NLB Banka d.d., Sarajevo

Annual Report for 2024

This version of the report is a translation from the original, which was prepared in Bosnian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our financial reports and the accompanying audit report takes precedence over this translation.

CONTENT

About us

Home is where the people who matter most to us are.

Our home is in this region. With you and with you.

Who we are

NLB Banka d.d., Sarajevo (NLB Banka) is part of The NLB Group, the largest bank and financial institution in Slovenia, whose main focus is on the markets of Southeast Europe (Macedonia, Kosovo, Bosnia and Herzegovina, Montenegro, Serbia).

The parent bank is the largest Slovenian bank, which has strengthened its strategic and systemic position in the region. In 2024, The NLB Group and all its members, despite all the challenges of the market, achieved good business results and thus confirmed that NLB Group continues to operate in a successful and sustainable way. Such results speak in favor of the strengthened trust that clients, businessmen and citizens have shown to NLB banks in all business markets.

Clients and their satisfaction are in the focus of the Group's business, which strives to provide an adequate response to the real needs of clients and in their best interest in the region where it operates. NLB Bank is guided by a strategy focused on customer experience, in accordance with which it continues to position itself as a regional champion that offers comprehensive banking services to individuals and legal entities.

NLB Bank provides its clients throughout the Federation of BiH and Brcko District:
- Complete financial services
- Offer tailored to the needs of clients
- High level of service quality
- An extensive network of 34 business units in the Federation of BiH and Brcko District
- Modern channels of distribution of their services
- Individual approach and dedication to clients

Vision

Together, we will take care of the financial needs of our clients and contribute to the quality of life in our region.

Mission

We love our home, we want to advance it together and develop it for present and future generations.

NLB Group's strategic focus
- Becoming a regional champion
- Putting customers first
- Defend your market position.
- Seize opportunities and synergies

Our goal

The goal of NLB Bank is to build sustainable business growth with a clear focus on profitability, improve corporate culture, business processes and efficiency, and provide a stimulating working environment that allows NLB Bank employees to achieve their personal goals. The Bank pays special attention to the development of new banking services, new channels of service distribution, as well as greater availability of the Bank's services to clients, thus continuously building a stronger reputation and brand recognition.

Core values

The core values on which NLB Bank bases its business are: transparency, trust, stability, simplicity and responsibility, which is recognized by our clients who have shown us their trust for many years.

Sustainable banking

NLB is the first bank in Slovenia to become a signatory to the United Nations (UN) Sustainable Banking Principles, and other members of the NLB Group have already taken decisive steps on the path to sustainable banking as well, by fulfilling the given obligations of the EBRD and MIGA. NLB Bank as part of the NLB Group has ambitions to anchor sustainable business in its core mission, which ensures that its products and services meet the needs of current generations, while preserving opportunities for future generations.

Employee care is important for NLB Bank, and in 2024 it was declared the third most desirable employer in the financial sector in Bosnia and Herzegovina.

NLB Group proudly points out that it has one of the most comprehensive social responsibility programs in the region, because it supports a large number of projects of philanthropic character, culture and youth, athletes, with the aim of improving the quality of life in the region.

Word from the President of the Management Board

Dear clients, shareholders and business partners,

We present the business results that NLB Banka d.d., Sarajevo (hereinafter the Bank) achieved in 2024. Our results are a reflection of the joint dedicated work of our employees, and dedication to clients who are the focus of our business

NLB Banka is the sixth largest bank in the Federation of Bosnia and Herzegovina with an asset growth of 4.8% and a market share of 6.0% as of 30.09.2024. (latest available final data).

The Bank maintained satisfactory liquidity, capital adequacy ratio, and other regulatory limits and generated profit after tax as of 31.12.2024. in the amount of BAM 27.6 million (2023: BAM 24.9 million) and profit before impairments and provisions in the amount of BAM 37.2 million (2023: BAM 31.5 million). The Bank's total assets increased by 10%, with customer deposits growing by 12% and net loans and receivables from customers by 10%. It is positioned as a bank for financing renewable energy sources.

As the Bank's strategic decision is to invest in various digitalization and process optimization initiatives, it is expected to increase productivity and support the strong ambition to achieve greater market share, especially when it comes to loans from the non-banking sector.

The Bank continued to provide a wide range of services and products to its clients, through a developed business network of 34 branches located throughout the Federation of Bosnia and Herzegovina and Brčko District.

In 2024, we focused on digital transformation, launching a new and improved mobile banking application and a completely new website to provide clients with faster, simpler, safer and more efficient services. We are the first bank in Bosnia and Herzegovina that has enabled even faster and simpler transactions with Garmin smartwatches through the Garmin Pay service.

Over the past year, we have implemented several promotional campaigns to increase the satisfaction of our clients, in cooperation with partners from several industries, with discounts and benefits. The conducted research has shown that the perception of NLB Bank on the market has grown and that we are among the top three banks in terms of brand recognition. In 2024, the Bank was selected as the third most desirable employer in the financial sector in BiH, which further confirmed our efforts to invest in values that put the development of the potential of our employees at the forefront. We were also honored with the "Golden BAM" award as the most successful bank in the "Innovation" category.

I am especially proud to point out that we have once again shown that we are not just another bank on the market, but one of the key, systemic builders of society and economy in this region, and a bank that, in addition to potential, also recognizes challenges, and provides support when needed, thus leaving better traces. Therefore, together with our parent Group, we have donated one million euros to repair the damage caused by the floods in Bosnia and Herzegovina, which I am extremely proud of. We have also continued to support a significant number of socially responsible initiatives in the field of culture and education, sports, science and entrepreneurship, as well as initiatives in the segment of sustainable finance and projects that support the UN Sustainable Development Goals.

In 2024, we continued to build partnerships with many public institutions that recognized our importance in the local community and we again supported the Public New Year's Eve celebrations in Sarajevo, Mostar and Tuzla through general sponsorship, as our contribution to the cultural liveliness of the local communities in which we operate.

On behalf of the Management Board of NLB Banka d.d., Sarajevo, I would like to thank all clients and business partners for the trust they have placed in us. We also owe special gratitude to the Bank's team who, through continuous dedication and contribution, ensure that every segment of the Bank's business is further improved. We believe that the best is yet to come. I hope that our business activities will be enough for you to give us your trust in the coming year as well. I'm sure we're ready for whatever is coming.

Sincerely

Lidija Žigić, President of the Management Board of NLB Banka d.d., Sarajevo

Management Bodies as at 31 December 2024:

Supervisory Board		**Term of office:**
President	Peter Andreas Burkhardt	30.5.2021.-29.5.2025.
Deputy President	Damir Kuder	22.4.2022.-29.5.2025.
Member	Andrej Lasič	30.5.2021.-29.5.2025.
Independent member	Ayda Šebić	30.5.2021.-29.5.2025.
Independent member	Dino Osmanbegović	30.5.2021.-29.5.2025.
Audit Committee		
President	Andreja Golubić	2.6.2022.-1.6.2026.
Member	Polona Kurtevski	2.6.2022.-1.6.2026.
Member	Mirko Ilić	2.6.2022.-1.6.2026.
Risk Committee		
President	Dino Osmanbegović	30.5.2021.-29.5.2025.
Member	Peter Andreas Burkhardt	30.5.2021.-29.5.2025.
Member	Damir Kuder	22.4.2022.-29.5.2025.
Appointment Committee		
President	Damir Kuder	22.4.2022.-29.5.2025
Member	Peter Andreas Burkhardt	30.5.2021.-29.5.2025.
Member	Ayda Šebić	30.5.2021.-29.5.2025.
Compensation Committee		
President	Ayda Šebić	30.5.2021.-29.5.2025.
Member	Damir Kuder	22.4.2022.-29.5.2025.
Member	Andrej Lasič	30.5.2021.-29.5.2025.
Management Board until 31 December 2024		
President	Lidija Žigić	1.1.2021.-31 December 2024
Member	Denis Hasanić	1.1.2021.-31 December 2024
Member	Jure Peljhan	1.1.2021.-31 December 2024
Management Board after January 1, 2025		
President	Lidija Žigić	1.1.2025.-31.12.2028.
Member	Jure Peljhan	1.1.2025.-31.12.2028.
Member	Berin Lakomica	1.1.2025.-31.12.2028.
Member	Igor Tutuš	1.1.2025.-31.12.2028.
Head internal auditor	Sanela Pušina	
Secretary of the Bank	Rijad Hamidović	

Memberships of members of Supervisory Board and Board of Directors of the Bank in other affiliated and unaffiliated entities

Memberships of members of the Supervisory Board and the Management Board of the Bank in other related and unrelated persons

Members of the Supervisory Board:

Peter Andreas Burkhardt, President of the Supervisory Board
1. NLB d.d., Ljubljana, Member of the Management Board
2. NLB Banka a.d. Banja Luka, President of the Supervisory Board
3. NLB Lease&Go Ljubljana, President of the Supervisory Board

Damir Kuder, Deputy President of the Supervisory Board
1. NLB Banka a.d. Banja Luka, Deputy President of the Supervisory Board
2. NLB d.d., Ljubljana, procurator

