The Annual Report 2023

Survey of key data

Raiffeisen d.d. Bosna i Hercegovina Monetary values in EUR million	2023	2022	Change
Income Statement			
Net interest income after impairment and provisions	80.2	54.2	148.1%
Net fee and commission income	46.8	48.6	96.2%
Net income from financial operations	9.2	11.0	84.1%
General administrative expenses	(76.3)	(68.2)	111.9%
Profit before tax	65.3	54.8	119.1%
Profit after tax	62.4	51.5	121.0%
Balance Sheet			
Cash and cash equivalents	603.9	682.5	88.5%
Loans and advances to customers	1,423.2	1,268.1	112.2%
Deposits and loans received from banks and financial institutions	275.9	166.9	165.3%
Deposits from customers	2,137.4	2,034.8	105.0%
Equity (including profit)	342.6	318.8	107.4%
Total Assets	2,656.4	2,569.2	103.4%
Regulatory information			
Risk-weighted assets	1,589.4	1,428.9	111.2%
Capital adequacy ratio	17.3%	19.8%	(2.5)%
Performance			
Return on equity (ROE) before tax	19.1%	17.2%	1.9%
Return on equity (ROE) after tax	18.2%	16.2%	2.0%
Cost/income ratio	(56.8)%	(57.1)%	0.4%
Return on assets (ROA) before taxes	2.5%	2.1%	0.3%
Resources			
Number of employees	1,382	1,341	3.0%
Business units	90	90	0,0

Raiffeisen Group in BiH consists of Raiffeisen BANK d.d. Bosna i Hercegovina, Raiffeisen LEASING d.o.o. Sarajevo, Raiffeisen INVEST Fund Management Company d.d. Sarajevo, Raiffeisen CAPITAL a.d. Banja Luka, brokerage company, and Raiffeisen ASSISTANCE d.o.o. Sarajevo.

Raiffeisen BANK d.d. Bosna i Hercegovina

Raiffeisen bank has operated as a financial institution since 1992 when it was founded as Market banka d.d. Sarajevo. Because of the quality of its operations, it quickly distinguished itself as a very successful and profitable bank, and today over 1,300 employees provide services to over 480,000 customers through 84 branches. At the same time, the main factors of its competitiveness are investment in new technologies, experienced and educated staff who are constantly developing, emphasis on an individual approach to the customers, and monitoring trends in the market and in the industry.

Raiffeisen LEASING d.o.o. Sarajevo

Raiffeisen LEASING has been operating in Bosnia and Herzegovina for over 20 years. The LEASING offer includes a wide range of tailor-made finance and operating leases. This member of the Raiffeisen Group in Bosnia and Herzegovina offers modern, personalised and flexible financing, committed to being a reliable partner to its customers.

Raiffeisen INVEST d.d. Sarajevo

Raiffeisen INVEST Fund Management Company d.d. Sarajevo has been operating in the Bosnia and Herzegovina market since 2012. Raiffeisen INVEST offers new investment products to the local market, intended for various customer profiles, depending on their risk appetite and expected investment return.

Raiffeisen CAPITAL a.d. Banja Luka

Raiffeisen CAPITAL a.d. Banja Luka brokerage company operates as a member of the Banja Luka Stock Exchange (BLSE) and provides security trading services to private and institutional investors, both local and international. It also offers services related to the take-over of stock companies and services related to block transactions.

Raiffeisen ASSISTANCE d.o.o. Sarajevo

The Insurance Mediation Company Raiffeisen ASSISTANCE d.o.o. Sarajevo aims to provide its end users with easier access to all types of insurance. This member of the Raiffeisen Group in Bosnia and Herzegovina has been operating since 2010.

Overview of Raiffeisen

Report of the Supervisory Board

Raiffeisen BANK d.d. Bosna i Hercegovina has concluded another successful year with a total net profit of BAM 121.97 million, capital of BAM 669.98 million and assets of BAM 5.2 billion.

15 sessions of the Supervisory Board were held, of which 12 were regular and 3 were extraordinary sessions. Attendance at the live sessions was almost at 100 per cent. The Supervisory Board regularly and comprehensively monitored business operations and risk trends at Raiffeisen BANK dd Bosna i Hercegovina. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, along with the involvement of experts on matters being addressed, on a per needs basis.

The work undertaken together with the Management Board is based on a relationship of mutual trust and conducted in the spirit of efficient and constructive collaboration. Discussions are open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen BANK dd Bosna i Hercegovina for their unwavering efforts, and also our customers for their continued trust.

On behalf of the Supervisory Board

Peter Jacenko
Chairman of the Supervisory Board

Preface of the Chairman of the Management Board

Although the situation in the world during 2023 was uncertain due to both geopolitical turmoil and global pressures, and to the weakening of economic activity spilled over to the local market, we have left yet another successful business year behind us in the course of which we achieved very good business results. We concluded the year with a total net profit of BAM 121.97 million, total deposits of BAM 4.3 billion and loans in the amount of BAM 2.8 billion.

In the course of the past year, our most significant resource, our strength, remained the experience and knowledge of our employees. Therefore, we focused a substantial part of our activities on them and actively worked to improve the working environment where each colleague has the opportunity for individual development and progress, with a number of benefits that contribute to a more successful performance. We truly focused on our corporate culture and the fulfilment of our corporate values, with an agile approach to business.

In an effort to adequately respond to the trends we have been monitoring continuously, we invested considerably in advanced technological solutions. The result is displayed in the adjustment of our business network to digitisation trends, also including the improvement in the security of our infrastructure to provide secure services to customers. We implemented activities to improve our Mobile Banking application, as well as to expand the possibility of utilising the wide network of Raiffeisen ATMs. As a result of our efforts to offer our customers the simplest possible services, we also developed the first fully automated digital product of Raiffeisen Bank, the iCash loan, which allows our current customers to receive feedback related to the approval of their loan application no later than 8 minutes upon applying.

In the course of 2023, we remained committed to our sustainability strategy and ESG business principles, as well. With a view to meeting the truly strict expectations in this segment, we were adjusting our products and processes, as well as providing support to our customers in the process of their transformation towards a sustainable future. In addition to offering products containing the "green" and "social" component, we implemented a string of activities aimed at strengthening financial literacy in our society. In doing so, we also did not neglect the environment and during the year we implemented a number of initiatives to reduce the "carbon footprint".

Our initiatives and efforts did not go unnoticed. The respectable international magazine "The Banker" awarded us for being "The Best Bank in Bosnia and Herzegovina", and we also received the award "The Best Bank for Digital Solutions in Bosnia and Herzegovina" from "Euromoney" magazine. I am proud of everything we did over the last year, and the aforesaid accolades represent the crown of our colleagues' dedication and efforts to respond to the sophisticated demands of customers.

But that is not all; we are especially delighted that we crowned our business success at the end of 2023 with the collaboration with Lana Pudar, the top BiH athlete who has been achieving truly impressive results at the international level. In the years to come, this young and talented swimmer will be the brand ambassador of Raiffeisen Bank in BiH, and her dedicated work, persistence and cultural values are the principles that guide us in our work, as well.

In the coming period, we will remain focused on the excellence of our services for customers, as well as on improvements in the field of digitisation, whereby the "*human touch*" will continue to play a significant role in our business. We will continue to follow our sustainability strategy grounded on our business activities, as well as adaptive transformation with the aim of simplifying the organisational structure and strengthening our position on the market.

Rainer Schnabl
Chairman of the Management Board

Macroeconomic Overview

The strong connection of Bosnia and Herzegovina's economy with the European market has inevitably resulted in the spillover of global shocks through international flows to the local market, **causing economic growth to slow down to a projected 1.8 percent per annum in 2023.** The slowdown of the BiH economy during 2023 was primarily a result of lesser EU demand as our main export market, along with a noticeable drop in economic activity, more precisely the stagnation that was recorded in 2023 in the economy of BiH's most important trade partner. The positive news is the **end of the ECB's monetary tightening cycle in September 2023**, as a kind of balance has been achieved between strong demand, which stimulates inflation, and economic growth, which suffered from the consequences of more expensive financing and lesser demand. **Inflation in terms of the euro slowed down beyond all expectations in the last quarter of 2023**, and price pressures continued to decrease in almost all categories, reaching the lowest level in the last two years. The reverse cycle of interest rate cuts depends on economic data, but the latest projections indicate that the first cut could occur in the second quarter of 2024. In this regard, **GDP growth in terms of the euro is expected to be between 0.5 per cent – 0.8 per cent on an annual basis during 2024.**

Finally, after a two-year period of strong inflationary trends and slowed economic activity, expectations are that the mid-term period (2025-2026) will bring stabilisation with a gradual reduction of reference rates, with an expected average GDP growth of 1.4 per cent per year. **A similar trend is expected for the economy of Bosnia and Herzegovina, with a more pronounced recovery in 2024 compared to 2023, up to 3 per cent on an annual basis, and 3.5 per cent and 3.2 per cent during 2025-2026**, which is in line with the predicted average for Southeast Europe for the same period.

The growth of BiH's GDP is to a significant extent determined by the trend of household consumption as the largest category of GDP (65-70 per cent), and this fact is confirmed by the latest available data that was published for the third quarter of 2023. Real GDP growth for the mentioned period amounted to 1.9 per cent on an annual basis, making the average growth in the first three quarters 1.6 per cent compared to the same period last year. The stated growth is in line with our forecast and the expectation of a slight acceleration in the second half of 2023, which further supports the expectations for the next mid-term period.

Despite a high inflationary environment in the first nine months (7.7 per cent on average), household consumption grew by 2.7 per cent year-on-year with a share of 62 per cent in the country's total output, driven by double-digit wage growth for the second consecutive year (12 per cent on average on an annual basis), a higher level of private lending during the third quarter of 2023 (6.5 per cent annually) and a constant growth of remittances from abroad. The retail turnover index, as one of the high-frequency indicators of private consumption, also recorded record values with a strong growth of 14 per cent on an annual basis. Government consumption achieved a solid growth in line with the historical average (1.9 per cent annually), while gross investments recorded a slower growth of 1.0 per cent compared to the first half of the year, which is one of the first indicators of a slowdown in certain segments of the economy.

The initial slowdown, and then recessionary trends, was recorded by industrial production, with a drop of 3 per cent in the first nine months of 2023, mostly due to the negative dynamics of the largest category – the processing industry (-3.5 per cent per annum) with a noticeable negative effect on related export categories (base metals, production of textiles, paper, food, furniture, etc.). The largest number of companies from the metal industry faced a lower volume of orders and frequent pressure to reduce prices. **Unfavourable foreign-trade dynamics for the economy of BiH is most visible in the weakened external demand of the EU and CEFTA countries as BiH's main trading partners. The direct consequence of the aforementioned trends is a drop in imports (-9.5 per cent per year) and especially exports (-13.3 per cent per year) with the most pronounced negative effect on GDP in the third quarter.**

During 2023, inflation in Bosnia and Herzegovina recorded a slowing trend in almost all months except August and December, due to a slightly slower decline in energy prices in those months, which was reflected in the trend of the overall price index. **After the strongest inflationary hit in 2022, with the average inflation rate reaching a record high level of 14.0 percent per annum, in 2023 this record growth was halved and the average inflation rate at the end of December was 6.1 percent on an annual basis.** The energy segment had the key role in mitigating the trend of price growth in 2023, while on the other hand, a certain level of "resistance" was still recorded in the segment of food, housing and utilities, but even these rates were significantly lower compared to those in 2022. In the coming period, we are expecting new challenges and price pressures resulting from the new wave of electricity price increases for legal entities, along with the encouraging fact that electricity prices for households will remain at the same level. **The spillover effect of the aforementioned electricity price increase for industrial consumers might be a new round of general price increases, especially in the service segment, with a potential increase in utility costs** (heating, communal services, etc.). The fluctuation of the price of oil will continue to be under a watchful eye due to the spillover effect caused by the change in the price level of this energy source. **Ultimately, we believe that inflation will average around 3 per cent in 2024**, which is still an above-average growth considering the strong inflationary trends of the previous two years. **We expect a period of stabilisation of price growth in the mid-term at the level of 2.5-2 per cent during 2025 and 2026.**

Overall, we believe that the weakening of economic activity has bottomed out in 2023 and that global flows will stabilise with the start of the interest rate reduction cycle in the second part of 2024, whereby the stabilisation of BiH economic activity is expected with a regional economic recovery that will positively affect the economic development of BiH without spillover of significant global negative effects. Uncertainty regarding geopolitical turmoil and global pressures still exists, but economic activity in 2023 showed a high level of resilience of the local private sector driven by the specifics of the local market, resulting in the prevention of significant economic and financial disruptions. Private consumption remained strong despite the high inflation, and with the growth of state consumption and gross investment, it provided sufficient support for GDP growth, which turned out to be stronger than that at the EU level.

In such circumstances, the key **characteristic of the Bosnian banking sector in 2023 is a strong increase in profitability, with other key balance categories recording stable growth in 2023, with an additional improvement in asset quality indicators.** Impressive growth in banking sector profitability in 2023 was driven by net interest income growth of as much as 27 percent on an annual basis for the first three quarters. Strong double-digit growth in this part of the income is partly the result of the spillover of the trend of increasing interest rates from the euro area, which was not fully followed due to the local specific characteristics.

In the first nine months of 2023, BiH banks achieved a record amount of the net profit in the amount of BAM 580 million (+41.4 percent at the annual level), driven by a strong double-digit growth in the net interest income and a reduction in the level of provisions for loan losses. **Net interest income in the given period amounted to BAM 971.8 million (27 percent annually), which again became the predominant source of income for banks with about 60 percent participation in total income.** Key reason for this trend is not surprising given **the growing interest rate environment, where banks in the local market have started the process of aligning active interest rates upwards for the current loans with a variable interest rate**, as well as for new loans. Record profitability led to historically record levels of profitability indicators. Return on average assets improved to 2.0 percent (1.5 percent in the first half of 2022), while return on average equity increased to as high as 15.9 percent (11.8 percent in the first half of 2022). Financial health indicators available for the second quarter of 2023 also point to an improvement in the quality of banks' portfolios, considering **the aggregate rate of non-performing loans, which was recorded at the lowest level in the last 10 years, at 4.1 percent**. According to the same report, the amount of problem loans fell below BAM 1 billion, which is 17.5 percent below last year's level.

At the same time, the key balance categories also recorded positive trends, and the total assets of the banking sector grew by 5.5 percent compared to the same period last year, reaching BAM 38.5 billion in nine months of 2023. On the asset side, the loan portfolio recorded a growth of 5.1 percent per year, reaching BAM 23.1 billion, which represents nearly 50 percent of the GDP expected in 2023, which still leaves room for expansion and growth of the banking sector compared to the average of Southeast Europe countries. Loans to individuals and legal entities are the most significant segments of lending in BiH banks in total 2023 loans with a participation of 50 percent and 44 percent in relation to total loans disbursed. **Furthermore, the population segment achieved a more dynamic growth of 6.3 percent annually compared to the segment of legal entities with a slightly modest growth of 5.8 percent annually.** Household loans reached the level of BAM 11.6 billion driven by the growth of two key categories, non-purpose loans (7 percent per year) and mortgage loans (6.5 percent per year). Although credit growth among legal entities is quite modest, it can still be stated that it is satisfactory in the conditions of slowed macroeconomic trends.

After 2022, when customers' deposits recorded high volatility due to the "Sberbank case", i.e. significant outflow of deposits, in the course of 2023 there was a stabilization and continuous **growth trend of deposits, which resulted in a new record amount of BAM 31.1 billion (6.4 percent per year) at the end of 2023.** Retail segment confirmed its primacy with growth of 10.2 percent per year to 16.05 billion, while the segment of legal entities reached the amount of BAM 8.96 billion with a growth of 9.9 percent per year.

In general, despite the challenging 2023, which brought a sudden slowdown in economic activity with the presence of still high inflation, the BiH banking sector showed exceptional resilience with unhindered growth, reaching record levels of the key balance positions. **In this context, it is realistic to expect further stable trends in the course of 2024, with loan growth of 4.5 percent per year and deposits of 7.3 percent per year in line with the economic growth trend at the level of almost 3.0 percent per year.** A similar scenario is expected in the mid-term (2025-2026) with an average loan and deposit growth of 4.5 percent and 7 percent on average, respectively. **At the same time, we can expect that the peak of interest rate growth on the BiH market is behind us and that in the upcoming period interest rates will remain at the current level until the process of gradual reduction of reference rates commences in the second half of 2024.**

Sustainability Management and ESG

In the course of 2023, as a responsible banker, we continued our activities in the field of sustainability and ESG, applying a holistic approach and taking into account the environmental and social impacts of our business operations. We strive to follow ESG business principles not only by supporting our customers in the process of their transformation towards a sustainable future, but also by adapting our processes, products and services to meet the aforesaid principles.

Raiffeisen Group has always deemed sustainability as a responsible corporate activity aimed at long-term, economically positive results, taking into account the key social and environmental aspects. This understanding is deeply rooted in the core values of the Group, and it has also been transmitted across the Network Banks throughout Central and Eastern Europe.

By seeking to put **the holistic approach of "ESG management under one roof" into practice, an organizational 'hardening' of sustainability was implemented within the Bank and advisory and steering groups were established led by the Bank's ESG Management,** with a fundamental commitment to address the three main sustainability principles: environmental and social and governance and raises awareness of these principles throughout the organization. To systematically deal with these key areas, which are also essential to our stakeholders, we have been continuously striving to improve our sustainability strategy.

Three pillars have been established for the implementation of these activities: **Pillar 1# Sustainable Finance; Pillar 2# Key Business Activities; Pillar 3# Regulatory Alignment, Governance and Reporting.**

In the part of Sustainable Finance, the activities that came to the fore the most were such activities through which the Bank showed it cared for the environment and actively worked on initiatives that contributed to improving the environmental conditions of business, both within the Bank and in general. We consider the protection of the environment and climate as part of our responsibility for society, and we see ourselves as a Fair Partner and contribute to the protection and improvement of the environment. Direct impacts of our operational activities on the environment are limited (the Group's GHG footprint is low) compared to the impacts of manufacturing industries. However, the Bank aims to limit negative impacts on the environment at all its locations and with the aim to reduce the so-called "carbon footprint", the Bank conducts a great deal of activities that affect its reduction, and accordingly, we insist on the following: using recycled paper, minimizing printing, responsible use of utility services, maximum digitization of reports and invoices to customers, all with the aim to reduce the carbon footprint.

In addition to the above, in the previous year, the Bank also conducted the following activities: **Procurement of Raimobils – 439 subsidized electric scooters for employees. Raiffeisen recycling machine installed nearby the Bank's Head Office, with which the Bank contributes to the protection of the planet and wants to make recycling a part of our everyday life. Acquisition of an electric vehicle as a model in the Bank's fleet, with the aim of popularizing it for wider use, as well as installing its own charging station for electric cars** at the Bank's head Office and Mostar Branches are also part of the Bank's activities in this field.

As key business activities in 2023, we highlight that "green" but also financial products and services with a "social" component were available to customers, such as:

In the area of loan products, the Bank's focus was on lending products as follows: **"Green investments that affect the improvement of climate and environmental conditions, projects in the field of automation, digitization** and improving the competitiveness of small and medium-sized enterprises, loans for increasing energy efficiency, with savings of at least 20 percent, as well as housing loans for the purchase of a residential unit with energy certificate.

In the part of financial products and services that have a "social" and society-related component, we can single out the following: **Support for women entrepreneurs is one of the essential elements of the Raiffeisen Group's sustainability strategy, and our offer includes the following: loans intended for companies where the owners and/or managers are women**, as well as the benefits of using a certain package free of charge in the first 12 months for women entrepreneurs.

To make it easier for customers to utilise financial services, and to make them inclusive and accessible with more favourable fees, the Bank's offer includes a package intended for young people aged 15 to 26, free of charge until contracting an employment, as well as a package of services intended for the retired population, available at a significantly lower single monthly fee for use.

Additionally, for the purpose of strengthening **financial literacy in a broader sense**, but also to raise awareness of sustainability and ESG topics, the Bank has been implementing a series of activities which, through various educational, video and live content, provide support for science and education on finance and promote the financial literacy of young people.

Since the Bank's business activities affect the interests of many groups of stakeholders and people in different areas, we strive to encourage and promote a constructive exchange of opinions with our stakeholders through our operations. In this sense, the Bank achieves exceptional **business cooperation with numerous Associations, societies, Supranational Institutions (international financial institutions), competent Regulator, Central Bank, Association of Banks, Government and Non-Government sectors**, and other stakeholders, including visits and participation at prominent business and economic manifestations, conferences and forums.

As a Fair Partner – in the section of Employees, we herewith underline that our employees and our common culture are the foundations of the Group. It is extremely important for us to act sustainably not only in terms of natural resources, but also in terms of human resource management within the Group. **We put a significant focus on employee experience, cultural work and employee engagement, diversity and inclusion, and learning and leadership work.** Employee satisfaction surveys cover a wide range of topics, including working conditions, communication, professional development opportunities, work-life balance, change management and organizational culture, and actions taken as a result of employee satisfaction analyses include policy adjustments, training, changes in communication practices and other measures based on survey feedback.

This process of continuous improvement contributes to the creation of a work environment where individuals feel valued and motivated to achieve the best results. In addition, the Bank implements the practice of "Talent Management" and thus enables the identification, development and promotion of key talents within the organization.

Bank raises awareness and notifies its employees on the environmental aspect of the Raiffeisen Group and local banks through its intranet platform, e-mails and internal trainings, and reports its activities on an annual basis through the Group's Sustainability Report.

Group's mission as a local bank includes a promise to the general public that it will "act in a socially responsible manner, promoting the long-term well-being of people and businesses in our markets". In this manner, the Group considers itself an Engaged Corporate Citizen that actively advocates sustainable development of society, sustainable business operations of its customers, membership in leading institutions that promote such values and volunteer work of employees. In addition to caring for employees and the environment, the Bank as an **"Involved Citizen" continuously cares for the community in which it operates**, and annually supports a large number of socially responsible projects whose focus is on children and people with special needs. In the current structure of projects, the majority of them related to **the areas of "Society", "Training" and "Financial Training"**, but projects that are gaining more and more importance relate to **sports, youth education, support for student initiatives** that include influence on "Skills or Personal Efficiency", women entrepreneurs, but also on support, financially and voluntarily, to organizations that deal with the disables and the most vulnerable segments of society.

Recently, the Bank has been focusing on the implementation of various activities that contribute to "financial literacy" and financial inclusion, as well as on raising awareness of sustainability/ESG issues, both among the employees and in the wider social community and the public.

Raiffeisen Bank International Overview

Raiffeisen Bank International (RBI) considers both Austria, where it is a leading commercial and investment bank, and Central and Eastern Europe (CEE) as its home market. Branch banks are represented in 12 markets throughout this region. In addition to the aforesaid banks, the Group also includes a number of other providers of financial services, e.g. in the area of leasing, asset management, and mergers and acquisitions.

In total, RBI's nearly 45,000 employees provide services to around 18.6 million customers in around 1,500 branches, most of which are located in CEE.

Regional Raiffeisen banks own about 61.17 percent of RBI's shares, while the remaining shares are in free circulation.

Raiffeisen BANK dd Bosna i Hercegovina

Raiffeisen BANK d.d. Bosna i Hercegovina is a subsidiary of Raiffeisen Bank International AG (RBI), one of the leading universal type banks in the region of Central and Eastern Europe (CEE). Raiffeisen Zentralbank Österreich AG- Vienna acquired Market banka d.d. on July 21, 2000. It was then successfully integrated into the Raiffeisen network where it now operates as Raiffeisen BANK d.d. Bosna i Hercegovina.

RZB became the sole shareholder of Hrvatska Poštanska banka in May 2001 and renamed it Raiffeisen BANK HPB. Since 01.01.2003, when Raiffeisen BANK HPB was successfully integrated into Raiffeisen bank, the bank has been operating under the single name Raiffeisen BANK dd Bosna i Hercegovina. This allowed the Bank to strengthen its position in the local market and significantly expand its business network.

In the years that followed, the Bank took on a pioneering role in the country's banking industry, and became one of the leaders in providing digital banking services. Numerous international and local awards attest to the successful business operations of the bank. These include: the Global Finance 'Best Bank in BiH', The Banker 'Bank of the Year' award, EMEA Finance 'Best Bank in BiH' award and the local award the 'Golden BAM'.

The key competitive advantages of Raiffeisen BANK d.d. Bosna i Hercegovina in the local market are: investment in new technology, experienced staff, the active development of its personnel, its focus on the individual customer approach and implementation of new sales channels and new state-of-the-art products and services as well as ESG & Sustainability management activities and ongoing improvements of the agile way of work.

Shareholder Structure of Raiffeisen *BANK* d.d. Bosna i Hercegovina:

Raiffeisen BANK dd Bosna i Hercegovina is a fully owned subsidiary of Raiffeisen SEE Region Holding GmbH.

Vision 2025

We are the most recommended financial services group.

Mission

We transform continuous innovation into superior customer experience.

The gable cross is part of the trademark used by almost every company in the Raiffeisen Banking Group in CEE. It represents two stylized horse's heads, crossed and attached to the gable of a house. It is a symbol of protection rooted in old European folk tradition: a gable cross on the roof was believed to protect the house and its occupants from outside dangers and to ward off evil. In terms of business operations, it symbolizes the protection and security that the members enjoy through their mutual cooperation. Today, the gable cross is one of Austria's best-known trademarks and a well-recognized brand in CEE.

The Management Board

Rainer Schnabl
Chairman of the Management Board

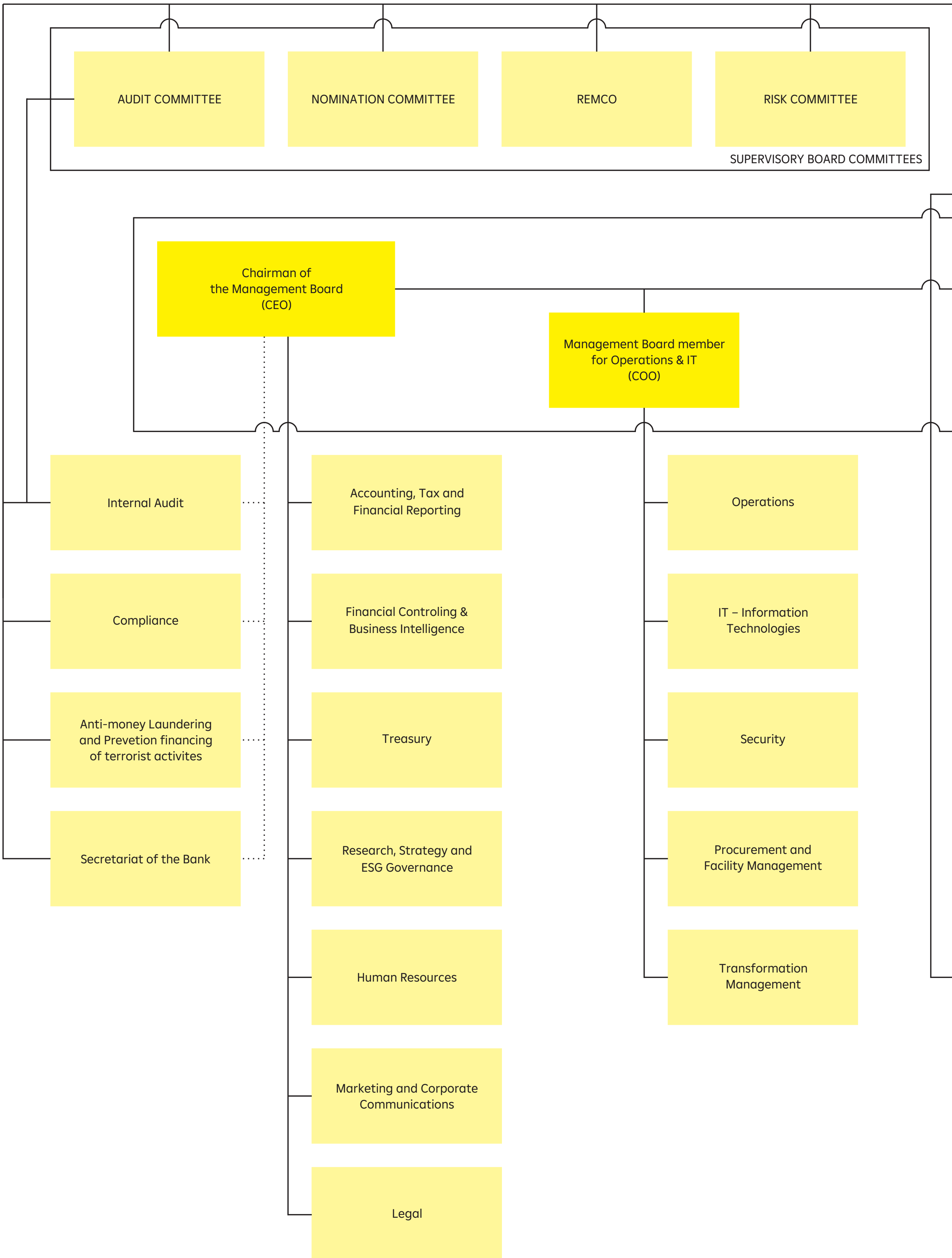
Andreea Achim
Board Member until 31.01.2024.
(see page 51)

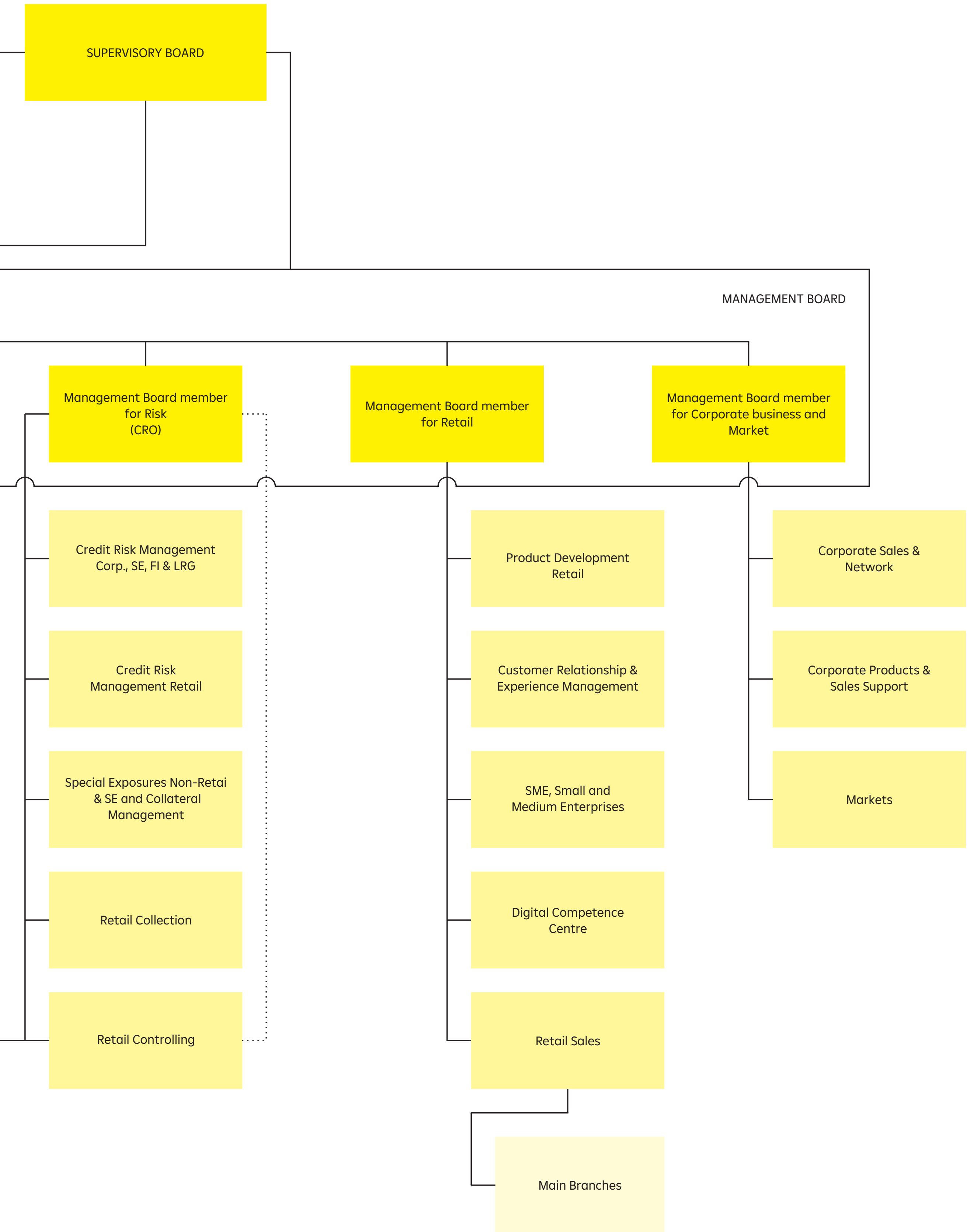
Mirha Krivdić
Board Member

Edin Hrnjica
Board Member

Kreshnik Halili
Board Member

Organisational Structure




SUPERVISORY BOARD
MANAGEMENT BOARD
Management Board member for Risk (CRO)
Management Board member for Retail
Management Board member for Corporate business and Market
Credit Risk Management Corp., SE, FI & LRG
Credit Risk Management Retail
Special Exposures Non-Retai & SE and Collateral Management
Retail Collection
Retail Controlling
Product Development Retail
Customer Relationship & Experience Management
SME, Small and Medium Enterprises
Digital Competence Centre
Retail Sales
Main Branches
Corporate Sales & Network
Corporate Products & Sales Support
Markets

