-
Transfer to Stage 3	(4,683)	(3,629)	8,312	-
Write off	-	-	(11,060)	(11,060)
At 31 December 2024	***1,871,332***	***113,571***	***57,488***	***2,042,391***

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	***1,545,522***	***80,546***	***83,566***	***1,709,634***
Acquired assets	865,461	36,866	1,334	903,661
Derecognition or proceeds from collection (excluding write off)	(684,064)	(42,573)	(20,307)	(746,944)
Transfer to Stage 1	12,163	(11,743)	(420)	-
Transfer to Stage 2	(51,901)	53,166	(1,265)	-
Transfer to Stage 3	(8,858)	(7,640)	16,498	-
Write off	-	-	(9,169)	(9,169)
At 31 December 2023	***1,678,323***	***108,622***	***70,237***	***1,857,182***

Changes in impairment for loans receivables are shown below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2024	***17,518***	***10,691***	***56,417***	***84,626***
Impairment (Note 13)	6,521	(809)	(2,391)	3,321
Transfer to Stage 1	203	(191)	(12)	-
Transfer to Stage 2	(1,852)	2,119	(267)	-
Transfer to Stage 3	(3,314)	(2,257)	5,571	-
Write off	-	-	(11,060)	(11,060)
At 31 December 2024	***19,076***	***9,553***	***48,258***	***76,887***

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

18. LOANS AND RECEIVABLES AT AMORTIZED COST (CONTINUED)

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2023	***16,626***	***10,176***	***63,947***	***90,749***
Impairment (Note 13)	11,603	(1,021)	(7,536)	3,046
Transfer to Stage 1	143	(138)	(5)	-
Transfer to Stage 2	(5,292)	5,400	(108)	-
Transfer to Stage 3	(5,562)	(3,726)	9,288	-
Write off	-	-	(9,169)	(9,169)
At 31 December 2023	***17,518***	***10,691***	***56,417***	***84,626***

Weighted average interest rate can be presented as follows:

	31 December 2024	31 December 2023
Corporate	3.72%	3.70%
Retail	520%	5.01%

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

31 December 2024	Average PD	Average LGD
Corporate	0.01	0.57
Retail	0.01	0.65
31 December 2023		
Corporate	0.01	0.57
Retail	0.014	0.66

An analysis of loans before allowance for impairment losses by industry:

	31 December 2024	31 December 2023
Citizens	848,087	804,078
Trade	358,222	316,905
Agriculture, forestry, mining and industry	350,436	320,029
Construction industry	262,129	168,565
Services, finance, sport and tourism	110,181	168,712
Transport and communications	71,255	46,303
Governmental institutions, NGO's and other	42,081	32,590
	2,042,391	**1,857,182**

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 presented in thousands of BAM, unless stated otherwise)

18. LOANS AND RECEIVABLES AT AMORTIZED COST (CONTINUED)

31 December 2024	Number of reprogramed loans	Gross credit exposure	Stage 1	Stage 2	Stage 3
Corporate	26	17,335	15,659	1,157	519
Retail	247	11,424	8,364	118	2,942
	273	**28,759**	**24,023**	**1,275**	**3,461**
31 December 2023					
Corporate	4	297	-	138	159
Retail	259	4,633	755	1,143	2,735
	263	**4,930**	**755**	**1,281**	**2,894**

Syndicated loans

As at December 31, 2024, the bank had 1 syndicated loan (2023: 2 syndicated loans) together with other banks. On this basis, the participation of other banks as at December 31, 2024 was in the amount of BAM 7,380 thousand (2023: from BAM 20,141 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 2024	31 December 2023
Equity instruments:		
Shares of private companies	9,749	11,359
Shares of public companies	5,403	5,606
Shares of banks	4,349	4,082
Shares of non-banking financial institutions	-	1
	19,501	**21,048**

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

	2024	2023
Balance at the beginning of the year	**21,048**	**9,620**
New assets (purchased)	348	14,576
Sale of acquired real estate	(1)	(11)
(Losses) from fair value adjustments (Note 9)	(1,894)	(3,137)
Balance at the end of the year	**19,501**	**21,048**