Andrej Lasič, Member of the Supervisory Board
1. NLB d.d., Ljubljana, Member of the Management Board

Dino Osmanbegović, Member of the Supervisory Board
1. POSJED d.o.o. Sarajevo, owner and director

Members of the Management Board of the Bank:

Lidija Žigić, President of the Management Board
1. Chamber of Commerce and Industry of Tuzla Canton, Member of the Board of Directors

Denis Hasanić, Member of the Management Board
1. Association of Professional Risk Managers (UPRMBiH), member of the Board of Directors
2. Property appraisers (BHPA-BH), Member of the Board of Directors

Jure Peljhan, Member of the Management Board
1. Slovenian Directors' Association, Member
2. Slovenian Association of Businessmen in Bosnia and Herzegovina, President of the Association

Macroeconomic environment

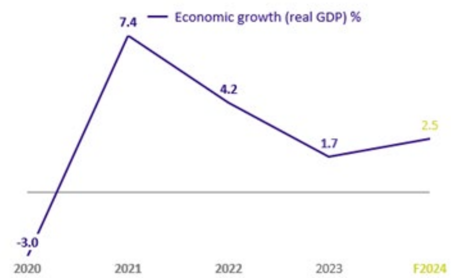
Europe's economic recovery continues, compared to the situation and stagnation of the previous year, thanks to a strong response to crises. However, the recovery is far from reaching its full potential. Uncertainty about persistent core inflation, the direction of economic policy and geopolitical conflicts weigh on the outlook in the short term. In the long term, persistently weak productivity growth and uncertainties about the effects of fragmentation, climate change, and other structural changes are slowing potential growth. Risks of an intensification of the war in Ukraine and an escalation of armed conflicts in the Middle East have raised concerns about commodity price volatility.
European banks remained cautious through the second quarter of 2024 despite a gradual easing of lending standards in some countries and despite healthy profits and capital buffers.

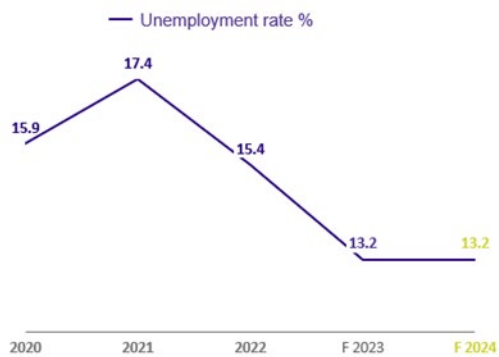
In Bosnia and Herzegovina, the modest growth in real economic activity from the previous year, continued in 2024, and was achieved mainly by the growth of the service sector with a worsening trade deficit (based on expectations of weak demand from abroad and the impact of floods), further inflationary pressure on average consumer prices and labour costs, and continued record growth in real estate prices.
In the January-December 2024 period, exports were 3.7% lower than in the same period of 2023, while imports were 3.2% higher than in the same period of the previous year. The coverage of imports by exports was 56.1 %.

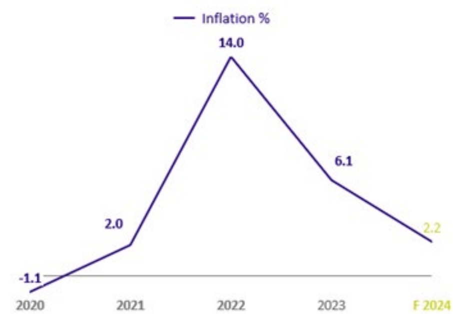
The annual growth rate of total loans in Bosnia and Herzegovina in December 2024 amounted to 9.8%, nominally BAM 2.3 billion. The annual growth of loans was registered in the household sector 9.3%, in private enterprises 9.0%, in government institutions 16.4%, in non-financial public enterprises 12.9% and in other domestic sectors 26.9%.
The annual growth rate of total deposits in December 2024 was 8.8%, which is 2.74 billion KM in absolute terms. The annual growth of deposits was registered in the household sector by 9.9%, in private enterprises by 14.3%, in non-financial public enterprises by 5.8% and in other domestic sectors by 9.9%. Deposits with government institutions decreased by 3.5% year-on-year.
Foreign exchange reserves of the Central Bank of BiH at the end of December 2024 amounted to BAM 17.64 billion and increased by 8.3% on an annual basis. Despite the growth in net foreign assets of the banking sector, as well as the commodity deficit, foreign exchange reserves in 2024 recorded growth primarily due to, primarily inflows from private sector borrowing, inflows in the tourism sector and inflows from foreign direct investment.
The European Central Bank cut key interest rates in the third quarter of 2024, making monetary policy even less restrictive. The CBBH has not changed its reserve requirement policy, in any of its segments, since July 2023. In October, a decision was made to extend the period of setting aside the reserve requirement from the base in foreign currencies, in foreign currency, in the amount of 5%, and the rest in the convertible mark, until the end of June 2025.
The Banking Agency of the Federation of Bosnia and Herzegovina (FBA), in accordance with its powers, reacted very quickly to the extraordinary circumstances caused by the October floods. Although this was an incomparably smaller disruption of economic activity compared to the floods of 2014, special FBA measures were introduced with the aim of preventing and destabilizing the banking system as little as possible. In addition to the damage and destruction of property and goods of natural and legal persons, an extremely strong internal shock also resulted from the interruption or increase in the costs of supply chains related to road and rail traffic from and to the port of Ploče.

On 2 August 2024, credit rating agencies Standard & Poor's and Moody's Investors Service affirmed Bosnia and Herzegovina's sovereign credit ratings of "B+ with a stable outlook" and "B3 with a stable outlook".[1]

[1] www.cbbh.ba; www.imf.org *Regional economic outlook for Europe, October 2024; Agency for Statistics* bhas.gov.ba







BiH		Actual 2017	Actual 2018	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Forecast 2023	Forecast 2024
Gross domestic product (GDP)	%	**3.2%**	**3.8%**	**2.9%**	**-3.0%**	**7.4%**	**4.2%**	**1.7%**	**2.5%**
Inflation	%	0.8%	1.4%	0.6%	-1.1%	2.0%	14.0%	6.1%	2.2%
Unemployment rate	%	20.5%	18.4%	15.7%	15.9%	17.4%	15.4%	13.2%	13.2%
General government net debt	% GDP	29.9%	25.0%	21.8%	25.7%	22.4%	19.4%	21.9%	24.6%
General government gross debt	% GDP	38.6%	34.9%	33.2%	37.1%	35.7%	31.0%	32.2%	34.5%
Exchange rate	-	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583	1.95583
Investments	% GDP	23.6%	23.7%	24.3%	22.6%	25.5%	27.5%	25.3%	25.8%

Source: International Monetary Fund (IMF); World Economic Outlook Database, October 2024

Information on the Banking Sector in the Federation of Bosnia and Herzegovina

The Banking Agency of the Federation of Bosnia and Herzegovina publishes the Information on the Banking Sector of the Federation of BiH on a quarterly basis, and the latest available final data are from 30.09.2024.

On September 30, 2024, there were 13 commercial banks operating in the Federation of BiH, with 507 organizational parts, employing a total of 6,681 workers, which is 117 more workers than at the end of 2023.

The total assets of the banking sector in the FBiH as of September 30, 2024 amount to BAM 31.1 billion and is BAM 2.1 billion or 7.4% higher than at the end of 2023. In the structure of assets of banks' balance sheets, the largest share is held by loans (60.3%), followed by cash (30.2%) and securities (8.9%). Within the total sources of banks' balance sheets, deposits (81.3%) and equity (12.9%) account for the largest share.

Over the past few years, the capital adequacy of the banking sector has been maintained continuously above 15%, which is a satisfactory capitalization at the sector level. The regulatory capital ratio as of 30 September 2024 is 19.0% and is significantly higher than the legally prescribed minimum, which also applies to other capital ratios (Common Equity Tier 1 and Common Equity Tier 1 capital ratios). Compared to the end of 2023, the own funds ratio decreased by 0.3 p.p., while the Common Equity Tier 1 and Tier 1 capital ratios decreased by 0.4 p.p.

At the level of the banking sector in FBiH for the period 01.01. - 30.09.2024, a positive financial result was reported in the amount of 494.9 million BAM, which is 62.1 million BAM more than in the same period of the previous year. All banks with headquarters in the FBiH reported a positive financial result.

Looking at the basic liquidity indicators, qualitative and quantitative requirements, as well as other factors affecting the liquidity position of banks, it can be concluded that the liquidity of the banking sector in the FBiH at the end of the nine months of 2024 is satisfactory.