Balance Sheet

on 31 December 2023 and 2022

	2023 (BAM 000)	2023 (EUR 000)	2022 (BAM 000)	2022 (EUR 000)
ASSETS				
Cash and cash equivalents	1,181,109	603,891	1,334,816	682,481
Financial assets measured at fair value through profit and loss account	11,952	6,111	17,359	8,876
Financial assets at fair value through other total result	538	275	526	269
Financial assets at amortised cost	3,807,491	1,946,739	3,498,102	1,788,551
Prepaid profit tax	–	–	1,306	668
Deferred Tax Assets	10,240	–	4,253	–
Real estate, machines and equipment	98,292	50,256	93,470	47,790
property with right of use	8,685	4,441	7,541	3,856
Real estate investments	27,705	14,165	28,344	14,492
Intangible assets	32,983	16,864	23,266	11,896
Investments in subsidiaries	11,050	5,650	11,050	5,650
Equity participations	2	1	2	1
Investments in joint ventures	–	–	–	–
Long-term assets intended for sale and discontinued operations	23	12	3	2
Other assets and receivables	5,311	2,715	4,947	2,529
TOTAL ASSETS	**5,195,381**	**2,656,356**	**5,195,381**	**2,656,356**
LIABILITIES				
Financial liabilities at amortized cost	4,463,899	2,282,355	4,336,492	2,217,213
Profit tax liabilities	1,234	631	–	–
Deferred tax liabilities	2,003	1,024	1,705	872
Provisions	35,659	18,232	41,221	21,076
Other liabilities	22,606	11,558	21,974	11,235
TOTAL LIABILITIES	**4,525,401**	**2,313,801**	**4,401,392**	**2,250,396**
CAPITAL				
Shareholder capital	247,167	126,374	247,167	126,374
Share premium	4,473	2,287	4,473	2,287
Reserves	1,230	629	1,230	629
Revaluation reserves	277	142	267	137
Profit	416,833	213,123	370,456	189,411
EQUITY	**669,980**	**342,555**	**623,593**	**318,838**
TOTAL EQUITY AND LIABILITIES	**5,195,381**	**2,656,356**	**5,024,985**	**2,569,234**

Profit and Loss

for the years ended 31 December 2023 and 2022

	2023 (BAM 000)	2023 (EUR 000)	2022 (BAM 000)	2022 (EUR 000)
Interest income and related income at the effective interest rate	174,571	89,257	136,158	69,616
Interest expenses and related expenses at the effective interest rate	(13,131)	(6,714)	(17,446)	(8,920)
Net interest income and related income at effective interest rate	**161,440**	**82,543**	**118,712**	**60,696**
Fee and commission income	128,135	65,514	124,839	63,829
Fee and commission expenses	(36,651)	(18,739)	(29,766)	(15,219)
Net fee and commission income	**91,484**	**46,775**	**95,073**	**48,610**
Provisioning for impairment losses	(4,589)	(2,346)	(12,764)	(6,526)
Other net losses from financial assets	(1,259)	(644)	(285)	(146)
Net positive exchange differences	18,080	9,244	21,498	10,992
Net losses from long-term non-financial assets	1,756	898	(1,262)	(645)
Dividend revenues	0	0	11,586	5,924
Other incomes	9,926	5,075	7,980	4,080
Staff costs	(61,302)	(31,343)	(54,646)	(27,940)
Depreciation costs.	(15,790)	(8,073)	(14,616)	(7,473)
Other costs and expenses	(72,084)	(36,856)	(64,061)	(32,754)
Profit from regular operations before tax	**127,662**	**65,273**	**107,215**	**54,818**
Income tax	(5,702)	(2,915)	(6,438)	(3,292)
Profit from regular operations	**121,960**	**62,357**	**100,777**	**51,526**
Other accumulated aggregate loss	10.0	5,1	(1.0)	(0.5)
Total other accumulated aggregate income	10	5,1	(1.0)	(0.5)
TOTAL ACCUMULATED AGGREGATE ANNUAL PROFIT	**121,970**	**62,362,3**	**100,776**	**51,526,0**
Earnings per share (in BAM)	123.4	63.1	101.9	52.1

Financial indicators

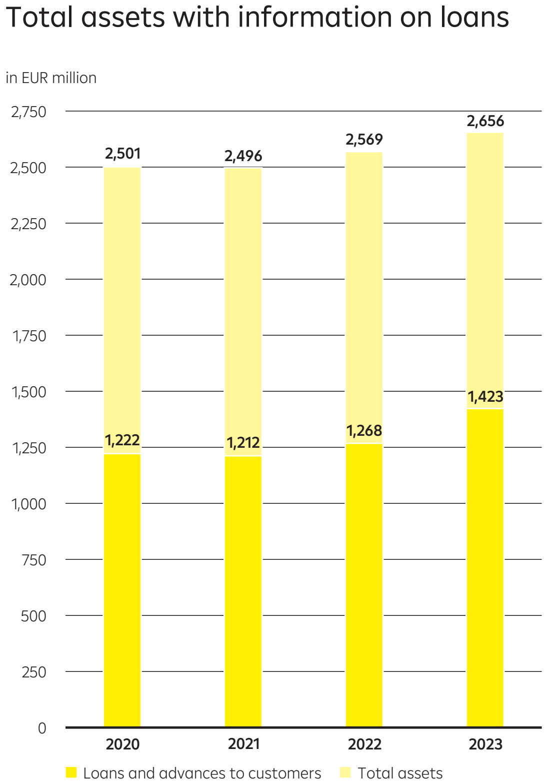
Data presented are stated or calculated based on the audited financial statements of the Bank

	2023 (BAM 000)	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)
Year-end				
Total assets	5,195,381	5,024,985	4,882,730	4,892,211
Customer deposits	4,312,117	4,124,055	4,073,309	3,955,130
Loans and advances to customers	2,783,592	2,480,281	2,371,009	2,390,437
Shareholder capital	247,167	247,167	247,167	247,167
Equity	**669,980**	**623,593**	**568,047**	**574,661**
Annual results				
Total income	280,930	254,849	222,115	210,103
Total operating expenses	(153,268)	(147,634)	(144,450)	(160,759)
Profit before tax	127,662	107,215	77,665	49,344
Profit after tax	121,970	100,776	69,527	44,621
Indicators				
Return on assets (ROA) after taxes	2.4%	2.0%	1.4%	1.0%
Return on equity (ROE) after taxes	18.2%	16.2%	12.3%	9.3%
Cost/Income Ratio (CIR)	56.8%	57.1%	58.1%	62.8%

	2023 (EUR 000)	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)
Year-end				
Total assets	2,656,356	2,569,234	2,496,500	2,501,348
Customer deposits	2,204,750	2,108,596	2,082,650	2,022,226
Loans and advances to customers	1,423,228	1,268,148	1,212,278	1,222,211
Shareholder capital	126,374	126,374	126,374	126,374
Equity	**342,555**	**318,838**	**290,438**	**293,820**
Annual results				
Total income	143,637	130,302	113,566	107,424
Total operating expenses	(78,365)	(75,484)	(73,856)	(82,195)
Profit before tax	65,273	54,818	39,709	25,229
Profit after tax	62,362	51,526	35,549	22,814
Indicators				
Return on assets (ROA) after taxes	2.4%	2.0%	1.4%	1.0%
Return on equity (ROE) after taxes	18.2%	16.2%	12.3%	9.3%
Cost/Income Ratio (CIR)	56.8%	57.1%	58.1%	62.8%

Total assets with information on loans

In the total assets of the Bank, net loans from customers in 2023 account for 54%, which is 5% more than in 2022. Gross loans from customers account for 57%. Share of gross loans of private individuals in the total portfolio is 63%, and of legal entities 37%.



	2023 (BAM 000)	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)
Total assets	**5,195,381**	**5,024,985**	**4,882,730**	**4,892,211**
Loans and advances to customers	2,783,592	2,480,281	2,371,009	2,390,437

	2023 (EUR 000)	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)
Total assets	**2,656,356**	**2,569,234**	**2,496,500**	**2,501,348**
Loans and advances to customers	1,423,228	1,268,148	1,212,278	1,222,211

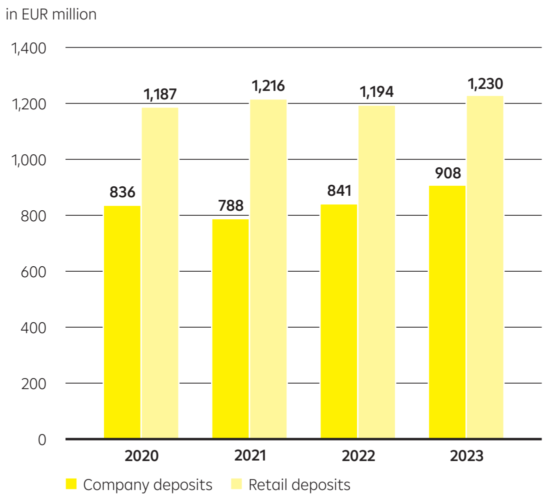
Lending

	2023 (BAM 000)	2023 (EUR 000)	2022 (BAM 000)	2022 (EUR 000)	Change %	Difference
Corporate loans	1,091,261	557,953	942,726	482,008	15.8%	148,535
Retail loans	1,853,609	947,735	1,725,309	882,136	7.4%	128,300
Gross loans	**2,944,870**	**1,505,688**	**2,668,035**	**1,364,145**	**10.4%**	**276,835**
Impairment	(149,326)	(76,349)	(170,395)	(87,122)	(12.4)%	21,069
Net loans	**2,795,544**	**1,429,339**	**2,497,640**	**1,277,023**	**11.9%**	**297,904**

Customer deposits

Retail deposits account for 58% of total deposits and recorded growth in the amount of BAM 69,856 thousand. In total retail deposits, term deposits make up 22%, and sight deposits make up 78%. Share of retail deposits in total deposits at the end of 2023 was 58%, while their share in 2022 was 59%.

Customer deposits



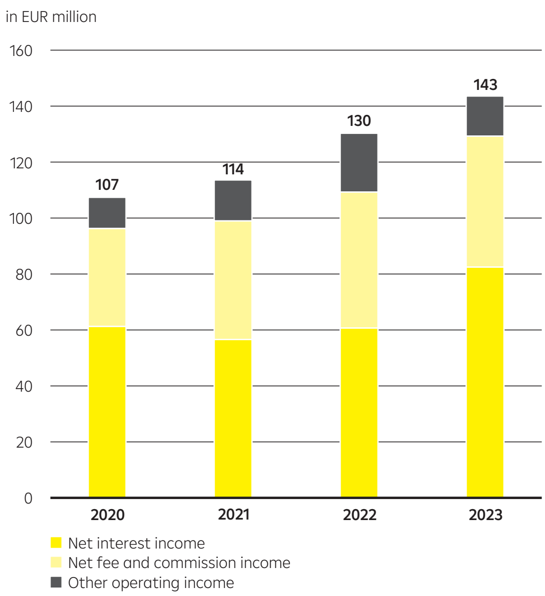
	2023 (BAM 000)	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)
Company deposits	1,775,406	1,644,535	1,542,012	1,634,313
Retail deposits	2,404,972	2,335,116	2,378,171	2,320,817

	2023 (EUR 000)	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)
Company deposits	907,751	840,837	788,418	835,611
Retail deposits	1,229,643	1,193,926	1,215,940	1,186,615

Total income (with total income structure)

In the structure of the Bank's total income, net interest income accounts for 57%, while net income from commissions amounts to 33%. Interest income increased by 22% compared to the last year, while interest costs decreased by 25% compared to the last year.

Total income



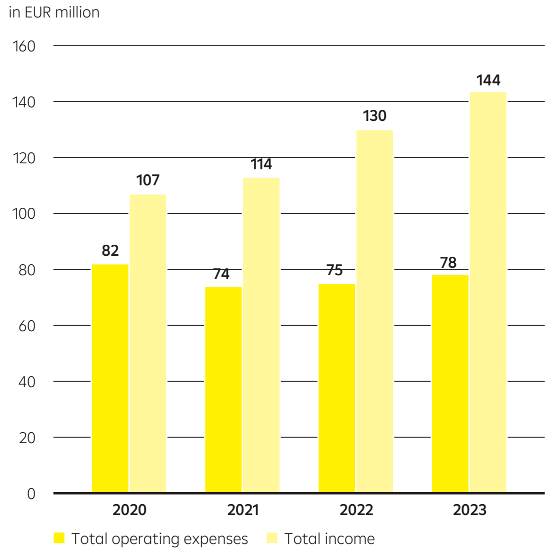
	2023 (BAM 000)	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)
Total income	**280,930**	**254,849**	**222,115**	**210,103**
Net interest income	161,440	118,712	110,765	119,933
Net fee and commission income	91,484	95,073	82,874	68,400
Other operating income	28,006	41,064	28,476	21,770

	2023 (EUR 000)	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)
Total income	**143,637**	**130,302**	**113,566**	**107,424**
Net interest income	82,543	60,696	56,633	61,321
Net fee and commission income	46,775	48,610	42,373	34,972
Other operating income	14,319	20,996	14,560	11,131

Operating expenses/total income comparison

Bank's total operating costs in the observed period (2022-2023) recorded an increase of 4%, while total revenues recorded a growth of 10%.

Expenses/income comparison



	2023 (BAM 000)	2022 (BAM 000)	2021 (BAM 000)	2020 (BAM 000)
Total operating expenses	(153,268)	(147,634)	(144,450)	(160,759)
Total income	280,930	254,849	222,115	210,103

	2023 (EUR 000)	2022 (EUR 000)	2021 (EUR 000)	2020 (EUR 000)
Total operating expenses	(78,365)	(75,484)	(73,856)	(82,195)
Total income	143,637	130,302	113,566	107,424

Business overview

Corporate Banking

The past year in the Corporate Banking segment was marked by intensified sales activities responding to the increased market needs. The volume of performing assets in this segment grew by 17 percent compared to the previous year, outpacing the overall market that recorded a 4 percent increase. On the other hand, a strong focus was placed on improving the loan portfolio quality, which resulted in a 27 percent reduction in the volume of non-performing assets.

Corporate deposits increased by 7.3 percent compared to 2022, indicating that the customers trust Raiffeisen BANK dd Bosnia and Herzegovina as a safe partner for depositing their excess funds.

During 2023, the corporate banking segment achieved an exceptional success by focusing on the continuous improvement of relations with customers. Resulting from the above, the Bank secured the 1st place in the Net Promoter Score (NPS) survey for this segment, for the year 2023. The Bank is recognized as a reliable institution that treats the community and customers responsibly.

The main focus in 2023 was digitization, which is reflected in the fact that over 96 percent of all transactions are made through electronic banking. The daVinci eFinance platform, which enables online applications for loans and guarantees, was successfully launched in 2023.

Raiffeisen banka Bosnia and Herzegovina won the Global Finance magazine's award "The best bank for trade finance in Bosnia and Herzegovina" (jobs related to guarantees/letters of credit/documentary collections). This distinguished recognition not only confirms our outstanding success in the trade finance sector, but also highlights our commitment to providing innovative, customized solutions that are aligned with the growing market needs.

Providing active customer support not only enabled the bank to keep its existing customers but also to acquire new ones, and at the end of 2023, the Bank had 2,955 corporate customers. The bank maintained its presence in each region of the country in 2023. The focus of this segment remains on developing good overall relationships with customers through intensive engagement in the development and promotion of loan, trade finance, documentary, cash management and digital channels' products.

Development of the loan and deposit portfolio

Loans '000 BAM	**December 2022**	**June 2023**	**December 2023**
Credit cards	978	952	953
Credit lines	14,096	17,888	14,792
Overdraft	124,856	139,852	134,915
Investment loans	236,064	242,929	272,243
Working capital finance	315,491	289,685	377,893
Total	**691,485**	**691,304**	**800,795**

Deposits '000 BAM	**December 2022**	**June 2023**	**December 2023**
Term deposits	93,049	113,880	150,839
Sight deposits	1,077,083	1,123,526	1,105,187
Total	**1,170,132**	**1,237,406**	**1,256,026**

SME business segment

In 2023, Raiffeisen BANK dd Bosna i Hercegovina continued to develop products from the following credit lines:
- EIF COSME guarantee program,
- EBRD Women in Business,
- EBRD competitiveness,
- EBRD Go Digital.

The activities in 2023 greatly focused on digitalisation of our relations with customers. Digital transactions and electronic communication with the Bank simplify and enable faster daily communication with customers and increase quality of rendered services. Online applying for current accounts/sets of services, loans and guarantees additionally facilitates the application process.

As part of the RBI strategic initiative relating to the digitization and automation of the Bank's processes, an existing application solution for processing customer loan applications was upgraded, enabling the customers to access this solution with support of the sales staff. The advantages of this solution reflect in an increased availability of the digital solution for SME customers, including support to automated decision-making for loan products. In the SME business segment as well, the bank aims to adjust its business model to rising challenges and changes in the banking market in order to create sustainable values for all stakeholders. We offer our customers ESG financial products and services with the aim of increasing customers' awareness of the impact of climate change and raising social awareness in terms of supporting diversity and strengthening the role of the female population as well as young entrepreneurs in the society. In cooperation with external creditors, the Bank offers various benefits to its customers through special credit lines (payment of incentives, consultant financial services) for products in the category of "green and social products".

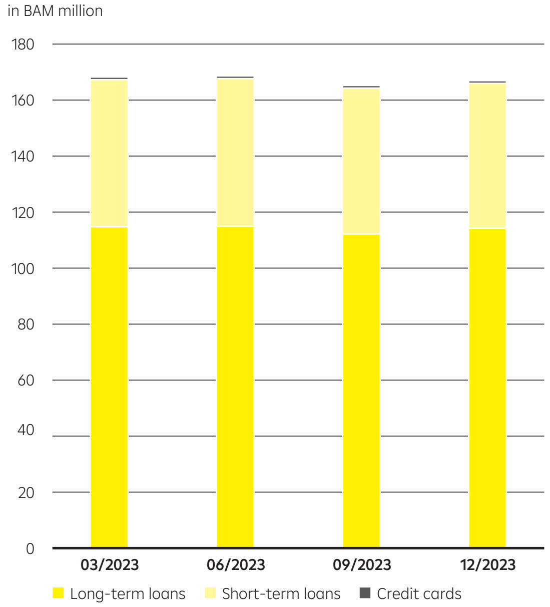
In 2023, the bank continued sponsoring the "Women in Adria" program. As part of this program, various educational workshops were organized for women entrepreneurs. The aim of the program is to inspire, inform and connect and educate women entrepreneurs, in order to improve the position of women in society and their influence in the business world.

Development of the loan and deposit portfolios (SE customers):

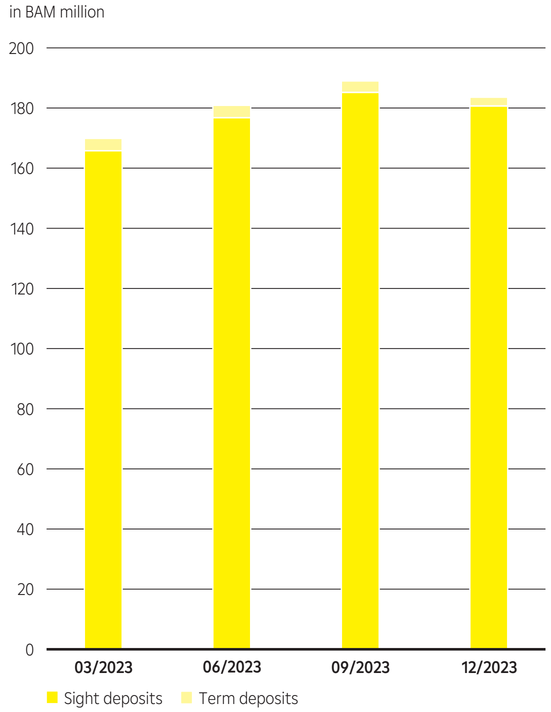
'000 BAM	March 2023	June 2023	September 2023	December 2023
Credit cards	854	879	882	872
Short-term loans	52,522	52,783	52,086	51,818
Long-term loans	114,829	114,887	112,212	114,171

'000 BAM	March 2023	June 2023	September 2023	December 2023
Term deposits	4,115	4,118	3,754	2,879
Sight deposits	165,846	176,845	185,233	180,739

SE loans



SE deposits

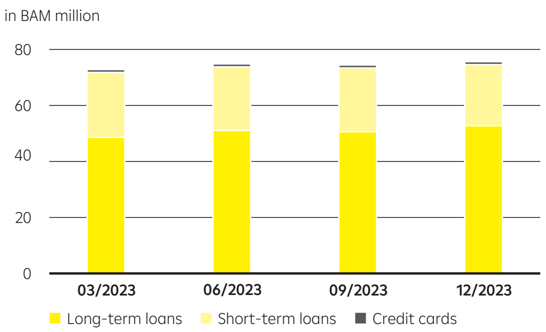


Development of the loan and deposit portfolios (Micro segment):

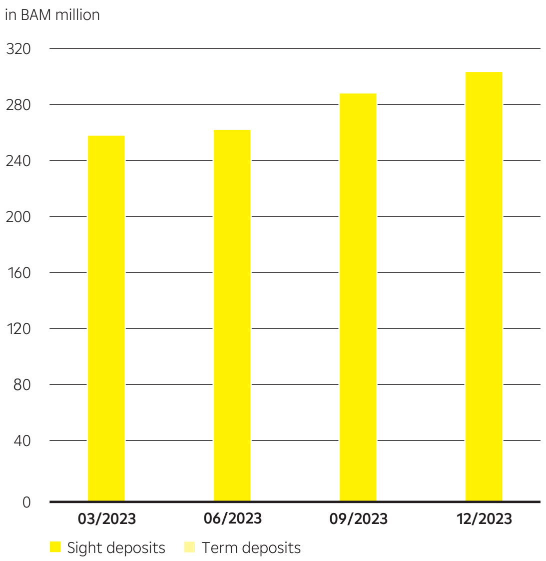
'000 BAM	March 2023	June 2023	September 2023	December 2023
Credit cards	972	1.019	1.046	1.026
Short-term loans	23.249	22.688	22.781	21.778
Long-term loans	48.574	51.101	50.617	52.831

'000 BAM	March 2023	June 2023	September 2023	December 2023
Term deposits	565	712	768	749
Sight deposits	258.649	263.576	288.692	303.750

Micro loans



Micro deposits



Benefits for SME customers

In 2023, the Bank continued its activities on the promotion of existing account sets, at the same time providing a various sets of benefits depending on the account type and customer.

For all new SME customers who applied for a set of services through digital channels, the Bank provided benefits in the form of exemption from payment of account maintenance costs for a period of at least 6 months.

For all new SME customers who have a female in their ownership structure, and apply for the Medium account set online, the Bank has provided benefits in the form of exemption from payment of maintenance costs for a period of 12 months.

In addition to regular educational activities related to the promotion and sale of products and services for SME customers, the Bank placed special emphasis in 2023 on employee education in the area of ESG policy implementation and employee awareness of the ESG standards.

Retail Banking

Throughout 2023, Raiffeisen BANK dd Bosna i Hercegovina continuously worked on customer research and satisfaction in order to develop new and improve the existing products aiming at higher satisfaction and meeting expectations of the customers within the deposit, loan and card retail business.

The Premium Banking remote concept was improved in 2023 with unique e-mail addresses and phone numbers for each team of personal bankers so that customers could get a response and solve their requests faster. The remote concept has also been established for PI customers who meet the conditions for digital banking and want to save time in doing business with the bank.

The Bank launched the "did you know" concept by educating customers on the benefits they have with certain products in order to increase their awareness of the benefits as well as their satisfaction in using those benefits.
In May 2023, the Bank introduced a new investment product – Raiffeisen certificates, which enrich the Bank's offer and the customer's choice in terms of investments, so that the customer can choose different products in order to diversify risks and achieve higher profits. Also, in 2023, the focus was on savings plans in order to increase customers' awareness of the importance of savings and the possibility for customers to achieve their goals through smaller amounts of savings over time.

Account sets for private individuals

The account sets consist of a set of banking and non-banking products and services, for which the user pays a single monthly fee, with the possibility of paying a smaller basic fee through the scoring thresholds for the Tempo, Glamour and Triumph sets.

Within these sets, customers can also use debit cards, with or without overdraft limits, as well as credit cards with instalment payment options, digital services (Internet banking, Mobile banking, Viber Banking, m-pay). The Bank offers the following types of account sets: Raiffeisen CLUB (for students), Pensioner, Moment, Tempo, Glamour, Triumph.

All account sets also include electronic services that enable the customers to pay smaller fees for transactions over cash transactions at the bank counters. Customers receive additional health insurance with the account sets of Tempo, Glamour and Triumph and also family travel health insurance for the users of the Triumph account set.

Retail deposits

Compared to 2022, total deposits of private individuals placed with Raiffeisen BANK dd Bosna i Hercegovina grew by 3.0 percentages in 2023.

Overview of Retail deposits

'000 BAM	2023	Change	2022	Change	2021	Change	2020
Sight deposits	787,120	1.1%	778,492	(5.7)%	825,742	(10.7)%	924,296
Term deposits	568,601	(15.4)%	672,215	(14.8)%	789,391	2.3%	771,997
Current account	1,047,996	18.7%	882,962	16.2%	760,164	21.6%	625,358
Total	**2,403,716**	**3.0%**	**2,333,669**	**(1.8)%**	**2,375,297**	**2.3%**	**2,321,651**

Retail lending

The activities in 2023 focused on digitalisation of the lending business. A completely new automated product called ICash has been implemented, enabling the existing customers to submit a cash loan application from the comfort of their home and get a conditional decision in less than 8 minutes. In 2023, the ICash product continued its development in a way that it is available to new customers with prior signing of the consent for Credit Standing Assessment. The offer to customers has been enriched with new functionalities such as internal and external refinancing. The application process has also been optimized to provide the best experience to customers. The credit policy is fully automated to support this product with the implementation of the new automated decision-making tool. The process for this product is completed in the branch, while the adoption of the law on e- signature and video and audio identification will contribute to its further improvement.

In 2023, the Bank revised the concept of sustainable lending, and plans to continue the offer to customers in 2024. The CO2 saving was revised from the existing 20 percent to 30 percent, aiming to align the criteria with the EU laws. The growth of loans amounting to BAM 127 million mostly accounts for consumer loans and it is generated through higher demand for this type of financing.

To boost the balance of its loans, the Bank organised two large ATL campaigns to promote non– purpose loans with certain benefits for the customers such as no loan administration fee for customers who apply via digital channels and a gift in the amount of 0.5 percentages of the loan amount (max BAM 100) for loans which are applied for on Tuesdays. Consumer loans posted a growth of BAM 81 million.

Housing loans grew by BAM 46 million. The customer-oriented activities include continuous promotion of housing loans with certain benefits and extension of the list of investors for residential building as a result of growing construction on the market.

Overview of the retail loan portfolio

'000 BAM	2023	Change	2022	Change	2021	Change	2020
Long-term loans	1,763,708	7.8%	1,636,217	4.1%	1,571,118	5.4%	1,490,552
Short-term loans	1,664	(6.0)%	1,771	(8.8)%	1,941	(6.6)%	2,078
Card products	82,288	(12.3)%	93,854	(6.5)%	100,413	3.5%	96,984
Total	**1,847,660**	**6.7%**	**1,731,842**	**3.5%**	**1,673,472**	**5.3%**	**1,589,614**

Card Business

Credit cards

Among numerous contactless payment promotion activities, in cooperation with VISA International, the Bank conducted several campaigns offering discounts and benefits at selected merchants when paying with Visa credit cards. Additionally, the Bank received recognition and an award from its partner VISA International for the exceptional growth of payment volumes in 2023, which once again confirms the Bank's efforts in promoting digital payments.

This year, the Bank continued the tradition of donating BAM 0.10 for each transaction made with a Mastercard Shopping credit card to the organizations "Heart for Children with Cancer", "Sumero" and "SOS Children's Village Sarajevo". As an institution that takes care of the environment, the Bank is a pioneer when it comes to issuing cards made of recycled materials on the local market.

Card Acceptance at Point of Sale (POS)

POS and e-commerce segments recorded the significant growth in 2023. The turnover on the POS devices and in e- commerce segment went up by 24 and 43 per cent respectively, which makes Raiffeisen Bank one of the leading banks in this business segment in the local market. 2023 was marked by significant acquisition and enhancement of services that contributed to the growth of the card acquiring segment.

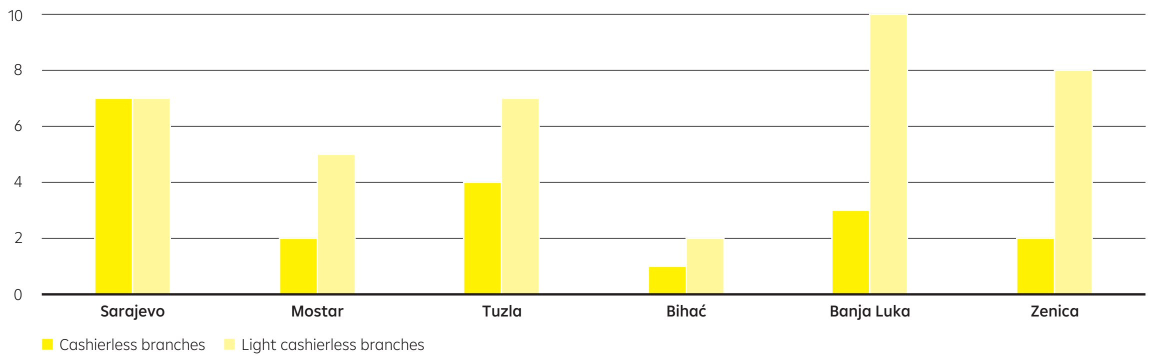
Card Acceptance at ATMs

Raiffeisen BANK dd Bosna i Hercegovina continued in 2023 to improve the relationship with its customers by expanding and relocating its ATM network across the country. The card turnover withdrawals on the Bank's ATMs rose by 16 per cent in 2023. In addition, the Bank continuously works to increase the number of multifunctional ATMs that offer customers a greater choice of functionality and options. The Bank has significantly increased the number of ATMs that support NFC (contactless) transactions.

Business Network Coordination

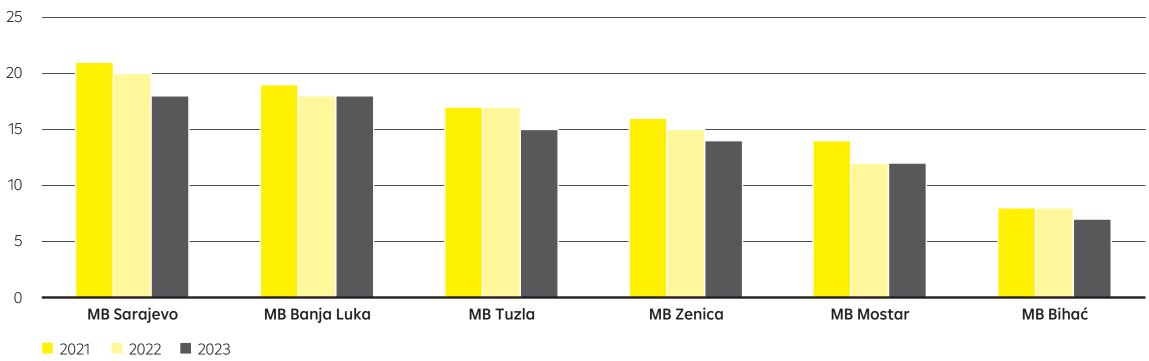
In 2023, the Bank is developing alternative sales channels through the introduction of agile methodologies as a new way of doing business with the optimization, modernization and digitalisation of branches, and 6 branches are redirecting their operations to the nearest alternative organisational units. At the end of the year, the Raiffeisen network in Bosnia and Herzegovina comprised 84 branches, thereof 19 digital, cashierless branches. A new branch model, Light Cashierless (39) is also introduced, implying limited work with cash during the branch's working hours.