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

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2024	31 December 2023
Debt securities:		
Ministry of Finance RS	16,421	16,527
JP Autoceste FBIH Mostar	4,953	4,955
Ministry of Finance FBiH	3,760	3,783
Accrued interest	360	328
Sub-total	*25,494*	*25,593*
Equity instruments:		
Bamcard d.d. Sarajevo	2,060	2,060
Sarajevo Stock exchange d.d. Sarajevo	103	103
Securities' Register of FBiH	51	51
Bank Association	-	9
Sub-total	*2,214*	*2,223*
Investment in funds:		
Open investment fund "Lilium Global" Sarajevo	-	474
	27,708	**28,290**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	***28,290***	-	-	***28,290***
Derecognition or proceeds from collection (excluding write off)	(1,284)	-	-	(1,284)
Interest (Note 5)	592	-	-	592
Unrealised profit from fair value adjustment, net	110	-	-	110
At 31 December 2024	***27,708***	-	-	***27,708***

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	***28,824***	-	-	***28,824***
Derecognition or proceeds from collection (excluding write off)	(876)	-	-	(876)
Interest (Note 5)	470	-	-	470
Unrealised profit from fair value adjustment, net	(128)	-	-	(128)
At 31 December 2023	***28,290***	-	-	***28,290***

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

21. DEBT INSTRUMENTS AT AMORTISED COST

	31 December 2024	31 December 2023
Debt securities:		
Ministry of Finance of FBiH	55,735	10,705
Bonds of foreign companies (OLMA Industries LP)	14,473	14,473
ASA Finance d.d. Sarajevo	2,002	-
Treasury securities (Naša Banka a.d. Banja Luka)	1,000	495
Accrued interest	391	257
Impairment	(381)	(294)
	73,220	**25,636**

Changes in debt instruments at amortized cost are presented below:

	2024	2023
Balance at beginning of the year	**25,636**	-
New financial assets (purchased)	71,564	24,681
Interest (Note 5)	2,161	955
Decrease, net	(26,141)	-
Balance at end of the year	**73,220**	**25,636**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	***25,636***	-	-	***25,636***
New financial assets (purchased)	45,407	-	-	45,407
Adjustment of previous periods	16			16
Interest (Note 5)	2,161	-	-	2,161
Gross carrying amount as at 31 December 2024	***73,220***	-	-	***73,220***

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	-	-	-	-
New financial assets (purchased)	24,681	-	-	24,681
Interest (Note 5)	955	-	-	955
Gross carrying amount as at 31 December 2023	***25,636***	-	-	***25,636***

Changes in impairments are presented below:

	Stage 1	Stage 2	Stage 3	Ukupno
Impairments as at 1 January 2024	***294***	-	-	***294***
Impairment (Note 13)	123	-	-	123
Adjustment of previous period	16	-	-	16
Derecognition or proceeds from collection (excluding write off)	(52)	-	-	(52)
Transfer in Stage 1	-	-	-	-
Transfer in Stage 2	-	-	-	-
Transfer in Stage 3	-	-	-	-
Impairments as at 31 December 2024	***381***	-	-	***381***

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

22. OTHER ASSETS AND RECEIVABLES, NET

	31 December 2024	31 December 2023
Receivables from BH Pošta based on the foreign exchange Contract	8,129	7,549
Receivables from banks	6,464	3,295
Receivables from government institutions	3,804	2,973
Prepaid expenses	1,714	1,361
Receivables from Moneygram	1,315	1,399
Acquired tangible assets	723	252
Inventory and other office supplies	132	216
Prepaid income tax	27	-
Other	9,075	10,200
	31,383	***27,245***
Less: Impairment of value	(3,813)	(1,969)
	27,570	**25,276**

Changes in acquired assets are presented below:

	Book value	Net gains from sales
Balance as of December 31, 2022	**648**	**(228)**
Sale / (purchase) of acquired real estate	(405)	4,852
Collection of credit receivables through acquisition of real estate	52	-
Impairment of acquired real estate (Note 13)	(43)	-
Balance as of December 31, 2023	**252**	**4,624**
Sale / (purchase) of acquired real estate	(97)	1,659
Collection of credit receivables through acquisition of real estate	586	-
Impairment of acquired real estate (Note 13)	(18)	-
Balance as of December 31, 2024	**723**	**6,283**

Promjene na umanjenju vrijednosti mogu se prikazati kako slijedi:

	2024	2023
Balance as of January 1	**1,969**	**1,149**
Impairment (Note 13)	1,100	820
Transfer from other liabilities	744	-
Balance as of December 31	**3,813**	**1,969**

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

23. TANGIBLE AND INTANGIBLE ASSETS

	Buildings and land	Assets under lease (IFRS 16)	Vehicles	Computers and other equipment	Intangible assets	Leasehold improvements	Investment in progress	Investments property	Total
COST									
At 31 December 2022	32,909	18,540	874	30,290	22,636	10,219	2,118	12,448	130,034
Additions	-	6,816	-	316	-	-	6,641	-	13,773
Transfer (from) / to	1	-	-	955	635	231	(3,931)	2,109	-
Reclassification	(44)	-	-	-	-	-	-	-	(44)
Disposals	(398)	(10,071)	(28)	(177)	(1,252)	-	-	-	(11,926)
At 31 December 2023	32,468	15,285	846	31,384	22,019	10,450	4,828	14,557	131,837
Additions	-	1,171	-	-	-	-	18,501	-	19,672
Transfer (from) / to	7,458	353	497	4,726	699	965	(15,626)	928	-
Reclassification	44	-	-	-	-	-	-	-	44
Contract modifications	-	(14)	-	-	-	-	-	-	(14)
Disposals	-	-	(66)	(244)	-	-	-	-	(310)
At 31 December 2024	39,970	16,795	1,277	35,866	22,718	11,415	7,703	15,485	151,229
ACCUMULATED DEPRECIATION									
At 31 December 2022	3,009	13,630	541	25,605	17,824	7,000	-	879	68,488
Depreciation	502	3,046	105	1,548	1,532	779	-	328	7,840
Disposals	(126)	(9,563)	(28)	(165)	(1,252)	-	-	-	(11,134)
At 31 December 2023	3,385	7,113	618	26,988	18,104	7,779	-	1,207	65,194
Depreciation	500	2,918	142	1,745	1,189	801	-	414	7,709
Contract modifications	-	(29)	-	-	-	-	-	-	(29)
Disposals	-	-	(66)	(243)	-	-	-	-	(309)
At 31 December 2024	3,885	10,002	694	28,490	19,293	8,580	-	1,621	72,565
NET CARRYING VALUE									
At 31 December 2024	36,085	6,793	583	7,376	3,425	2,835	7,703	13,864	78,664
At 31 December 2023	29,083	8,172	228	4,396	3,915	2,671	4,828	13,350	66,643

The cost of fully written off tangible and intangible assets in use as at 31 December 2024 amounts to BAM 42,859 thousand (2023: BAM 39,616 thousand).

(all amounts are presented 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 2024 (BAM 000)	6,793
Addition investment in assets with right of use (BAM 000)	1,524
Depreciation rate	10% - 100%
Number of lease agreement	83
Period of right of use	from 1 to 10 years

24. DUE TO BANKS

	31 December 2024	31 December 2023
Deposits:		
Demand deposits	5,015	5,945
Fixed-term deposits	53,881	24,475
	58,896	**30,420**