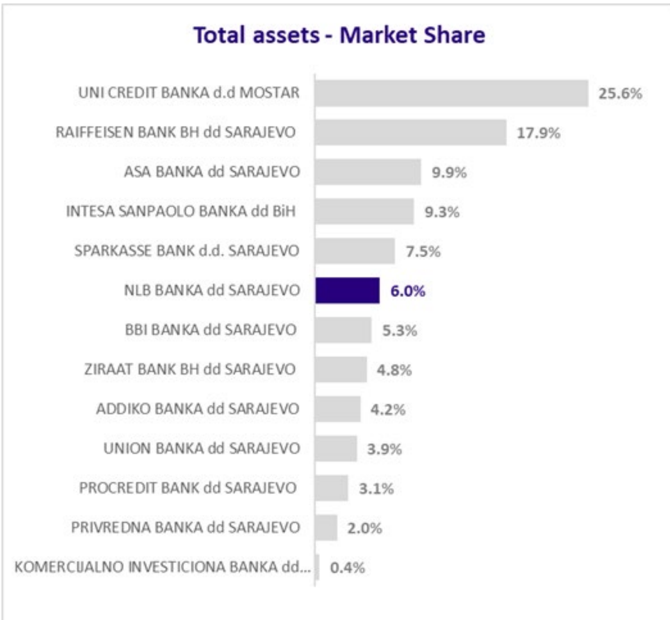
The Banking Agency of the Federation of Bosnia and Herzegovina continuously establishes, implements and supervises the system of safe and prudent operating rules of banks and banking groups on a consolidated basis, within the framework of the Supervisory Review and Assessment Procedure (Supervisory Review and Assessment). Supervisory review and evaluation process - SREP). The SREP is a comprehensive process by which the Banking Agency assesses and assesses the exposure of each individual bank to risks, with the aim of effective risk management at the level of the banking sector.

In accordance with the Law on Banks, banks in the Federation of Bosnia and Herzegovina must also meet the minimum requirements for capital and eligible liabilities (MREL requirement). The MREL requirement is calculated as the amount of own funds and eligible liabilities, expressed as a percentage of own funds and total liabilities.
The FBA has established an MREL requirement for banks. Banks that do not meet the requirement are left with a transitional period to meet it in accordance with the legal and subordinate legal framework for bank restructuring. After the end of the transition period, banks will be required to meet the MREL requirement on an ongoing basis.

Position of NLB Banka d.d., Sarajevo on the market in the Federation of Bosnia and Herzegovina:

Total Assets
In terms of total assets, the Bank ranks 6th in the banking sector.
Compared to 31 December 2023, as of September 30, 2024, the Bank recorded an asset growth of 4.8%, while the sector grew by 7.1%, so that the market share decreased from 6.2% to 6.0%.

The Bank's market share as a result of total assets is shown below:



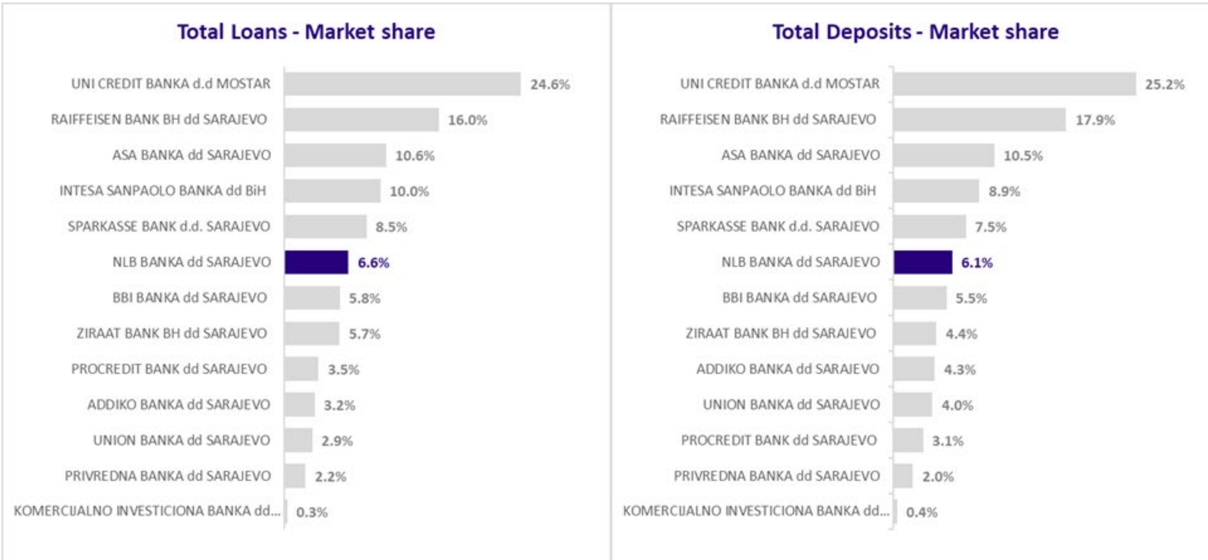
Total Loans[2]
Compared to 31.12.2023, as of 30.9.2024, the Bank recorded an increase in loans of 7.4%, while loans in the sector increased by 7.2%. The Bank's market share remained at the same level at 6.6%. According to the amount of total loans, the Bank occupies the 6th position in the sector.
The Bank's market share by the amount of loans to households increased by 0.2 p.p. compared to 31 December 2023 and amounts to 7.9%, of which the market share of housing loans to households increased by 0.5 p.p. and amounts to 8.6%.

Total deposits[3]
Compared to 31 December 2023, the Bank's deposits increased by 5.5%, while the sector recorded an increase in total deposits by 5.8%. In terms of the amount of total deposits, the Bank ranks 6th as of September 30, 2024, while the market share remained at the same level and amounts to 6.1%.
The Bank's market share by the amount of non-bank deposits remained at the same level compared to 31 December 2023 and amounted to 6.2%.

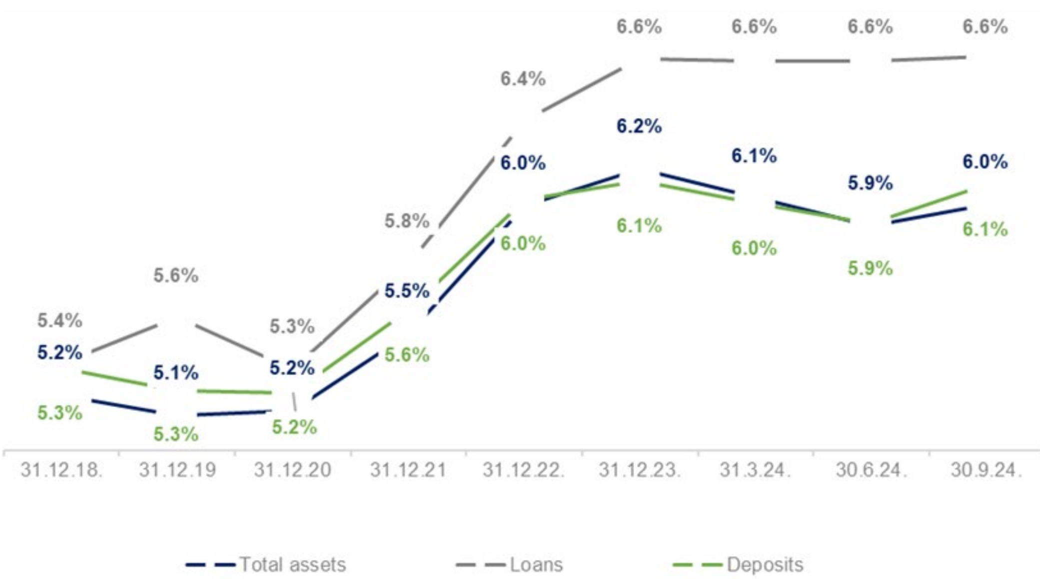
[2] The Banking Agency does not publish data on NBS loans of individual banks, but data on total loans (bank and non-bank).
[3] The Banking Agency does not publish data on NBS deposits of individual banks, but data on total deposits (bank and non-bank).

Position of NLB Banka d.d., Sarajevo on the market in the Federation of Bosnia and Herzegovina (continued):

The Bank's market share in total loans and deposits is shown below:



The trend of the Bank's market share by assets, loans and deposits is shown in the following chart:



Basic business indicators of NLB Banka d.d., Sarajevo

The most important financial and regulatory indicators in 2024 compared to 2023, as well as the Statement of Overall Result for the period and the Report on Financial Position at the end of the period, are presented below:

	2024	2023
Key financial indicators		
ROE after tax	14.3%	14.2%
ROA after tax	1.5%	1.5%
CIR	56.4%	58.7%
LTD (net)	78.2%	79.2%
Capital adequacy ratio	18.1%	17.8%
Income statement (in thousands BAM)		
Net interest income	56,571	51,113
Net fee and commission income	28,762	24,581
Expenses	(48,072)	(44,697)
Profit / loss before impairments	37,157	31,465
Profit / loss after tax from regular business	27,574	24,910
Total result	28,791	26,082
Balance sheet (in thousands BAM)		
Total assets	1,959,333	1,787,729
Loans and receivables to clients	1,233,074	1,118,906
Deposits from clients	1,576,580	1,412,767
Equity	203,021	181,468
Credit portfolio and impairments (in thousands BAM)		
Loan portfolio	1,277,451	1,160,684
Impairments and provisions for loans	(44,377)	(41,778)
Coverage of loan portfolio by impairments (in %)	3.5%	3.6%
Other indicators		
Number of organizational units	34	34
Number of employees	497	478