Cashierles and Light cashierless branches

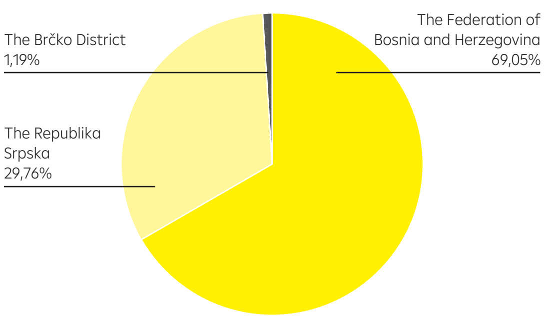


Raiffeisen Bank offers ATM services to private individuals and legal entities. There are 344 ATMs available to customers, of which 170 are Cash IN/OUT devices (63 payment-withdrawal devices with the initiation of checking the balance of their own accounts, paying bills and transferring funds, and 107 BankomatiQ devices which, in addition to the above services, have a special service for legal entities). The bank offers legal entities a fast and simple transfer of deposits through Cash IN cards on Bankomatiq devices, available 24/7. The main branches are located in the administrative and political centres of Bosnia and Herzegovina and they provide the administrative and professional support to the branch network. Development of the branch network from 2021 to 2023 is provided below:

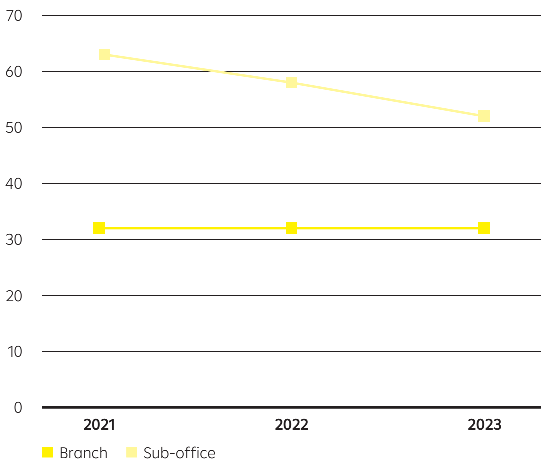
Development of the branch network from 2021 to 2023



Regional coverage of the branch network



Structure of business outlets a across time



Quality Management

Raiffeisen BANK dd Bosnia and Herzegovina continues to meet the customers' needs by providing high-quality services, which is also our most important goal. High quality would not be possible without precise and detailed customer-oriented strategy for managing customer experience at all meeting/touch points between the customer and the Bank. Considering that events within the Bank affect the perception of customers and their loyalty, we can conclude that the key to success lies precisely in the superior user experience.

Experiences such as ease of engagement, transparency, thoroughness and empathy are the primary parameters based on which customers evaluate their satisfaction with their financial institution. Excellence in these areas represents the acquisition of new customers, but also the improvement of relations with all existing ones. In order to follow trends and provide customers with what they want, we have implemented several innovative concepts such as Service Design and the Connect platform that involve customers in our daily business.

The Service Design approach is oriented and focused on customers and helps us to create financial products and services in a unified, standardized and efficient way that are in line with our business strategy and the expectations and wishes of customers. Through this concept, it is possible to identify and analyse the customer's needs, behaviours and pain points in detail, and use the new understandings and insights as bases and starting points during the improvement of existing and development of new products, services and experiences that are recognized by customers. By involving customers at the very beginning of a certain process and in all business segments, putting ourselves in the customer's shoes, observing experiences and interactions from their point of view, will help us provide an experience that will be worth mentioning.

The Connect concept allows us to create a unified source and prioritized overview of all improvement actions, which are based on feedback and customer pain points. This way enables breaking down of silos through a process that is transparent and objective, and that builds a permanent continuous monitoring process according to clearly defined roles, responsibilities and adopted solutions. This systematic concept allows us to take concrete actions to improve and implement solutions based on the direct source of the problem.

The key activity that the Bank carries out and on the basis of which it obtains important insights into the experiences of customers and their experiences is the analysis of complaints, suggestions and praise. Over the past year, we have created and adopted a number of initiatives that have made this process much better, faster and more efficient for our customers. Based on the collected insights, employees strive to respond to the needs and demands of customers in their daily work and exceed their expectations, precisely through the professionalism, speed, kindness and expertise with which they approach their work.

A new approach is required in customers' operations with banks since the customers have entirely new set of expectations. The banking itself can no longer be a part of the traditional process that starts and ends in a branch. Modernised and digital experience, with human touch and communication is a norm which we devoutly apply, while desires and needs of the customers are guides that we try to implement and translate into superior user experience.

Besides implementation of Service design, this year we mark three years of transformation of Customer Relationship Management. Over the past three years, we have embarked on a customer relationship management transformation that has proven critical to our growth and success. As banking industry evolves rapidly, data have become a key element in shaping our future business model. This bold step allowed us to use the power of data, enabling us to better understand and meet growing needs of our customers.

By prioritizing the vision, encouraging an agile approach and choosing strategic technology, we achieved great results in CRM transformation. We have achieved exceptional growth in several areas, and the use of modern technologies has allowed us to expand the use of our CRM system, which resulted with the creation of outstanding products.

- We provided our customers with a better understanding of their spending habits and the opportunity to work on their optimisation.
- Our carbon footprint solutions help customers to understand and reduce their CO_2 emissions, and we are planning to integrate it into our mobile application soon.
- Personalization has become a central element in all our campaigns, allowing us to communicate with our customers in a more up-to-date and customized manner.
- The use of CRM tools improved our lead management process, ensuring that we effectively assist customers in making purchasing decisions.

The satisfaction of our customers with the Raiffeisen experience inspired us to create a modern Referral Program for our current customers. We believe that our customers want to share their superior experience with their friends. This program serves as a proof of our commitment to provide unmatched value and to empower our customers to actively advocate the Raiffeisen brand. Contextual relevance is of crucial importance to us. Building on our existing success, we will continue to enhance and maximize our personalized banking initiatives. We aim to create highly customized and personalized experiences for our customers by using data and insights, further improving satisfaction and engagement of our customers. These strategic steps reflect our commitment to innovation, customer centricity and empowering our customers to achieve their financial desires. Through these initiatives, we aim to strengthen our position as an industry leader and continuously deliver outstanding value to our customers.

Digital Competence Centre

Digital Services

Digital Competence Centre has developed digital services and functionalities that create habits towards the services and applications. These services are safe, fast, simple and practical for customers.

Raiffeisen Mobile Application (RMB)

As a market leader in business and digitization as well as a leader in transition, Raiffeisen Bank managed to direct customers to use electronic services in order to reduce queues in branches and facilitate customers' business with the Bank. Over 40 percent of the Bank's customers use mobile banking, and about 60 percent of new customers activate mobile banking. Year after year, there is a trend of increasing the number of transactions and the volume of the Bank. Approximately 86 percent of total transactions are done through our e-services and over 75 percent through the mobile banking application.

Raiffeisen Mobile Banking is still the best-rated application compared to competing financial applications. In the past year, we developed functionalities that affect the user experience and provide them a sense of control and security. In addition to card tracking, customers can view all accounts and transfer funds within their own accounts as well as to other customers' accounts in Raiffeisen bank and to accounts in other banks. At the end of the year, mobile banking was enriched with a new functionality – Chatbot, which is directly connected to customer support, and at the service of customers 24/7.

The group's strategic decision in the next few years will be based on the mobile application, and in 2024, our customers will enjoy new products and functionalities that will be developed. The application has been improved over the past year to meet the needs of customers in a better way. These improvements include possibility of correcting fields, introducing payment shortcuts and enabling payments on all accounts. Customers can now access and manage all their bank accounts and monitor their cards. Chatbot integration became an integral part of the application, and towards the end of the year, Chatbot was connected to the bank's Contact Center.

Chatbot

At the end of 2023, Raiffeisen bank launched a new product, Chatbot. It is called RAIA Virtual Assistant, and in the pilot phase it is available to 30 percent of customers on RMB as a new functionality. Currently, the virtual assistant is also available on the web in a limited capacity, and expansion is expected in 2024. With this alternative communication channel the Bank aims to provide a superior user experience and remain available to our customers through all communication channels interacting with the Bank. At the same time, it makes possible the necessary human contact in more complex situations.

Digital Sales

Raiffeisen Bank, which is the market leader in digital business, records excellent results in digital sales. Year after year, a greater number of products is initiated digitally, through the website and mobile application. In its offer for online application Raiffeisen bank has the following possibility for private individuals and legal entities:

- Current account for private individuals,
- Current account for legal entities,
- Current account for students (Club set),
- Loan for private individuals,
- Loan for legal entities,
- Credit card,
- Overdraft on current account for private individuals,
- Business card for legal entities,
- Guarantee for legal entities.

The Club set is designed for persons aged between 15 and 26 and is free of charge until they get a job or turn 26. The advantages of Club set are financial literacy of young people. Therefore the Bank has established cooperation with the Faculty of Economics in Sarajevo, Faculty of Law in Sarajevo, Faculty of Science and Mathematics in Sarajevo, and the plan is to expand cooperation with other faculties in other cities in Bosnia and Herzegovina.

Treasury and Financial Markets

Trading and Sales

One of the primary activities of the Trading and Sales Department is the management of foreign exchange risk and generation of income based on FX transactions. At the end of the business year 2023, the actual income at the Bank level managed to maintain the positive trend from previous years despite the slower trend of the conversion activity by private individuals caused by the transition of the HRK currency to EUR. Many years of experience in controlling foreign exchange risk and constant monitoring and adjustment of the value of global currencies in relation to pronounced daily oscillation on international markets, resulted in the preservation of RBBH Bank's profit orientation in the field of foreign currency trading, and the business year ended with a revenue of 17.8 mio BAM.

Successful control of foreign exchange risk with realized income is a consequence of the daily improvement of activities in the field of foreign exchange trading, which the Trading and Sales Department has set as its main goal with the intention of adapting to the real needs of the domestic and foreign markets, their constant changes, and high expectations of customers.

The year 2023 ended with a stable number of active customers. These customers have access to information on developments of currencies' values within the local and international financial markets and are offered the possibility to protect themselves from FX risk by making spot and forward deals. An initiative was launched to implement a trading platform for customers in order to improve customer-oriented service. In this way, the Trading and Sales Department will be an active participant in the process of digitization of business activities, which Raiffeisen Bank has set as one of the strategic activities for the next period.

Throughout the year, the Trading and Sales Department successfully managed the FX risk by individual currency and in the overall amount for EUR and BAM currencies. All open FX positions were maintained within the limits set by the Banking Agency of the Federation of Bosnia and Herzegovina (FBA) and within the internal limits determined by the methodology of Raiffeisen Group.

A great deal of the tasks performed by the employees working in the Trading and Sales Department in 2023 and in the previous years was focused on trading in banknotes with local partner banks and also on further optimization of the costs of cash management. In a challenging period of growing competition among the banks on the domestic market, the priority was to remain an active participant in the field of banknote trading and maintain a stable number of partner banks.

Funding and Financial Institutions

In 2023, the Bank continued its long-standing cooperation with supranational financial institutions to obtain attractive sources of funding in accordance with market requirements. The bank maintained its focus on credit lines with a sustainability component by expanding cooperation with the European Bank for Reconstruction and Development. In the observed year, the bank continued its interest in guarantee programs and during the year applied for a new guarantee program of the European Investment Fund for the support of small and medium-sized businesses as a continuation of previously established cooperation.

Institutional Customers and Services to Investors

Institutional Customers

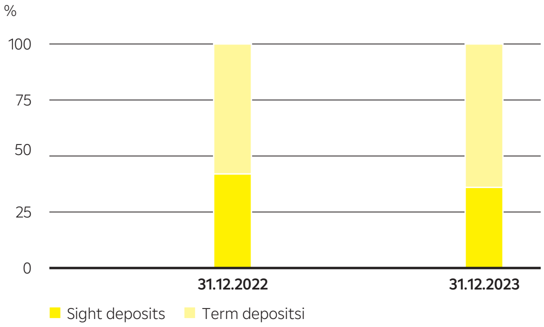
Institutional customers, such as insurance companies, microcredit organizations, fund management companies, investment funds etc. and the central government in Bosnia and Herzegovina with its ministries and government authorities – use numerous products of the Bank, from transaction accounts, loans, guarantees, deposits, business cards, PoS and e-pay, to securities services. In 2023 a strong share was maintained in the local market, which is even more important, as customers in these segments are very demanding when it comes to the quality of service. The Bank remains the only bank in Bosnia and Herzegovina whose business cards (VISA, Mastercard) are used by state institutions.

End of 2023 was marked by a drop in demand deposits compared to the end of 2022, and term deposits also recorded a drop due to regular deposit maturities. However, in the structure of deposits, there was an increase in the percentage of sight deposits to term deposits, comparing the structure in the previous year.

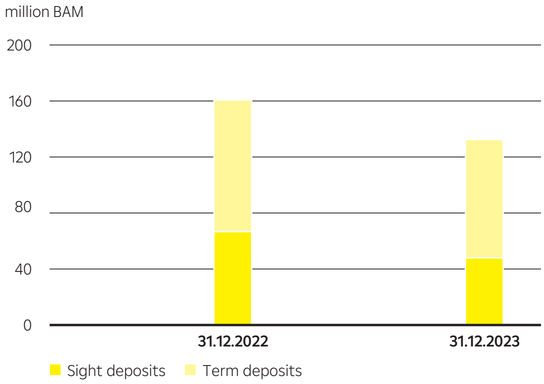
In 2023, a significant increase in approved loans was recorded, primarily long-term loans, which led to a significantly higher share of long-term loans in total loans. This also contributed to the increase in payment turnover and the establishment of stronger business relations with customers.

The quality of service and customer satisfaction was examined through a survey conducted by Marketing, in which 89 percent of respondents expressed their satisfaction with the service, and 11 percent of respondents said that they were exceptionally satisfied with the Bank's service.

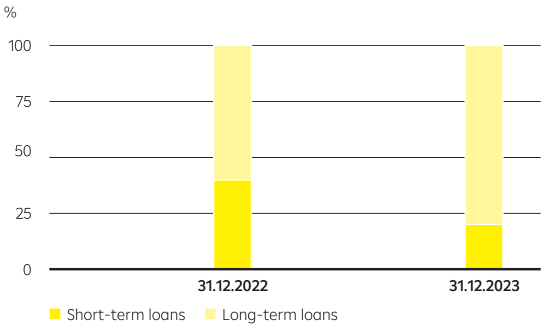
Deposit structure of Institutional customers



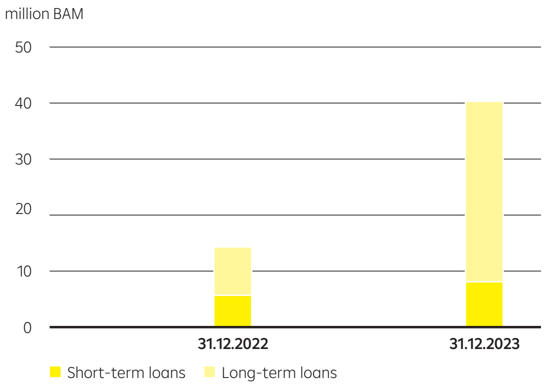
Deposits of Institutional customers



Loan structure of Institutional customers



Loans of Institutional customers



Services to investors

Despite the fact that last year was marked by large fluctuations in the value of financial instruments on international capital markets, **Custody** had a very successful business year. New 15 customers expressed their trust in us and chose us as a reliable provider of this service. The high quality of custody services was recognized and confirmed in two customer satisfaction surveys conducted among local customers who gave it the highest grade.

In the depository business area, in 2023 the Bank successfully performed all operations in the issue and **trade of securities**, in accordance with legal regulations and to the satisfaction of its customers. Within the **fund administration** segment, the focus was on maintaining and preserving stable operations through additional improvement of the high level of service quality. Proof of the quality of services is the stable number of customers, and in this area the Bank is still the best positioned bank in the local market with a market coverage of 55 per cent. The licenses for the depository operations under issuance of and trade in securities and for the depository of funds were successfully renewed. The FBiH Securities Commission thereby confirmed that the Bank continues to meet all legal requirements in provision of depository banking services.

In the Broker Business Segment, the Bank acts as a professional intermediary on the Sarajevo Stock Exchange, where it ranked second by the number of executed transactions and first by the executed turnover in 2023. Last year, we were the only professional intermediary whose services were used by the Federal Ministry of Finance for organizing primary issues of government bonds and treasury bills. On the domestic market, customers were primarily interested in trading in debt securities of issuers with continuous dividend payments. In foreign markets, a significant turnover with RBI certificates was achieved by premium customers.

Financial Statements

Annual business report for 2023

a) All significant events that occurred in the period from the end of the business year to the date of submission of the financial statements

The Bank did not have any significant events in the period from the end of the business year to the date of submission of financial statements.

b) Assessment of the expected future development of the legal entity

The business year 2023 was very challenging at the global and European level as it was a year of intense fight against inflation, which led to a historic shift in the monetary policy of the European Central Bank and other European banks, as a result of which benchmark interest rates reached record amounts, and led to an inevitable significant slowdown in economic activity and a technical recession in the Euro zone. Since the European economy as well as inflation experienced a significant slowdown in the second half of 2023, it is predicted that European and regional economies, on which BiH's economy is primarily reliant, will see economic stabilization in 2024.

In this context, **more dynamic economic growth is expected in Bosnia and Herzegovina in 2024, in such a way that the GDP growth rate should return to the historical average of the real growth of 3% per year**, following the below-average growth in 2023, which was estimated at the level of 1.8% per year. Inflation should also continue with a further process of slowing to the level of 3% of the annual average, after 6.1% recorded in 2023.

After a record year in terms of profitability and financial stability (a record level of NPLs accompanied by a high level of liquidity and capitalization) for the banking sector in 2023, positive growth dynamics are also expected in 2024. **Stable asset and lending growth in the banking sector is expected to continue without significant interest rate growth compared to 2023**. Therefore, the projected growth of loans is 4.5 – 5% per year and deposits of 7.5% per year, with a stable growth of household loans and possible enhanced corporate lending given the expected recovery in overall economic and investment activity. Additional growth stimulation could result from positive developments in the political field in terms of a more accelerated movement of Bosnia and Herzegovina on the EU integration path, bearing in mind the possibility of using the EU Growth Fund that is planned for the Western Balkans region. In line with the projected developments of key macroeconomic categories, **the Bank adjusted the initial expectations of growth of key categories of its loans and deposits to the expected economic and political environment and the overall business plan and results for 2024, which is revised through the Bank's regular quarterly financial forecasting processes ("quarterly forecasts").**

c) The most important activities related to research and development

In terms of research and development, one of the key elements of the Bank's strategy is digital transformation and process automation, which includes activities to replace the Core Banking System (CBS) bank during 2024, which will enable significant improvement and speed of business in all segments of the Bank and digitalization and automation of certain neutral and credit products. When it comes to all business segments, the Bank is **working** rapidly **on projects of digitalization and automation of processes within the Bank and the processes of doing business and processing of all types of client transactions, which will certainly contribute to a significant improvement of the overall volume of business and customer experience with the Bank.**

The Bank has also started certain activities to align **its operations with the ESG Business Principles and ESG Risk Management** in order to adapt its entire organization, processes and products **to the best ESG practices from the European Union**.

Based on the recommendations of Raiffeisen Bank International (hereinafter: RBI Group), a new organizational unit has been established: **Research, Strategy and ESG Management, as a center of competence for managing ESG business principles at the bank level,** and with the participation of senior management which will provide support, at advisory level, in the implementation of ESG standards in the Bank. Such a management and advisory structure at the Bank level will jointly define the priorities and objectives related to the integration of ESG risks and the principles of doing business with the Bank's clients, and the overall management of the Bank's sustainability, striving to apply the holistic approach of "ESG management under one roof" in practice.

For the purpose of implementation of the activities, three activity pillars have been established: **Pillar 1# Sustainable financial achievements; Pillar 2# Key business activities with clients; Pillar 3# Regulatory compliance, management and reporting**

The establishment of the process of collecting ESG data and ESG processes within the Bank has been initiated to assist sales staff in recognizing, 'labeling' and reporting on ESG credit and other products and transactions, as well as activities on harmonization of "Green" and "Social" credit products in accordance with eligibility standards for RBI Group ESG and local regulations.

The Bank also made the necessary preparations for detailed implementation and alignment with key regulatory decisions related to **the Guidelines for managing climate change and environment-related risks**, and **decisions on measures to strengthen the bank's financial inclusion and sustainable business**, which will surely mark the banking sector's operations in 2024.

d) Information on the repurchase of own shares, or stakes

In 2023, the Bank did not repurchase its own shares or stakes

e) Information on business segments

The Group operates in five basic business segments that are presented, in more detail, in Note 7.

f) Used financial instruments if significant to assess the financial position and performance of the legal entity

Sources of funding

The strategic funding framework is primarily based on providing the sources of funding according to the purpose and deadlines that would provide funds for planning the credit activity of business functions while maintaining a cost-effective, risk-free level of liquidity.

When drawing up the general annual funding plan, the following shall be taken into account:
a) the need for funding arising from the planned/budgeted strategic development of the balance sheet, i.e. planned business activities in the segment of credit placement.
b) planned deposit-based activities.
c) maintaining liquidity within the regulatory framework as well as within the Group.
d) the need for sources of funding from supranational institutions (credit lines).

In defining the general annual funding plan, the Bank has determined that the defined funding source plans are in line with the:
- business model of the bank
- comprehensive business strategy
- risk exposure tolerance
- assessment of the stability of funding sources
- available sources of funding on the market
- expected changes in the risk of funding sources
- adequate degree of reliance on public funding sources
- acceptable impact on the bank's lending activities, etc.

The analysis of historical data in comparison with the plan for the next period, taking into account possible additional findings, shows the degree of feasibility of the liquidity plan and funding sources. Based on historical indicators, it is estimated that the structure of funding sources is adequate and sufficient for the implementation of business plans and growth of the Bank.

After the execution of the funding source plan, the Bank monitors the assessment of the funding source and the funding source risk on a regular basis i.e. monthly, by back testing the funding source plan. Achieved values are compared with the planned ones, both in the part of sources and in the part of placements, as well as the fulfillment of regulatory and grouping requirements and restrictions.

Special attention is given to the back testing of the funding source plan after the end of the financial year. The subject testing should demonstrate whether the defined or planned sources of funding have been achieved, whether all regulatory and grouping requirements and restrictions have been met, as well as whether they were sufficient to maintain the existing active portfolio and enable its growth in accordance with business plans.

Through analysis, we arrive at a conclusion that the realized sources of funding enabled the fulfillment of all regulatory and group liquidity requirements and restrictions, and allowed the maintenance and growth of the active portfolio.

Cash and placements

As part of an ongoing liquidity optimization, the Bank assesses the holding of required cash for business purposes, as well as cash held by the Bank on accounts abroad, for payment and other transactions, taking into account current market interest rates, ratings and adequacy of banks with which the Bank holds funds (Money Market or *nostro* accounts), as well as the calculation of RWA.

In this way, the maximum optimization of liquidity is achieved, taking into account the above elements, which ultimately has a positive impact on the financial position and overall performance of the Bank. With regard to Markets operations, the Bank has no derivative transactions (financial instruments), which would be relevant for the assessment of the financial position of the Bank. Namely, the Bank offers FX Forward / Flexi Forward transactions to clients, but the said transactions are small in volume and insignificant in terms of revenue.

As for the portfolio of securities, as a type of financial instrument, the Bank does not keep them in the so-called "trading book" but "until maturity". The total portfolio of securities consists of the Markets portfolio and the Treasury portfolio, which primarily has the function of liquidity buffer. The financial result of i.e. the income from securities business for 2023, realized on the Market portfolio, is approximately BAM 874 thousand, while the income generated on the Treasury portfolio stands at approximately BAM 3,382 thousand.

Most of the "significant" portion of the Bank's revenue relates to FX spot transactions, but these are standard currency exchange transactions.

The Bank does not have financial instruments such as futures, options, etc., nor does it offer them as products.

g) Objectives and policies of the legal entity related to financial risk management; together with risk protection policies for each planned transaction for which protection is required

Credit risk

The credit risk taking and management strategy reflects the Bank's profitability, credit quality and portfolio growth objectives and is in line with the Bank's risk appetite framework and within the same credit risk, diversification policy and the Bank's overall corporate strategy and business objectives.

The credit risk taking and management strategy includes:
- Establishing an appropriate credit risk management environment,
- Constant building of a strong credit culture,
- Continuity in the strategic approach so that it is sustainable in the long run and through different economic cycles
- Adequate and effective communication of credit risk strategy and policy throughout the bank. All relevant staff should have a clear understanding of the bank's approach to approving and managing credit risk and should be responsible for adhering to internal policies and procedures.
- Identification of target markets and overall characteristics that the Bank would like to achieve in its loan portfolio, including different levels of diversification and concentration tolerance,
- Sustainable and responsible investment through the application of ESG (Environmental, Social and Governance) factors
- Application of adequate policies and procedures for securing credit placements to mitigate credit risk,
- Minimizing the negative consequences of investments with deteriorating credit quality implemented through:
  - lending in accordance with adopted policies,
  - continuous active and professional customer relationship management,
  - early identification and active management of increased credit risk
  - correct credit risk categorization,
  - defining appropriate strategies for non-performing loans,
  - easy to understand and strong program for the collection of non-performing loans in the event of an obvious or potential loss to the Bank.

The aim of credit risk management is to ensure that the appropriate level of risk required for sustainable development, which implies a macroeconomic environment, is not exceeded.

General principles for credit risk management:
- Risk awareness and understanding,
- Responsibility of the Business Segment,
- Separation and independence of risk functions.

Credit risk management is defined in current credit policies that are updated on an annual basis. The following units: Credit Risk Management Retail and Credit Risk Management Corporate, SE, FI & LRG, create credit policy proposals for business segments individually, and the said proposals are subject of decision-making by the Management Board and the Supervisory Board of the Bank.

Credit risk management includes the management of all sub-categories of credit risk to which the Bank is exposed or may be exposed.

They are managed through:
- conducting the process of analysis, ranking of clients and risk assessment when approving placements,
- making a decision on approving placements based on clearly defined criteria in credit policies, including cross-border transactions,
- active portfolio monitoring and proposal for asset classification,
- maintaining exposure by type of business, products, clients and industries at the desired level (it is defined through the annual budgeting process, defining credit policy, limits, etc.)
- maintaining the probability of default (PD) / Default rate at an acceptable level
- management of collateral instruments
- applying credit risk mitigation techniques (collateral instruments are one of the main strategies and measures used to reduce credit risk exposure)

- maintaining the coverage of the portfolio with eligible collateral at a satisfactory level (minimum coverage depending on the client's rating is defined annually through a respective credit policy, and it is maintained on a target level through control of credit policy exceptions, constant monitoring of value and collateral eligibility elements).
- implementation of collection strategy, as well as the recovery of problematic placements, by applying the technique of active management of problematic placements in all stages of delay, received special attention from individual organizational units Special Assets Management, Non-Retail & SE and Collateral and Collection of Receivables Retail.
- maintaining the final loss after collection at a satisfactory level (Loss Given Default), through adequate collateralization and provisions.

Liquidity risk

Liquidity management strategic framework includes adjusted liquidity management, asset liquidity management and borrowed liquidity management (liabilities), complying with the key principles of liquidity management as well as ILAAP principles in liquidity planning and funding sources (accountability, proportionality, continuity, risk significance, comprehensiveness and "forward looking").

Liquidity and liquidity risk management are incorporated into the strategies, policies, and procedures that ensure effective diversification both in terms of sources of funds and in terms of their maturity.

When forecasting and planning cash flows, special attention is given to the monitoring of local market environment, primarily in terms of clients' needs, in the form of monitoring the maturity of large deposits and planning their reactivation. In planning its liquidity needs, the Bank includes planning the outflows against off-balance sheet liabilities (letters of credit, guarantees, and agreed credit lines), whereas for maturity deposits it estimates potential outflows based on previous observations (experiences) reliant on annual trends and models developed internally.

In defining and maintaining an adequate level of liquidity, the Bank pays special attention to providing sufficient capacity of liquidity reserves that may be used for short-term intervention in the case of liquidity shock.

The amount of required and reserve liquidity is formed by the Bank on the basis of the current and projected position and liquidity ratios, taking into account the general objectives set by the Bank's annual budget. Thus, an appropriate portfolio of liquid assets is planned, which can always:
(1) meet the current and expected liquidity needs,
(2) meet the regulatory liquid asset requirements.

The Bank's liquidity risk management is based on:
- Strategy and Plan for providing funds for the implementation of business plans and plans for difficult – to- predict and emergency situations, in the short and long terms, which should demonstrate the Bank's ability to preventively and effectively manage both routine and unexpected changes in its liquid position
- Clearly defined liquidity risk management process (identification, assessment, measurement, exposure monitoring and control of the entire process) with clearly defined roles and responsibilities, and documented in internal acts
- Developed information system that is the basis of successful liquidity risk management on a daily basis and its control.

Also, liquidity risk management implies involvement in its management of the Bank's bodies that, in this process, are supported by the committees and all employees who are indirectly or directly involved in assuming, managing and controlling the liquidity risk, primarily:
- *The Bank's Management Board and the Supervisory Board*, which is responsible for the strategy for managing this risk, as well as deciding on a comprehensive framework for liquidity risk management at the bank level
- *Senior management*, which is responsible for implementing risk management policies, overseeing the implementation, maintenance and management of information and other systems, and establishing effective internal control over the liquidity risk management process
- *Assets and Liabilities Management* Committee (ALCO Committee), composed of senior management, usually from the Treasury function and the Risk Management function (usually the liquidity risk management department), and
- *Risk management control functions* that have the necessary experience in controlling this risk, apply appropriate processes and procedures and perform relevant expertise.

Market risk

The strategy of market risk management is to limit the exposure to the same, i.e. to maintain the level of assumed risk within the planned propensity or planned risk profile for market risks, taking into account regulatory restrictions. In order to maintain an adequate level of exposure to market risks, restrictions on so-called internal limits have been defined, with priority given to regulatory limits.

The process of assuming and managing market risks and the process of controlling these risks are clearly separated in organizational terms, which means that the organizational unit Markets is primarily in charge of managing and assuming the market risks, whereas control of the said risks is performed by the Risk Controlling Unit i.e. the Market Risk Management Group.

The Market Risk Management Group performs daily controls of compliance of positions with internal and regulatory limits and they are defined in valid internal documents.

Market risk management policy is based on clearly defined roles and responsibilities, procedures and work processes, methods of identification, measurement, monitoring, control, reporting and escalation procedures.

The process of managing and assuming the market risk and the process of controlling this risk are clearly separated into different organizational units in charge of this risk, which means that managing and assuming the market risk is primarily carried out in the organizational unit Markets/Trade and Sales, whereas its control is performed within the Risk Controlling Unit, i.e. the Market Risk Management Group.

The roles and responsibilities for identification, measurement, monitoring, control, reporting and escalation procedures are described in detail in the umbrella documents Risk Controlling / Market Risk Management Group, namely the Market Risk Management Rulebook and the Market Risk Management Procedures.

Interest rate risk in the banking book

The interest rate risk management strategy in the banking book is based on establishing a risk appetite framework taking into account current and future business plans and activities as well as the ability to assume this risk that respects regulatory constraints. In order to fulfill the strategy, the Bank sets indicators and target values or limits. Controls and actions taken in case of violation of limits and internal indicators allow timely response and mitigation of this risk. Control frequencies are organized on a daily basis (for defined internal RBI indicators), in order to enable timely verification of the status of utilization of limits and internal indicators, and to adequately take all remedial measures to mitigate risk, and in case of violation of limits, to take necessary activities of "return of positions" within the defined limits.

Interest rate risk management is based on the following principles:
- managing the balance in refinancing assets with regard to terms, currencies and types of interest rates, for the purpose of minimizing the risk of changes in interest rates and the impact on business results
- defining the limit of interest rate risk exposure by analyzing interest-rate sensitive assets and liabilities, which are sensitive to changes in interest rates in terms of maturity and amount
- contracting interest rates as determined by the Bank's Tariff
- determining the components of reference interest rates
- stress testing
- monitoring profitability indicators.

The process of controlling the interest rate risk in the banking book consists of risk measuring and modeling, setting and monitoring limits, controlling and managing positions within the limit, as well as the process of escalating limits.

The interest rate risk management policy in the banking book is based on the clearly defined roles and responsibilities, procedures and work processes, methods of identification, measurement, monitoring, control, reporting and escalation procedures.

Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems or external events, including legal risk.

The strategy related to operational risk management includes:
- clear internal organization with separate operational risk management functions (responsible operational risk specialists – so-called DORS functions and operational risk managers – so-called ORM functions) as well as functions of control of these risks (Operational Risk Controlling – so-called ORC function, Executive Director for Risk – CRO, Operational Risk Management and Control Committee – ORMCC), and finally, the internal audit function that oversees the complete operational risk management / control system
- clearly defined, transparent and consistent lines of responsibility,
- raising awareness of the existence of operational risk,
- consistent adherence to internal documents as well as external regulatory guidelines governing the subject area.

Operational risk management strategy:
- Monitoring the maintenance of losses in accordance with the "shadow budget".
- Organization of implementation of individual activities (collecting the operational risk events, risk assessment, scenario analyses, risk treatment plans, general ledger analysis, revision of early warning indicators) in accordance with the Group's plan.
- Organization of training for new employees regarding the minimum standards of operational risk management.
- Organization of training for ORM / DORS functions.
- Focus on further raising awareness of the importance of operational risk management.

Operational risk management includes identifying, measuring, managing and monitoring exposures that result from inadequate or failed internal processes, human interactions and systems, or are the result of external events.

The operational risk management framework consists of processes, structures, controls and systems applied in operational risk management, thus ensuring the establishment of key management elements and operational activities. Managing and controlling operational risk contributes to strengthening business objectives and meeting regulatory requirements.