25. DUE TO CUSTOMERS

	31 December 2024	31 December 2023
Demand deposits:		
Retail:		
In domestic currency	427,022	366,704
In foreign currencies	113,222	144,386
	540,244	*511,090*
Corporate:		
In domestic currency	386,389	333,053
In foreign currencies	46,053	40,837
	432,442	*373,890*
Deposits from NGOs, cantonal government, municipalities etc.:		
In domestic currency	954,802	779,864
In foreign currencies	20,365	39,405
	975,167	*819,269*
	1,947,853	**1,704,249**
Fixed-term deposits:		
Retail:		
In domestic currency	216,647	165,126
In foreign currencies	221,341	221,976
	437,988	*387,102*
Corporate:		
In domestic currency	152,957	128,511
In foreign currencies	21,163	3,173
	174,120	*131,684*
Deposits from NGOs, cantonal government, municipalities etc.:		
In domestic currency	213,257	304,178
In foreign currencies	72,612	56,764
	285,869	*360,942*
	897,977	**879,728**
	2,845,830	**2,583,977**

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

25. DUE TO CUSTOMERS (CONTINUED)

Interest rate during the year is presented below:

	2024	2023
Demand deposits in KM and foreign currencies	0% - 1.95%	0% - 1.95%
Fixed-term deposits of legal entities	0% - 3.25%	0% - 3.00%
Fixed-term deposits of private individuals	0% - 5.00%	0% - 5.00%

26. SUBORDINATED DEBT

	31December 2024	31 December 2023
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 2024. 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, 2024, 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 2024	31 December 2023
Long term liabilities	4,254	5,546
Short term liabilities	2,629	2,783
	6,883	***8,329***
Maturity analysis:		
Within one year	2,629	2,783
In the second year	1,852	1,997
In the third year	1,377	1,641
In the fourth year	761	1,241
In the fifth year	180	608
After five years	84	59
	6,883	**8,329**

Lease agreements have been signed for periods of 1 to 10 years. The Bank used an incremental borrowing rate of 0.25% to 2.70% per annum.

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

28. OTHER LIABILITIES

	31 December 2024	31 December 2023
Liabilities for suppliers	3,656	5,417
Card transactions	1,413	1,041
Liabilities for income tax	628	2,931
Liabilities for undistributed inflows	603	1,324
Liabilities for inactive accounts	317	363
Liabilities from managed funds (Note 31)	80	75
Other	11,336	8,764
	18,033	**19,915**

29. PROVISIONS

	31 December 2024	31 December 2023
Provisions for commitments and contingencies	1,510	1,403
Provisions for legal proceedings	959	1,821
Provisions for employee benefits	492	572
Other provisions	2,552	3,971
	5,513	**7,767**

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 2024	31 December 2023
Unused approved loans	210,483	125,106
Performance guarantees	110,409	109,916
Payment guarantees	58,375	54,638
Letters of credit	67	82
	379,334	**289,742**

Changes in gross carrying amount are presented below:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2024	***286,423***	***3,261***	***58***	***289,742***
New financial liabilities	261,459	10,777	33	272,269
Derecognition or payment of liabilities (excluding write off)	(185,145)	(1,473)	(28)	(186,646)
Increase in exposure under existing contracts	3,910	58	1	3,969
Transfer to Stage 1	31	(31)	-	-
Transfer to Stage 2	(79)	79	-	-
Transfer to Stage 3	(3)	(1)	4	-
At 31 December 2024	***366,596***	***12,670***	***68***	***379,334***

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

29. PROVISIONS (CONTINUED)

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	***293,281***	***3,791***	***572***	***297,644***
New financial liabilities	186,949	727	1	187,677
Derecognition or payment of liabilities (excluding write off)	(202,238)	(1,579)	(531)	(204,348)
Increase in exposure under existing contracts	8,727	40	2	8,769
Transfer to Stage 1	102	(101)	(1)	-
Transfer to Stage 2	(379)	383	(4)	-
Transfer to Stage 3	(19)	-	19	-
At 31 December 2023	***286,423***	***3,261***	***58***	***289,742***

Changes in impairment are presented below:

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2024	***1,230***	***152***	***21***	***1,403***
Impairment (Note 13)	127	(7)	(13)	107
Transfer to Stage 1	8	(8)	-	-
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	(7)	(1)	8	-
At 31 December 2024	***1,341***	***153***	***16***	***1,510***