Income statement - Report on the total result for the period	31 December 2024	31 December 2023		000 BAM
	amount	amount	difference	Index
Income statement - Report on the total result for the period				
Interest income and similar income at effective interest rate	70,425	60,442	9,983	117
Interest expenses and similar expenses at effective interest rate	(13,854)	(9,329)	(4,525)	149
Net interest income/(expenses) and similar income at effective interest rate	**56,571**	**51,113**	**5,458**	**111**
Income from fees and commissions from contracts with clients out of which:	*38,503*	*33,877*	*4,626*	*114*
income from payment transactions	*13,895*	*11,736*	*2,159*	*118*
income from card transactions	*11,507*	*10,432*	*1,075*	*110*
income from basic accounts	*8,685*	*7,826*	*859*	*111*
Income from fees and commissions from guarantees and credit obligations	*1,647*	*1,540*	*107*	*107*
Income from fees and commissions	*40,150*	*35,417*	4,733	113
Expenses from fees and commissions	(11,388)	(10,836)	(552)	105
Net income/(expenses) from fees and commissions	**28,762**	**24,581**	**4,181**	**117**
Impairments and provisions	(7,594)	(4,486)	(3,108)	169
Other gains and (losses) from financial assets	(941)	(2,035)	1,094	46
Net positive/(negative) exchange rate differences	203	823	(620)	25
Gains and (losses) from long-term non-financial assets	359	1,335	(976)	27
Other income	275	345	(70)	80
Employee expenses	(23,909)	(21,474)	(2,435)	111
Depreciation costs	(5,230)	(4,704)	(526)	111
Other costs and expenses	(18,933)	(18,519)	(414)	102
PROFIT/(LOSS) FROM REGULAR BUSINESS BEFORE TAX	**29,563**	**26,979**	**2,584**	**110**
Current income tax	(2,593)	(2,844)	251	91
Deferred income tax	604	775	(171)	78
PROFIT TAX	**(1,989)**	**(2,069)**	**80**	**96**
PROFIT/(LOSS) FROM REGULAR BUSINESS	**27,574**	**24,910**	**2,664**	**111**
REPORT ON OTHER TOTAL RESULT				
Items that can be reclassified to the profit and loss	1,239	1,258	(19)	98
Items that will not be reclassified to the profit and loss	(22)	(86)	64	26
OTHER TOTAL RESULT	**1,217**	**1,172**	**45**	**104**
TOTAL RESULT	**28,791**	**26,082**	**2,709**	**110**

				000 BAM
Balance sheet - Report on the financial position at the end of the period	**31 December 2024**	**31 December 2023**		
	amount	**amount**	**difference**	**Index**
ASSETS				
Cash and cash equivalents	261,014	237,382	23,632	110
Investments in capital instruments	105	105	-	100
Loans, securities and other debt instruments	119,420	181,819	(62,399)	66
Mandatory reserves with the Central Bank	166,126	153,116	13,010	108
Deposits with other banks	47,753	445	47,308	10,731
Loans and receivables from clients	1,233,074	1,118,906	114,168	110
Other financial assets at amortized cost	90,838	56,157	34,681	162
Prepaid profit tax	251	0	251	-
Deferred tax assets	2,111	1,642	469	129
Tangible assets	36,331	35,637	694	102
Intangible assets	1,854	1,755	99	106
Long-term assets intended for sale and assets that are being discontinued	34	12	22	283
Other assets and receivables	422	753	(331)	56
TOTAL ASSETS	**1,959,333**	**1,787,729**	**171,604**	**110**
LIABILITIES				
Financial liabilities at fair value through the profit and loss	1,290	654	636	197
Deposits from banks and other financial institutions	49,890	54,922	(5,032)	91
Deposits from clients	1,576,580	1,412,767	163,813	112
Borrowings	87,881	89,315	(1,434)	98
Liabilities based on leases	4,510	4,709	(199)	96
Other financial liabilities at amortized cost	30,067	36,580	(6,513)	82
Income tax liabilities	0	290	(290)	0
Deferred tax liabilities	6	6	-	100
Provisions	5,910	6,001	(91)	98
Other liabilities	178	1,017	(839)	18
TOTAL LIABILITIES	**1,756,312**	**1,606,261**	**150,051**	**109**
EQUITY				
Share capital	53,605	53,605	-	100
Reserves	75,106	75,106	-	100
Revaluation reserves for financial assets measured at fair value through other comprehensive income	44	(1,195)	1,239	-
Other revaluation reserves	(354)	(332)	(22)	107
Profit of the current year	27,574	24,910	2,664	111
Accumulated, retained earnings from previous years	47,046	29,374	17,672	160
TOTAL EQUITY	**203,021**	**181,468**	**21,553**	**112**
TOTAL LIABILITIES AND EQUITY	**1,959,333**	**1,787,729**	**171,604**	**110**

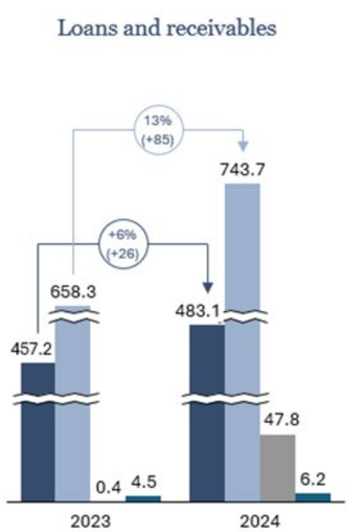
Information on the purchase of own shares or stakes

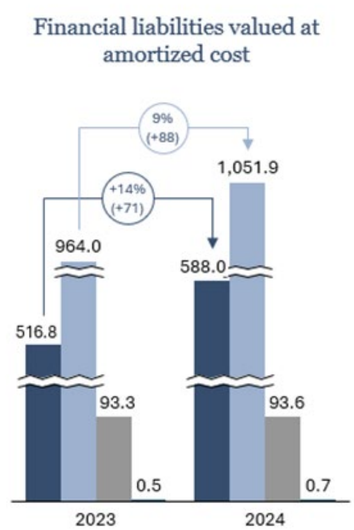
The bank did not repurchase its own shares or stakes.

Information on business segments of a legal entity

The bank monitors operations by business segments, i.e. organizational units that communicate directly with clients on the market and contract and/or implement the Bank's services and thus generate revenues for the Bank. These are: Business Sector with business centers Tuzla, Sarajevo and Mostar (Corporate and SME), Retail Business Sector with branches (Micro and Retail), Asset Management Sector (Financial Markets) and Sector for Collection and Management of Non-Performing Assets (Collection).

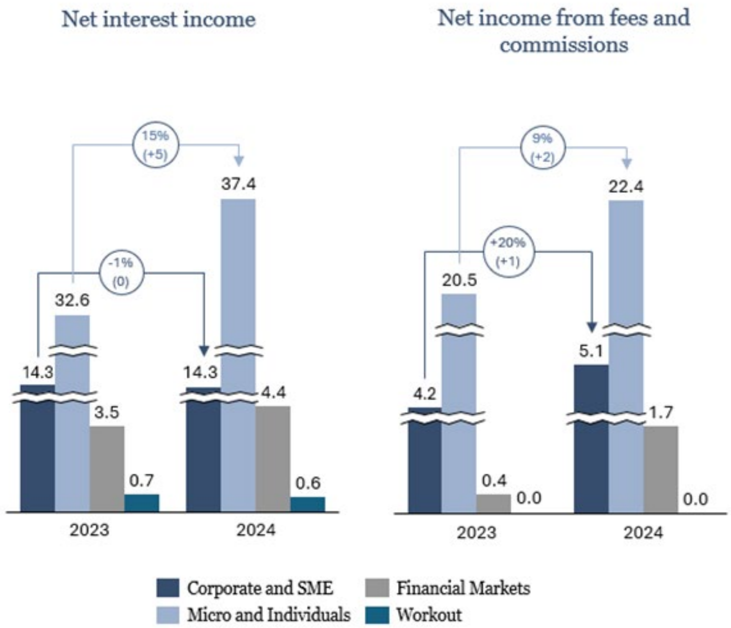
Compared to the previous year, loans and receivables of the Corporate Sector increased by 6% and the Retail Business Sector by 13%. At the same time, financial liabilities measured at the depreciation expense of the Corporate Sector increased by 14% and the Retail Sector by 9%.





Information on business segments of a legal entity (continued)

Net interest income increased by 11% compared to the previous year, which mostly refers to net interest income from the Retail Business Sector, which is higher by 15%. Net income from fees and commissions increased by 16% compared to the previous year, of which net income from fees and commissions of the Business Sector increased by 20% and the Retail Business Sector by 9%.



More information on business segments is provided in Chapter 29. Business by segment.

The Bank's Most Important Business Activities in 2024

In its business, NLB Bank is strongly oriented towards providing services to households, small and medium-sized enterprises, and corporate clients. The Bank's goal is to get to know the needs of clients and, based on that, to create and offer the most appropriate services.