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

The Management Board is required to prepare separate financial statements, which provide a true and fair view of the financial position of the Bank and of the results of its operations and cash flows, in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina (FBiH), which are based on the Law on Accounting and Auditing in FBiH, Law on Banks of FBiH, and bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina (Agency or FBA), adopted pursuant to the aforementioned laws. The Management Board is responsible for maintaining proper accounting records that allow the preparation of such financial statements at any time. Management has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

The Management Board is responsible for selecting such accounting policies that conform with applicable accounting standards and then applying them consistently; making judgments and estimates that are reasonable and prudent; and preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management Board is responsible for the submission to the Supervisory Board of its annual report of the Bank together with the annual separate financial statements, following which the Supervisory Board and the General Assembly are required to approve and adopt the separate financial statements.

The separate financial statements set out on pages 16 to 122 were authorized by the Management Board on March 05. 2024 for issue to the Supervisory Board, and are signed bellow to signify this, by:

For and on the behalf of the Management Board

Raiffeisen BANK dd Bosna i Hercegovina 7

Chairman of the Management Board
Rainer Schnabl

Management Board member
Edin Hrnjica

Raiffeisen Bank dd Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosnia and Herzegovina
March 05. 2024.

Independent auditor’s report

To the Shareholder of Raiffeisen Bank dd Bosna i Hercegovina

Opinion

We have audited the separate financial statements of Raiffeisen bank dd Bosna i Hercegovina (hereinafter ‘the Bank’), which comprise separate profit or loss statement and statement of other comprehensive income, the separate statement of financial position as at 31 December 2023, and the, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at 31 December 2023, and its separate financial performance and its separate cash flows for the year then ended in accordance with statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Federation of 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.

Emphasis of Matter

Consolidated financial statements

We draw your attention to Note 3 to the separate financial statements stating that the Parent Company is within the Raiffeisen Bank Group and that the consolidated financial statements of the Group prepared in accordance with the statutory financial reporting framework in the Federation of Bosnia and Herzegovina will be issued separately. In the accompanying separate financial statements, investments in subsidiaries and associates are stated at cost. A better understanding of the financial position of the Group as a whole can be obtained by reviewing the consolidated financial statements.

Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the year ended 31 December 2023. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowances for loans to and receivables from customers (expected credit losses)

In its separate financial statements for the year ended 31 December 2023 the Bank presented financing to customers in the amount of BAM 2,932,569 thousand and total expected credit loss in the amount of BAM 148,977 thousand.

Key Audit Matter	How the Key Audit Matter Was Addressed in Our Audit
For accounting policies, see Note 3. For additional information regarding the identified key audit matter see notes 6, 12, and 24.3.	
Credit risk represents one of the most important types of financial risks which the Bank is exposed to. Determining appropriate methods and models by the Management to measure and manage credit risk is therefore one of the most important areas in safeguarding the Bank's capital. As part of the credit risk management process, appropriate determination and measurement of loss allowances for expected credit losses represents one of the key considerations for the Management. In determining both the timing and the amount of loss allowance for expected credit losses on loans to and receivables from customers, the Management exercises significant judgement in relation to the following areas: • Use of historical data in the process of determining risk parameters; • Estimation of the credit risk related to the exposure on loans and receivables from customers; • Assessment of credit risk stage allocation for loan exposures and receivables from customers; • Assessment on the significance of subsequent changes in credit risk of an exposure for the purposes of identifying whether significant increase in credit risk has occurred, leading to changes in stage allocation and the required measurement of lifetime expected credit losses; • Assessment of the forward-looking information; • Expected future cash flows from operations, which could be available for recovering given loans; • Valuation of collateral and assessment of the period in which a cash proceeds based on potential repossession and sale for individually assessed credit losses. Since determination of appropriate loss allowances for expected credit losses on loans and receivables requires the 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 loss allowances for expected credit losses on loans and receivables from customers, recognized in accordance with the statutory accounting regulations applicable to banks in Federation of Bosnia and Herzegovina as a key audit matter in our audit of the financial statements for the year ended 31 December 2023.	In order to address the risks associated with loss allowances for expected credit losses on loans to and receivables from customers, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient and appropriate audit evidence for our conclusion. We performed the following audit procedures with respect to area of financing: • Review and verification of the Bank's methodology for recognizing loss allowances for expected credit losses and comparing the reviewed methodology against the requirements of the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina; • Obtaining understanding of control environment and internal controls implemented by the Management within the process of measuring loss allowances for expected credit losses, including used applications and information technology tools and corresponding internal controls; • Evaluating design and inspecting implementation of identified internal controls relevant to the process of measuring loss allowances for expected credit losses; • Testing identified relevant controls for operating effectiveness; • Performing substantive tests over recognition and measurement of loss allowances for expected credit losses on sample of loans allocated to Stage 1 and Stage 2, focusing on: i. models applied in stage allocation and transitions between stages; ii. assumptions used by the Management in the expected credit loss measurement models; iii. criteria used for determination of significant increase in credit risk; iv. assumptions applied to calculate lifetime probability of default; v. methods applied to calculate loss given default; vi. methods applied to incorporate forward- looking information; vii. re-performing calculation of expected credit losses on a selected sample. • Performing substantive tests over recognition and measurement of loss allowance for expected credit losses on sample of individually assessed loans allocated to Stage 3 (non-performing loans), which included: i. assessment of customer's financial position and performance following latest credit reports and available information ii. review of judgements and assumptions applied in the calculation and measurement of expected future cash flows from operations, taking into consideration customer's financial position and performance in the current economic environment; iii. reviewing and assessing expected future cash flows and periods in which cash proceeds from potential repossession and sale from collateral and estimated realization period; iv. assessment of appropriateness of transition of financing exposures between stages and allocation of credit exposures with granted moratoria. v. recalculation of expected credit losses on a sample selected using the following criteria: assessment of customer credit risk, industry risk, days of delay in payment of overdue loan receivables and other receivables, etc. vi. Assessed the completeness and accuracy of disclosures related to expected credit losses in the context of the requirements statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

Other information

Management is responsible for the other information. The other information comprises the information, included in Annual report, other than the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, assess whether the other information is materially inconsistent with the separate financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the Management report, which is included in the Annual report, we have also performed the procedures prescribed by the Accounting and Auditing Act in the Federation of Bosnia and Herzegovina. These procedures include examination of whether the Management Report includes required disclosures as set out in the Article 42 of the Accounting and Auditing Act in the Federation of Bosnia and Herzegovina. Based on our procedures performed, we report that:

1) Other information is, in all material respects, consistent with the audited separate financial statements.
2) Management report has been prepared, in all material respects, in accordance with the Article 42 of the Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina.

Based on our knowledge and understanding of the Bank and its environment obtained in the audit of the separate financial statements, we did not identify any material misstatement of fact related to the other information.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina., and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements of the Bank, management is responsible for assessing its ability to continue as a going concern, disclosing 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 Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when we decide, in extremely rare circumstances, that the matter should not be reported in our independent auditor's report because the negative consequences of reporting could reasonably be expected to outweigh the public interest benefit.

Yuri Sidorovich, Procurator

Deloitte
d.o.o.
Zmaja od Bosne 12c
71000 Sarajevo
ID: 4200047380000

Adna Valjevac, Licensed auditor

Deloitte d.o.o. Sarajevo
Zmaja od Bosne 12c
Sarajevo, Bosnia and Herzegovina
05. March 2024

Separate Statement of comprehensive income

for the year ended 31 December 2023

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

	Notes	2023	2022
Interest and similar income calculated using the effective interest rate	8	174,571	136,158
Interest and similar expense calculated using the effective interest rate	9	(13,131)	(17,446)
Net interest and similar income calculated using the effective interest rate		**161,440**	**118,712**
Fee and commission income	10	128,135	124,839
Fee and commission expense	11	(36,651)	(29,766)
Net fee and commission income		**91,484**	**95,073**
Impairment losses and provisions	12	(4,589)	(12,764)
Other losses from financial assets, net	13	(1,259)	(285)
Net positive foreign exchange gains	14	18,080	21,498
Net gain / (loss) from non-current non-financial assets	15	1,756	(1,262)
Dividend income	16	-	11,586
Other income	17	9,926	7,980
Employee expenses	18	(61,302)	(54,646)
Depreciation costs	25, 26, 27, 28	(15,790)	(14,616)
Other expenses and costs	19	(72,084)	(64,061)
Profit before tax		**127,662**	**107,215**
Income tax	20	(5,702)	(6,438)
Net profit for the year		**121,960**	**100,777**
Other comprehensive gain/ (loss)		10	(1)
Total other comprehensive income		**121,970**	**100,776**
Earnings per share (BAM)	36	**123,35**	**101,93**

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of financial position

as at 31 December 2023

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

	Notes	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	21	1,181,109	1,334,816
Financial assets at fair value through PL	22	11,952	17,359
Financial assets at fair value through other comprehensive income	23	538	526
Financial assets at amortized cost	24	3,807,491	3,498,102
Obligatory reserves at the Central Bank of BiH	24.1	437,791	422,204
Deposits in other banks	24.2	205,002	319,130
Loans and receivables to customers	24.3	2,783,592	2,480,281
Other financial assets at amortized cost	24.4	381,106	276,487
Prepaid income tax		-	1,306
Deferred tax assets	20	10,240	4,253
Property, plant and equipment	25	98,292	93,470
Right-of-use assets	26	8,685	7,541
Investment property	27	27,705	28,344
Intangible assets	28	32,983	23,266
Investments in subsidiaries	29	11,050	11,050
Investments in joint ventures	30	2	2
Non-current assets for sale and assets to be discontinued		23	3
Other assets and receivables	32	5,311	4,947
TOTAL ASSETS		**5,195,381**	**5,024,985**
LIABILITIES			
Financial liabilities at amortized cost	33	4,463,899	4,336,492
Deposits from banks and other financial institutions	33.1	131,739	144,404
Client deposits	33.2	4,180,378	3,979,651
Borrowings	33.3	107,867	182,045
Lease liabilities	33.4	8,852	7,692
Other financial liabilities at amortized cost	33.5	35,063	22,700
Income tax liabilities		1,234	-
Deferred tax liabilities	20	2,003	1,705
Provisions	34	35,659	41,221
Credit risk of commitments and guarantees	34.1	9,758	16,845
Court litigation	34.2	11,745	11,795
Other provisions	34.3	14,129	12,582
Other liabilities	35	22,606	21,974
TOTAL LIABILITIES		**4,525,401**	**4,401,392**
EQUITY			
Share capital	36	247,167	247,167
Share premium		4,473	4,473
Reserves		1,230	1,230
Revalorization reserves		277	267
Retained earnings		416,833	370,456
TOTAL EQUITY		**669,980**	**623,593**
TOTAL LIABILITIES AND EQUITY		**5,195,381**	**5,024,985**

The accompanying notes form an integral part of these separate financial statements.

For and on the behalf of the Management Board

Chairman of the Management Board
Rainer Schnabl

Management Board member
Edin Hrnjica

Raiffeisen Bank dd Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosnia and Herzegovina
March 05. 2024

Raiffeisen BANK dd Bosna i Hercegovina

Separate Statement of cash flows

for the year ended 31 December 2023

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

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflow from interest and similar income calculated at effective interest rate		171,520	134,255
Outflow from interest and similar income calculated at effective interest rate		(12,682)	(19,939)
Inflow from fee and commission income		128,135	124,839
Outflow from fee and commission expense		(36,341)	(29,766)
Inflow from collection of previously written off loans and interests		5,425	4,983
Outflow from employee payments		(61,302)	(54,646)
Outflow from operating cost and expenses		(72,289)	(58,873)
Other inflow from operating activities		32,103	35,240
Other outflow from operating activities		(5,366)	(6,945)
Paid income tax		(10,158)	(4,057)
Net cash flow from operating activities before changes in operating assets and operating liabilities		**139,045**	**125,091**
Net (increase) in obligatory reserves with CBBiH		(15,602)	(6,252)
Net decrease / (increase) in bank placements		114,714	(142,678)
Net (increase) in customer loans and receivables		(259,961)	(114,931)
Net (increase) / decrease in other assets and receivables		(140,626)	391
Net (decrease) / increase in deposits from banks and other financial institutions		(12,593)	780
Net increase in customer (client) deposits		200,726	59,354
Net increase / (decrease) in other liabilities at amortized cost		3,078	(85,726)
Net increase for provisions		347	416
Net (decrease) / increase in other liabilities		(1,428)	801
Net cash flow from operating activities		**27,700**	**(162,754)**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	25	(11,663)	(7,509)
Acquisition of intangible assets	28	(13,482)	(10,593)
Dividend received	16	-	11,586
Net cash flow from investing activities		**(25,145)**	**(6,516)**
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(75,583)	(45,230)
Inflows from bank loans		9,781	19,558
Payment of loan principals		(14,089)	(27,830)
Inflows from loans from other financial institutions		-	9,779
Payment of principal of loan from other financial institutions		(8,343)	(19,209)
Subordinated loan inflows		-	44,984
Repayment of subordinated loan principals		(61,804)	-
Repayment of principals on leases	34.4	(6,224)	(5,983)
Net cash flow from financing activities		**(156,262)**	**(23,931)**
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(153,707)**	**(193,201)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21	**1,334,816**	**1,528,063**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	**1,181,109**	**1,334,816**

The accompanying notes form an integral part of these separate financial statements.

Separate Statement of changes in equity

for the year ended 31 December 2023

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

	Share capital	Share premium	Revalori-zation reserves	Reserve	Retained earnings	Total
Balance as at 31 December 2021	**247,167**	**4,473**	**268**	**1,230**	**314,909**	**568,047**
Profit for the year	-	-	-	-	100,777	100,777
Other comprehensive loss	-	-	(1)	-	-	(1)
Total comprehensive income	**-**	**-**	**(1)**	**-**	**100,777**	**100,776**
Published dividends	-	-	-	-	(45,230)	(45,230)
Balance as at 31 December 2022	**247,167**	**4,473**	**267**	**1,230**	**370,456**	**623,593**
Profit for the year	-	-	-	-	121,960	121,960
Other comprehensive income	-	-	10	-	-	10
Total comprehensive income	**-**	**-**	**10**	**-**	**121,960**	**121,970**
Published dividends	-	-	-	-	(75,583)	(75,583)
Balance as at 31 December 2023	**247,167**	**4,473**	**277**	**1,230**	**416,833**	**669,980**

The accompanying notes form an integral part of these separate financial statements.

Notes to the separate financial statements

for the year that ended 31 December 2023
(all amounts are expressed in thousands of BAM, unless otherwise stated)

1. General information

History and incorporation

Raiffeisen Bank dd Bosnia and Herzegovina, Sarajevo (the "Bank") is a joint stock company incorporated in Bosnia and Herzegovina which commenced its operations in 1993.

Principal activities of the Bank are:
1. accepting and placing of deposits;
2. receiving demand and time deposits;
3. supplying short- term and long-term loans and guarantees to the local authorities, companies, private (physical) persons, and other credit institutions involved in finance lease and foreign exchange transactions;
4. money market (interbank market) activities;
5. performing local and international payments;
6. foreign currency exchange and other regular banking services;
7. providing banking services through an extensive branch network in Bosnia and Herzegovina.

The address of the Bank's registered seat is Zmaja od Bosne bb, Sarajevo. As of December 31 2023, the Bank had 1,382 employees (December 31 2022: 1,341 employees).

During 2023 and on the date of the publication of this report, the managing bodies of the Bank are listed below:

During 2023 and on the date of this report, the members of the Supervisory Board were:

Supervisory Board

Peter Jacenko	Chairman
Markus Kirchmair	Deputy Chairman
Markus Plank	Member until 14 January 2024
Matthias Dekan	Member from 15 January 2024
Johannes Kellner	Member to 28 September 2023
Elisabeth Geyer – Schall	Member
Zinka Grbo	Member
Jasmina Selimović	Member

During 2023 and on the date of this report, the members of the Audit Committee were:

Audit Committee

Alda Shehu	Chairman from 17 March 2023
Biljana Ekinović	Member from 17 March 2023
Meliha Bašić	Member from 17 March 2023
Renate Kattinger	Chairman to 16 March 2023
Nedžad Madžak	Member to 16 March 2023
Abid Jusić	Member to 16 March 2023
Vojislav Puškarević	Member to 16 March 2023
Benina Veledar	Member to 16 March 2023

During the period covered by this report and on 31 December 2023, the Management Board consists of the Chairman of the Management Board and Management Board members. The following persons performed these functions during the year and on the day of this report:

Management Board

Rainer Schnabl	Chairman
Edin Hrnjica	Member
Andreea Achim	Member to 31 January 2024
Amna Gabela	Acting Member from 1 February 2024 to 30 April 2024, i.e. until the appointment of a new member of the Management Board responsible for risks
Mirha Krivdić	Member
Kreshnik Halili	Member

2. Basis of preparation

2.1. Reporting framework

The financial statements have been prepared in accordance with the legal accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina ("FBiH"), which are based on the FBiH Law on Accounting and Auditing, the FBiH Banking Law and bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina ("Agency" or "FBA") adopted on the basis of the laws referred to above.

- The FBiH Law on Accounting and Auditing prescribes the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").
- The Law on Banks of the FBiH prescribes the preparation of annual financial statements in accordance with the aforementioned Law on Accounting and Auditing of the FBiH, this law, and the bylaws adopted on the basis of both laws.
- The Agency adopted the *Decision on Credit Risk Management and Determination of Expected Credit Losses* (the "Decision"), applicable from January 1 2020, which resulted in certain differences arising from the calculation of impairment for credit losses due to the application of minimum rates prescribed by the Decision, which are not required by IFRS 9: "Financial Instruments" ("IFRS 9"). The decision also has an impact on the valuation of non-financial assets arising from credit operations (acquired tangible assets whose valuation is within the scope of other relevant IFRSs).

The main differences between the legal accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina (i.e. primarily the requirements of the Decision) and the requirements for recognition and measurement under IFRS are explained below.

In accordance with the provisions of the Decision, as at 31 December 2023 the Bank calculated impairment for credit losses in the amount of BAM 34,544 thousand against the amount obtained by calculation, which is the result of the Bank's internal model for calculating expected credit losses, compliant with the requirements of IFRS 9, with the details as follows:

- Application of Article 23 of the Decision prescribing the application of minimum impairment rates for all exposures allocated to credit risk level 1 – calculated difference in the amount of BAM 10,997 thousand,
- Application of Article 24 of the Decision prescribing the application of minimum impairment rates for all credit exposures in credit risk level 2 – calculated difference in the amount of BAM 12,374 thousand,
- Application of minimum impairment rates prescribed in Article 25 of the Decision for exposures at credit risk level 3 (non-performing assets) – calculated difference in the amount of BAM 8,870 thousand.
- Application of the minimum impairment rates prescribed in Article 26 of the Decision for trade receivables, receivables based on factoring and financial leasing and other receivables – the difference in the amount of BAM 4,350 thousand.

The table below presents the effects of the previously described difference between the legal accounting regulations applicable to banks in the FBiH and the requirements for recognition and measurement under the International Financial Reporting Standards:

All amounts are expressed in thousands of BAM	1 January 2022	31 December 2023	31 December 2023
Assets	(24,726)	(25,544)	(24,727)
Liabilities	9,657	9,212	8,451
Equity	(34,383)	(34,755)	(33,178)

Where accounting policies correspond to the International Financial Reporting Standards, in these financial statements we refer to relevant IFRSs when describing the Bank's accounting policies.

These financial statements are separate financial statements of the Bank, prepared in accordance with the Law on Accounting and Auditing in FBiH, the Law on Banks of FBiH and bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina. As explained in Note 29, the Bank is a parent within the Raiffeisen Bank BH Group and will also prepare consolidated financial statements, which will be approved by the Management Board. For better understanding of the Raiffeisen Bank Group as a whole, users should read the consolidated financial statements.

These separate financial statements were authorized by the Management Board on March 05.2024. for submission to the Supervisory Board

2.2. Basis for measurement

The separate financial statements have been prepared on the historical cost basis, except for the financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset, or paid to transfer a liability 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 an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis.

The principal accounting policies adopted are stated below.

2.3. Functional and presentation currency

These separate financial statements are presented in thousands of Bosnian marks ('000 BAM) which is also the functional currency. Bosnian (Convertible) Mark is pegged to Euro (1 EUR = 1.95583 BAM).

2.4. Use of judgments and estimates

The preparation of separate financial statements requires the Management to make judgments, estimates and assumptions that impact the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimate is revised and are likely to be recognized in the future periods, if the revision impacts those periods as well. Information on areas with significant uncertainty in the estimates and judgments used in applying accounting policies that have the most significant impact on the amounts recognized in these financial statements are disclosed in Note 4.

3. Significant accounting policies

3.1. Foreign currency transactions

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

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

31 December 2023	EUR 1 = BAM 1,95583	USD 1 = BAM 1,76998
31 December 2022	EUR 1 = BAM 1,95583	USD 1 = BAM 1,83370

3.2. Interest income and expense

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest rate method. The "effective interest rate" is the rate that discounts exactly the estimated future cash payments or receipts through the expected life of the financial instrument to:

- gross carrying amount of the financial asset; or
- the amortized costs of the financial liability.

When computing the effective interest rate for financial instruments other than purchased or credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instruments, but not the expected credit loss ("ECL"). For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including the expected credit loss.

The calculation of the effective interest rate includes all paid or received transaction costs, fees and points that constitute an integral part of the effective interest rate. Transaction costs include all incremental costs that may be attributed directly to the acquisition or issuance of financial assets or financial liability.

Amortized cost and gross carrying value

The "amortized cost" is the amount at which a financial asset or a financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization, using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment).

"Gross carrying amount of financial assets" is the amortized cost of financial assets before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

Effective interest rate on a financial asset or financial liability is calculated on initial recognition of a financial asset or liability. In calculating the interest income and expense, the effective interest rate is applied to the gross carrying amount of an asset (when asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic estimation of cash flows of floating rate instruments to reflect developments in market interest rates.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that accurately discounts the estimated future cash receipts or payments through the expected life of the financial asset or financial liability (or shorter period, where appropriate) to the carrying amount of the financial asset or the financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

Calculation of the effective interest rate includes the costs of transactions, fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that may be directly attributed to the acquisition or issue of a financial asset or financial liability.

Interest income and expense on other financial assets and financial liabilities at fair value through profit or loss are recognized in net profit or loss from other financial instruments at fair value through profit or loss.

3.3. Fee and commission income and expenses

Fee and commission income and expenses that are an integral part of the effective interest rate on a financial asset or liability are included in the effective interest rate measurement, and are recognized in interest income and expense.

The Bank provides banking services to retail and corporate customers, including account management, overdraft management, foreign currency transaction management, and management of credit cards and services.

The fees for an ongoing account management are charged against the customer's account on a monthly basis. The Bank sets the rates on an annual basis, separately for retail and corporate banking customers.

Fee and commission income and expenses, as such, comprise mainly the fees related to credit card transactions, the issue of guarantees and letters of credit, domestic and foreign payment transactions and other services and are recognized in profit and loss statement when the related service is performed.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognizes revenue when it transfers a service to a customer.

Revenue from account fees and services is recognized throughout the period of service delivery.

Revenue from transactions is recognized at the point in time when the transaction takes place.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate the measurement of the part of the contract that falls under the scope of IFRS 9, and then applies IFRS 15 to the rest of the contract.

3.4. Net trading gains

"Net trading gains" comprises gains less losses, related to trading assets and liabilities, and includes all changes in fair value, interests, dividends and exchange rate differences.

3.5. Net income from other financial instruments at fair value through profit and loss

Net income from other financial instruments measured at fair value through profit and loss relates to non-trading derivatives held for risk management purposes that do not constitute a part of qualifying hedging relationships; financial assets and financial liabilities are measured at fair value through profit and loss. The listed items include fair value changes, interests, dividends and foreign exchange differences.

3.6. Dividend income

Dividend income is recognized in the income statement when the right to receive income is established and if the amount of dividend can be reliably measured.

3.7. Leases

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers the right to control the use of an identified asset, the Bank uses the definition of a lease in accordance with IFRS 16 "*Leases*".

i) Bank as a lessee

The Bank recognizes right-of-use asset and a lease liability from the lease commencement date. The right-of-use asset is initially measured at cost, which is equal to the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs that may arise from dismantling and removing the asset in question, renewing the location of the asset or restoring the asset into the condition required under the terms of lease agreement.

The right-of-use asset is subsequently depreciated using the straight-line method to the end of the lease term, or over the period for which the lease is expected to be active. In addition, right-of-use assets are periodically reduced by impairment losses, if applicable, or adjusted for a particular re-measurement of lease liabilities.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, using the interest rate referred to in the contract, or if that rate cannot be easily determined, an incremental borrowing rate. The Bank applies an incremental borrowing rate of 2% as a discount rate.

The Bank determines an incremental borrowing rate by obtaining the data on interest rates from various external funding sources and makes certain adjustments to reflect the terms of the lease and the types of assets that are subject of the lease.

Lease payments included in the measurement of the lease liability comprise the following payments:
- fixed payments, including in-substance fixed payments; less any prepayments received in connection with the lease; variable payments that depend on a particular index or rate and that are initially measured against that index or rate on the first day of the lease;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the lessee is realistically likely to exercise, and penalties for early termination of a lease, if the period of lease duration indicates that the lessee exercised that option.

The lease liability is measured at amortized cost using the effective interest rate method. It is re-examined when the change in future lease payments occurs arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, in the case when Bank changes its assessment of whether it will exercise purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, the carrying amount of the right-of-use asset is properly adjusted or the originated difference is recorded in the income statement if the carrying amount of the right-of-use asset is reduced to zero.

The Bank discloses right-of-use assets and the lease liability as separate items in the statement of financial position.

The Bank opted not to recognize right-of-use assets and liabilities for low-value assets (asset limit value is EUR 5,000) and short-term leases.

The Income Statement and Other Comprehensive Income Report shows interest expense on the lease liability separately from the depreciation of the right of use asset. Interest expense on a lease liability is a component of financial costs.

ii) Bank as a Lessor

Payments made under the operating leases are recognized as income using the straight-line method in income statement over the life of the lease, and are recognized in the statement of financial position in the event of a mismatch between the actual time of payment and the designated lease expense.

3.8. Taxation

Tax expense, on income tax base, is the sum of current tax liabilities and deferred taxes.

Current income tax

Tax expense is based on a taxable profit for the year. Net income differs from taxable income of the period reported in Income Statement and Other Comprehensive Income Report, as it includes items of income and expense that are taxable or non-taxable in other years, as well as items that are never taxable or deductible. The Bank's current tax liabilities are calculated by applying tax rates that are in effect or in the process of being adopted at the reporting date.

Deferred income tax

Deferred tax is the tax expected to be payable or recoverable based on differences between the carrying amount of assets and liabilities in the separate financial statements and the corresponding tax basis used in the computation of taxable profit, and is calculated 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 where it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The book value of deferred tax assets is reviewed at each reporting date and reduced to the extent where it is no longer probable that sufficient taxable profit will be available to allow all or part of the tax assets to be recovered.

3.9. Investments in subsidiaries

A subsidiary is an entity which is controlled by the Bank. Control is achieved in such a way that the Bank is entitled to variable returns from its involvement with the subsidiary entity and has the ability to affect those returns through its power over the subsidiary entity.

Investments in subsidiaries in these separate financial statements are valued at cost less any impairment losses, where existing.

3.10. Investments in associates and joint ventures

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture pertains to the shares in the jointly controlled legal entity. A joint venture is an undertaking in which the Bank has joint control, whereby the Bank has rights to the net assets of the undertaking, rather than rights to its assets or rights to assuming the liabilities of the jointly controlled legal entity.

Investments in associates and joint ventures in these separate financial statements are stated at cost of acquisition less any impairment losses, where existing.

3.11. Financial assets and liabilities

Recognition and initial measurement

The Bank initially recognizes loans and receivables, deposits, debt securities and subordinated liabilities on the date on which they originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognized on the trading date, meaning the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus any transaction costs that are directly attributable to its acquisition or issue, except for financial assets and liabilities at fair value through profit and loss.

3.11.1. Financial assets

(i) Classification and subsequent measurement

On initial recognition, Bank classifies its financial assets in accordance with the following categories:
- Financial assets measured at amortized cost
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit and loss (FVPL)

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are the instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, bonds and receivables.

Classification and subsequent measurement depend on:
(i) Purpose of financial asset management (business model)
(ii) Contractual characteristics of cash flows ("Sole Payments of Principal and Interest", hereinafter "SPPI test" or "SPPI")

Based on these factors, the Bank classifies its financial assets depending on the purpose of acquisition of financial instruments, as follows:

- **Financial assets measured at amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent sole payments of principal and interest ("SPPI"), and that are not designated at fair value through profit and loss, are measured at amortized cost. After initial recognition, the carrying amount of these assets is adjusted to any expected credit loss (ECL) allowance recognized and measured as described in Note 3.11.1 (iv).

Interest income is calculated using the effective interest rate and is included in the line item *"Interest income calculated using the effective interest rate method"*.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables originate when the Bank grants cash funds to customers without the intent to trade these receivables and include placements and loans issued to banks, customer loans and receivables, and assets with the Central Bank.

- **Financial assets at fair value through other comprehensive income**

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent sole payments of principal and interest, and that are not designated at fair value through profit and loss are measured at fair value through other comprehensive income.

Measurements in fair value of financial assets measured through other comprehensive income are recognized through other comprehensive income, except for recognition of gains or losses on impairment, interest income and foreign exchange differences that are recognized in profit or loss, except in case of equity securities where unrealized gains/losses are never reclassified to profit or loss.

When the financial asset through other comprehensive income is derecognized, the cumulative gain or loss, previously recognized through other comprehensive income, is reclassified from equity to income statement. Interest income is calculated using the effective interest rate method.

- **Financial assets at fair value through profit and loss**

Financial assets are subsequently measured at fair value through profit or loss unless subsequently measured at amortized cost or at fair value through other comprehensive income. Gains and losses arising from changes in the fair value of a financial asset at fair value through profit or loss are recognized in the income statement.

In addition, the Bank has the option to designate, on initial recognition, financial assets that otherwise meet the requirements to be measured at fair value profit and loss, if doing so significantly reduces the accounting non-compliance that may otherwise arise.

Purpose of managing financial assets (Business model)

All financial assets, except for equity securities that fall into the category of investments in associates, joint ventures and subsidiaries, are grouped into business models that indicate the way in which a group of financial assets are jointly managed as a whole to achieve specific business objective and define the way in which financial assets are expected to generate cash flows.

Business models of the Bank are:
- The business model the objective of which is to hold assets for the collection of contractual cash flows – it integrates all financial assets held for the purpose of collection of contractual cash flows over the lifetime of financial instruments. For the purpose of collection, the business model is subjected to SPPI test, and the following financial assets are allocated to this model:
  - cash on transaction accounts held in other banks,
  - placements with other banks,
  - loans to customers,
  - other receivables.

Credit risk is an underlying risk that is managed under this business model.

- The business model aimed to collect the contractual cash flows and sale of financial assets – it integrates financial assets held for the purpose of collecting the contractual cash flows and sale of financial assets. The following financial assets are allocated to the business model for the purpose of collection and sale:
  - debt securities (pass SPPI test),
  - equity securities (fail SPPI test),

Liquidity risk is an underlying risk that is managed under this business model.

- The business model where financial assets are measured at fair value through profit and loss (fails SPPI test) – it combines all financial assets that are not held under the two previously mentioned business models. Financial assets in this business model are managed in order to realize cash flows by selling assets and generating short-term profits.

Contractual cash flow characteristics (SPPI)

In terms of the sole payment of principal and interest, the test of contractual cash flow characteristics constitutes one of the criteria for the classification of financial assets in the individual measurement category. SPPI test is performed for the purpose of establishing whether the interest rate on unsettled principle reflects the fee for time (temporal) value of money, credit risk and other basic borrowing risks, lending costs and profit margin.

SPPI test is performed:
- for all financial assets, allocated to the business model the purpose of which is to hold financial assets for the collection of contractual cash flows, and the business model aimed at collecting contractual cash flows and selling financial assets on the date of its initial recognition,
- for each financial asset in cases where the original asset was significantly modified and therefore rerecognized as a new asset,
- when introducing new models and/or loan programs to determine, in advance, the eligibility of the considered loan term and conditions in relation to the need to subsequently monitor the value of any financial assets that would arise from them.

Equity instruments

Equity instruments are the instruments that meet the definition of equity from the issuer's perspective; that is, the instruments that do not include the contractual obligation of payment, and include the evidence on residual interest in the issuer's net assets. Examples of equity investments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's Management Board opted, at initial recognition, to irrevocably designate equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as at fair value through other comprehensive income when those investments are held for purposes other than to generate return on investment. When this choice is used, fair value gains and losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including disposals. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. When representing a return on such investments, dividends continue not to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

Gains and losses on equity investments at fair value through profit and loss are included in the "Net trading income" line in the statement of profit or loss.

(ii) Derecognition of financial assets

The Bank derecognizes financial assets (in whole or in part) when the contractual rights to receive the cash flows from the financial instrument expire or when it loses control over contractual rights over that financial asset. This occurs when the Bank transfers substantially all the risks and rewards of ownership to another business entity or when rights have been realized, transferred or expired.

When the financial assets is derecognized, the difference between the carrying amount (or the carrying amount allocated to the portion of the assets that is derecognized) and the fee amount received (including any new assets less any new liabilities) and any cumulative gain or loss previously recognized through comprehensive income, is recognized in the income statement.