	Stage 1	Stage 2	Stage 3	Total
Impairments as at 1 January 2023	***1.244***	***177***	***246***	***1.667***
Impairment (Note 13)	(58)	16	(222)	(264)
Transfer to Stage 1	54	(52)	(2)	-
Transfer to Stage 2	(10)	12	(2)	-
Transfer to Stage 3	-	(1)	1	-
At 31 December 2023	***1.230***	***152***	***21***	***1.403***

Changes in provisions are presented below:

	Court proceeding	Commitments and contingencies	Employee benefits	Other provisions	Total
Balance as at 1 January 2023	**1,891**	**1,667**	**712**	**3,998**	**8,268**
Increase / (decrease) (Note 13)	125	(264)	-	2,682	2,543
Payments	(195)	-	(140)	(2,709)	(3,044)
Balance as at 1 January 2024	**1,821**	**1,403**	**572**	**3,971**	**7,767**
Increase / (decrease) (Note 13)	(25)	107	-	662	744
Payments	(837)	-	(80)	(2,081)	(2,998)
Balance as at 31 December 2024	**959**	**1,510**	**492**	**2,552**	**5,513**

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

30. SHARE CAPITAL

The share capital of the Bank as at 31 December 2024 consists of 3,137,454 ordinary shares and 1,281 preference shares with a nominal value of BAM 100 (2023: 3,137,454 ordinary shares and 1,281 preference shares with a nominal value of BAM 100).

	31 December 2024		31 December 2023	
Ordinary shares:	**'000 KM**	**% of ownership**	**'000 KM**	**% of ownership**
ASA Finance d.d. Sarajevo	282,673	90.06%	279,650	89.13%
ZIF "Prevent INVEST" d.d. Sarajevo	4,497	1.43%	7,548	2.40%
Nermina Čago	2,153	0.69%	1,846	0.59%
MahmalInvestment Co. Limited, GB	1,778	0.57%	1,775	0.57%
Almy d.o.o. Zenica	1,402	0.45%	1,403	0.45%
ZIF "PROF-PLUS" d.d. Sarajevo	1,010	0.32%	1,010	0.32%
Privredna Banka Sarajevo d.d.	958	0.31%	957	0.31%
Muhamed Čeliković	907	0.29%	909	0.29%
Čengić Halil	809	0.26%	-	-
Brkić Petrol d.o.o. Zenica	651	0.21%	-	-
Validus d.d. Varaždin - u stečaju	-	-	1,776	0.57%
OIF Lilium Global	-	-	905	0.29%
Ostali dioničari	16,907	5.41%	15,966	5.08%
Subtotal:	***313,745***	***100.00%***	***313,745***	***100.00%***
Preference shares:				
Urban Katharina	128	-	128	-
Subtotal:	***128***	-	***128***	-
TOTAL:	313,873	100.00%	313,873	100.00%

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 2024	31 December 2023
PLACEMENTS		
Corporate	12,370	12,638
Retail	2,699	2,732
	15,069	**15,370**
SOURCES:		
Zenica - Doboj Canton	6,050	6,294
Sarajevo Canton	1,456	1,503
Others	7,643	7,648
	15,149	**15,445**
Current obligations due to Managed funds (Note 28)	**80**	**75**

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 12,370 thousand of loans to legal entities and BAM 2,669 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 presented 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 2024 and 2023 balance outstanding with related parties comprised:

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

	31 December 2024			31 December 2023		
	Loans	Off-balance sheet exposure	Total	Loans	Off-balance sheet exposure	Total
Employees	12,830	878	13,708	10,040	918	10,958
Shareholders and related parties	78,100	-	78,100	103,091	2,254	105,345
	90,930	**878**	**91,808**	**113,131**	**3,172**	**116,303**

Remuneration to the Management Board and the Supervisory Board

The remuneration of directors and other key management personnel during the year ended 31 December 2024 may be presented as follows:

	2024	2023
Compensation for Chairman and members of the Board	1,524	1,443
Taxes and contributions and other compensations	841	820
	2,365	**2,263**

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

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 2024	31 Ddecember 2023
Debt	2,913,041	2,624,158
Capital	400,099	366,371
Net debt to capital ratio	**7.28**	**7.16**

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.