The Bank achieved significant commercial results, of which the following stand out:
- loan growth 10%;
- growth of contracted product packages by 6.7% (increased penetration of total packages in active customers by 5 p.p.)
- development of digital banking (growth of card transactions, increased use of ATMs and POS devices, and decrease in the number of cash transactions in branches)
- An increase in active users of digital services by 18%.

As in the previous year, the focus remained on the Bank's digital transformation. The Bank has strived to make a step forward with its activities and contribute to the digital transformation of the market by following the trends from the previous period. After being the first to implement Google pay on the market, NLB Bank continued the trend of further development and investment in tokenized payments, and implemented Garmin pay first on the market. With the introduction of these services, share wallet transactions are twice as high as in 2023.
Also, loan products with a combined interest rate for both legal and natural persons have been implemented, which will begin to be implemented at the beginning of 2025. The combined interest rate for clients combines the advantages of a fixed and variable rate, i.e. security in the initial period, with flexibility in the continuation of repayment.

The Bank's most important business activities in 2024 (continued)

A new solution for MBank - Digital Edge has been successfully implemented. Digital Edge is an advanced and modern solution that, with a modern design, offers a much greater number of functionalities compared to the previous solution, all with the aim of increasing customer satisfaction and digital penetration.

NLB Bank's new website, focused on the needs of existing and future clients, as well as providing the necessary information to all those interested in our banking products, provides an improved user experience. With a modern and elegant design, clients can easily access all the necessary information in a simple and fast way with easy-to-understand content and interactive elements such as contact forms, calculators, exchange offices and many others.

In accordance with the NLB Group's Sustainable Management Guidelines, NLB Banka d.d., Sarajevo has adopted a Sustainability Policy. The Bank's mission is to actively contribute to the sustainable transformation of the economy and society into a greener, fairer and more inclusive future for present and future generations. The policy aims to demonstrate a commitment to our sustainability mission. In addition, it provides an overview and guidance on how NLB Bank manages sustainability-related challenges in a responsible and efficient manner.
The cornerstone of the NLB Group's sustainability consists of three pillars of sustainability: sustainable business, sustainable financing and contribution to society. Within these pillars, strategic principles, objectives, key objectives and key performance indicators, forward-looking initiatives and action plans are defined and implemented.

As the Bank has officially committed to integrating sustainability into its banking operations, it has also adopted the Greenhouse Gas Protocol (GHG Protocol), which is the most widely used global standard for GHG calculation.
The introduction of ESG business in the segment of reporting, analysis of CO_2 emissions and electricity and heating consumption, has resulted in activities on the transition to environmentally friendly heating systems (heat pumps), installation of solar panels on own buildings, limiting heating and cooling temperatures, heating/insulation (façade, foil...), procurement of hybrid and electric vehicles.

In accordance with the NLB Group's Sustainable Management Guidelines, NLB Banka d.d., Sarajevo has adopted a Sustainable Fleet Management Policy in order to reduce the environmental impacts of essential business mobility. The aim is to reduce negative impacts through a combination of cleaner vehicles and fuels, fuel-efficient operations and driving, and sustainable management of mobility needs.
The Bank has achieved a significant volume of green loans and projects, and has supported a large number of clients, thus contributing to the sustainability and development of clients and the community.


NLB Stambeni kredit
Zajedno s vama, stvaramo vaš novi dom
FIKSNA KAMATNA STOPA do 20 godina
NLB Banka


ŽIVOT je ŠKOLA!
DO 20% POPUSTA
UZ NLB Mastercard kreditne kartice
ZEKA
IMTEC
COMOD
at store
INTERSPORT
BIKE SHOP
bracom
svjetlostkomerc
exclusive
ELKOM
NLB Banka


Garmin Pay
Vrijeme je za još lakše plaćanje
NLB Banka


NLB Pay
Dva puta plati i 20 KM se vrati
20 KM povrat na račun
NLB Banka


Iskusi novu eru bankarstva.
NLB Banka

Asset management

The previous year was extremely dynamic for the world economies through the intensification of geopolitical tensions and macroeconomic trends, and consequently for the financial markets.

The monetary policy measures taken by key central banks to curb inflation contributed to stabilization in key markets and resulted in the beginning of a cycle of gradual interest rate cuts from the second quarter of 2024.

The Bank has established a robust liquidity risk management framework to ensure that clients' needs are met and that it complies with the prescribed quantitative and qualitative indicators. The bank contracts funds from various sources of financing with the aim of diversification.

In 2024, the Bank continued its long-standing cooperation with supranational financial institutions to obtain attractive sources of financing in line with market demands.

The Bank has contracted long-term sources of financing with the European Fund for South-East Europe (EFSE) in the total amount of EUR 15 million, where implementation activities under contractual obligations have continued in 2024. In 2024, the previously initiated activities were completed in the part of the implemented technical assistance from EFSE, which focused on programs to improve ESG standards that will contribute to the sustainability strategy within NLB Bank and encourage initiatives that contain ESG components. The project contributed to strengthening internal capacities and increasing awareness of the topic of sustainability and green lending to small and medium-sized enterprises. The project provided advisory services to 20 selected companies whose operations and projects require ESG compliance.

During 2024, activities have begun to expand cooperation with supranationals with the aim of contracting dedicated funding lines from the framework of green economy financing instruments.

In the previous year, NLB Bank was a reliable partner to clients and promptly responded to all challenges arising from foreign exchange risk management, while ensuring maximum protection for the Bank. By responsible and controlled management of foreign exchange risk, NLB Bank has ensured compliance with legal regulations and internal regulations of the NLB Group.

In 2024, we maintained a significant position in the domestic market in the field of foreign exchange trading by providing high-quality services to the Bank's clients. We have continuously worked on improving the service, recognizing and satisfying the needs of clients, which is recognized in the market. An extremely successful year was marked by a significant increase in the number and volume of transactions in financial instruments.

On the reporting date, in the structure of funding sources, instruments that have the character of MREL eligible liabilities were contracted in the nominal amount of 29.3 million BAM. In accordance with the regulatory requirement, the Bank meets the minimum prescribed requirements according to the established dynamics.

Used financial instruments

The bank invests in debt securities for the purpose of building stable stocks of highly liquid reserves.
The banking book's debt securities portfolio consists of short-term and long-term highly liquid issuer securities. The level of investment in debt securities and equity investments is limited by the limits set by the regulator, the group and internally set limits.
The Bank's portfolio in 2024 consists of highly liquid securities, with 53.57% of securities related to issuers from the European Union and 46.43% of securities to domicile issuers.

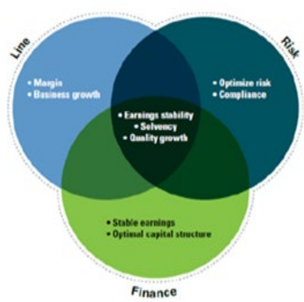
The structure of securities by issuer is presented under Note 16b.

Risk management

The risk assumption and management strategy is a part of the overall risk management system to which the Bank is exposed in its operations and is aligned with the Bank's business policy and general strategy.

In addition to credit risk, as the most significant risk, the Bank is also exposed to market, interest rate, liquidity risk, operational risk, and other risks such as reputational risk.

The Strategy defines what types of risk the Bank is willing to take, which are not acceptable to the Bank, as well as strategic risk-taking guidelines set out within the Bank's risk management framework (such as Risk Appetite, Risk Profile, ICAAP, ILAAP, Recovery Plan, Budgeting and Capital Planning Process).

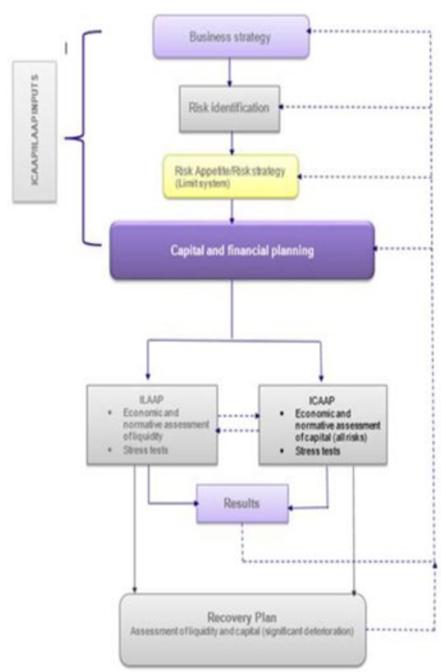


An effectively established Risk Appetite framework, as well as a Risk Acquisition and Management Strategy, are a management tool and a key component of risk management. The objective of the Risk Appetite Framework is to align strategic objectives with the risks and financial objectives defined in internal documents.

Based on the results of the Internal Capital Adequacy Assessment Process (**ICAAP**), the Bank has sufficient capital to cover the exposure to the materially material risks identified in an economic and normative perspective.

The results of the Internal Liquidity Adequacy Assessment (**ILAAP**) process confirm the Bank's strong position in the liquidity risk management process and the fulfilment of minimum and internal liquidity requirements under normal and stressful circumstances.

The Bank's recovery plan has been prepared with the aim of ensuring the financial sustainability of the Bank, as well as the restoration of sustainable operations and an appropriate financial position of the Bank in the event of a significant deterioration in its financial condition.