Any cumulative gain or loss recognized through comprehensive earnings for equity securities designated at fair value through other comprehensive income is not recognized in the profit or loss when such securities become derecognized, but is directly recognized as retained earnings.

(iii) Modification of financial assets

Modification of exposure is the procedure where the terms of original contract are changed and where the modification may be:
1) caused by current borrower's' needs (for example, reduction in the effective interest rate due to market changes, extension of duration of collateral substitution, etc.) and not by financial difficulties of the borrower,
2) caused by the current financial difficulties of the borrower or the difficulties that will arise soon, i.e. deterioration of the borrower's creditworthiness.

Modification of financial assets occurs when amendments to some or all of the contractual provisions are made.

In the case of a financial asset line that represents a debt instrument (securities and loans and receivables), the Bank determines whether the modification is significant or whether the difference between the present value of the remaining modified cash flows discounted using the original effective interest rate and the current value of the modified cash flows discounted using the original effective interest rate exceeds 10%.

If the modification is significant, the Bank ceases to recognize (derecognizes) the original financial asset and starts to recognize new financial asset at fair value plus transaction costs and recalculates the new effective interest rate for the asset. The modification date is consequently considered to be the date of initial recognition for the purpose of calculating the impairment, including the need to determine whether significant increase in credit risk has occurred.

Furthermore, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at the date of initial recognition, especially in circumstances where the modification was driven by the financial difficulties of the debtor. The differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the modification of the financial asset is not significant and the modification did not result in derecognition of the financial asset, the Bank then first recalculates the gross carrying amount of the asset based on the revised cash flows of the financial asset and recognizes the difference as gain or loss in the profit or loss. The new gross carrying amount is recalculated by discounting modified cash flows at the original effective interest rate (or using an effective interest rate adjusted for credit risk in the case of POCI assets).

If the modification occurs because of the financial difficulties of the debtor, the gain or loss is recorded together with the impairment loss. In other cases, it is recorded as interest income calculated using the effective interest rate method.

(iv) Impairment

The Agency's decision, which is based on IFRS 9, emphasizes a "three-stage" model for impairment of financial assets, based on changes in credit quality since initial recognition of financial assets.

Impairment of financial assets is recognized on the basis of the expected credit loss model (ECL) for assets subsequently measured at amortized cost and assets subsequently measured at fair value through other comprehensive income (other than equity instruments).

The Agency's decision, which is based on IFRS 9, requires an assessment of the expected losses at the level of losses expected in the next 12 months (Stage 1) from the initial entry of the financial instrument. The time period for calculating the expected loss becomes an entire remaining life of the asset which is subject to the valuation, where the credit quality of the financial instrument experienced a "significant" deterioration in relation to the initial measurement (Stage 2) or in case the asset is partially or fully non-performing (Stage 3). More specifically, the impairment provisions under IFRS 9 include:
- allocation of performing financial assets at different credit risk levels ("staging"), corresponding to the value adjustments based on expected losses over the next 12 months (the so-called "Stage 1") or the lifetime for an entire remaining duration of the instrument (the so-called "Stage 2"), when significant increase in credit risk is present;
- allocation of partially or fully non-performing financial assets in the so-called "Stage 3", always with the value adjustments based on expected losses over an entire duration of the instrument;
- inclusion of Expected Credit Losses (ECL) in the calculation, as well as the expected future changes of the macroeconomic scenario.

ECL measurement

Expected credit losses under the internal impairment model are measured as follows:
- *financial assets that are not credit-impaired at the reporting date*: as the present value of the missing cash (i.e. the difference between the cash flows to the entity under the contract and the cash flows that the bank expects to receive);
- *financial assets that are credit- impaired at the reporting date:* as the difference between the gross carrying amount and the present value of expected future cash flows;
- *undrawn credit liabilities:* as the present value of the difference between the agreed cash flow to the Bank if the liability is undrawn, and the cash flow that the Bank expects to receive; and
- *financial guarantee agreements:* expected payments to settle the guarantee holder less the amount that the Bank expects to reimburse.

See Note 5.1.3. explaining in detail the internal impairment model

Policy applicable from 1 January 2020 – Decision on credit risk management and determination of expected credit losses.

As of 1 January 2020, the Bank measures expected credit losses in line with the requirements of the Decision on Credit Risk Management and Determination of Expected Credit Losses. The impairment requirements of the Decision are based on the expected credit loss model under the IFRS 9, but it has certain specificities (for example, the prescribed minimum expected credit loss rate for credit risk levels)." Following the regulatory requirements, the Bank updated the impairment methodology in line with the requirements of the Decision as of 1 January 2020, and defined the minimum criteria for measuring expected losses in accordance with the schedule of exposures to credit risk levels, as described below.

Until 1 January 2020, the Bank applied rules for measuring and valuing credit losses based solely on IFRS 9 models, while from January 1 2020, in addition to the existing requirements of IFRS 9, it implemented the rules of the Decision setting certain minimum percentages of provisions, as listed below.

1 Credit risk level 1:

The Bank shall determine and record the expected credit losses for exposures allocated to the credit risk level 1 at least in the following amounts:
a) for low risk exposures – 0.1% of exposure,
b) for exposures to central governments and central banks outside Bosnia and Herzegovina for which there is a credit assessment by a recognized external credit rating institution which is assigned to credit quality level 3 and 4 in accordance with Article 69 of the Decision on calculation of bank's capital – 0.1 % of exposure
c) for exposures to banks and other financial sector entities for which there is a credit assessment by a recognized external credit rating institution which is assigned to credit quality level 1, 2 or 3, in accordance with Article 69 of the Decision on calculation of bank's capital – 0.1 % of exposure,
d) for other exposures – 0.5% of exposures.

If the Bank, in accordance with its internal methodology, determines the amount of expected credit losses which exceeds those arising from the above provisions of the Decision, the Bank shall apply the higher amount.

2 Credit risk level 2:

For exposures allocated to the credit risk level 2, the Bank determines and records the expected credit losses in the amount higher than the 2 below:
a) 5% of exposure,
b) the amount determined in accordance with the Bank's internal methodology.

3 Credit risk level 3:

The minimum rates of expected credit losses allocated to Level 3 depend on whether the exposure is secured by eligible collateral or not, and accordingly, the minimum rates are as follows:

a) exposures secured by eligible collateral:

Days past due	Minimum expected credit loss
Up to 180 days	15%
from 181 to 270 days	25%
from 271 to 365 days	40%
from 366 to 730 days	60%
from 731 to 1460 days	80%
over 1460 days	100%

Exceptionally, if the Bank has taken appropriate legal action and can document the certainty of collection from eligible collateral in the next 3 years, the increase in the level of expected credit losses is not required to exceed 80% of the exposure. In doing so, the estimate of future cash flows from eligible collateral reduced to present value must be greater than 20% of that receivable. In the event that the Bank fails to collect receivables in the specified period of 3 years, it is obliged to record the ECL in the amount of 100% of the exposure.

b) iexposures not secured by eligible collateral:

Days past due	Minimum expected credit loss
Up to 180 days	15%
from 181 to 270 days	45%
from 271 to 365 days	75%
from 731 to 1460 days	85%
over 1460 days	100%

In the case of restructured exposures, the Bank will maintain the expected credit losses at the level of coverage formed on the date of restructuring approval, which may not be lower than 15% of the exposure, for all 12 months of the recovery period. For the third and each subsequent restructuring of a previously restructured exposure that was allocated to credit risk level 3 or POCI assets at the time of restructuring, the Bank determines and records the expected credit losses in the amount of 100% of the exposure.

For exposures related to cases when the debtor fails to settle its obligation to the bank no later than 60 days from the day when the protest was performed on the basis of a previously issued guarantee, the Bank determines and records the expected credit loss in the amount of 100% of the exposure.

If the Bank, in accordance with its internal methodology, determines the amount of expected credit losses higher than the amounts arising from the provisions of the Decision, the Bank determines and records these amounts in the books.

The 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:

Days past due	Minimum expected credit loss
there is no material past due amount	0,5%
up to 30 days	2%
from 31 to 60 days	5%
from 61 to 90 days	10%
from 91 to 120 days	15%
from 121 to 180 days	50%
from 181 to 365 days	75%
over 365 days	100%

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occur.

The evidence that financial asset is impaired include the following observable data:
- the borrower or issuer experiences significant financial difficulties;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or the disappearance of an active market for security due to financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:
- *financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts:* generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *financial assets measured at fair value through other comprehensive income (FVOCI):* no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is also their fair value. However, the loss allowance is disclosed and recognised in the fair value reserve.

See also Note 5.1.3.

POCI assets – purchased or originated credit impaired assets

Purchased or originated credit-impaired financial asset is an asset where there is objective evidence of impairment (default) at initial recognition.

Such assets may originate in the following cases:
- bank repurchases at a significant discount an asset for which there is objective evidence of impairment, or
- there is a significant modification of the instrument which is already in default, or
- the significant modification of the instrument itself is the very reason for default, or
- bank grants a new loan to a customer whose significant portion of the portfolio is already in default

The Bank does not purchase any impaired assets (so called bad debts), therefore POCI assets are instruments that are initially recognized, or, subsequently recognized due to a significant modification, which were in default at the date of recognition.

Write-offs

Write-off of loan receivables is performed when all sources of collection of receivables have been exhausted, i.e. when future positive and negative cash flows are no longer expected on credit placements.

Write-off of loan receivables represents a loss. The consequence of writing off loan receivables is their derecognition from the accounting records, except in cases of accounting write-off, when the Bank acts in accordance with regulations, namely the Decision on Credit Risk Management and Determination of Expected Credit Losses.

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation that financial asset will be recovered in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower has no assets or sources of income that may generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at individual asset level.

Recoveries of amounts previously written off are included in "impairment losses on financial instrument" in the statement of profit or loss and other comprehensive income.

Financial assets that are written off may still be subject to enforcement activities in order to comply with the Banks's procedures.

The Bank writes off a loan or an investment in debt security, either partially or in full, and any related allowance for impairment losses, when Bank's Credit Board determines that there is no realistic prospect of recovery.

Policy applicable from 1 January 2020 – Decision on credit risk management and determination of expected credit losses

In accordance with the Decision on Credit Risk Management and Determination of Expected Credit Losses, effective from 1 January 2020, the Bank performs accounting write-off of the balance sheet exposure 2 years after the Bank had recorded expected credit losses in the amount of 100% of the gross book value of that exposure and declared it fully due.

3.11.2. Financial liabilities

(i) Classification

The Bank classifies financial liabilities at fair value through profit or loss and at amortized cost. The classification depends on the purpose for which the financial instruments have been acquired. The Management determines the classification of financial instruments at initial recognition and reviews that classification at each reporting date.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss have two sub-categories: financial instruments held for trading (including derivatives) and those initially designated by the Management into this category. A financial instrument is classified in this category only if it is acquired or incurred solely for the purpose of selling or repurchasing it in the near term for the purpose of short-term profit taking or designated as such by management at initial recognition. The Bank has no financial liabilities classified at fair value through profit or loss.

Other financial liabilities

Other financial liabilities comprise all financial liabilities not measured at fair value through profit and loss and include due to customers, due to banks and other financial institutions, and subordinated debt.

(ii) Initial and subsequent measurement

Financial liabilities at fair value through profit or loss are initially recognized at fair value, while transaction costs are immediately expensed. Subsequent measurement is also at fair value.

(iv) Modification of financial liabilities

Gains and losses arising from a change in the fair value of financial liabilities at fair value through profit or loss are recognized in the income statement.

Other financial liabilities are initially measured at fair value including transaction costs. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate.

(iii) Derecognition of financial liabilities

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

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amounts and financial liability is derecognized and consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortization cost of the liability is recalculated by discounting the modified cash flows at original effective interest rates, resulting in the recognition as gain or loss in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. The costs and fees incurred are recognized as an adjustment to the carrying amount of the liability or amortized amount over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3.11.3. Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under the IFRS, or for gains and losses arising from similar transactions such as in the trading activities.

3.11.4. Fair value measurement of financial assets and financial liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When appropriate, the Bank measures the fair value of an instrument using the quoted price in active market for that instrument. A market is considered active if transactions for the asset or liability take place with adequate frequency and in volume sufficient to provide pricing information on an ongoing basis (Level 1 of the fair value hierarchy).

If there is no quoted price in active market, then the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (Level 2 and Level 3 of the fair value hierarchy). The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The portfolios of financial assets and financial liabilities, that are exposed to market risk and credit risk managed by the Bank on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustments of each of the individual instruments in the portfolio.

The fair value of demand deposits is not less than the amount payable on demand.

The Bank recognizes transfers between levels of the fair value hierarchy within the reporting period that saw the change.

Classification of assets and liabilities is presented as follows:

All amounts are expressed in thousands of BAM	Financial assets valued at amor-tized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities that are valued at amor-tized cost	Financial liabilities that are valued at FVtPL	Financial liabilities that are valued by FVtOCI	Non-fi-nancial assets and liabilities	Equity	Total as at 31.12.2023
Cash and cash equivalents	1,181,109	-	-	-	-	-	-	-	1,181,109
Financial assets at fair value through PL	-	11,952	-	-	-	-	-	-	11,952
Financial assets at fair value through OCI	-	-	538	-	-	-	-	-	538
Financial assets at amortized cost	3,807,491	-	-	-	-	-	-	-	3,807,491
Pre-paid income tax	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	10,240	-	10,240
Tangible assets	-	-	-	-	-	-	134,682	-	134,682
Intangible assets	-	-	-	-	-	-	32,983	-	32,983
Investments in subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	11,052	-	11,052
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	23	-	23
Other assets and receivables	-	-	-	-	-	-	5,311	-	5,311
TOTAL ASSETS	**4,988,600**	**11,952**	**538**	**-**	**-**	**-**	**194,291**	**-**	**5,195,381**
Financial liabilities at amortized cost	4,463,899	-	-	-	-	-	-	-	4,463,899
Income tax liabilities	-	-	-	-	-	-	1,234		1,234
Deferred tax liabilities	-	-	-	-	-	-	2,003	-	2,003
Provisions	-	-	-	-	-	-	35,659	-	35,659
Other liabilities	-	-	-	-	-	-	22,606	-	22,606
TOTAL LIABILITIES	**4,463,899**	**-**	**-**	**-**	**-**	**-**	**61,502**	**-**	**4,525,401**
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	277	277
Accumulated earnings	-	-	-	-	-	-	-	416,833	416,833
TOTAL EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**669,980**	**669,980**

All amounts are expressed in thousands of BAM	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities that are valued at amortized cost	Financial liabilities that are valued at FVtPL	Financial liabilities that are valued by FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2022
Cash and cash equivalents	1,334,816	-	-	-	-	-	-	-	1,334,816
Financial assets at fair value through PL	-	17,359	-	-	-	-	-	-	17,359
Financial assets at fair value through OCI	-	-	526	-	-	-	-	-	526
Financial assets at amortized cost	3,498,102	-	-	-	-	-	-	-	3,498,102
Pre-paid income tax	-	-	-	-	-	-	1,306	-	1,306
Deferred tax assets	-	-	-	-	-	-	4,253	-	4,253
Tangible assets	-	-	-	-	-	-	129,355	-	129,355
Intangible assets	-	-	-	-	-	-	23,266	-	23,266
Investments in subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	11,052	-	11,052
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	3	-	3
Other assets and receivables	-	-	-	-	-	-	4,947	-	4,947
TOTAL ASSETS	**4,832,918**	**17,359**	**526**	**-**	**-**	**-**	**174,182**	**-**	**5,024,985**
Financial liabilities at amortized cost	-	-	-	4,336,492	-	-	-	-	4,336,492
Deferred tax liabilities	-	-	-	-	-	-	1,705	-	1,705
Provisions	-	-	-	-	-	-	41,221	-	41,221
Other liabilities	-	-	-	-	-	-	21,974	-	21,974
TOTAL LIABILITIES	**-**	**-**	**-**	**4,336,492**	**-**	**-**	**64,900**	**-**	**4,401,392**
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	267	267
Accumulated earnings	-	-	-	-	-	-	-	370,456	370,456
TOTAL EQUITY	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**623,593**	**623,593**

3.11.5. Specific financial instruments

Cash and cash equivalents

For the purpose of cash flow reporting, the cash and cash equivalents include cash with the Central Bank, balances and funds held at the current accounts with other banks and financial assets in other banks with original maturities of 3 months from the date of acquisition.

The cash and cash equivalents are carried at amortized cost in the statement of financial position.

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

Placements with banks and the obligatory reserve with the Central Bank

Placements with banks with maturity over 3 months and the obligatory reserve with the Central Bank are classified as loans and receivables and are carried at amortized cost less impairment losses.

Loans and receivables

Loans and receivables are presented at amortized cost net of impairment allowances to reflect the estimated recoverable amounts.

The "Loans and receivables" caption in the statement of financial position include:

- loans and receivables measured at amortized cost (see Note 3.11.1), that are initially measured at fair value plus initial costs, and subsequently at their amortized cost using the effective interest method;
- loans and receivables at fair value through profit or loss, measured at fair value with changes in fair value that are recognized in profit or loss.

The 'Financial assets at fair value through profit and loss" caption in the statement of financial position includes:
- debt securities measured at fair value through profit or loss.

The 'Financial assets at amortized cost" caption in the statement of financial position includes:
- debt securities measured at amortized cost

The 'Financial assets at fair value thru other comprehensive income" caption in the statement of financial position includes:
- equity securities measured at fair value through other comprehensive income; and

The Bank opted to recognize through other comprehensive income the changes in the fair value of certain investments in securities that are not held for trading. The selection is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

Financial guarantees and loan commitments

'Financial guarantees' are the contracts that require the Bank to perform specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the contractual terms of a debt instrument. 'Loan commitments' are the Bank's commitments to provide a loan under the pre-specified terms and conditions.

Borrowings and subordinated debt

Interest-bearing borrowings and subordinated debt are classified as other financial liabilities and are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between proceeds (net of transaction costs) and redemption value being recognized in the profit or loss statement over the period of the borrowings using the effective interest rate method.

Current accounts and deposits from banks and customers (bank and client deposits)

Current accounts and deposits are classified as other liabilities and initially measured at fair value plus transaction costs and subsequently stated at their amortized cost using the effective interest method.

3.12. Property and equipment

Recognition and measurement

Property and equipment are initially stated at cost less accumulated depreciation and impairment losses. The purchase cost includes the purchase price and all costs directly attributable to bringing the asset into operating condition for its intended use. Subsequent cost is included in net book value or is accounted for as separate assets only if it is probable that the future economic benefits embodied within the part will flow to the Bank and that its cost can be measured reliably. The costs of day-to-day repairs and maintenance are recognized in the income statement as incurred.

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

Estimated depreciation rates in 2022 and 2023 were as follows:

Buildings	2%
Vehicles	14%
Office equipment	7% – 33.3%

The gain or loss arising on the retirement or disposal of tangible asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of profit or loss and other comprehensive income in the period in which they occurred.

3.13. Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. The cost includes all expenditure that is directly attributable to the acquisition of the items.

Estimated depreciation rates were as follows:

Lease hold improvements	20%
Other intangible assets	16.6% – 33.3%

3.14. Investment property

Investment property includes the property held to earn rental income or for capital appreciation, or both, and are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is stated at its cost, less accumulated depreciation and any accumulated impairment losses. Depreciation commences when the assets are ready for their intended use and is calculated on the basis of the estimated useful life of the asset, using the straight-line method as follows:

Buildings	2%

3.15. Impairment of non-financial assets

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 fair value of asset less the costs of sale or the value in use, depending on which is higher. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense in profit or loss.

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

3.16. Provisions for liabilities and charges

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events for which it is likely that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation will be made.

Provisions for liabilities and charges are maintained at the level that the Bank's management considers sufficient for absorption of incurred losses. Management determines the sufficiency of provisions on the basis of insight into specific items; current economic circumstances of the risk, characteristics of certain transaction categories, as well as other relevant factors. Provisions are released only for such expenditures in respect of which provisions are recognized at inception. If an outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

3.17. 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 above tax and contributions for the benefit of the pension and health insurance fund of the Federation of Bosnia and Herzegovina (on federal and cantonal levels), Republic of Srpska and Brčko District.

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

Retirement severance payments

The Bank makes provision for retirement severance payments in line with the actuary report. When retiring, the employees receive the severance payment in the amount of 6 average employee salaries, or 6 average salaries at the level of the Federation of Bosnia and Herzegovina/ Republic of Srpska/ Brčko District (depending on the place of employee's work), depending on what is more favorable for an employee.

The Bank recognizes the cost of retirement severance payments in the period in which severance payments were earned.

3.18. Equity and reserves

Share capital

Share capital includes the paid-in ordinary shares and is denominated in BAM at nominal value.

Retained earnings

Profit for the year after appropriations to owners is allocated to retained earnings.

Fair value reserves

Fair value reserves comprise changes in fair value of financial assets available-for-sale (from January 1, financial assets at fair value through other comprehensive income).

Dividends

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

3.19. Earnings per share

The Bank publishes basic and diluted earnings per share (in English – EPS) data. Basic EPS

is calculated by dividing the profit or loss in the current period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The Bank does not have preference shares.

3.20. Adoption of new and revised standards

3.20.1 Initial application of new amendments to the existing standards effective for the current reporting period

The following new amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by Association of accountants, auditors and financial workers of the Federation of Bosnia and Herzegovina are effective for the current reporting period:

Standard	Title
MSFI 17*	New standard IFRS 17 „Insurance Contracts", originally issued in May 2017, including amendments of IFRS 17 issued in June 2020 (Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published (includes a deferral of the effective date to annual periods beginning on or after 1 January 2023) and amendments in December 2021 (Amendments regarding the initial application of IFRS 17 and IFRS 9)
Amendments to IFRS 4	Amendments regarding the expiry date of the deferral approach, issued in June 2020
Amendments to IAS 1	Disclosure of accounting policies, issued in February 2021
Amendments to IAS 8	Definition of accounting estimates, issued in February 2021
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction, published in May 2021
Amendments to IAS 12	International Tax Reform - Pillar Two Model Rules, issued in May 2023

*The Board of Directors of the Association of Accountants, Auditors and Financial Professionals of FBiH made a decision on September 19, 2022, that IFRS 17 "Insurance Contracts" will be applied to accounting periods beginning on or after January 1, 2026, with the possibility of earlier application in cases where IFRS 9 "Financial Instruments" is also applied.

The adoption of the new standards, amendments to the existing standards and interpretation has not resulted in any material changes in the Bank's financial statements.

3.20.2 New standards and amendments to existing standards in issue not yet adopted

At the date of authorization of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

Standard	Title	Effective date
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback - issued in September 2022	1 January 2024
Amendments IAS 1	Classification of Liabilities as Current or Non-current – issued in October 2022	1 January 2024
Amendments to IAS 21	Lack of Exchangeability – issued in August 2023	1 January 20245
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements – issued in May 2023	1 January 2024
Amendments IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – issued in September 2014	Deferred indefinitely

The Bank opted not to adopt these new standards, amendments to existing standards and new interpretation before their effective dates. The Bank believes that the adoption of these standards, amendments to existing standards and new interpretations will have no material impact on the financial statements of the Bank in the future periods.

4. Critical accounting judgements and key sources of estimation uncertainty

Over the course of its regular business operations, the Bank makes estimates and judgments about uncertain events, including estimates and assumptions about the future. Such accounting assumptions and estimates are regularly evaluated and are based on historical experience and other factors such as the expected development of future events that may be reasonably assumed under the existing circumstances, but nevertheless necessarily represent sources of estimation uncertainty. The estimation of impairment losses in the Bank's credit risk portfolio represents the major source of estimation uncertainty. This and other key sources of estimation uncertainty, that have a significant risk of causing a possible material adjustment to the carrying amounts of assets and liabilities in the next financial year, are described below.

Impairment losses on loans and receivables

The Bank monitors the creditworthiness of its customers on an ongoing basis. The need for impairment of the Bank's on and off-balance sheet exposure to credit risk is assessed on a monthly basis.

Information about the judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is included in the following notes.
- Note 3.11.1 (i): classification of financial assets: assessment of the business model within which the assets are classified and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 5.1.3 (i): establishing the criteria for determining whether the credit risk of financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into measurement of ECL and selection of ECL measurement models.

Information about assumptions and estimation uncertainties that have the major effect on adjustments recognized in the year ended December 31 2023 and December 31 2022 are included in the following notes.
- Note 5.1.3: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 3.11.4: determination of the fair value of financial instruments with significant unobservable inputs
- Note 3.11.1.(iv): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

Interest rate-induced risk

In line with the Article 7 of the Decision on Credit Risk Management and Determination of Expected Credit Losses, the Bank is obliged to assess the debtor's exposure to interest-induced credit risk based on receivables contracted at variable interest rate. In doing so, the Bank assesses credit risk in terms of possible changes in the financial position of the borrower due to interest rate changes, i.e. assesses the ability of the debtor to settle obligations to the Bank in accordance with the agreed conditions, in the event of a potential change in the interest rate. Significant judgments and estimates related to impairment of expected credit losses are particularly complex in the current uncertain environment triggered by negative macroeconomic developments, geopolitical situation, rising energy prices and inflation, and money market changes. Unlike in 2022, the year of record-high inflation, in 2023 BiH saw a slowing inflation trend across nearly all months, primarily due to falling energy prices.

However, BiH continues to record significantly higher values than historical average rates, which additionally puts pressure on the its economy, and with constant volatility on the world and local markets, the Bank continues to conduct increased monitoring and puts an emphasis on the management of interest-induced credit risk. The management of interest-induced credit risk is described in more detail in Note 5.1.1. *Credit quality analysis.*

Taxation

The Bank provides for tax liabilities in accordance with the tax laws of the Federation of Bosnia and Herzegovina. Tax returns are subject to the approval by the tax authorities that are in charge of carrying out subsequent inspections of taxpayers' records

Regulatory requirements

The Banking Agency of the FBiH (FBA) is authorized to carry out regulatory inspections of the Bank's operations and may request changes to the carrying values of assets and liabilities, in accordance with the corresponding regulations.

Court proceedings

The total amount of court proceedings as at December 31 2023 is BAM 101,616 thousand (December 31 2022: BAM 128,869 thousand). The Bank performs an individual assessment of all court disputes and creates provisions in accordance with the assessment. The assessment of risks and proposal of mount for provisions for legal cases is performed by the Legal Affairs Department and Finance Division, whereas decision on the creation of provisions is made by the Bank's Management Board.

As stated in Note 34, the Bank provided, on December 31 2023, BAM 11,745 thousand (December 31 2022: BAM 11,795 thousand), which Management deems as sufficient. Since the estimate is made considering the specifics of each individual case, it is not practical for management to evaluate the financial impact of changes to the assumptions based on which provisions are quantified as at the reporting date.

Provisions for severance payments

When calculating provisions for severance payments, the Bank discounts expected future cash flows arising from the said liabilities, using the discount rates that, according to the actuary report, best reflect the time value of money.

5. Financial risk management

The Bank's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk, interest rate risk in the banking book, and subcategories of strategic and business financial risks.

The Bank has established an integrated system of risk management which includes risk analysis, risk evaluation, risk acceptance, and management of a certain degree of risk or their combination. Risk acceptance is at the core of financial operations of the Bank, whereas operational risk being a non-financial risk represents an inevitable consequence of doing business.

The Management Board has an overall responsibility for the establishment and oversight of the Bank's financial and non-financial risk management framework.

Risk management is an integral part of the internal management system. The Rulebook on internal organization of Raiffeisen bank dd Bosnia and Herzegovina regulates the basic principles of organization and organizational structure of the Bank, the basics of job description and main responsibilities and the scope of work of organizational units and organizational parts of the Bank, including the risk management competencies.

Risk control, as a control function, provides an integral framework for control and monitoring of all types of risk.

Risk control's main objective is to coordinate the implementation of instruments, methods, parameters and standards, to measure and monitor risk in order to avoid threats, and to improve the risk/return rate within the risk limit. This includes:
a) Defining the methodologies and parameters for risk measurement (closely with risk management functions)
b) Implementation of risk measurement and risk control
c) Conducting a scenario analysis and stress test in order to examine the impact of the extreme and severe crisis on the bank's position
d) Risk reporting at aggregated level

The Risk Control Department independently controls the effectiveness of the risk management process, which should include the regular and timely identification, measurement, assessment, mastering, monitoring and control of risks, including the reporting on the risks to which the bank is exposed or may be exposed in its operations. Risk Control informs the Audit Committee, the Risk Board and the Supervisory Board of the Bank, while informing the Bank's Management Board in order to timely and effectively implement the given recommendations to remove illegalities, irregularities, deficiencies and weaknesses of the established controls.

5.1. Credit risk

Risk limit control and mitigation procedures

The Bank is exposed to credit risk which is the risk that the other contractual party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Such risks are monitored on a regular basis and are subject to annual or more frequent review.

Credit risk exposure is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest payment and principal repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed, to a certain extent, by obtaining collateral and corporate and personal guarantees.

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. "Settlement risk" is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities, or other assets as contractually agreed.

For certain types of transaction, the Bank mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits are part of the credit approval/limit monitoring process. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Bank's Risk Management Department.

The Supervisory Board of the Bank makes decision on the composition and authorizations of the Credit Committee and the Credit Committee for Non-performing Loans. The Credit Committee, within its authority, may delegate credit authorizations to the lower decision-making levels and appoint credit decision-makers. Credentials and procedures of the Credit Committee and the Credit Committee for NPL are defined in the defined in the rules of procedure of these bodies.

Off-balance-sheet credit instruments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letter of credits carry the same risk as loans and are secured with similar collateral as are loans.

5.1.1 Credit quality analysis

5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements

The maximum credit risk exposure of the statement of financial position line items is stated as follows:

All amounts are expressed in thousands of BAM	Notes	31 December 2023	31 December 2022
Cash and accounts with banks (save the cash in the cash register)	21	860,128	623,197
Loans to and receivables from customers at fair value	22	11,952	17,359
Obligatory reserves at the Central Bank of BiH	24.1	437,791	422,204
Bank deposits	24.2	205,002	319,130
Loans and advances to customers at amortized cost	24.3	2,783,592	2,480,281
Debt instruments at amortized cost	24.4	341,474	248,082
Other financial assets	24.4	39,632	28,405
		4,679,571	**4,138,658**

The maximum credit risk exposure of off-balance sheet items is stated as follows:

All amounts are expressed in thousands of BAM	Napomene	31 December 2023	31 December 2022
Loan commitments	34	788,231	707,068
Other off-balance exposure items	34	383,707	327,128
		1,171,938	**1,034,196**

The following table presents the information on credit quality of financial assets measured at amortized cost. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed.