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.

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

33. RISK MANAGEMENT (CONTINUED)

At 31 December 2024, the rates and levels of capital were as follows:

The rate of core capital	16.93%
The rate of regulatory capital	17.00%
Total SREP capital requirement ratio	13.50%
Total SREP capital requirement ratio: from regular core capital	8.25%
Total SREP capital requirement ratio: from core capital	10.50%
Overall capital requirement rate	16.00%
Overall capital requirement rate: from regular core capital	10.75%
Overall capital requirement rate: from core capital	13.00%

Table that is presented below shows structure of capital and capital indicators at 31 December 2024 and 2023:

	31 December 2024	31 December 2023
Regulatory capital	**357,869**	**315,213**
Core capital	*356,309*	*313,653*
Regular core capital	*356,309*	*313,653*
Paid equity instruments	313,746	313,746
Actual or contingent liabilities of purchase of own capital instruments	-	-
Share premium	-	-
Retained earnings	9,662	(4,964)
Profit or loss attributable to owners of the parent company	18,376	-
Other comprehensive income - revaluation reserves	218	119
Other reserves	20,428	11,227
Deductions from regular core capital		
Intangible assets	(3,425)	(3,955)
Deferred tax assets	(636)	(460)
Instruments of regular core capital of financial sector entities if the Bank has a significant investment	(2,060)	(2,060)
Total regular core capital	**356,309**	**313,653**
Supplementary core capital		
Core capital	**356,309**	**313,653**
Supplementary capital		
Subordinated debt	1,560	1,560
Total regulatory capital	**357,869**	**315,213**
Total risk-weighted assets (unaudited)	2,104,765	1,767,052
Rate of core capital	**16.93%**	**17.75%**
Rate of regulatory capital	**17.00%**	**17.84%**

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

33. RISK MANAGEMENT (CONTINUED)

Capital adjustment plan

As of 31 December 2024, the ratio "tangible assets/core capital" amounted to 23.97% (31 December 2023: 19.98%). 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 2024 amounts to 10.12% (31 December 2023: 9.93%).

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 2024	31 December 2023
Financial assets		
Loans and receivables:	3,109,261	2,850,682
Cash and cash equivalents (including Obligatory reserves with the CBBH)	*1,143,757*	*1,078,126*
Loans to clients and receivables, net	*1,965,504*	*1,772,556*
Financial assets at FVTPL	19,501	21,048
Financial assets at FVTOCI	27,708	28,290
Financial assets at amortised cost	73,220	25,636
	3,229,690	**2,925,656**
Financial liabilities		
At amortised cost:		
Borrowings and liabilities to banks	56,896	30,420
Subordinated debt	1,432	1,432
Due to customers	2,847,830	2,583,977
Lease obligations	6,883	8,329
	2,913,041	**2,624,158**

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 presented 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:

	KM	EUR	USD	CHF	Other	Total
As at 31 December 2024						
ASSETS						
Cash and balances with other banks	426,559	396,696	31,407	11,650	4,647	870,959
Obligatory reserves with the CBBH	272,798	-	-	-	-	272,798
Loans to customers, net	1,963,295	2,209	-	-	-	1,965,504
Financial assets at FVTPL	10,024	9,477	-	-	-	19,501
Financial asset at FVTOCI	27,708	-	-	-	-	27,708
Debt instruments at amortised cost	59,036	14,184	-	-	-	73,220
Other receivables	25,288	1,744	521	6	11	27,570
Total	**2,784,708**	**424,310**	**31,928**	**11,656**	**4,658**	**3,257,260**
LIABILITIES						
Due to other banks and financial institutions	1,551	43,425	9,382	-	2,538	56,896
Amounts due to customers	2,352,873	458,923	22,418	11,614	2,002	2,847,830
Other financial liabilities	13,466	700	216	2	-	14,384
Total	**2,367,890**	**503,048**	**32,016**	**11,616**	**4,540**	**2,919,110**
As at 31 December 2023						
Total monetary assets	**2,667,757**	**245,517**	**28,219**	**8,979**	**2,204**	**2,952,676**
Total monetary liabilities	**2,095,341**	**496,664**	**28,212**	**8,955**	**2,217**	**2,631,389**