Risk management (continued)

A strategy is a document that sets out the material principles and guidelines for risk-taking in the following business segments:

- the principles of risk management and restrictions on lending to legal and natural persons and adequate collateral management;
- ensuring an adequate amount of liquidity and the management of liquidity reserves;
- ensuring an appropriate structure of sources of financing, including guidelines for retail business in the part relating to savings products;
- managing market risk, i.e. foreign exchange and interest rate risk, with the aim of managing the Bank's own positions,
- the closing of other financial transactions in the treasury business,
- Managing operational risk.
- management of environmental and social (ESG) risks as an integral part of the above risk categories.

More detailed rules, limits, guidelines and competencies related to risk management are defined by individual internal acts, policies and procedures, methodologies, guidelines, instructions.

Credit risk management, as the most important risk, is focused on accepting moderate risks and ensuring an optimal return with regard to the risks taken. With the aim of maintaining the medium- and long-term sustainability of its operations, the Bank strives to maintain the quality of its loan portfolio and increase profitability, based on a better return-to-risk ratio. The basic indicators of credit risk, the limits and target values of which are defined in Risk Appetite Bank, are in the segment of maintaining portfolio quality and credit risk volatility.

The key principles of taking over and risk management relate to lending to clients, legal entities (non-financial corporations) and natural persons focused on the domestic market. The principles and rules of lending of various segments are defined by the Bank's internal acts.

The bank has a moderate risk appetite when taking on the risk, the main source of repayment is the borrower's creditworthiness and available cash flow, while the provision of placements is considered a secondary source of repayment.

Credit risk mitigation is carried out through the provision of high-quality collateral in accordance with the Bank's internal acts. The portfolio is diversified by business segments and activities, especially taking into account exposures to one person or a group of related parties.
In addition, regular monitoring and analysis of trends in the quality of individual segments of the loan portfolio, with special emphasis on new transactions, enables early detection of increased risk, as well as optimization of assumed risks in relation to profitability.

Credit risk exposures are monitored by the Bank in such a way that it is compliant with legal limits, as well as in accordance with the Bank's internal limit system. Credit risk management is defined by internal acts as well as an adequately established organizational structure for taking over and managing risks in the Bank. Also, control in the process of assuming the level of credit risk is carried out through defined levels of decision-making in the credit business.

Measurement of **exposure to market risks** is carried out in accordance with legal regulations and the methodology for measuring exposures at the level of the NLB Group on a standardized approach. The NLB Group implements a relatively conservative market risk management policy, which is reflected in the appropriate restrictions and procedures in policies and other acts at the NLB Group level.

A bank is exposed to market risk that poses a risk that changes in the fair value of the future cash flows of a financial instrument will occur due to changes in market prices. Market risk arises from open positions in interest rates, currencies and capital products, all of which are exposed to general and specific market movements and changes in the level of arbitrariness of market rates and prices such as interest rates, foreign exchange rates and capital prices. Market risks, within the meaning of the Banking Act, are considered to be position risk, currency (foreign exchange) risk and commodity risk.

The Bank sets limits and provides instructions for monitoring and mitigating exposure to market risk, which are regularly monitored by the relevant organizational units and risk management committees in the Bank.

In the area of market risk management, it is crucial to demarcate responsibilities between monitoring and managing market risks. Exposure to market risks is regularly monitored by the Non-Credit Risk Management Department, which is an integral part of the Global Risk Management Division by controlling whether positions on certain types of risk are within the defined limits. Open positions are managed by the Bank's Balance Sheet Management Department, maintaining them within the established limits.

The Daily Currency Conversion Funds Management Division maintains its foreign exchange position within the legally and internally established limits, and continuously undertakes various activities to minimize market risks.

Risk control monitors compliance with certain legal and internal limits. Monitoring and management of market risks are supported by internal methodologies that are adapted to local regulations and harmonized with the requirements at the level of the NLB Group (EU regulations). In accordance with local regulations, the Bank provides a sufficient amount of capital to cover potential unexpected losses arising from exposure to foreign exchange and other market risks.

Given that, in accordance with the Currency Board arrangement, the currency BAM is fixed to EUR, the Bank is not exposed to changes in the EUR exchange rate. Fluctuations in other currencies did not have a significant impact on the Bank's exposure to foreign exchange risk, since the openness of the foreign exchange position was reduced to a minimum.

Interest rate sensitivity as a result of changes in market interest rates affects two categories:
- the amount of net interest income,
- the market value of certain financial instruments (interest-sensitive placements and sources), which consequently affects the market value of the Bank's capital.

In accordance with the Policy and Procedures for Monitoring Exposure to Interest Rate Risk, the Bank must meet the criterion of the impact of a parallel movement of the interest rate curve by 200 basis points, which it applies to the existing open interest rate position at individual time intervals. In 2024, there were no significant changes to the Interest Rate Risk Exposure Policy and Procedures. The limit for EVE (Economic Value of Equity) is 8% and throughout 2024 the Bank maintained its exposure to interest rate risk in accordance with the Strategy and internally defined limits in Risk Appetite. Due to the upward trend in market interest rates, and due to the increase in EURIBOR on the market, the Bank regularly monitors and prepares 6 stress scenarios related to the potential effect on equity.

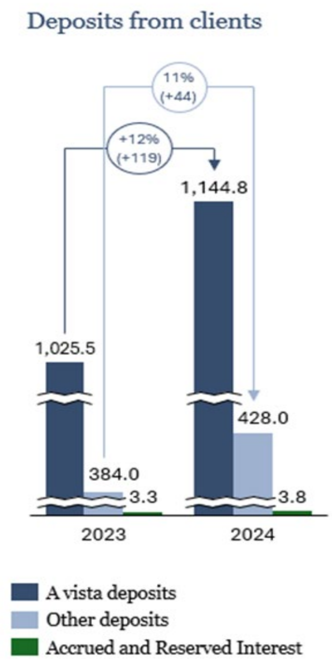
Risk management (continued)

Liquidity risk management is defined in a way that provides a reliable process for identifying, measuring, monitoring and controlling liquidity risk in the short and long term. The provision of an adequate volume of liquidity and the management of liquidity reserves in the Bank is carried out centrally, in accordance with the requirements of local regulations and applicable internal guidelines and policies of the Bank.

The bank has access to a variety of sources of financing. Funds are raised through a large number of instruments, including various types of deposits of individuals and legal entities, loans, share capital, as well as through the issuance of bonds. This increases the flexibility of funding sources, reduces dependence on a single source, and the cost of financing in general.

In the structure of sources of financing, the largest share is held by client deposits with 83% share in total sources, followed by loans taken with 4% share and own capital with 10% share.

The structure of demand deposits and other deposits is shown below:



The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with different maturities. The Bank continuously assesses liquidity risk by identifying and monitoring changes in financing that are necessary to achieve the business objectives set in accordance with the Bank's strategy. In addition, the Bank has a portfolio of liquid assets as part of its liquidity risk management strategy.

Liquidity risk exposure measurement is also performed using the Scoring model. In accordance with local regulations, the Bank is obliged to maintain the minimum liquidity requirement through the LCR liquidity coverage ratio, which was previously monitored due to the requirements of the Risk Management Standard at the level of the NLB Group.

The Bank regularly conducts stress tests in the liquidity risk management process. The Bank regularly conducts an Internal Liquidity Adequacy Assessment Process (ILAAP). The purpose of the ILAAP is to establish a strong liquidity risk management system in the Bank. The ILAAP is included in the day-to-day business process and business decisions in the form of daily monitoring of cash flows, the results of stress tests are used to define the volume of liquid reserves, and the defined indicators in the internal limit system related to the monitoring of liquidity risk exposure are used to activate the Contingency Liquidity Plan or the Bank's Recovery Plan.

Risk management (continued)

The Bank shall adjust its operations with regard to liquidity risk in accordance with legal provisions and internal policies for maintaining liquidity reserves, the alignment of assets and liabilities, as well as liquidity limits and targets. The Bank's Balance Sheet Management Department manages liquidity reserves on a daily basis, ensuring that the Bank's needs are met.

The Non-Credit Risk Management Department monitors the following liquidity indicators on a monthly basis and reports to the relevant boards of the Bank:
- Liquidity coverage ratio (LCR),
- Net Stable Funding Ratio (NSFR),
- Net Loan to deposit (Net LTD),
- Share of unpledged liquid reserves in total assets (AUAR),
- Share of non-bank deposits in total liabilities (excluding capital),
- Share of the sources of the 30 largest non-bank depositors in the total balance sheet total,
- Share of sources NLB d.d. Ljubljana in the balance sheet,
- A'vista stability - Stable demand deposits,
- Liquidity stress test - a strong combined stress test and reverse stress tests.
- Ratio of assets above reserve requirement and reserve requirement

The realization of key indicators in liquidity risk management in 2024 was in line with the internal indicators defined in Risk Appetite Bank, except for the indicator "Share of sources of the 30 largest non-bank depositors in the total balance sheet total."