Explanation of terms "Stage 1", "Stage 2" and "Stage 3" is included in Note 3.11.1.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2023 Total
Cash and accounts with banks (save the petty cash)					
Excellent	-	-	-	-	-
Strong	333,985	25,387	-	-	359,372
Good	35,289	-	-	-	35,289
Satisfactory	467,857	-	-	-	467,857
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**837,131**	**25,387**	**-**	**-**	**862,518**
Less: loss allowance	**(1,121)**	**(1,269)**	**-**	**-**	**(2,390)**
Net carrying amount	**836,010**	**24,118**	**-**	**-**	**860,128**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Cash and accounts with banks (save the petty cash)					
Excellent	19,028	-	-	-	19,028
Strong	203,070	-	-	-	203,070
Good	-	-	-	-	-
Satisfactory	401,900	-	-	-	401,900
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**623,998**	**-**	**-**	**-**	**623,998**
Less: loss allowance	**(801)**	**-**	**-**	**-**	**(801)**
Net carrying amount	**623,197**	**-**	**-**	**-**	**623,197**

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Loans to and receivables from customers at fair value		
Excellent	-	-
Strong	15	-
Good	1,887	14,319
Satisfactory	8,569	2,827
Substandard	1,496	370
Credit impaired	334	152
Unrated	-	1
Total gross	**12,301**	**17,669**
Less: Impairment of value	**(349)**	**(310)**
Total	**11,952**	**17,359**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2023 Total
Obligatory reserves with Central Bank					
Excellent	-	-	-	-	-
Strong	38	-	-	-	38
Good	-	-	-	-	-
Satisfactory	438,191	-	-	-	438,191
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**438,229**	**-**	**-**	**-**	**438,229**
Less: loss allowance	**(438)**	**-**	**-**	**-**	**(438)**
Net carrying amount	**437,791**	**-**	**-**	**-**	**437,791**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Obligatory reserves with Central Bank					
Excellent	-	-	-	-	-
Strong	-	-	-	-	-
Good	-	-	-	-	-
Satisfactory	422,627	-	-	-	422,627
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**422,627**	**-**	**-**	**-**	**422,627**
Less: loss allowance	**(423)**	**-**	**-**	**-**	**(423)**
Net carrying amount	**422,204**	**-**	**-**	**-**	**422,204**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2023 Total
Deposits with banks					
Excellent	-	-	-	-	-
Strong	205,325	-	-	-	205,325
Good	-	-	-	-	-
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**205,325**	**-**	**-**	**-**	**205,325**
Less: loss allowance	**(323)**	**-**	**-**	**-**	**(323)**
Net carrying amount	**205,002**	**-**	**-**	**-**	**205,002**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Deposits with banks					
Excellent	-	-	-	-	-
Strong	319,566	-	-	-	319,566
Good	-	-	-	-	-
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**319,566**	**-**	**-**	**-**	**319,566**
Less: loss allowance	**(436)**	**-**	**-**	**-**	**(436)**
Net carrying amount	**319,130**	**-**	**-**	**-**	**319,130**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2023 Total
Loans to and receivables from customers at amortized cost					
Excellent	2,581	-	-	-	2,581
Strong	153,695	912	-	7	154,614
Good	1,438,376	47,611	-	722	1,486,709
Satisfactory	896,620	102,158	-	1,267	1,000,045
Substandard	37,999	126,658	-	1,041	165,698
Credit impaired	-	-	112,749	9,138	121,887
Unrated	911	124	-	-	1,035
Total gross amount	**2,530,182**	**277,463**	**112,749**	**12,175**	**2,932,569**
Less: loss allowance	**(19,649)**	**(29,537)**	**(94,265)**	**(5,526)**	**(148,977)**
Net carrying amount	**2,510,533**	**247,926**	**18,484**	**6,649**	**2,783,592**

In 2023, the Bank changed the scale used as a basis for assessment of the credit quality of financial assets, resulting in differences in amounts at the level of individual ratings in 2023 compared to 2022, as stated in the table above.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Loans to and receivables from customers at amortized cost*					
Excellent	128	-	-	-	128
Strong	112,087	577	-	-	112,664
Good	1,217,576	59,900	-	435	1,277,911
Satisfactory	803,753	118,196	-	709	922,658
Substandard	58,081	138,748	-	675	197,504
Credit impaired	-	-	127,989	10,595	138,584
Unrated	28	889	-	-	917
Total gross amount	**2,191,653**	**318,310**	**127,989**	**12,414**	**2,650,366**
Less: loss allowance	**(17,170)**	**(36,493)**	**(110,129)**	**(6,293)**	**(170,085)**
Net carrying amount	**2,174,483**	**281,817**	**17,860**	**6,121**	**2,480,281**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2023 Total
Debt instruments at amortized cost					
Excellent	160,215	-	-	-	160,215
Strong	141,147	-	-	-	141,147
Good	31,187	-	-	-	31,187
Satisfactory	-	-	-	-	-
Substandard	9,797	-	-	-	9,797
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**342,346**		**-**	**-**	**342,346**
Less: loss allowance	**(871)**		**-**	**-**	**(871)**
Net carrying amount	**341,474**		**-**	**-**	**341,474**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Debt instruments at amortized cost					
Excellent	82,832	-	-	-	82,832
Strong	91,738	-	-	-	91,738
Good	40,143	-	-	-	40,143
Satisfactory	-	35,376	-	-	35,376
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**214,713**	**35,376**	**-**	**-**	**250,089**
Less: loss allowance	**(246)**	**(1,761)**	**-**	**-**	**(2,007)**
Net carrying amount	**214,467**	**33,615**	**-**	**-**	**248,082**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2023 Total
(Irrevocable) Loan commitments				
Excellent	32,236	78	-	32,314
Strong	166,440	1,676	-	168,116
Good	430,414	9,513	-	439,927
Satisfactory	137,351	10,434	-	147,785
Substandard	1,888	988	-	2,876
Credit impaired	-	-	280	280
Unrated	1,955	307	815	3,077
Total gross amount	**770,284**	**22,996**	**1,095**	**794,375**
Less: loss allowance	**(3,970)**	**(1,166)**	**(1,008)**	**(6,144)**
Net carrying amount	**766,314**	**21,830**	**87**	**788,231**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2022 Total
(Irrevocable) Loan commitments				
Excellent	262	-	-	262
Strong	56,413	10,460	-	66,873
Good	351,236	11,411	-	362,647
Satisfactory	257,918	22,330	258	280,506
Substandard	1,319	1,261	-	2,580
Credit impaired	-	-	271	271
Unrated	-	171	-	171
Total gross amount	**667,148**	**45,633**	**529**	**713,310**
Less: loss allowance	**(3,482)**	**(2,306)**	**(454)**	**(6,242)**
Net carrying amount	**663,666**	**43,327**	**75**	**707,068**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2023 Total
Other off-balance exposures				
Excellent	129	-	-	129
Strong	102,482	602	-	103,084
Good	148,569	3,311	-	151,880
Satisfactory	107,834	5,393	-	113,227
Substandard	5,685	11,944	-	17,629
Credit impaired	-	-	-	-
Unrated	21	-	1,379	1,400
Total gross amount	**364,720**	**21,250**	**1,379**	**387,349**
Less: loss allowance	**(1,747)**	**(1,097)**	**(798)**	**(3,642)**
Net carrying amount	**362,973**	**20,153**	**581**	**383,707**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2022 Total
Other off-balance exposures				
Excellent	672	47	-	719
Strong	48,736	4,813	-	53,549
Good	122,914	5,015	-	127,929
Satisfactory	106,154	36,023	-	142,177
Substandard	1,911	10,245	-	12,156
Credit impaired	-	-	1,158	1,158
Unrated	-	44	-	44
Total gross amount	**280,387**	**56,187**	**1,158**	**337,732**
Less: loss allowance	**(1,591)**	**(8,298)**	**(715)**	**(10,604)**
Net carrying amount	**278,796**	**47,889**	**443**	**327,128**

Following table presents information on the balance of loans and receivables from customer advances that were received in stages 1, 2 and 3.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2023 Total
Customer loans and receivables at amortized cost – gross carrying amount					
Current	2,471,380	202,491	12,304	4,017	2,690,192
Overdue < 30 days	58,659	63,064	4,586	564	126,873
Overdue > 30 days < 90 days	143	11,908	3,502	294	15,847
Overdue > 90 days	-	-	92,357	7,300	99,657
Less: loss allowance	**(19,649)**	**(29,537)**	**(94,265)**	**(5,526)**	**(148,977)**
Total	**2,510,533**	**247,926**	**18,484**	**6,649**	**2,783,592**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2022 Total
Customer loans and receivables at amortized cost – gross carrying amount					
Current	2,143,217	248,289	14,216	3,133	2,408,855
Overdue < 30 days	48,431	58,932	5,100	663	113,126
Overdue > 30 days < 90 days	-	11,083	3,455	185	14,723
Overdue > 90 days	5	6	105,218	8,433	113,662
Less: loss allowance	**(17,170)**	**(36,493)**	**(110,129)**	**(6,293)**	**(170,085)**
Total	**2,174,483**	**281,817**	**17,860**	**6,121**	**2,480.281**

Interest rate-induced credit risk

In line with the Article 7 of the Decision on Credit Risk Management and Determination of Expected Credit Losses, the Bank is obliged to assess the debtor's exposure to interest-induced credit risk based on receivables contracted at a variable interest rate. In doing so, the Bank assesses credit risk in terms of possible changes in the financial position of the borrower due to interest rate changes, i.e. assesses the ability of the debtor to settle obligations to the Bank in accordance with the agreed conditions, in the event of a potential change in the interest rate.

When assessing the client's creditworthiness, the Bank assesses the effects of interest-induced credit risk based on receivables contracted at variable interest rates, whereby the Bank assesses credit risk, i.e. the debtor's ability to settle liabilities to the Bank in accordance with the agreed conditions, in the event of a potential change in the interest rate.

The Bank performs regular reporting to the stakeholders on the effects of the Interest rate-induced credit risk and portfolio quality. Furthermore, in accordance with the Decision on interim measures to mitigate the risks of interest rate growth, the Bank is obligated to report, on the monthly basis, to the Regulator on the application of measures referred to in the said decision, and on the effects on the credit portfolio through pre-defined patterns. Global disruptions caused by the energy crisis and deepened by the breakout of war in Ukraine, have resulted in continuous inflationary pressures that shaped both economic and banking environment in Europe and in Bosnia and Herzegovina. Attempting to rein in the growing inflation, the leading global banks resorted to an unprecedented shift in monetary policy, by intensively increasing reference (benchmark) interest rates, aiming to slow down economic activities which would eventually lead to assuming control over inflation surge. In this context, the FED (US Federal Reserve System) raised its reference (benchmark) rate 11 times in the period 2022 – 2023, by 525 basis-points in total (from 0.25% to 5.50% level), whereas the European Central Bank (ECB) followed the lead of the Federal Reserve with raising the interest rates 10 times, in total volume of 400 basis-points (from 0.50% to 4.50% level). However, the significant spillover effect of the strong rise in interest rates from the global level to the level of the banking sector of Bosnia and Herzegovina was not recorded due to several reasons. The first reason includes decisions of regulators in BiH (entity banking agencies) that limited the increase of interest rates up to 200 basis points and this limit was set compared to 30 June 2022. However, if a bank were to go with the increase in the level of interest rate that exceeds the set limit, then it would be obliged to perform a significantly higher level of provisioning. The aforementioned measure of the regulator had a positive impact on the banking market of Bosnia and Herzegovina, considering that the average growth of the effective interest rate on credit placements in the volume of 124 basis points (as of the third quarter of 2023) was recorded, which is significantly lower than the regulatory limit set. Another reason why there has not been a significant increase in interest rates in BiH is the fact that the local banking market primarily relies on domestic deposits in financing and has no significant sources of funding from the EU, while the third reason is reflected in the strong competition in the banking market in the sense that banks operating in BiH have to be mindful of possible interest rate increases in the context of their market position.

The Plan for the application of temporary measures aimed at mitigating the risk that may result from a significant increase in interest rates for loan exposures of Raiffeisen BANK dd Bosnia and Herzegovina defines:

- Comparison of the current level of interest rates against the interest rate levels on the reference date 30 June 2022 (new and current exposures);
- Interest rate growth forecasts and effects of this growth on credit risk;
- Measures to be taken by the bank to mitigate the credit risk and ramifications for credit users;
- Communication with clients;
- Manner of documenting/recording the credit activities;
- Effect of measures on IFRS 9 and expected credit losses;
- Special internal control system measures;
- The monitoring and reporting system in the Bank and reporting to the Agency on the activities and measures under the Decision.

In accordance with the Decision on temporary measures to mitigate the risk of interest rate growth ("Official Gazette of the Federation of BiH", No. 79/22) and Strategic Decision of the Bank, the increase in interest rates is limited to the maximum amount of 200 basis-points, compared to the reference rates on 30 June 2022, save for specific cases relating to:

- syndicated loans,
- Credits approved through tender (bid invitation) procedure,
- credit placements where the client agrees to contracted price (higher than 189 bps) and which, based on the assessment of the effect of contracted price, will not expose the financial service user to the probable situation where one is unable to settle his/her obligations.

In the segment of business entities, the Bank has applied this approach of limiting the growth of interest rates on all placements, taking into account the above exceptions.

For all changes in the interest rate over 200 bps compared to the reference date of June 30, 2022, the Bank is obliged to calculate the increased amount of expected credit losses for lots that are in the level of credit risk 1 minimum 2% instead of 0.5% and for the level of credit risk 2 minimum 12% instead of 5%.

In accordance with the above, on the reporting date December 31 2023, in the corporate client portfolio, 156 lots with a total exposure of BAM 48.94 million recorded an increase in interest rates over 200bps, and produced an overall effect on the increase of ECL of BAM 997.9 thousand (Level 2 amount of BAM 379.2 thousand, Level 1 amount of BAM 618.7 thousand) for non – retail segment and BAM 49 thousand (Level 2 amount of BAM 16 thousand, Level 1 amount of BAM 33 thousand) for the Retail (Micro) segment.

On the reporting date December 31, 2023, the portfolio of 53 individuals with a total exposure of BAM 801 thousand, recorded an increase in interest rates over 200bps, and produced an overall effect on the increase of ECL of BAM 30.5 thousand (Level 2 amount of BAM 17 thousand, Level 1 amount of 13 BAM thousand) for the Retail (PI) segment.

5.1.2. Collateral and other credit improvements

Over the year, the Bank holds the items, in positions of financial and non-financial assets, that it acquired by acquiring ownership over the collateral that served as credit exposure insurance, in case of non-repayment of debt by the debtor. This acquisition process mainly relates to property, equipment, vehicles and deposits. The reacquired assets are presented as such in the Bank's Financial Position Report at the time when the conditions for its acquisition are met in accordance with IFRS and local regulations. It is the Bank's policy to sell such acquired assets, and during the period of possession of these assets until the moment of sale to third parties, the assets may be temporarily used for the bank's operational activities or for lease to third parties.

The Bank's policy regarding the acquisition of collateral did not change significantly during the reporting period. In 2023, there were no significant changes in the collateral eligibility requirements, nor were there significant changes in the quality of collateral compared to the previous period. The process of regularly assessing the market value of collateral in the time periods defined by the applicable collateral procedures is continuously carried out. Also, the Bank performs regular analysis of collateral sold on an annual basis and, depending on the results of the realized sales values, adjusts the corrective factors (discount rates) applied to the collateral (increases or decreases)- in 2022 there was no need to correct corrective factors (discount rates) for collateral.

In 2023, as an additional measure to improve or reduce the problematic receivables (NPLs), the Bank established a strategy of acquiring assets on court sales (enforcement proceedings) in the debt collection process. The strategy is reflected in a way that defines the protective price of the asset (depending on the receivables that the bank has) and below which the Bank does not allow the sale of assets. In this way, it is impossible to sell property for next to nothing.

For this purpose, a new position has been established in the Bank – Asset Manager, an expert in the sale of acquired assets under market conditions, i.e. prices. The new position is common to the SEM NR & Late Collection and Retail Collection, Court Collection services; the asset management performs the sale of assets acquired by both services.

Residential mortgage lending

The tables below outline credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination, and market value is monitored and adjusted to market trends, once a year at minimum. For credit-impaired loans, the value of collateral is based on the most recent market value appraisals.

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
LTV ratio		
Less than 50%	31,653	21,999
51–70%	77,049	73,584
71–90%	169,579	146,329
91–100%	15,006	15,237
More than 100%	27,104	21,737
Total	**320,390**	**278,886**

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Credit-impaired loans		
Less than 50%	-	-
91%-100	4,757	5,723
More than 100%	-	-
Total	**4,757**	**5,723**

5.1.3 Amounts arising from expected credit loss (ECL)

i. Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the quantitative or qualitative criteria have been met. The criteria for determining a significant increase in credit risk are defined for the proper allocation of exposure in Stage 1 or Stage.

Quantitative criteria

With regard to corporate clients, the quantitative criteria assesses whether the risk of default on liabilities has increased significantly from the initial recognition through the threshold of 250% (250%-threshold is temporally dependent) increase in the likelihood of default. Quantitative criteria are set individually for each product. No grouping of exposure is performed, i.e. measuring a significant increase in credit risk on a collective basis.

As a quantitative measure in case of retail clients, a comparison is made of the remaining probability of default on the reporting date, with the corresponding expected conditional PD from the original vintage curve (i.e. consideration of the PD at the beginning, given the condition that the observed risk line survives, i.e., fully repayable or defaulted, until the reporting date). This increase in credit risk is measured through a relative approach and compared to a fixed threshold value (SICR threshold). Threshold levels are calculated at the portfolio level, for all portfolios that are included in a life-based PD models based on estimates.

Qualitative criteria

Elements that will be the main determinants that need to be considered for the purpose of assessing the steps between the various stages are the following:
- Eventual presence of due amount which remains overdue over 30 days. In such a case, the credit risk of such exposure is considered "significantly increased" and is classified to Stage 2;
- Existence of "forbearance" measures;
- Qualitative information on credit quality deterioration due to which the client is placed on monitoring list;
- Certain indicators of the internal credit risk monitoring system and early warning system.

Determining the presence of any of the above mentioned determinants constitutes a prerequisite for change of credit risk level.

(ii) Credit risk grades

The Bank uses internal credit risk grading that reflects its assessment of the probability of default of individual customers. The Bank uses internal rating models tailored to the various categories of customers. Borrower and loan specific information collected at the time of loan application is included into this rating model. In addition, the model enables experience-based judgment of the Credit Risk Officer to be included into the final internal credit rating for each exposure. This allows for consideration of relevant factors which may have not been included as part of the other inputs into the rating model. The credit grades are calibrated in such a way that the risk of default increases exponentially as credit risk grade increases.

The following are additional considerations for each type of portfolio held by the Bank.

Corporate clients

For corporate business, the rating is determined at the borrower level. The Business Relationship Manager incorporates any updated or new information and borrower credit assessments into the credit system on an ongoing basis. In addition, the relevant Business Relationship Manager will also update information about the creditworthiness of the borrower every year using the sources such as public financial statements. This will determine the updated PD and the corresponding internal credit rating.

The Bank has two rating models in Corporate Client segment: Large Corporate Rating Model and Regular Corporate Rating Model. According to the general concept, corporate client rating scale includes 27 rating grades for non-default clients and 1 grade for default clients.

In addition, the Bank uses SMB rating model in the category of small and medium-sized enterprises. According to the general concept, the SMB client ranking scale includes a total of 27 rating grades for non-default clients in order to obtain all of the foreseen risk categories under the internal rating system.

Local and regional governments

The Bank uses the Local and Regional Governments rating model for local and regional governments. According to the general concept of the LRG ranking scale, clients include 27 rating grades for non-default clients and 1 grade for default client.

Project financing

For project financing purposes, the Bank uses the project finance rating model. According to the general concept of the rating scale, PF client ranking scale includes 4 ratings for non-default clients and 1 rating for default clients.

Financial institutions

The Bank uses the following rating models for financial institutions: FI (Bank) Rating Model, Insurance Rating Model, Sovereigns Rating Model and Funds Rating Model. In the process of ranking the clients in the category of financial institutions, the final rating is determined at the level of the RBI Responsible Unit. According to the general concept, the client ranking scale for the clients falling under FI (Bank) and Sovereigns rating models has 27 rating grades for non-default clients and 1 grade for default clients. The rating scale under the two remaining rating models has 9 grades for non-default clients, and 1 grade for default clients.

Retail client segment (Physical Entities and Micro Clients*)

After the date of initial recognition, for retail business, the payment behavior of the borrower is monitored on a periodic basis to develop a behavioral score. Any other known information about the borrower which impacts their creditworthiness such as unemployment and previous delinquency history – is also incorporated into the behavioral score. This score is mapped to a PD.

Micro client is a legal entity whose annual income is less than EUR 1 million and exposure less than EUR 115.040, and persons organized as sole proprietorship.

(iii) Definition of default

The status of failure to settle the obligations under the Bank's placements is determined based on RBI guidelines based on the requirements defined by EU Regulation 575/2013 (CRR), Article 178, EBA Guidelines for the application of the definition of default status pursuant to the Article 178 of the (EU) Regulation No 575/2013 and EBA Regulatory Technical Standards concerning the materiality thresholds for overdue claims referred to in Article 178 of EU Regulation 575/2013. Following the above guidelines, the Bank applied the new definition of default as of 30 November 2020, as explained in more detail below. The instructions for identifying and managing the business relationship with Non-Retail & SE default clients specify other details.

In the retail segment, the default is determined on the placement level for private individuals, whereas, for all legal entities (including Micro customers), the default status is determined on the client (obligor) level.

Non-retail portfolio

The staging criteria are selected in line with IFRS 9, and based on risk parameters available in the Bank. After being assigned a default status, the client undergoes an individual estimate of potential losses (ILLP), thus also obtaining the Stage 3 status under IFRS 9 methodology, which at that moment represents a non-performing asset.

The default status, i.e. individual loan loss provision, is granted for all debt placements of the borrower or to a group of debtors who:
- in settling obligations to the Bank, are more than 90 days overdue, taking into account the materiality threshold of EUR 500 and 1.0% (for details see below) of the value of total contracted credit placements (quantitative criterion)
- are very likely to be unable to settle the obligations to the Bank from their primary sources of funding (qualitative criterion).

The Bank (i.e. RBI Group) has defined qualitative indicators that are currently being used to identify the likelihood that a client will not be able to settle his/her obligations to the Bank (e.g. initiated bankruptcy proceedings, partial bed debt write-off, cessation of interest payments, cross-default etc.)

In non-retail segment, the Bank implemented a new default definition for non-retail customers as at November 30 2020. The major change pertains to the change in the materiality threshold used to calculate days past due as one of the default indicators (overdue payment), as explained above.

The instructions for identifying and managing the business relationship with non-Retail & SE default clients specify other details.

IFRS 9 requires the use of several scenarios (minimum 2) within ILLP calculation, taking into account the following principles:
- Certainty of scenarios
- Possibility of documenting these scenarios
- Historical parameters / indicators

The scenario that is certain to happen/to be realized in the next period will be assigned a weight of 90% probability, while scenarios whose likelihood is less realistic will be given the weight of 10% probability, as a unified rule for all clients. The weights will be revised annually. In the case of a client who is going concern as a second scenario, it is possible to use collateral through a court proceedings where on the basis of historical observations it is concluded that a weighting of 10% should be used (analysis based on historical changes in the last 5 years, the transfer of clients from the early stage to the late stage – analysis will be revised annually).

IFRS 9 distinguishes loans valued at fair value and amortized cost.

Portfolio of Retail Clients (Physical Entities and Micro clients)

As in the case of non-Retail clients, in the Retail segment, once assigned the default status, the client is moved to Stage 3 under the IFRS 9 methodology, which at that moment represents a non-performing asset.

Provisions for loan losses must be assigned to all placements of a debtor or group of debtors who:
- in settling obligations to the Bank, are more than 90 days overdue, taking into account the materiality threshold of EUR 100 and 1.0% of the value of total contracted credit placements (quantitative criterion)
- are very likely to be unable to settle the obligations to the Bank (qualitative criterion).

The Bank's internal procedures define qualitative criteria under which credit exposure is assigned a status of the client who is very likely not to be able to meet his/her obligations towards the Bank (e.g. bankruptcy of the debtor, cross-default, poor restructuring, etc.)

The Bank also implemented the new default definition in the Retail segment as of November 30 2020, by conducting a retrospective calculation of historical daily default data for the past 10 years for physical entities and 5 years for the Micro segment. Based on these data, the Bank determined default data as at 30 November 2020 and the corresponding detailed information on default events.

The major methodological change in the default definition in the Retail segment relates to:
1. Change in days past due counter:
   - Materiality threshold of past due amount for the calculation of days past due (DPD) as previously specified
   - The logic of counting of days past due (DPD) has changed, and, rather than considering the actual age of the amount past due, the counter counts for how many days the debt exceeds the materiality threshold. This change is reflected in the fact that, when partial settlement is made on an obligation, the number of days past due cannot be reduced, i.e., the new counter can only be reset to zero when the debt due falls below one of the materiality thresholds (absolute or relative).
2. Introduction of the so called pulling effect – if a private individual's exposure in default exceeds 20% of this obligor's total exposure, all other exposures of that individual should be also considered defaulted;
3. Change in the distressed restructuring rules and introduction of additional indicators of collection uncertainty, such as excessive indebtedness indicators and the loss of other income.
4. Determination of the default status at the client level for the Micro segment.

The rules for fulfillment of the criteria for exiting the default status have also changed.

(iv) Inclusion of prediction factors

In 2022, due to the harmonization of the Decision of the FBIH Banking Agency "Decision on credit risk management and determination of expected credit losses", Article 22 "Allocation of exposure to lower level of credit risk" and "Default definition of Raiffeisenbank International", the recovery period was updated for transfer from credit risk level 3 to credit risk level 2 for a period of at least 6 months (previously 3 months), provided that the DPDEBA counter has not exceeded 60 days (previously 30 days) during the observed period. With the above harmonization, the local regulations have been fully complied with.

Multiple macroeconomic scenarios are also included in ECL calculation. The Bank applies three perspective global economic scenarios (baseline, upside and downside) and this approach is considered sufficient for the calculation of an unbiased expected loss in most economic environments. In calculating the expected credit loss, the Bank allocates weights of 50%: 25%: 25% for each of the three macroeconomic scenarios (baseline, upside and downside).

The Probability of Default (PD) is, where relevant, adapted to the macroeconomic status. The macroeconomic model also includes information about the future. The baseline macroeconomic forecasts with a two year horizon are reviewed and updated at least once every quarter and are submitted to the responsible units within the RBI Group.

Forward-looking information is considered in the credit risk assessment. This means that lifelong PD, historical rating and its accompanying PD include information about the future.

Adjustment is made using macroeconomic perspectives in the observed period.

The basic scenario with the prescribed addendum, aimed to reflect the effects arising from the probability of realization of alternative macroeconomic scenarios.

(v) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policies disclosed in Note 3.11.1. (iii).

When the terms of financial asset are modified and the modification does not result in derecognition, determination of whether the asset's credit risk has increased significantly reflects the comparison of:
- its remaining lifetime PD at the reporting date based on the modified terms; and
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When the modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers experiencing financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is guaranteed on a selective basis if the debtor is currently in default on its debt, or if there is a high default risk, or if there is an evidence that the debtor made all reasonable efforts to pay under the original contractual terms and that the debtor is expected to be able to meet the revised terms.

The revised terms mostly include extension of the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Bank Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action.

In general terms, forbearance is a qualitative indicator of a significant increase in credit risk. Expectation of forbearance may constitute evidence that exposure is credit-impaired (see Note 3.11.1). A customer needs to demonstrate consistently good payment behavior over a period of time, before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased so that the loss allowance reverts to being measured again at an amount equal to Stage 1.

(vi) Expected Credit Loss Measurement

The credit risk and ECL assessments are unbiased and probability-adjusted, and incorporate all available information relevant to the assessment, including the information about past events, current conditions and reasonable and sustainable forecasts of future events and economic conditions at the reporting date. In addition, the ECL assessment should consider the time value of money. In general, the Bank calculates ECL using thee three main components: a probability of default (hereinafter: PD); loss given default (hereinafter: LGD); and exposure at default (hereinafter: EAD).

(vii) Loss allowance

The following table outlines the changes in the credit risk stage for customer loans and receivables, and changes in impairment by class of financial instrument.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2023 Total
Loans to and receivables from customers at amortized cost					
Balance at 1 January 2023	17,170	36,493	110,129	6,293	170,085
New approvals	10,307	6,498	4,764	1,100	22,669
Derecognition	(4,121)	(6,350)	(712)	(401)	(11,584)
Write offs	-	-	(28,139)	-	(28,139)
Collection	-	-	(13,676)	-	(13,676)
Transfer to stage 1	(1,582)	(7,968)	(1,173)	-	(10,723)
Transfer to stage 2	(1,794)	8,189	(1,956)	(504)	3,935
Transfer to stage 3	(331)	(7,324)	25,028	(961)	16,412
Balance at December 31 2023	**19,649**	**29,537**	**94,265**	**5,526**	**148,977**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2022 Total
Loans to and receivables from customers at amortized cost					
Balance at 1 January 2022	16,958	22,918	138,919	14,387	193,182
New approvals	8,236	7,830	3,932	742	20,740
Derecognition	(4,323)	(8,306)	–	(8,070)	(20,699)
Write offs	–	–	(32,356)	–	(32,356)
Collection	–	–	(1,590)	–	(1,590)
Transfer to stage 1	(1,663)	(5,063)	(5,346)	–	(12,072)
Transfer to stage 2	(1,832)	19,900	(4,080)	(204)	13,784
Transfer to stage 3	(206)	(786)	10,650	(562)	9,096
Balance at December 31 2022	**17,170**	**36,493**	**110,129**	**6,293**	**170,085**

In 2023, the Bank recorded a decrease in the impairment level compared to 2022, namely by BAM 21.1 million, where 75% of this amount accounted for reduction of Level 3 value corrections, which resulted from the trend of reduced volume of non-quality exposures due to intensive collection activities and strong and comprehensive credit risk management, resulting in prevention and lower amounts of exposure transition from Level 1 and 2 to Level 3.

5.1.4. Concentration of credit risk by geographic location

The Bank monitors concentrations of credit risk by sector and by geographic region.

Geographic concentration in net carrying amounts of credit exposure is as follows:

All amounts are expressed in thousands of BAM	Bosnia & Herzegovina	EU countries	Non-EU countries	Total
31 December 2023				
Cash and current accounts with banks	467,389	268,927	123,812	860,128
Loans and receivables at fair value	11,952	-	-	11,952
Financial assets at fair value through other comprehensive income	355	182	-	537
Obligatory reserve with the BiH Central Bank	437,791	-	-	437,791
Deposits with banks	-	185,386	19,616	205,002
Loans and receivables at amortized cost	2,783,592	-	-	2,783,592
Debt instruments at amortized cost	9,566	292,535	39,373	341,474
Other financial assets	23,886	2,907	12,839	39,632
	3,734,531	**749,937**	**195,640**	**4,680,108**
31 December 2022				
Cash and current accounts with banks	401,498	194,975	26,724	623,197
Loans and receivables at fair value	17,359	-	-	17,359
Financial assets at fair value through other comprehensive income	355	171	-	526
Obligatory reserve with the BiH Central Bank	422,204	-	-	422,204
Deposits with banks	28,874	174,858	115,398	319,130
Loans and receivables at amortized cost	2,480,281	-	-	2,480,281
Debt instruments at amortized cost	33,614	157,401	57,067	248,082
Other financial assets	24,684	3,684	37	28,405
	3,408,869	**531,089**	**199,226**	**4,139,184**

Economic sector risk concentration in presented in Note 24.2.

5.2. Liquidity risk

Liquidity risk is the loss risk arising from the existing or expected inability of the Bank to settle its due financial obligations.

- The Bank is exposed to daily calls for disbursement of funds that it settles with available cash resources consisting of: overnight deposits,
- funds on current accounts,
- maturing deposits,
- withdrawal of loan funds,
- guarantees and other derivatives that are settled from margins and
- other amounts on demand for monetary derivatives.

The Bank does not maintain cash resources in the amount necessary to cover all these needs that may arise. From experience, it can predict with high reliability the minimum amounts of reinvestment of overdue funds. The Bank sets limits on the minimum amounts due, which should be available to settle the amount payable on demand, as well as the minimum amounts of interbank and other loans to cover unexpected amounts of funds withdrawn on demand.

The Bank maintains liquidity in accordance with the regulations of the FBiH Banking Agency governing liquidity risk, and group and internal acts related to maintaining the adequate liquidity reserve.

Special consideration is given to liquidity measures set by regulatory requirements:

- Liquidity Coverage Ratio (LCR) is monitored on a daily basis and reported to the regulator on a monthly basis; it represents the liquidity coverage ratio over a 30-day stress period
- Net Stable Funding Ratio (NSFR), which is monitored monthly and reported to the regulator on a quarterly basis, is the ratio of available stable financing to the required stable financing, for the purpose of ensuring the bank's long-term resilience to liquidity risk.

LCR is maintained at the level above regulatory and internally defined limits (internally defined limits are >120%).

NSFR is maintained at a level above the internally defined limit (internally defined limits are >110%).

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Liquidity buffer	1,039,528	1,266,875
Net cash outflows	464,720	495,393
Liquidity Coverage Ratio (LCR)	**224%**	**255.73%**

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Stable financing available	3,853,583	3,783,284
Stable financing needed	2,412,570	2,175,837
Net Stable Funding Ratio (NSFR)	**159.73%**	**173.88%**

Maturity analysis

The table below outlines the remaining contractual maturities of the Bank's assets and liabilities as at December 31 2023 and December 31 2022, except for financial assets at fair value through other comprehensive income that are classified in accordance with their secondary liquidity characteristic as maturing within one month, and obligatory reserves which, although not short-term, depend on the liabilities on which it is calculated, and are classified in the maturity period within one month.