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 2024	**31 December 2023**	**31 December 2024**	**31 December 202**
Profit or (loss)	9	1	4	2

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 2024 would decrease / increase by BAM 5,541 thousand (2023: BAM 5,999 thousand).

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 continuously monitored and managed in accordance with the Bank's internally defined procedures within a defined risk appetite framework that is reported and monitored through established Bank Boards. 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 presented 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 2024						
Cash and balances with other banks	871,919	89,302	782,617	-	(960)	870,959
Obligatory reserves with the CBBH	273,071	-	273,071	-	(273)	272,798
Loans to customers and receivables at amortised cost	2,042,391	34,139	2,008,252	(15,578)	(61,309)	1,965,504
Financial assets at FVTPL	19,501	19,501	-	-	-	19,501
Financial assets at FVTOCI	27,779	2,214	25,565	-	(71)	27,708
Debt instruments at amortised cost	73,601	-	73,601	-	(381)	73,220
	3,308,262	**145,156**	**3,163,106**	**(15,578)**	**(62,994)**	**3,229,690**
As of 31 December 2024						
Cash and balances with other banks	831,134	89,823	741,311	(17)	(790)	830,327
Obligatory reserves with the CBBH	248,047	-	248,047	-	(248)	247,799
Loans to customers and receivables at amortised cost	1,857,182	56,241	1,800,941	(22,836)	(61,790)	1,772,556
Financial assets at FVTPL	21,048	21,048	-	-	-	21,048
Financial assets at FVTOCI	28,377	2,223	26,154	-	(87)	28,290
Debt instruments at amortised cost	25,930	-	25,930	-	(294)	25,636
	3,011,718	**169,335**	**2,842,383**	**(22,853)**	**(63,209)**	**2,925,656**

(all amounts are presented 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	Nepovučeni krediti / Garancije	Fair value of collateral
As at 31 December 2024			
Cash and balances with other banks	870,959	-	-
Obligatory reserves with the CBBH	272,798	-	-
Loans to customers and receivables at amortised cost	1,965,504	189,272	1,441,863
Financial assets at FVTPL	19,501	-	-
Financial assets at FVTOCI	27,708	-	-
Debt instruments at amortised cost	73,220	-	-
	3,229,690	**189,272**	**1,441,863**
As at 31 December 2024			
Cash and balances with other banks	830,327	-	-
Obligatory reserves with the CBBH	247,799	-	-
Loans to customers and receivables at amortised cost	1,772,556	289,742	1,206,683
Financial assets at FVTPL	21,048	-	-
Financial assets at FVTOCI	28,290	-	-
Debt instruments at amortised cost	25,636	-	-
	2,925,656	**289,742**	**1,206,683**

Fair value of the collaterals

	31 December 2024	31 December 2023
Real estate	1,287,818	1,102,414
Deposits	97,824	68,976
Equipment	40,177	17,403
Warranties/Guarantees	16,044	17,890
Total	**1,441,863**	**1,206,683**

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 2024							
Corporate	1,195,478	1,129,033	43,569	4,567	330	89	17,890
Retail	846,913	739,681	72,833	4,023	1,815	1,677	26,884
Total	**2,042,391**	**1,868,714**	**116,402**	**8,590**	**2,145**	**1,766**	**44,774**
31 December 2023							
Corporate	1,062,389	964,532	69,160	2,327	3,585	344	22,441
Retail	794,793	688,378	68,086	5,567	2,848	3,168	26,746
Total	**1,857,182**	**1,652,910**	**137,246**	**7,894**	**6,433**	**3,512**	**49,187**