Operational risk **management** , as an important part of the Bank's operations, enables its long-term successful operations and preservation of its reputation, and is based on:
- monitoring of the occurrence of adverse events,
- In order to identify the risks,
- Evaluation and
- overcoming the risk.

The objective of operational risk management is to limit the extent of potential losses and the probability of their realization to a level that is acceptable to the Bank from the point of view of financial damage and, indirectly, from the point of view of preserving the Bank's reputation. A complete elimination of operational risks is neither possible nor reasonable. The Bank accepts those operational risks which, in the event of realization, will not have a significant impact on the business result, i.e. will not jeopardize the Bank's further operations.

The objectives and principles of operational risk management include the awareness that the Bank, unlike other types of risks, may be exposed to this type of risk in all products, activities, processes and systems, and that operational risks may have a significant impact on the Bank's security, reputation and reputation. Therefore, effective management of this type of risk is the basis of sound risk management in the Bank.

In taking on operational risk, the Bank follows the direction that this type of risk should not have a significant impact on its operations, so the readiness to assume operational risk is low to moderate.

Risk management (continued)

In addition to significant risks that are materially significant for the Bank's operations with possible effects on capital and liquidity, the Bank also allocates internal capital requirements for **Other risks**[4], with particular emphasis on personnel risk, emerging ESG risk as well as business risk, taking into account the situation created by the war in Ukraine.

ESG risks are defined as any actual or potential negative impact arising from environmental, social, human rights and governance factors associated with any of our key business partners. It is expected that reputational and liability risks related to ESG and sustainability issues will increase over time (e.g. scandals caused by the financing of environmentally controversial activities, "greenwashing"...). The Company carefully considers the potential ESG, reputation, and liability risks that could arise from the financing of its clients. Therefore, such risks are minimized or mitigated by limiting the financing of companies in which ESG risks are increased as defined in the Framework Policy for the Categorization of Transactions from the Environmental and Social Aspect in NLB Banka d.d. Sarajevo, the Sustainability Policy in NLB Banka d.d. Sri Lanka and other internal acts. Special attention is paid to the approval of new products and the monitoring of the fulfilment of relevant criteria by clients.

Human Resources

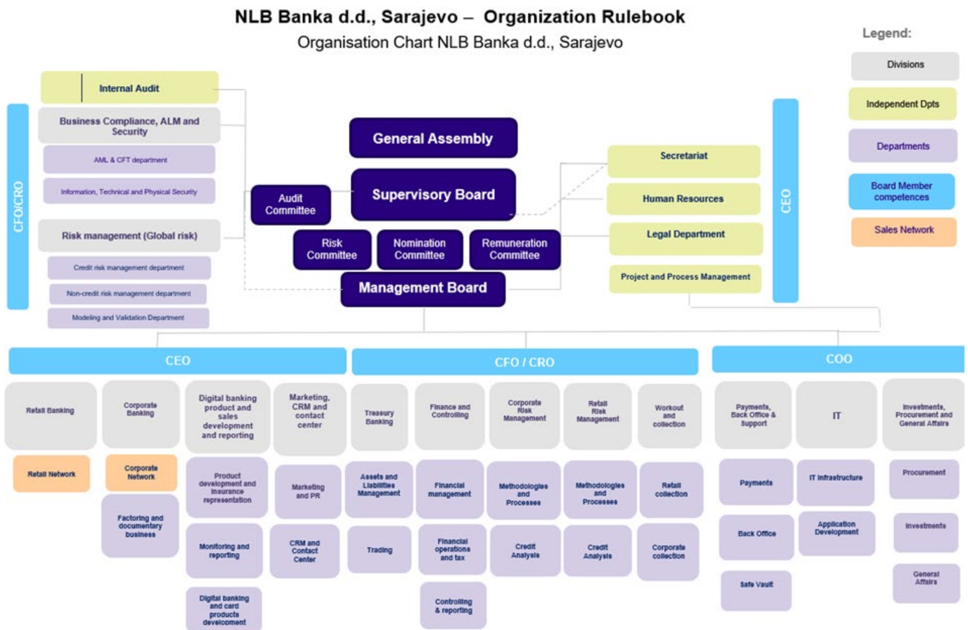
As of 31 December 2024, the Bank has 497 employees. Employee care is the foundation of all processes in human resource management, with special intensity in the segment of health and safety of the business environment. Taking into account the specific circumstances of business and new trends in work models, the year 2024 in the segment of human resource management is marked by intensified activities to strengthen the corporate culture and brand of the employer. We are proud to be one of the top 3 most desirable employers in the financial sector for seven years in a row.

During 2024, the bank conducted podcasts with the relevant sector directors and heads of independent departments with the aim of promoting the bank's values, corporate culture and brand.

In addition to activities in the segment of strengthening corporate culture, strengthening the Bank's core values, key HR activities such as talent management, performance management, planning successors for key positions, and various educational content for all employees were regularly implemented. A special focus is given to the reward system, which, based on the results of market research, is designed with the aim of competitiveness in the part of fixed and variable remuneration, which reflect work performance. A special reward scheme is defined for holders of key functions, which also includes a deferral instrument, with the aim of long-term sustainability of the parameters or results that are the subject of remuneration.

[4] Other risks - risks classified in accordance with the Reporting Guidelines of the FBiH Banking Agency on the application of ICAAP and ILAAP in the bank

Organizational chart of NLB Banka d.d., Sarajevo



Corporate Social Responsibility

NLB Bank operates responsibly, not only towards its clients and employees, but also towards society and the environment, striving to be a reliable partner that contributes to positive changes.
In addition to achieving financial results, the Bank actively invests in projects that improve the quality of life in the communities in which it operates, aligning its activities with the UN Sustainable Development Goals. Through various CSR initiatives, NLB Bank strives to create positive changes, empower local communities and be a driver of corporate social responsibility. Innovative and sustainable projects through which it supports the development of sports, preservation of cultural heritage, education of young people and humanitarian actions, make the Bank position itself as a responsible banking partner committed to long-term progress.

Responsibility towards employees

Taking care of the health of all employees is a priority at all times. In accordance with the Law on Occupational Safety, employees are provided with a systematic health examination, which is organized every two years, and so it was implemented during 2024. The Bank continued to continuously support the implementation of the remote work model for workplaces for which it is possible to introduce it due to the nature of the work, and therefore the number of workers with permanent engagement of working from home increased in 2024 compared to previous years, and at the end of 2024, 7.5% of employees are working from home.

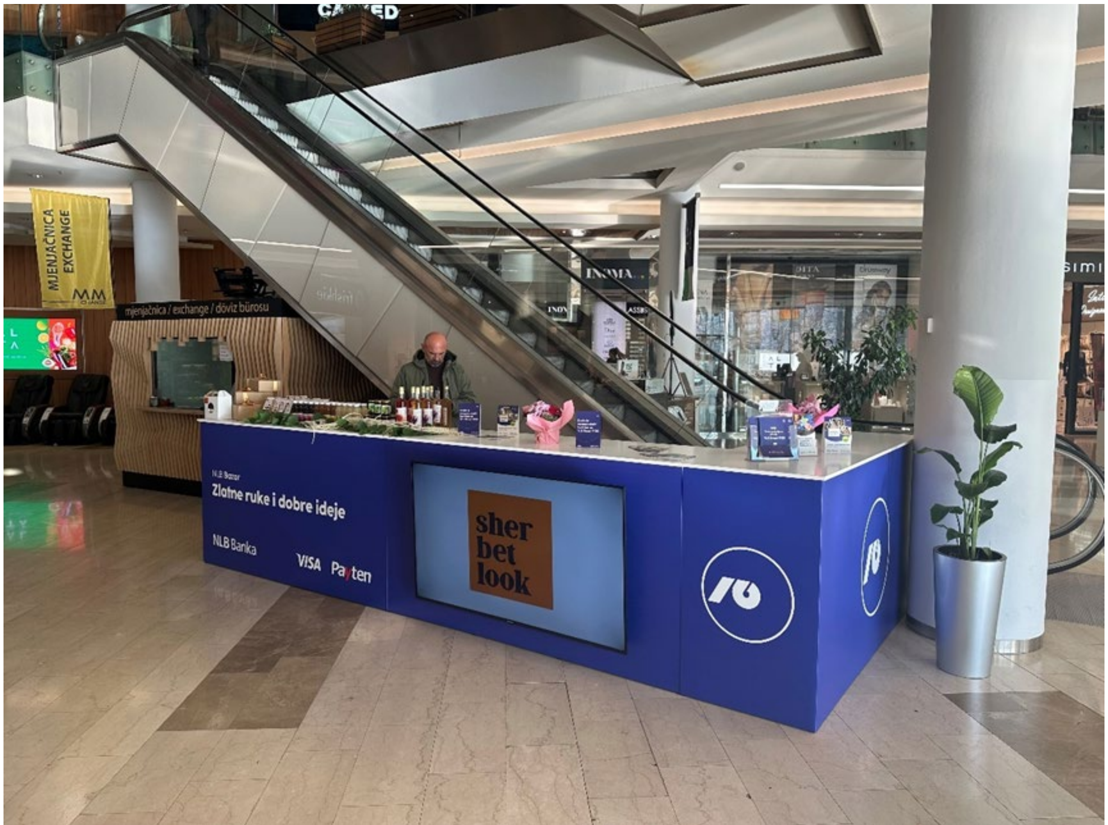
Responsibility towards customers and society

In the previous year, we paid a lot of attention to sustainable business in the region of Southeast Europe, and in synergy with our sister bank NLB Bank a.d., Banja Luka and partner Advantis broker osiguranje Banja Luka, we organized a series of interactive workshops in Banja Luka, Doboj and Bijeljina on the topic "Opportunities and opportunities for sustainable financing and business" where we shared knowledge in the field of sustainable business with our corporate clients.