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2023						
Assets						
Cash and cash equivalents	860,128	-	-	-	-	860,128
Loans and receivables at fair value	2,792	1,805	3,924	1,828	1,603	11,952
Financial assets at fair value through other comprehensive income	538	-	-	-	-	538
Obligatory reserve with the BiH Central Bank	437,791	-	-	-	-	437,791
Deposits with banks	108,286	96,716	-	-	-	205,002
Loans and receivables at amortized cost	592,921	469,545	1,088,898	413,198	219,030	2,783,592
Debt instruments at amortized cost	19,397	-	67,719	254,358	-	341,474
Other financial assets	39,610	-	-	22	-	39,632
Total financial assets	**2,061,463**	**568,066**	**1,160,541**	**669,406**	**220,633**	**4,680,109**
Liabilities						
Due to banks and other financial institutions	35,314	27,820	10,810	57,795	-	131,739
Deposits from customers	3,481,740	49,383	183,208	463,347	2,700	4,180,378
Subordinated debt	210	-	-	-	44,983	45,193
Loans	4,764	397	19,920	37,593	-	62,674
Lease liabilities	256	503	2,225	5,668	200	8,852
Other financial liabilities	11,596	23,467	-	-	-	35,063
Total financial liabilities	**3,533,880**	**101,570**	**216,163**	**564,403**	**47,883**	**4,463,899**

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2022						
Assets						
Cash and cash equivalents	623,197	-	-	-	-	623,197
Loans and receivables at fair value	52	95	424	2,428	14,360	17,359
Financial assets at fair value through other comprehensive income	1	-	-	-	525	526
Obligatory reserve with the BiH Central Bank	422,204	-	-	-	-	422,204
Deposits with banks	183,214	135,916	-	-	-	319,130
Loans and receivables at amortized cost	244,022	145,081	529,792	1,053,038	508,348	2,480,281
Debt instruments at amortized cost	19,526	19,885	71,610	-	137,061	248,082
Other financial assets	28,405	-	-	-	-	28,405
Total financial assets	**1,520,621**	**300,977**	**601,826**	**1,055,466**	**660,294**	**4,139,184**
Liabilities						
Due to banks and other financial institutions	52,037	4,002	10,016	74,948	3,401	144,404
Deposits from customers	3,226,976	64,371	245,230	433,391	9,683	3,979,651
Subordinated debt	-	-	-	61,804	44,984	106,788
Borrowings	1,085	1,432	17,640	55,100	-	75,257
Lease liabilities	268	479	1,891	4,500	554	7,692
Other financial liabilities	6.405	16.295	-	-	-	22.700
Total financial liabilities	**3.286.771**	**86.579**	**274.777**	**629.743**	**58.622**	**4.336.492**

The table below outlines the Bank's remaining contractual maturity for its non-derivative financial liabilities. The table was prepared based on the undiscounted cash flows of financial liabilities, in line with the earliest date on which Bank may have an obligation to make the payment. Table includes the payment of interest and principal:

Maturity for non-derivative financial liabilities

All amounts are expressed in thousands of BAM	Net Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
31 December 2023							
Due to banks and other financial institutions	131,739	-	109	96	2,899	-	134,843
Deposits from customers	4,180,378	2	37	465	8,151	482	4,189,515
Subordinated debt	45,193	-	-	2,209	6,608	10,862	64,872
Borrowings	62,674	94	-	648	610	-	64,026
Lease liabilities	8,852	15	28	106	184	12	9,197
Other financial liabilities	35,063	-	-	-	5	-	35,068
	4,463,899	**111**	**174**	**3,524**	**18,457**	**11,356**	**4,497,521**

All amounts are expressed in thousands of BAM	Net Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
31 December 2022							
Due to banks and other financial institutions	144,404	-	8	31	4,276	78	148,797
Deposits from customers	3,979,651	2	15	748	4,755	1,937	3,987,108
Subordinated debt	106,788	680	558	3,565	7,855	11,037	130,483
Borrowings	75,257	40	7	610	454	9	76,377
Lease liabilities	7,692	13	24	91	161	25	8,006
Other financial liabilities	22,700	-	-	-	8	1	22,709
	4,336,492	**735**	**612**	**5,045**	**17,509**	**13,087**	**4,373,480**

The components of Bank's liquidity reserves are presented in the table in Note 21.

5.3. Market risk

Market risk is defined as the risk of possible balance and off-balance losses due to changes in market prices of trading and banking book positions. Market risk estimates are based on changes in exchange rates, interest rates, credit spreads, equity and commodity prices, and other market parameters.

The Bank's market risk management is conducted in accordance with the local regulations and decisions and instructions of local regulators and in accordance with RBI Group standards (RBI Group regulatory framework and the decision of the RBI Managing Board) and is defined in the internal rules, procedures and policies that are subject to regular internal audits, aimed at complying with regulatory changes, as well as improving the process of (market) risk management due to changes in market conditions, defined strategies and business goals. The process of managing market risk inherently includes mitigation, assessing and limiting exposure before assuming risk, and the assessment and control of assumed risk of the entire bank portfolio i.e. trading and banking book. Notwithstanding the restrictions imposed by the regulator, the Bank limits exposure to market risks in accordance with its business strategies harmonized at the level of RBI, product approval process and limit system on market risk positions, i.e. establishing limits on the open positions of market risk, limits on the Bank`s portfolio sensitivity, in line with the changes of risk factors and establishing the system of limits on Value at Risk ("VaR") at the level of the book (trading and banking book), level of segments (Assets and Liabilities management and Capital Markets) and at the level of the entire portfolio. In addition, the limit is established on the reduction of market value of financial instruments carried at fair value, the so-called Stop loss limits.

Another important part of the market risk management process is stress testing of the Bank's portfolio with regard to extreme changes of market conditions and the calculation of portfolio sensitivity under crisis scenarios, as well as the impact it has on the financial performance. Stress testing of extreme changes in market conditions is performed by RBI on a daily basis.

The Bank is exposed to the following subcategories of market risk: currency/foreign exchange risk, position risk, credit spread risk, risk of adjustment of credit valuation actively managed by the Bank. Within the annual risk assessment for the purpose of Bank's ICAAP and ILAAP, none of these risks were found to be significant for the Bank.

5.3.1. Foreign exchange risk

Foreign exchange risk is the risk of loss arising from the changes in currency exchange rates and/or prices of gold. The Bank is not exposed to the foreign exchange risk of gold positions, meaning, they are not the subject of Bank'sbusiness operations.

The strategy used under the foreign exchange risk management is to limit the exposure, i.e. to maintain the level of assumed risk within the planned preference or planned risk profile for foreign exchange risk, taking into account regulatory restrictions. In order to maintain an adequate level of foreign exchange risk, the Bank has defined restrictions, the so-called internal limits with primary consideration of regulatory limits.

In addition to the VaR limit system, the Bank limits its exposure by applying the foreign exchange limits on open positions for each currency, the limit on the entire long or short position of the Bank, as well as the stop loss limits.

The carrying amounts of the Bank's monetary assets and liabilities per currency at the reporting period date were as follows:

All amounts are expressed in thousands of BAM	BAM	EUR*	USD	Other currencies	Total
As at 31 December 2023					
ASSETS					
Cash and cash equivalents	467,383	261,045	70,905	60,795	860,128
Loans and receivables at fair value	-	11,952	-	-	11,952
Financial assets at fair value through other comprehensive income	355	183	-	-	538
Obligatory reserve with the BiH Central Bank	437,791	-	-	-	437,791
Deposits with banks	-	205,002	-	-	205,002
Loans and receivables at amortized cost	2,074,558	709,034	-	-	2,783,592
Debt instruments	9,566	297,212	34,696	-	341,474
Other financial assets	19,070	20,367	81	115	39,632
	3,008,723	**1,504,794**	**105,682**	**60,909**	**4,680,110**
LIABILITIES					
Due to banks and other financial institutions	29,712	101,378	421	228	131,739
Due to customers	2,732,371	1,266,142	114,053	67,812	4,180,378
Subordinated debt	-	45,193	-	-	45,193
Borrowings	-	62,674	-	-	62,674
Lease liabilities	8,852	-	-	-	8,852
Other financial liabilities	30,383	1,458	2,421	801	35,063
	2,801,318	**1,476,845**	**116,895**	**68,841**	**4,463,899**

* The Bank has a number of agreements with foreign currency clause. The BAM value of principal in such agreements is determined by foreign exchange rate developments. The principal balance of the related exposure is included in the table above in the column "EURO".

All amounts are expressed in thousands of BAM	BAM	EUR*	USD	Other currencies	Total
As at 31 December 2022					
ASSETS					
Cash and cash equivalents	401,097	109,102	93,954	19,044	623,197
Loans and receivables at fair value	-	17,359	-	-	17,359
Financial assets at fair value through other comprehensive income	355	171	-	-	526
Obligatory reserve with the BiH Central Bank	422,204	-	-	-	422,204
Deposits with banks	28,583	261,502	-	29,045	319,130
Loans and receivables at amortized cost	1,495,892	984,389	-	-	2,480,281
Debt instruments	13,800	208,941	25,341	-	248,082
Other financial assets	21,653	6,747	4	1	28,405
	2,383,584	**1,588,211**	**119,299**	**48,090**	**4,139,184**
LIABILITIES					
Due to banks and other financial institutions	120,954	22,642	794	14	144,404
Due to customers	2,526,546	1,265,880	119,112	68,113	3,979,651
Borrowings	-	106,803	-	-	106,803
Subordinated debt	-	75,242	-	-	75,242
Lease liabilities	-	7,692	-	-	7,692
Other financial liabilities	18,526	239	3,433	502	22,700
	2,666,026	**1,478,498**	**123,339**	**68,629**	**4,336,492**

* The Bank has a number of agreements with foreign currency clause. The BAM value of principal in such agreements is determined by foreign exchange rate developments. The principal balance of the related exposure is included in the table above in the column "EURO".

The following table outlines five highest Values-at-Risk (VaR) recorded as at 31 December 2023 and their values as at 31 December 2022. VaR is a calculation based on 99% reliability statistical model and under presumption that portfolio is constant during 1 day.

All amounts are expressed in thousands of BAM		VaR	
Currency	**31 December 2023**	**Currency**	**31 December 2022**
JPY	<1	USD	>1
SEK	<1	JPY	<1
CHF	<1	HRK	<1
CZK	<1	GBP	<1
CNY	<1	NOK	<1

The following table details the Bank's sensitivity to a 10% increase or decrease in foreign currency rates against the relevant local currency. The 10%- sensitivity rate is used when reporting foreign currency risk internally to key management personnel and represents assessment of the reasonably possible change in foreign exchange rates.

All amounts are expressed in thousands of BAM	SEK result		JPY result	
	2023	2022	2023	2022
Profit or loss	(6)	(4)	2	2

5.3.2. Interest rate risk

Interest rate risk reflects the possibility of loss of profit and/or erosion of capital due to the fluctuations of interest rates. It pertains to all balance and off-balance positions that are sensitive to fluctuations of interest rates. This risk comprises two components: income component and investment component.

The income component arises from the fact that passive and active interest rates of the Bank are not harmonized (interest on placements is fixed, interest on liabilities is variable, and vice versa).

The investment component results from inverted relationship between the fluctuations of prices and interest rates on securities. The Bank strives to ensure protection from interest risk by harmonizing the types of interest rates (fixed, floating and variable), currency, related interest rate and the date of interest rate change for all products covered under the contracts it concludes (which are sensitive to interest rate changes).

Any inconsistence between the abovementioned elements results in exposure of the Bank to interest rate risk.

5.3.2.1. BPV interest rate sensitivity analysis

On the daily basis, positions of interest rate risk undergo sensitivity analysis for 1 basis point during the parallel shift of yield curve which provides values of gains and losses of portfolio for a particular day (1BPV=0,01%).

The table below presents the changes of the portfolio present value, with interest rate growth by 1 basis point as at December 31 2023 and December 31 2022, expressed in thousands of BAM for the following currencies: BAM, EUR and USD, while the changes of present values for other currencies are immaterial.

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Currency		
KM	(102)	(59)
EUR	(6)	(19)
USD	5	2
Total BPV	**(103)**	**(76)**

In the event of change (increase) of interest rates by 1 basis point (parallel shift of yield curve by +0.01%), the effects on the present value of Bank's portfolio as at 31 December 2023 would be the following:

- for BAM – portfolio present value in the amount of BAM 102 thousand
- for EUR – portfolio present value in the amount of BAM 6 thousand
- for USD – portfolio present value in the amount of BAM 5 thousand.

The table below presents effects on present value of portfolio, in the event of yield curve shift by 50 bps, at 31 December 2023 and 31 December 2022, for the currencies with material exposure:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Currency		
KM	(5,595)	(2,925)
EUR	(336)	(919)
USD	262	90
Total BPV	**(5,669)**	**(3,754)**

In the event of change (increase) of interest rates by 50 bps (parallel shift of yield curve by 0.05%), the Bank would realize:

- for BAM – present value of portfolio is BAM 5,595 thousand as at 31 December 2023.
- for EUR – present value of portfolio is BAM 336 thousand as at 31 December 2023.
- for USD – present value of portfolio is BAM 262 thousand as at 31 December 2023.

5.4. Capital risk management

In compliance with laws, regulations and internal acts, the Bank monitors and reports quarterly to regulators on its capital, risk-weighted exposures and capital adequacy ratios.

Through its management reporting, the Bank also regularly monitors capital movements, achieved capital adequacy ratios as well as the effects on capital of all changes in methodology.

In 2023, the Bank complied with all regulatory capital requirements and achieved the capital adequacy ratio of 17.32%, in accordance with the local regulations under Basel III Methodology.

The Bank Regulatory Capital consists of Common Equity capital (Tier 1) and Additional capital (Tier 2). The core capital of the Bank (Common equity T1) is the sum of Common equity CET 1 capital and Additional Tier 1 capital AT 1. The Tier 1 capital of the Bank (fully equal to Common equity Tier 1) consists of issued share capital, share premium, retained earnings and other reserves formed from profit after taxation, based on decision of the Bank's General Assembly, net revaluation reserves based on changes in fair value of assets (accumulated comprehensive income), reduced for the Common equity CET 1 of financial sector entities that are heavily invested by the Bank, intangible assets and deferred tax assets.

Tier 2 capital is comprised of subordinated debt, general credit risk impairments, calculated as 1.25% of the risk-weighted exposure amount, reduced for the missing loan loss provisions under the regulatory requirements.

The minimum capital ratio requirements are as follows:
- Common Equity Tier 1 capital ratio 6.75%
- Tier 1 capital ratio 9.00%
- Regulatory capital ratio 12.00%

In addition to the statutory minimum capital adequacy ratio, the Bank is also required to provide the buffer for capital preservation that is to be maintained in the form of Tier 1 capital in the amount of 2.5% of the total risk exposure amount.

The total risk weighted exposure used to calculate capital adequacy includes:
- the risk of weighted assets and credit equivalents,
- position, currency, commodity risk and
- operational risk.

Under the prescribed methodology, the Bank's capital adequacy ratio, as at 31 December 2023 and 31 December 2021 is above the required limit of 13%. The following table presents the structure of equity and capital requirements of the Bank as at December 31 2023 and December 31 2023:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Common equity CET 1 capital		
Issued share capital – ordinary shares	247,167	247,167
Share premium	4,473	4,473
Retained earnings and other statutory reserves	294,873	269,678
Accumulated comprehensive income	277	267
Other reserve	1,230	1,230
Common equity CET 1 capital – regulatory adjustments:		
Intangible assets	(32,983)	(23,266)
Deferred tax assets	(10,240)	(4,253)
Significant investments in financial sector entities	(11,374)	(11,374)
Total Common equity CET 1 capital	**493,423**	**483,922**
Additional Tier 1 equity	**-**	**-**
TOTAL TIER 1 EQUITY	**493,423**	**483,922**
Additional capital	-	-
Subordinated debt	44,984	69,713
General credit risk impairments	-	-
Missing loan loss provisions	-	-
TOTAL TIER 2 CAPITAL (T 2)	**44,984**	**69,713**
TOTAL REGULATORY CAPITAL (unaudited)	**538,407**	**553,635**
Total risk-weighted assets (unaudited)	**3,108,514**	**2,794,871**
Common Equity capital ratio	**15.87%**	**17.31%**
Tier 1 capital ratio	**15.87%**	**17.31%**
Total capital ratio	**17.32%**	**19.81%**

In June 2023, the Bank paid a dividend in the amount of BAM 75,583 (BAM 45,230 of retained earnings for 2022).The Bank is obligated to ensure and maintain financial leverage rate as an additional security and simple capital hedge, in the amount of at least 6%.The Bank's financial leverage ratio is the ratio of the amount of the Tier 1 capital to the total risk weighted exposure of the Bank as at the reporting date, presented as a percentage, and as at 31 December 2023 it is above the stated minimum, amounting to 9.10%.

6. Fair value of financial instruments

The fair value of financial assets and financial liabilities that are traded in active markets is based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques.

6.1. Valuation techniques

The Bank measures fair values using the following fair value hierarchy, reflecting the significance of the inputs used in measurement.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and these parameters have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign exchange rates, equity prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank determines the fair value of debt securities (treasury bills and bonds) using an internal valuation model which considers their remaining maturity and the latest available auction prices of equivalent instruments.

Fair value of available-for-sale equity securities and securities at fair value through profit or loss traded on an active market is measured using the price of these instruments at the reporting date at closing bid prices.

6.2. Fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table analyses financial instruments measured at fair value at the reporting date distributed according to the fair value hierarchy. The amounts are based on the values recognized in the statement of financial position.

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2023					
Financial assets at fair value through other comprehensive income					
Loans to customers	22	-	-	11,952	11,952
Equity securities issued by non-resident legal entities	23	-	-	538	538
Total		**-**	**-**	**12,490**	**12,490**

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2022					
Financial assets at fair value through other comprehensive income					
Loans to customers	22	-	-	17,359	17,359
Equity securities issued by non-resident legal entities	23	-	-	526	526
Total		**-**	**-**	**17,885**	**17,885**

6.3. Financial instruments not measured at fair value

The following table presents the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy where each fair value measurement is categorized.

All amounts are expressed in thousands of BAM	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
31 December 2023						
Assets						
Cash and cash equivalents	1,181,109	1,183,662	(2,553)	-	-	1,183,662
Obligatory reserve with the Central Bank of BiH	437,791	438,229	(438)	-	-	438,229
Deposits with other banks	205,002	205,566	(564)	-	-	205,566
Loans and receivables	2,783,592	2,920,453	(136,861)	-	-	2,920,453
Other financial assets at amortized cost	381,106	374,553	6,553	334,920	-	39,633
out of which: securities	341,474	334,920	6,554	334,920	-	-
Total	**4,988,600**	**5,122,463**	**(133,863)**	**334,920**	**-**	**4,787,543**
Liabilities						
Due to banks and other financial institutions	131,739	131,749	(10)	-	-	131,749
Deposits from customers	4,180,378	4,166,341	14,037	-	-	4,166,341
Borrowings	107,867	109,612	(1,745)	-	-	109,612
Lease liabilities	8,852	8,852	-	-	-	8,852
Other financial liabilities at amortized cost	35,063	35,063	-	-	-	35,063
Total	**4,463,899**	**4,451,617**	**12,282**	**-**	**-**	**4,451,617**

The following table presents the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy where each fair value measurement is categorized.

All amounts are expressed in thousands of BAM	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
31 December 2022						
Assets						
Cash and cash equivalents	1,334,816	1,335,650	(834)	-	-	1,335,650
Obligatory reserve with the Central Bank of BiH	422,204	422,627	(423)	-	-	422,627
Deposits with other banks	319,130	319,598	(468)	-	-	319,598
Loans and receivables	2,480,281	2,591,715	(111,434)	-	-	2,591,715
Other financial assets at amortized cost	276,487	265,936	10,551	237,531	-	28,405
out of which: securities	248,082	237,531	10,551	237,531	-	-
Total	**4,832,918**	**4,935,526**	**(102,608)**	**237,531**	**-**	**4,697,995**
Liabilities						
Due to banks and other financial institutions	144,404	137,381	7,024	-	-	137,381
Deposits from customers	3,979,651	3,955,216	24,435	-	-	3,955,216
Borrowings	182,045	181,680	365	-	-	181,680
Lease liabilities	7,692	7,692	-	-	-	7,692
Other financial liabilities at amortized cost	22,700	22,700	-	-	-	22,700
Total	**4,336,492**	**4,304,669**	**31,824**	**-**	**-**	**4,304,669**

When estimating the fair value of the Bank's financial instruments and assigning the instruments to the relevant level of fair value hierarchy, the following methods, assumptions and limitations described below are applied by the Bank in accordance with the approach revised within RBBH Group:

Cash and cash equivalents

The carrying values of cash, balances with banks and with the Central Bank are generally deemed to approximate their fair value due to the short term maturity. Loans and receivables to banks are mostly represented by overnight and short term deposits; therefore, there is no significant difference between fair value of those deposits and their book value.

Loans and receivables from customers

Fair value is estimated through discounted cash flow method in case of positions with residual medium-long term maturities, while it is approximated with the book value, reduced for group impairment/individual adjustment in case of short-term loans, loans payable on demand or with an indefinite maturity for impaired loans.

Amounts due for deposits from customers

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the date of reporting. The estimated fair value of fixed-maturity deposits is based on discounted cash flows using rate currently offered for deposits of similar remaining maturities. Considering that maturity of most liabilities to customers is short term, fair value is approximately equal to the carrying amount.

Amounts due to banks and other financial institutions

Most of the banks' borrowings are short-term and carries variable interest rate, and thus Management estimates that its carrying amount reflects their fair value.

Subordinated loan carries variable interest rate and thus its carrying value reflects its fair value.

Lease liabilities

The carrying value of lease liabilities approximately equals to its fair value as there is no significant difference between incremental borrowing rate and market rate.

7. Business segments

The Bank operates in five basic business segments: corporate segment (business with legal entities); retail segment (business with micro companies and physical entities); segment of financial institutions; treasury and investment business segment and other business segment.

This is presented in the following segments:

Business segments	Segmentation criteria
Business banking	
a) Large, medium-sized enterprises	Companies with a total turnover above BAM 4,960 million. Or exposure above BAM 2,970 million. This business line also includes state-owned companies or local self-government bodies as well as legal companies from abroad with majority ownership of a legal company.
Retail banking	
a) Retail Banking	Includes 2 sub-segments: private individuals and affluent customers **Affluent** customers are those customers who have activated one of the Premium packages
b) Small businesses and single-owner business/sole proprietorship businesses	Includes 2 sub-segments: SE Segment and Micro Segment **SE segment** includes small businesses and single-owner enterprises with a total turnover below BAM 4,960 thousand and a total exposure below BAM 2,970 thousand. If one of the limits is exceeded, the customer is moved to the business segment group. **Micro Segment** includes small businesses and sole proprietorships with a total turnover of up to BAM 1,980 thousand and a total exposure of up to BAM 200 thousand.
Financial institutions	
a) Institutional customers	Companies whose key activities are financial activities, including the Government of BiH and central regulatory bodies (Montenegro) Brokers, IFs, FMCs, microcredit organizations, insurance and leasing companies, Montenegro
b) Banks and other international financial institutions	Banks and international financial institutions
Treasury and investment banking	This segment includes the management of assets and liabilities, financing and banking of financial institutions, transactions in the money market, foreign currency business (FCY management), brokerage activities, depository activities, securities management for the Bank's account.
Other	
a) Subsidiaries	Includes related parties
b) Other	

All amounts are expressed in thousands of BAM	Corporate	Retail	Treasury operations and investment banking	Other	Total
31 December 2023					
Interest income, etc., income at an effective interest rate	18,773	99,715	44,753	11,330	174,571
Interest expenditure etc., income at an effective interest rate	(1,412)	(7,501)	(3,366)	(852)	(13,131)
Net interest income, etc., income at an effective interest rate	**17,361**	**92,214**	**41,387**	**10,478**	**161,440**
Fee and commission income	25,974	105,115	292	(3,246)	128,135
Fees and commissions expenses	(7,430)	(30,067)	(83)	929	(36,651)
Net fee and commission income	**18,544**	**75,048**	**209**	**(2,317)**	**91,484**
Impairments and provisions	7,100	(11,709)	(3)	23	(4,589)
Other revenues	4,001	18,476	4,329	1,200	28,006
Other costs and expenses	(23,674)	(112,697)	(1,252)	(11,056)	(148,679)
Profit before tax	**23,332**	**61,332**	**44,670**	**(1,672)**	**127,662**
Income tax	**-**	**-**	**-**	**-**	**(5,702)**
Net profit for the year	**22,303**	**58,628**	**42,701**	**(1,672)**	**121,960**
Total assets	**831,741**	**1,991,395**	**1,834,957**	**537,288**	**5,195,381**
Total Liabilities	**1,393,858**	**2,921,446**	**118,865**	**91,232**	**4,525,401**
Net assets per segments	**(562,117)**	**(930,051)**	**1,716,092**	**446,056**	**669,980**

All amounts are expressed in thousands of BAM	Corporate	Retail	Treasury operations and investment banking	Other	Total
31 December 2022					
Interest income, etc., income at an effective interest rate	7.925	98.783	20.453	8.997	136.158
Interest expenditure etc., income at an effective interest rate	(1.015)	(12.657)	(2.621)	(1.153)	(17.446)
Net interest income, etc., income at an effective interest rate	**6.910**	**86.126**	**17.832**	**7.844**	**118.712**
Fee and commission income	25.886	99.735	219	(1.001)	124.839
Fees and commissions expenses	(6.172)	(23.781)	(52)	239	(29.766)
Net fee and commission income	**19.714**	**75.954**	**167**	**(762)**	**95.073**
Impairments and provisions	22.346	(35.840)	(6)	736	(12.764)
Other revenues	4.966	29.174	3.041	3.883	41.064
Other costs and expenses	(21.006)	(101.834)	(1.520)	(10.511)	(134.870)
Profit before tax	**32.930**	**53.580**	**19.514**	**1.190**	**107.215**
Income tax	**-**	**-**	**-**	**-**	**(6.438)**
Net profit for the year	**32.082**	**54.494**	**19.510**	**1.130**	**100.777**
Total assets	**686.604**	**1.835.406**	**1.570.169**	**932.806**	**5.024.985**
Total Liabilities	**1.342.248**	**2.797.755**	**193.859**	**67.530**	**4.401.392**
Net assets per segments	**(655.644)**	**(962.349)**	**1.376.310**	**865.276**	**623.593**

8. Interest and similar income at effective interest rate

All amounts are expressed in thousands of BAM	**2023**	**2022**
Loans and receivables		
- from retail	115,354	103,745
- from corporate	29,374	26,110
- from banks	23,893	2,625
Other interest income	520	319
Modifications	362	111
Investments in securities at amortized cost	4,271	2,391
Interest income and similar income at effective interest rate of financial assets at amortized cost	**173,774**	**135,301**
Interest income and similar income at effective interest rate of financial assets at fair value through PL	797	857
Interest income and similar income at effective interest rate of financial assets at fair value through PL	**797**	**857**
Interest income and similar income at effective interest rate	**174,571**	**136,158**

9. Interest and similar expense at effective interest rate

All amounts are expressed in thousands of BAM	2023	2022
Banks	7,435	9,912
Corporate	2,693	2,555
Retail	2,591	3,755
Other	236	1,060
Interest for leasing contracts (*Note 33.4*)	176	164
Interest expense and similar expense at the effective interest rate of financial liabilities at amortized cost	**13,131**	**17,446**

10. Fee and commision income

All amounts are expressed in thousands of BAM	2023	2022
Main service lines:		
Credit card business	49,036	43,385
Payment transactions	29,065	31,440
Account maintenance for residents	20,789	19,029
FX transactions	8,990	9,954
Investment in funds	4,619	3,696
Insurance	4,569	4,742
Account maintenance for non-residents	2,731	3,420
Other	2,010	2,933
Total income from fees and commissions from contracts with customers	**121,809**	**118,599**
Financial guarantees and approved an undrawn loans contracts and loan commitments	6,329	6,240
	128,135	**124,839**

11. Fee and commission expense

All amounts are expressed in thousands of BAM	2023	2022
Credit card transactions	28,405	23,071
Guarantees	2,639	966
Central Bank services	2,008	2,089
S.W.I.F.T. services	932	794
SMS services	928	827
Other	1,739	2,019
	36,651	**29,766**

12. Impairments and provisions

All amounts are expressed in thousands of BAM	2023	2022
Net releases of previously recognized credit losses of financial assets at amortized cost (*Notes 21,21,23,24*)	10,153	9,520
Provisions / (net releases of previously recognized provisions) for the credit risk of defaults and guarantees given (*Note 34*)	(7,060)	749
Provisions / (net releases of previously recognized provisions) for litigations (*Note 34*)	(51)	464
Net releases of previously recognized provisions (*Note 34*)	1,547	2,030
	4,589	**12,764**

13. Other net losses on financial assets

All amounts are expressed in thousands of BAM	2023	2022
Net gains/losses from modifications of financial assets at amortized cost that have not resulted in derecognition (*Note 24.3*)	1,220	425
Net effects of the change in the value of financial assets at fair value through income statement (*Note 22*)	39	(140)
	1,259	**285**

14. Foreign exchange gains

All amounts are expressed in thousands of BAM	2023	2022
Net exchange rate gains from foreign exchange purchases	18,204	21,671
Net exchange rate differences based on CBBH settlement	(124)	(173)
	18,080	**21,498**

15. Net losses from current non-financial assets

All amounts are expressed in thousands of BAM	2023	2022
(Net impairment losses)/net gains from the release of previously recognized impairment losses of property, plant and equipment (*Note 25*)	(1,267)	(812)
(Net impairment losses)/net gains from the release of previously recognized impairment losses of investment property (*Note 27*)	(101)	(141)
Net gains/losses from disposal of property, plant and equipment	(388)	13
Other (net impairment losses) from impairment of long-term non-financial assets (*Note 31*)	-	2,202
	(1,756)	**1,262**

16. Dividend income

All amounts are expressed in thousands of BAM	2023	2022
From associates	-	5,946
From subsidiaries	-	5,640
	-	**11,586**

17. Other income

All amounts are expressed in thousands of BAM	2023	2022
Release of accrued costs from previous periods	3,658	2,786
Income based on interest charges for non-quality loans	2,712	2,976
Income from lease	1,701	1,524
Treasury surpluses	318	21
Other income	1,538	673
	9,927	**7,980**

18. Employee costs

All amounts are expressed in thousands of BAM	2023	2022
Salaries	36,684	32,191
Taxes and contributions	23,217	20,821
Severance pay costs	218	353
Other employee expenses	1,183	1,281
	61,302	**54,646**

19. Other expenses and costs

All amounts are expressed in thousands of BAM	2023	2022
Costs of ongoing maintenance	13,808	12,671
Cost of savings deposit and loan insurance premiums	10,771	10,353
Tax and administration costs	8,291	1,406
Cost of services	7,035	7,356
Telecommunications costs	4,401	3,767
Cost of property insurance premiums	4,281	3,415
Cost of consulting services	4,202	5,002
Marketing costs	3,260	3,267
Fee costs to FBA supervisor	3,055	2,931
Energy costs	2,086	1,957
Material costs	1,785	1,783
Other rent expenses (*Note 33,4*)	1,319	1,701
Costs of professional services	867	1,839
Representation costs	838	1,080
Education	559	370
Freight charges	422	362
Utility costs	231	229
Donations	99	256
Other costs and expenses	4,774	4,316
	72,084	**64,061**

20. Income tax

Total tax recognized in the income statement may be presented as follows:

All amounts are expressed in thousands of BAM	2023	2022
Current income tax	11,392	10,179
Deferred income tax	(5,690)	(3,741)
	5,702	**6,438**

Reconciliation of taxable profit, stated in the tax balance, with accounting profit may be stated as follows:

All amounts are expressed in thousands of BAM	2023	2022
Profit before income tax	**127,662**	**107,215**
Income tax at a rate of 10%	12,766	10,722
Capital (losses)/gains and other incomes	(975)	(1,443)
Effects of unrecognized expenditures	1,239	2,386
Effects of non-taxable revenue (new employees)	(1,968)	(1,511)
Other effects	330	25
Deferred tax assets – Deferred fee	-	202
Deferred tax assets – level 1 and 2	(6,326)	-
Deferred tax assets – depreciation	(30)	(20)
Deferred tax assets – other provisions	(150)	(2,438)
Deferred tax assets – property impairment	519	(1,784)
Deferred tax liabilities - depreciation (lower rates)	297	299
Income tax	**5,702**	**6,438**
Effective tax rate	**4.47%**	**6.0%**

The Bank calculates its income tax liability at the rate of 10%, in accordance with effective regulations on tax income of legal entities in Bosnia and Herzegovina

Unrecognized expenditures include unrecognized expenditures for representation, provisions for risks and liabilities and expenditures of impairment of receivables.

Non-taxable revenues include revenues for share capital, release of provisions for risks and liabilities which was previously recognized as tax-unrecognized expenditure.

The new way of presenting taxable income adjustment items, reported in the tax balance sheet with accounting profit, results from initial recognition based on differences related to Other provisions, and credit provisions level 1 and 2, adjustment of the value of property/investment which so far, have not been recognized/recorded as deferred tax assets/liabilities.

The change in deferred tax assets may be stated as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Balance at the beginning of period	**4,253**	**213**
Increase in deferred tax assets	5,987	4,040
Balance at the end of the period	**10,240**	**4,253**

The Bank recognized deferred tax assets on the basis of temporary differences arising from the presentation of unreported deferred income / expenses on the basis of other provisions, property and investment impairment, as well as on the basis of accelerated depreciation, i.e. the difference in depreciation cost between the full tax rate and accrued lower depreciation rates.

The change in deferred tax liabilities may be stated as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Balance at the beginning of period	**1,705**	**1,376**
Recognized deferred tax liabilities	298	329
Balance at the end of the period	**2,003**	**1,705**

21. Cash and cash equivalents

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Cash in hand in local currency	285,412	639,505
Cash in hand in foreign currency	35,569	72,114
Funds on the current account with CBBH	467,857	401,900
Cash in hand at accounts at deposits institutions up to 30 days	394,661	222,098
Less: impairment	(2,390)	(801)
	1,181,109	**1,334,816**

The interest rate on EUR placements ranged from 1.7% to 3.92% per annum in 2023 or from -0.7% to -1.88% per annum in 2022. The interest rate on MM placements in USD amounted from 4% to 5.27% per annum in 2023, or from -0.02% to 4.1% per annum in 2022. The interest rate on placements in other currencies ranged from –0.15% to 5.6% per annum in 2023 or from -0.9% to 3.45% per annum in 2022.