(all amounts are presented 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 EIR	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	5+ years	Total
31 December 2024							
Non- interest bearing	-	490,470	-	-	-	-	490,470
Variable interest rate instruments	5.37%	33,201	17,413	64,553	232,532	172,402	520,101
Fixed interest rate instruments	3.55%	762,436	115,225	454,295	622,021	241,571	2,195,548
		1,286,107	**132,638**	**518,848**	**854,553**	**413,973**	**3,206,119**
31 December 2023							
Non- interest bearing	-	661,499	-	-	-	-	661,499
Variable interest rate instruments	4,83%	37,944	21,487	86,481	246,000	150,478	542,390
Fixed interest rate instruments	4,36%	523,207	97,194	373,235	553,215	210,967	1,757,818
		1,222,650	**118,681**	**459,716**	**799,215**	**361,445**	**2,961,707**

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 EIR	Less than 1 month	1 to 3 months	From 3 months to 1 year	1 to 5 years	5+ years	Total
31 December 2024							
Non- interest bearing	-	1,839,114	3,836	10,032	10,356	3,500	1,866,838
Variable interest rate instruments	-	-	-	-	-	-	-
Fixed interest rate instruments	1.69%	294,580	121,884	285,442	433,591	26,727	1,162,224
		2,133,694	**125,720**	**295,474**	**443,947**	**30,227**	**3,029,062**
31 December 2023							
Non- interest bearing	-	1,531,262	568	5,784	4,629	4,820	1,547,063
Variable interest rate instruments	1.31%	1,312	-	-	-	-	1,312
Fixed interest rate instruments	1.23%	275,011	110,567	316,051	390,252	7,153	1,099,034
		1,807,585	**111,135**	**321,835**	**394,881**	**11,973**	**2,647,409**

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

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

34. FAIR VALUE MEASUREMENT

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

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

Financial assets / financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation techniques and key inputs**
	31 December 2024	**31 Decembear 2023**		
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 19,501 thousand	*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 21,048 thousand	Level 1	Prices 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 2,223 thousand	Level 1	Prices quoted in an active market,
		Investment fund shares: Open-end investment funds - BAM 474 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 3,760 thousand • Bonds of Republika Srpska - BAM 16,421 thousand • Bonds of government-owned enterprises - BAM 4,953 thousand	*Debt securities listed on the stock exchange in Bosnia and Herzegovina:* • Bonds issued by the Federation of BiH - BAM 3,783 thousand • Bonds of Republika Srpska - BAM 16,527 thousand • Bonds of government-owned enterprises - BAM 4,955 thousand	Level 3	Discounted cash flow method

(all amounts are presented 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 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and receivables:				
- Loans and receivables at amortized cost	1,965,504	2,053,165	1,772,556	1,849,751
- Debt instruments at amortised cost	73,220	76,325	25,636	26,761
Financial liabilities				
At amortized cost:				
- Deposits from clients and other banks; loans from other banks and financial institution	2,904,726	2,977,295	2,614,397	2,598,012
- Subordinated debt	1,432	1,389	1,432	1,389

	Fair value hierarchy as of 31 December 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and receivables				
- Loans to customers and receivables at amortised cost	-	2,053,165	-	2,053,165
- Debt instruments at amortised cost	-	76,325	-	76,325
	-	**2,129,490**	**-**	**2,129,490**
Financial liabilities				
At amortised cost:				
- Due to customers, other banks and financial liabilities	-	2,977,295	-	2,977,295
- Subordinated debt	-	1,389	-	1,389
	-	**2,978,684**	**-**	**2,978,684**

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. 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 2024.

36. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board on 14 February 2025:

Samir Mustafić
President of the Board

ASA BANKA DIONIČKO DRUŠTVO SARAJEVO
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Davor Tomić
Member of the Board