Changes in impairment for expected losses are stated as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance at the beginning of the period	**801**	**1.098**
Release of impairment of value (*Note 12*)	1,589	(297)
Balance at the end of the period	**2,390**	**801**

22. Financial assets at fair value through profit and loss

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Loans and receivables at fair value	12,301	17,669
Adjustment for fair value	(349)	(310)
	11,952	**17,359**

Changes in the fair value of loans measured at fair value are presented as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance at the beginning of the period	**310**	**450**
Net change in fair value through PL (*Note 13*)	39	(140)
Balance at the end of the period	**349**	**310**

23. Financial assets at fair value through other total comprehesive result

Investments in capital instruments as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Listed equity securities:		
Sarajevo Securities Exchange	322	322
S.W.I.F.T. Belgium	183	171
Non-listed equity securities		
Register of Securities of FBiH	32	32
Velprom d.d. Sanski Most	1	1
	538	**526**

Fair value developments, regading these assets, were as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance at the beginning of the period	**526**	**498**
Profit from a change in fair value	12	28
Balance at the end of the period	**538**	**526**

24. Financial assets at amortised cost

24.1. Obligatory reserve with the BiH Central Bank

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Obligatory reserve	438,229	422,627
Less: impairment	(438)	(423)
	437,791	**422,204**

The minimum reserve requirement is calculated as a percentage of the average amount of total deposits and borrowed funds for each business day during 10 calendar days after the mandatory reserve maintenance period.

A single interest rate of 10% of total short-term and long-term deposits and borrowed funds has been applied since 1 July 2016.

Cash held as a compulsory reserve on the CBBH account is not available for use without the special approval of CBBH and FBA.

Changes in impairment for expected losses are stated as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance at the beginning of the period	**423**	**416**
Net impairment change (*Note 12*)	15	7
Balance at the end of the period	**438**	**423**

24.2. Deposits with other banks

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Deposits with other banks	205,325	319,566
Less: impairment	(323)	(436)
	205,002	**319,130**

Impairment changes for expected losses are presented as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance at the beginning of the period	**436**	**224**
Net impairment change (*Note 12*)	(113)	212
Balance at the end of the period	**323**	**436**

The interest rate on placements (over 30 days) in EUR ranged from 2.53% to 3.9% per annum in 2023, or from -0.85% to -1.70% per annum in 2022. The interest rate on USD placements ranged from 4% to 5.21 % per annum in 2023. The interest rate on placements in other currencies ranged from −0.8% to 4.25% per annum in 2023 or from -0.6% to 3.30% per annum in 2022.

24.3. Loans and receivables

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Loans and receivables at amortized cost	2,932,569	2,650,366
Less impairment of value	(148,977)	(170,085)
	2,783,592	**2,480,281**

Changes in the impairment of the loans approved at amortized cost are presented as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance at the beginning of the period	**170,085**	**193,182**
Write-off	(28,139)	(32,356)
Other transfers	(2,089)	(542)
Net effects from modifications of financial assets at amortized cost that did not result in derecognition (*Note 13*)	1,220	425
Releasing a value correction (*Note 12*)	7,900	9,376
Balance at the end of the period	**148,977**	**170,085**

Analysis of loans and receivables according to the original maturity is as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Short-term loans:		
Short-term loans in domestic currency	530,805	536,953
Short-term loans in foreign currency (including currency exchange clause)	1,532	12,094
	532,337	**549,047**
Long term loans:		
Long-term loans in domestic currency	1,621,472	1,035,694
Long-term loans in foreign currency (including currency exchange clause)	778,760	1,065,625
	2,400,232	**2,101,319**
Total loans before impairment	**2,932,569**	**2,650,366**
Less impairment	(148,977)	(170,085)
	2,783,592	**2,480,281**

The short-term loans were approved for a period of 30 to 365 days. The majority of short-term domestic currency loans are granted for clients' working capital. The long-term loans are usually granted to physical entities, and the products include Non-purpose loans and Housing loans.

For SME clients, loans that are approved for a period of 30 to 365 days (short term) are loans for working capital and overdraft, whereas long-term loans for a period exceeding 365 days are investment loans and permanent working capital.

Analysis of total approved loans classified per industries and sectors is as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2023	31 December 2022	31 December 2022
	Gross book value	**Expected credit loss**	**Gross book value**	**Expected credit loss**
Population	1,841,308	(117,605)	1,707,640	(129,211)
A - Agriculture, forestry and fishing	11,451	(191)	10,370	(169)
B - Mining and stone extraction	2,555	(40)	911	(15)
C - Processing industry	242,571	(8,012)	216,633	(14,229)
D - Production and supply of electricity, gas, steam and air conditioning	11,114	(60)	10,243	(62)
E - Water supply; wastewater disposal, waste management and environmental remediation activities	11,983	(112)	10,573	(107)
F - Construction	26,006	(799)	24,555	(1,097)
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	546,611	(16,409)	506,393	(20,297)
H - Transportation and storage	49,709	(1,553)	43,229	(1,945)
I - Accommodation and food service activities (hospitality and catering)	4,531	(393)	4,116	(462)
J - Information and communications	55,163	(797)	25,586	(385)
K - Financial and insurance activities	55,146	(622)	28,698	(220)
L - Real estate business	3,299	(120)	5,908	(139)
M - Professional, scientific and technical activities	10,348	(545)	11,517	(541)
N - Administrative and ancillary services	5,399	(706)	5,066	(385)
O - Public administration and defense; compulsory social insurance	48,340	(767)	33,380	(561)
P - Education	1,387	(121)	691	(109)
Q - Health care and social welfare activities	4,089	(69)	3,195	(65)
R - Arts, entertainment and leisure	301	(11)	252	(4)
S - Other service activities	1,253	(45)	1,401	(82)
U - Activities of extraterritorial organizations and bodies	5	-	9	-
Total loans	**2,932,569**	**(148,977)**	**2,650,366**	**(170,085)**

24.4. Other financial assets at amortised cost

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Debt instruments at amortized cost	341,474	248,082
Fee claims	1,961	1,388
Other financial assets	37,671	27,017
	381,106	**276,487**

24.4.1. Debt instruments at amortized cost

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Government bonds	281,704	215,240
Corporate bonds	60,641	34,849
	342,345	**250,089**
Less: impairment	(871)	(2,007)
	341,474	**248,082**

Changes in impairment of financial assets measured at amortized cost are stated as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance as at the beginning of the period	**2,007**	**1,309**
Net impairment change (*Note 12*)	(1,136)	698
Balance at the end of the period	**871**	**2,007**

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Government and similar bonds:		
Austria	56,023	47,935
Belgium	39,030	9,918
Netherland	37,981	-
Poland	32,393	23,461
Germany	28,816	-
France	28,366	26,664
Republic of Serbia	20,794	18,724
Croatia	17,686	-
North Macedonia	10,352	31,604
Republic of Srpska, BiH	9,566	27,819
Sarajevo Canton Government	-	21,380
Federation of Bosnia and Herzegovina	-	5,796
Corporate bonds:		
European Bank for Reconstruction and Development	28,780	8,324
NIBC Bank	23,461	9,498
International Finance Corporation	8,226	8,638
KFW	-	8,321
	341,474	**248,082**

24.4.2. Other financial assets at amortised cost

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Receivables for credit card business	27,502	20,525
Other financial assets	9,575	7,555
Claims based on spot transactions and arbitration in foreign currency	7,188	3,633
Less: impairment	(6,594)	(4,696)
	37,671	**27,017**

Changes in the impairment of financial assets measured at amortized cost are stated as follows:

All amounts are expressed in thousands of BAM	2023	2022
Balance as at the beginning of the period	**4,696**	**5,172**
Impairments (*Note 12*)	1,898	(476)
Balance as at the end of the period	**6,594**	**4,696**

25. Property, plant and equipment

All amounts are expressed in thousands of BAM	Buildings and Land	Vehicles	Office equipment	Investment in progress	Leasehold improve-ments	Total
COST						
At 1 January 2022	**100,845**	**964**	**61,006**	**2,716**	**7,235**	**172,766**
Additions	-	-	-	7,550	-	7,550
Transfer to use	464	-	5,377	(5,961)	120	-
Transfer to Investment property (*Note 27*)	(323)	-	-	-	-	(323)
Write offs and disposals	-	(69)	(5,551)	-	(187)	(5,807)
At 31 December 2022	**100,986**	**895**	**60,832**	**4,305**	**7,168**	**174,186**
Additions	-	-	-	11,663	-	11,663
Transfer to use	(134)	1,111	6,841	(8,480)	662	-
Write offs and disposals	-	(27)	(4,775)	-	-	(4,802)
At 31 December 2023	**100,852**	**1,979**	**62,898**	**7,488**	**7,830**	**181,047**
ACCUMULATED DEPRECIATION						
1 January 2022	**29,367**	**820**	**45,189**	**-**	**4,608**	**79,984**
Depreciation	1,639	86	4,632	-	1,002	7,359
Transfer to Investment property (*Note 27*)	(69)	-	-	-	-	(69)
Write offs and disposals	-	(66)	(5,509)	-	(171)	(5,746)
Value adjustment (*Note 15*)	(812)	-	-	-	-	(812)
At 31 December 2022	**30,125**	**840**	**44,312**	**-**	**5,439**	**80,716**
Depreciation	1,866	89	5,118	-	891	7,964
Write offs and disposals	-	27	(4,685)	-	-	(4,685)
Value adjustment (*Note 15*)	(1,267)	-	-	-	-	(1,267)
At 31 December 2023	**30,724**	**956**	**44,745**	**-**	**6,330**	**82,755**
NET BOOK VALUE						
Balance at 31 December 2022	**70,861**	**55**	**16,520**	**4,305**	**1,729**	**93,470**
Balance at 31 December 2023	**70,128**	**1,023**	**18,153**	**7,488**	**1,500**	**98,292**

As at 31 December 2023 and 31 December 2022, the Bank performed value adjustment of the net carrying amount of property its market value.

26. Right-of-use assets

All amounts are expressed in thousands of BAM	Buildings	Vehicles	ATM	Total
COST				
Balance as at 1 January 2022	**11,011**	**646**	**2,300**	**13,957**
Increase (new lease contracts)	2,571	2,929	210	5,710
Decrease (premature contract termination)	(2,182)	(2,000)	(141)	(4,323)
Balance as at 31 December 2022	**11,400**	**1,575**	**2,369**	**15,344**
Increase (new lease contracts)	4,614	2,510	447	7,571
Decrease (premature contract termination)	(1,623)	(2,461)	(244)	(4,328)
Balance as at 31 December 2023	**14,391**	**1,624**	**2,572**	**18,587**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2022	**4,650**	**379**	**931**	**5,960**
Depreciation (*Note 33,4*)	2,078	445	504	3,027
Derecognition (premature contract termination)	(604)	(534)	(46)	(1,184)
Balance as at 31 December 2022	**6,124**	**290**	**1,389**	**7,803**
Depreciation (*Note 33,4*)	2,326	453	541	3,320
Derecognition (premature contract termination)	(725)	(378)	(100)	(1,203)
Balance as at 31 December 2023	**7,725**	**365**	**1,830**	**9,902**
NET BOOK VALUE				
Balance as at 31 December 2022	**5,276**	**1,285**	**980**	**7,541**
Balance as at 31 December 2023	**6,684**	**1,259**	**742**	**8,685**

27. Investment property

All amounts are expressed in thousands of BAM	
COST	
Balance as at 1 January 2022	**35,252**
Transfer from property (*Note 25*)	323
Balance as at 31 December 2022	**35,575**
Transfer from property (*Note 25*)	-
Balance as at 31 December 2023	**35,575**
ACCUMULATED DEPRECIATION	
Balance as at 1 January 2022	**6,609**
Depreciation	694
Transfer from property (*Note 25*)	69
Value adjustment (*Note 15*)	(141)
Balance as at 31 December 2022	**7,231**
Depreciation	740
Value adjustment (*Note 15*)	(101)
Balance as at 31 December 2023	**7,870**
Balance as at 31 December 2022	**28,344**
Balance as at 31 December 2023	**27,705**

The Bank's investment property at fair value was as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Buildings	34,251	33,465
	34.251	**33,465**

The fair value of investment properties at 31 December 2023 and 31 December 2022 was evaluated by internal appraisers, employees of the Bank who possess adequate qualifications and recent experience in estimating assets at fair value at relevant locations, and external investment property appraisers.

The fair value of the Bank's investment property was determined using the market value method which reflects current market value, taking into consideration building's construction value and other factors (location, usability, quality and other factors). No changes were made in technique of value measurement during the year.

28. Intangible assets

All amounts are expressed in thousands of BAM	Other intangible assets	Investment in progress	Total
COST			
Balance at 1 January 2022	**43,513**	**4,601**	**48,114**
Additions	-	10,536	10,536
Transfer to use	1,659	(1,659)	-
Write offs and disposals	(50)	-	(50)
Balance as at 31 December 2022	**45,122**	**13,478**	**58,600**
Additions	-	13,482	13,482
Transfer to use	4,631	(4,631)	-
Write offs and disposals	(2,541)	-	(2,541)
Balance as at 31 December 2023	**47,212**	**22,329**	**69,541**
ACCUMULATED DEPRECIATION			
Balance at 1 January 2022	**31,848**	**-**	**31,848**
Depreciation	3,536	-	3,536
Write offs	(50)	-	(50)
Balance as at 31 December 2022	**35,334**	**-**	**35,334**
Depreciation	3,766	-	3,766
Write offs	(2,542)	-	(2,542)
Balance as at 31 December 2023	**36,558**	**-**	**36,558**
NET BOOK VALUE			
Balance as at 31 December 2022	**9,788**	**13,488**	**23,266**
Balance as at 31 December 2023	**10,653**	**22,329**	**32,983**

29. Investments in subsidiaries

Subsidiary	Industry	% of share	31 December 2023	31 December 2022
All amounts are expressed in thousands of BAM				
Raiffeisen Leasing d.o.o. Sarajevo	Leasing	100%	10,051	10,051
Raiffeisen Invest društvo za upravljanje fondovima d.d. Sarajevo	Fund management company	100%	946	946
Raiffeisen Capital a.d. Banja Luka	Securities brokerage Financial advisory services	100%	53	53
			11,050	**11,050**

Financial information about the Bank's subsidiaries for the period from 1 January 2023 to 31 December 2023 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Invest d.d. Sarajevo	3,453	1,119	2,732	6,724	872
Raiffeisen Capital a.d. Banja Luka	370	355	329	163	38
Raiffeisen Leasing d.o.o. Sarajevo	142,815	11,450	13,765	15,309	2,315

Financial information about the Bank's subsidiaries for the period from 1 January 2022 to 31 December 2022 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Invest d.d. Sarajevo	2,066	895	1,859	5,489	741
Raiffeisen Capital a.d. Banja Luka	340	355	329	134	12
Raiffeisen Leasing d.o.o. Sarajevo	126,866	11,450	14,335	13,098	2,885

30. Investments in associates

Associate	Industry	% of share	31 December 2023	31 December 2022
All amounts are expressed in thousands of BAM				
Raiffeisen Assistance d.o.o. Sarajevo	Insurance brokerage	50.00%	2	2
			2	**2**

Financial information about the Bank's associates for the year ended 31 December 2023 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Assistance d.o.o. Sarajevo	4,835	4	4,750	3,166	2,499

Financial information about the Bank's associate for the year ended 31 December 2022 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Assistance d.o.o. Sarajevo	2,296	4	2,251	2,859	2,246

31. Joint venture investments

Joint venture	Industry	% of share	31 December 2023	31 December 2022
All amounts are expressed in thousands of BAM				
ESP BH d.o.o. Sarajevo	Information and other services	45.00%	-	3,825
Impairment of investments			-	(3,825)
Net value			-	-

Changes in impairment of joint venture investments are presented as follows:

All amounts are expressed in thousands of BAM	**2023**	**2022**
Balance as at the beginning of the period	-	**1,623**
Impairment (*Note 15*)	-	2,202
Balance at the end of the period	-	**3,825**

On 31 October 2023, the Municipal Court in Sarajevo rendered a Decision concluding the liquidation proceedings against the legal entity ESP d.o.o., by which the said legal entity is removed from the register.

Financial information about the Bank's joint venture investments for the year ended 31 December 2022 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	(Loss) for the period
ESP BH d.o.o. Sarajevo	1,756	8,500	1,721	82	(2,246)

32. Other assets and receivables

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Prepaid expenses	1,608	1,802
Petty cash loss	674	713
Other advances paid	209	404
Inventories	333	284
Other assets and receivables	2,487	1,744
	5,311	**4,947**

33. Financial liabilities at amortised cost

33.1. Deposits with banks and other financial institutions

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Current accounts in domestic currency	1,832	1,828
Current accounts in foreign currency	32	22
	1,864	**1,850**
Short-term deposits in domestic currency	28,012	46,129
Short-term deposits in foreign currency	19,181	4,313
	47,193	**50,442**
Long-term deposits in domestic currency	65,117	72,998
Long-term deposits in foreign currency	17,565	19,114
	82,682	**92,112**
	131,793	**144,404**

33.2. Deposits from clients

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Current accounts from clients in domestic currency	1,036,084	875,995
	1,036,084	**875,995**
Demand deposits from corporate customers in domestic currency	1,349,624	1,223,871
Demand deposits from corporate customers in foreign currency	265,552	317,632
	1,615,176	**1,541,503**
Demand deposits from retail customers in domestic currency	250,426	249,936
Demand deposits from retail customers in foreign currency	584,106	573,344
	834,532	**823,280**
Time deposits from corporate customers in domestic currency	13,982	18,977
Time deposits from corporate customers in foreign currency	146,248	84,055
	160,230	**103,032**
Time deposits from retail customers in domestic currency	140,602	157,807
Time deposits from retail customers in foreign currency	393,754	478,034
	534,356	**635,841**
	4,180,378	**3,979,651**

In 2023, interest rates ranged as follows:

- demand deposits in BAM – 0,01 % per annum (2022: 0,00% per annum),
- demand deposits in foreign currencies – 0,00% per annum (2022: 0.00% per annum),
- short-term deposits– 0.01% to 0.20% per annum (2022: from 0.01% to 0.20% per annum),
- long-term deposits – 0.00% to 2.40% per annum (2022: from 0.01% to 0.30% per annum).

33.3. Borrowings

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Subordinated debt	45,193	106,803
Other loans from banks	62,674	75,242
	107,867	**182,045**

Subordinated debt is classified as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Commercial banks – others	44,984	44,984
Interest on subordinated debt	209	15
Commercial banks – affiliated parties	-	61,804
	45,193	**106,803**

The credit line of an affiliate, approved on 27 September 2013, totaling BAM 61.804 thousand, which included only the liability per principal was repaid in March 2023.

On 14 November 2022, the new credit line was signed – in the form of subordinated debt from entity not affiliated with the bank – EFSE (commercial banks – others) in the total amount of BAM 44,984 thousand and with a maturity date of 18 November 2032. The planned repayment of the loan is one-time, in full amount, on the defined repayment date. In the event of liquidation or bankruptcy of the Bank, liabilities arising from the subordinated debt are subordinated to the Bank's other liabilities.

Subordinated debt may be used as an additional capital increase for regulatory purposes, provided that it is approved by the regulators.

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Long-term loans:		
Long-term loans from foreign banks and financial institutions	107,867	182,045
Less: Current maturity of the long-term loan liabilities	25,291	20,157
	82,576	**161,888**
Short-term loans:		
Plus: Current maturity of the long-term loans	25,291	20,157
	107,867	**182,045**

Long-term loans from foreign banks and non-banking credit institutions were obtained from supranational and development banks.

Interest rates on the entire portfolio of the long-term credit lines from banks and other financial institutions for the period ending 31 December 2023, ranged from 0.05% to 3.43% per annum (fixed rates) and 6 EURIBOR + 0,2% to 6 EURIBOR + 5,50% (variable rates), Interest rates at 31 December 2022 ranged from 0.05% to 2.28% per annum (fixed rates) and 6M EURIBOR + 0.20% to 6M EURIBOR + 1.80% (variable rates).

33.4. Lease liabilities

	Currency	Nominal interest rate	Contracted/ expected maturity	Present value 31 December 2023	Present value 31 December 2022
Lease liabilities – business premises	BAM	2%	2022-2029	6,834	5,405
Rental obligations – ATM	BAM	2%	2022-2025	761	1,003
Rental obligations – vehicles	BAM	2%	2022-2027	1,257	1,284
				8,852	**7,692**

In 2023, the Bank recognized right-of-use assets and associated lease obligations of ATMs that were assessed to meet the conditions for recognition in accordance with IFRS 16 "Leases" due to the value of the contract.

Leases where the Bank is a lessee

Lease agreements refer to the business premises used by the Bank to perform its activities, and vehicles. Individual contracts have different durations and due dates as presented in the table above.

The right-to-use assets are stated separately in the statement of financial position and in Note 26.

Amounts stated in the income statement

All amounts are expressed in thousands of BAM	2023	2022
Loan agreements under IFRS 16		
Interest on lease agreements (*Note 9*)	176	164
Depreciation of right of use assets (*Note 26*)	3,327	3,027
Lease cost for low value contracts and short-term contracts (*Note 19*)	1,319	1,701
	4,822	**4,892**

Amounts recognized in the cash flow statement

All amounts are expressed in thousands of BAM	2023	2022
Total lease outflows	6,224	5,983

33.5. Other financial liabilities at amortized cost

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Credit card business liabilities	22,746	15,586
Other financial liabilities	9,097	4,460
Accounts payable	1,472	1,228
Liability for other taxes	1,352	1,226
Other liabilities to employees	396	200
	35,063	**22,700**

34. Provisions

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Provisions for guarantees and loan commitments	9,785	16,845
Provisions for legal proceedings	11,745	11,795
Other provisions	14,129	12,581
	35,659	**41,221**

Changes in provisions for financial guarantees and approved and undrawn loans:

All amounts are expressed in thousands of BAM	2023	2022
Balance as at the beginning of period	**16,845**	**16,096**
Changes in provisions (*Note 12*)	(7,060)	749
Balance as at the end of period	**9,785**	**16,845**

Provisions for financial guarantees and approved and undrawn loans

Throughout its regular operations, the Bank assumes loan obligations that are recorded in off-balance sheet accounts and primarily include guarantees, letters of credit and undrawn loans.

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Loan commitments	794,375	713,310
Issued guarantees	357,390	322,295
Letters of credit	22,135	7,613
Other off-balance sheet exposures	7,823	7,824
	1,181,723	**1,051,042**

Provisions for legal proceedings

Developments in provisions for legal proceedings are:

All amounts are expressed in thousands of BAM	2023	2022
Balance as at the beginning of period	**11,795**	**11,331**
Increase, net (*Note 12*)	(51)	464
Other changes	1	-
Balance as at the end of period	**11,745**	**11,795**

Changes in provisions for other employee benefits are:

All amounts are expressed in thousands of BAM	Annual Vacation	Severance payments	Other provisions	Total
Balance as at 1 January 2022	**711**	**3,302**	**6,539**	**10,552**
Increase, net (*Note 12*)	1,210	(212)	1,032	2,030
Balance as at 31 December 2022	**1,921**	**3,090**	**7,571**	**12,582**
Increase, net (*Note 12*)	(135)	530	1,152	1,547
Balance as at 31 December 2023	**1,786**	**3,620**	**8,723**	**14,129**

35. Other liabilities

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Principal and interest paid upfront	10,672	10,325
Accounts payable	9,519	9,066
Deferred income	2,386	2,352
Other liabilities	29	231
	22,606	**21,974**

36. Share capital

The capital comprises 988,668 ordinary shares at nominal value of BAM 250.00. Equity instruments of the Bank are not traded in public market, but are listed on Sarajevo Stock Exchange.

The ownership structure of the Bank is as follows:

Shareholders	No. of Shares	'000 BAM	%
Raiffeisen SEE Region Holding GmbH, Vienna, Austria	988,688	247,167	100,00

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary shareholders by weighted average number of ordinary shares in issue during the year.

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Income attributable to ordinary shareholders ('000 KM)	121,960	100,777
Weighted average number of regular shares in issue during the year	988,688	988,688
Basic earnings per share (in BAM)	**123.35**	**101.93**

Diluted earnings per share are not presented as the Bank issued no dilutive equity instruments.

37. Managed funds

The Bank manages assets for the benefit and on behalf of third parties. These assets are recorded separately from the Bank's assets. For its services, the Bank charges a fee amounting to 1% of the total amount of placement.

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Liabilities		
Corporate customers	3,482	3,482
Government	1,594	3,710
Retail customers	29	38
Other	77	77
	5,182	**7,307**
Assets		
Loans to retail customers	2,771	3,724
Loans to corporate customers	2,411	3,583
	5,182	**7,307**

The Bank issued no guarantees related to managed funds, Credit risk remains with the owner of funds.

38. Related-party transactions

Related party balances are summarized as follows:

All amounts are expressed in thousands of BAM	31 December 2023	31 December 2022
Receivables		
Loans and receivables to banks		
Raiffeisen Bank International AG, Vienna, Austria	24,618	35,465
Raiffeisen Landensbank Tirol AG, Innsbruck, Austria	33,563	44,157
Raiffeisenbank Austria d.d. Zagreb, Croatia	1,297	2
Raiffeisenbank a.d. Belgrade, Serbia	63	162
Loans and receivables to customers:		
Raiffeisen Leasing d.o.o. Sarajevo	11,055	9,564
Raiffeisen Invest d.o.o. Sarajevo	3	-
Other receivables:		
Raiffeisen Bank International AG, Vienna, Austria	257	22
ESP BH d.o.o. Sarajevo	-	5
Raiffeisen Invest d.o.o. Sarajevo	391	3
Raiffeisen Leasing d.o.o. Sarajevo	5	17
Raiffeisen Assistance d.o.o. Sarajevo	10	6
Raiffeisenbank Austria d.d. Zagreb, Croatia	2	-
	71,264	**89,403**
Liabilities		
Subordinated debt:		
Raiffeisen Bank International AG, Vienna, Austria	-	61,804
Long term loans to banks:		
Raiffeisenbank Austria d.d. Zagreb, Croatia	90	-
Raiffeisen Bank International AG, Vienna, Austria	1,471	4,417
Bank and customer deposits::		
Raiffeisen Leasing d.o.o. Sarajevo	5,110	6,422
Raiffeisen Assistance d.o.o. Sarajevo	183	68
Raiffeisen Invest d.o.o. Sarajevo	2,393	1,145
Raiffeisen Bank International AG, Vienna, Austria	-	1,409
Raiffeisen Capital a.d. Banja Luka	799	2,163
Raiffeisenbank Austria d.d. Zagreb, Croatia	-	28
ESP BH d.o.o. Sarajevo	-	33
Lease liabilities:		
Raiffeisen Leasing d.o.o. Sarajevo	1,257	1,284
Other liabilities		
Raiffeisen Bank International AG, Vienna, Austria	1,827	4,509
ESP BH d.o.o. Sarajevo	-	1
Raiffeisen Leasing d.o.o. Sarajevo	7	22
Raiffeisen Capital a.d. Banja Luka	1	-
Centralised Raiffeisen International Services & Payments	186	50
Raiffeisen Assistance d.o.o. Sarajevo	-	2
	13,324	**83,358**

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

All amounts are expressed in thousands of BAM	2023	2022
Revenue		
Interest income:		
Raiffeisen Landensbank Tirol AG, Innsbruck, Austria	1,529	780
Raiffeisen Leasing d.o.o. Sarajevo	276	170
Raiffeisen Bank International AG, Vienna, Austria	281	50
Fee income:		
Raiffeisen Invest d.o.o. Sarajevo	4,624	3,701
Raiffeisen Bank International AG, Vienna, Austria	420	394
Raiffeisen Leasing d.o.o. Sarajevo	21	81
Raiffeisen Assistance d.o.o. Sarajevo	1	1
Raiffeisenbank Austria d.d. Zagreb, Croatia	25	30
Raiffeisen Capital a.d. Banja Luka	4	2
ESP BH d.o.o. Sarajevo	1	39
Other revenue:		
Raiffeisen Leasing d.o.o. Sarajevo	318	2.275
Raiffeisen Assistance d.o.o. Sarajevo	28	5.975
ESP BH d.o.o. Sarajevo	-	271
Raiffeisen Bank International AG, Vienna, Austria	2,025	484
Raiffeisen Invest d.o.o. Sarajevo	31	3.682
Raiffeisen Capital a.d Banja Luka	7	7
Centralised Raiffeisen International Services & Payments	96	95
Net FX trading income		
Raiffeisen Bank International AG, Vienna, Austria	20	33
	9,707	**18,070**

All amounts are expressed in thousands of BAM	2023	2022
Expenses		
Interest expense:		
Raiffeisen Bank International AG, Vienna, Austria	1,641	5,129
Raiffeisen Leasing d.o.o. Sarajevo	101	151
Raiffeisenbank Bulgaria AD Sofia, Bulgaria	-	44
Raiffeisen Assistance d.o.o. Sarajevo	-	2
Raiffeisen Invest d.o.o. Sarajevo	-	1
Fee expense:		
Centralised Raiffeisen International Services & Payments	817	705
Raiffeisen Bank International AG, Vienna, Austria	126	206
Raiffeisenbank Austria d.d. Zagreb	2	4
Raiffeisenbank a.d. Belgrade, Serbia	4	3
PJCS Ukrainian processing center	267	-
Advisory services:		
Raiffeisen Bank International AG, Vienna, Austria	318	4,428
Other administrative expenses		
Raiffeisen Bank International AG, Vienna, Austria	6,226	4,514
Centralised Raiffeisen International Services & Payments	437	436
Raiffeisen Leasing d.o.o. Sarajevo	254	239
Raiffeisen Assistance d.o.o. Sarajevo	24	14
ESP BH d.o.o.	-	30
Raiffeisenbank a.d. Belgrade, Serbia	1	3
Raiffeisen Invest d.o.o. Sarajevo	-	1
PJCS Ukrainian processing center	54	-
Other expenses		
ESP BH d.o.o Sarajevo	-	436
Net FX trading expense		
Raiffeisen Bank International AG, Vienna, Austria	220	266
	10,492	**16,612**

Fees to the Management Board and other members of the management:

The following fees were paid to the Management Board members during the period:

All amounts are expressed in thousands of BAM	2023	2022
Net salaries	1,389	1,362
Taxes and contributions on salaries	1,094	1,075
Taxes and contributions for other benefits	370	281
Other benefits	483	458
	3,336	**3,176**

39. Subsequent events

There were no significant events between the balance sheet date and the date of approval of these financial statements that require disclosure.

40. Approval of separate financial statements

The separate financial statements were signed and authorized for issue by the Management on March 05. 2024.

Chairman of the Management Board
Rainer Schnabl

Management Board member
Edin hrnjica

Service

Network Units

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Internet: www.raiffeisenbank.ba

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Zmaja od Bosne bb
71 000 Sarajevo

Branch Skenderija
Valtera Perića 20
71 000 Sarajevo

Branch Novo Sarajevo
Kolodvorska 12
71 000 Sarajevo

Branch Ilidža
Rustempašina bb
71 210 Ilidža

Branch Pale
4. juni br. 17
71 420 Pale

Branch Goražde
Titova bb
73 000 Goražde

MB Banja Luka and Branch Banja Luka
Vase Pelagića 2
78 000 Banja Luka

Branch Banja Luka 2
Vojvode S. Stepanovića bb
78 000 Banja Luka

Branch Prijedor
Majora Milana Tepića bb
79 101 Prijedor

Branch Gradiška
Vidovdanska bb
78 400 Gradiška

Branch Doboj
Svetog Save 2
74 000 Doboj

MB Zenica and Branch Zenica
Maršala Tita bb
72 000 Zenica

Filijala Kakanj
Alije Izetbegovića bb
72 240 Kakanj

Branch Vitez
Poslovni centar PC 96-2
72 250 Vitez

Branch Visoko
Alije Izetbegovića 1
71 300 Visoko

Branch Tešanj
Titova 2
74 260 Tešanj

Branch Travnik
Konatur bb
72 270 Travnik

MB Tuzla and Branch Tuzla
15. Maja bb
75 000 Tuzla

Branch Tuzla 2
RK Omega – Univerzitetska 16
75 000 Tuzla

Branch Bijeljina
Karađorđeva bb
76 300 Bijeljina

Branch Brčko
Reisa Džemaludina Čauševića 10
76 100 Brčko

MB Bihać and Branch Bihać
Pape Ivana Pavla II 4
77 000 Bihać

Branch Cazin
Generala Izeta Nanića bb
77 220 Cazin

Branch Velika Kladuša
Maršala Tita "Diletacija C"
77 230 Velika Kladuša

Branch Sanski Most
Muse Ćazima Ćatića 24
79 260 Sanski Most

Branch Bosanska Krupa
Trg Alije Izetbegovića bb
77 240 Bosanska Krupa

MB Mostar and Branch Mostar
Kneza Domagoja bb
88 000 Mostar

Branch Konjic
Suhi do bb
88 400 Konjic

Branch Čitluk
Kralja Tomislava 43
88 260 Čitluk

Branch Široki Brijeg
Ulica pobijenih franjevaca 3
88 220 Široki Brijeg

Branch Trebinje
Vuka Mićunovića bb
89 101 Trebinje

Branch Livno
Trg kralja Tomislava bb
80 101 Livno

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This annual report has been prepared and the data checked with the greatest possible care. Nonetheless, rounding, transmission, typesetting and printing errors cannot be ruled out. In the summing up of rounded amounts and percentages, rounding-off differences may occur. This annual report was prepared in Bosnian. The annual report in English is a translation of the original Bosnian report. The only authentic version is the Bosnian version.