The Bank also organized a "Technical Assistance Project for the Improvement of ESG Standards", with 20 clients who went through the project implemented in cooperation with the EFSE Fund and Deloitte. Clients received free consulting services from the ESG segment in order to contribute to the improvement of sustainable business and the implementation of ESG processes.

Guided by the idea that sustainability is not just a goal, but a way of acting, we implemented the campaign "Movement that makes a difference", encouraging clients and employees to dedicate themselves to improving their healthy lifestyle habits and physical shape. By paying with NLB cards and the NLB Pay service, our clients had the opportunity to get a discount on the regular prices of monthly membership fees in three fitness centers in Sarajevo and Tuzla.

Also, in 2024, we organized the first NLB Bazaar dedicated to supporting local creatives who create handmade products. This event lasted 15 days on the ground floor of the Alta Shopping Center and served as a platform for 13 Bosnian entrepreneurs to show their work, thanks to the free space and promotion provided by the Bank. All visitors could buy handmade products by card using the NLB Smart POS application at each entrepreneur and using special discounts and benefits for card payments.


MJENJAČNICA EXCHANGE
mjenjačnica / exchange / döviz bürosu
NLB Bazar
Zlatne ruke i dobre ideje
NLB Banka
VISA
Payten
sher
bet
look


Veliki investitori kao pokretači promjena

Employment Initiatives and Financial Literacy

During the year, the Bank supported educational activities at universities that affect the financial literacy of young people through support to the Faculty of Economics in Tuzla and Sarajevo. A number of projects for student education have been implemented with the faculties, and students have also been given the opportunity to practice at NLB Bank. During 2024, the Bank was an active participant in several employment-related fairs, the most important of which are Star Fest and Watch Your Business.

On the occasion of World Savings Day, the Bank gave children a play organized by the Youth Theater in Sarajevo, the National Theater in Tuzla and the Mostar Puppet Theater in order to encourage culture among the youngest population.

Support for sport

In 2024, the Bank continued to actively support sports and recreational activities, recognizing their importance for the health and development of the community. Through various projects and initiatives, the Bank has participated in the promotion of sports values.

In honor of the Winter Olympics held in Sarajevo, we also marked the 40th anniversary of the 1984 Winter Olympics, and on that occasion, together with our partners, we organized a ceremony on the Olympic mountain Igman.

In 2024, we also supported the NLB Wheel League, the international wheelchair basketball league, and we were also the general sponsor of the NLB Sarajevo Half Marathon, and we also supported the Tuzla Half Marathon. NLB Bank has also supported a number of different clubs and teams in professional and semi-professional sports such as football, basketball, tennis and other sports.

Support for sport (continued)

In order to encourage healthy lifestyle habits in children and young people, the Bank progressively invests in various initiatives that promote sports, team spirit and a healthy lifestyle aimed at this population.
The Bank pays special attention to various sporting events such as international basketball tournaments, athletics races and ski competitions because they enable young people to actively participate in sports. Through these activities, the Bank strives to strengthen the spirit of sportsmanship, but also to connect children and young people from different cities in Bosnia and Herzegovina, enabling them to make new friends, exchange experiences and develop healthy habits.

Culture and environment

NLB Bank continues to actively support cultural projects and initiatives in Bosnia and Herzegovina. Through sponsorship, it has supported several cultural events such as the Festival of Contemporary Women in Tuzla, the Live Stage Music Festival, the Youth Film Festival, the Sarajevo Street Food Market, the Summertime Madness Festival, and the sponsorship of the National Theater in Tuzla and the Youth Theater in Sarajevo, as well as the Public New Year's Eve in Sarajevo, Tuzla and Mostar. All these activities have affected the visibility of NLB Bank in terms of responsibility towards culture in BiH.

In 2024, the Bank continued its activities aimed at protecting the environment. Caring for the environment is crucial for the protection of natural resources and ensuring sustainable development for future generations, so the Bank has supported events and organizations whose mission is focused on environmental activities and nature protection, such as the celebration of World Water Day, and the action to clean up the planet Earth in one day "Let's do It" in Tuzla and Sarajevo, as well as the association "Eco-Green" TK.

We confirm that we are the bank of the future, responsible to our clients, partners, the environment and the community in which we live and work. We want to leave a healthy environment for our future generations.

Humanitarian activities

NLB Banka Sarajevo is actively engaged in humanitarian projects, especially in crisis situations. In October 2024, faced with devastating floods in Bosnia and Herzegovina, NLB Banka Sarajevo, with the support of other members of the NLB Group, donated one million euros to help the affected areas. The donation is directed to humanitarian organizations, the Red Cross and Pomozi.ba, in order to ensure the efficient and safe distribution of aid to those who need it most.

The Bank continuously supports various projects through donations and sponsorships, directing funds to social, educational, environmental and cultural initiatives.

Events after the reporting date

After the end of the reporting period and prior to the date of approval of the financial statements, there was a change in the composition of the Bank’s Management Board.

As of 31 December 2024, Management Board member Denis Hasanić ceased to perform the function of a Management Board member. As of 1 January 2025, two new members, Berin Lakomica and Igor Tutuš, were appointed to the Management Board, increasing the number of Management Board members from three to four.

This change represents a significant non-adjusting event in accordance with the provisions of IAS 10 – Events after the Reporting Period, and is therefore disclosed in the notes to the financial statements. The change has no impact on the financial statements for the year ended December 31, 2024.

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

Responsibility for financial statements

The Management Board is responsible for preparing the financial statements that give a true and fair view of the Bank's financial position and financial performance and cash flows in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina and is responsible for maintaining proper accounting records that allow the financial statements to be prepared at all times. The Management Board is also responsible for taking steps reasonably available to safeguard the assets of the Bank and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Management Board is responsible for selecting appropriate accounting policies that comply with applicable accounting standards and for applying them consistently, making reasonable and prudent assumptions and estimates, and preparing financial statements on the going concern basis unless the assumption that the Bank will continue as a going concern is inappropriate.

The Management Board is responsible for submitting the Bank's annual reports to the Supervisory Board together with the annual financial statements, after which the Supervisory Board approves the annual financial statements..

Signed on behalf of the Management Board

NLB Banka d.d., Sarajevo 01

Lidija Žigić, President of the Management Board

NLB Banka d.d., Sarajevo
Koševo 3
71000 Sarajevo
Bosnia and Herzegovina
17 April 2025

Independent Auditors' report

To the shareholders of NLB Banka d.d., Sarajevo

Opinion

We have audited the financial statements of NLB Banka d.d., Sarajevo ("the Bank"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024 and of its financial performance and its cash flows for the year then ended in accordance with the statutory accounting requirements 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with 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 the 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.

This version of the Auditors' report is a translation from the original, which was prepared in Bosnian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over translation.

Independent Auditors' report
To the shareholders of NLB Banka d.d., Sarajevo *(continued)*

Key Audit Matters

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

Impairment of loans to and receivables from clients

As at 31 December 2024, gross loans to and receivables from clients: BAM 1,277 million, related impairment allowance: BAM 44 million and, for the year then ended, impairment loss recognised in the statement of profit or loss and other comprehensive income: BAM 7.9 million (31 December 2023: gross loans and receivables: BAM 1,161 million, related impairment allowance: BAM 42 million and, for the year then ended impairment loss recognised in the statement of profit or loss and other comprehensive income: BAM 4.3 million).

Refer to Summary of material accounting policies, Note 3.30 Critical accounting judgements and key sources of estimation uncertainty, Note 17 Loans to and receivables from clients at amortised cost, and Note 4 Credit risk.

Key audit matter	How our audit addressed the matter
Impairment allowances represent Management Board's best estimate of the expected credit losses ("ECLs") within loans to and receivables from clients (collectively, "loans", "exposures") at the reporting date. We focused on this area as the measurement of impairment allowances requires the Management Board to make complex and subjective judgements and assumptions. The Bank calculates impairment allowances for expected credit losses in accordance with the requirements of the Banking Agency of the Federation of Bosnia and Herzegovina ("FBA"), which combines the requirements of IFRS 9 "Financial Instruments" with the FBA-prescribed minimum requirements for provisioning. The impairment allowances for performing exposures (Stage 1 and Stage 2 in the framework's hierarchy) and non-performing (Stage 3) exposures below EUR 50 thousand individually are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant increase in credit risk and forward-looking information, as well as specific rules of the FBA regarding various minimum provisioning requirements (together "collective impairment allowance").	Our audit procedures in this area, performed, where applicable, with the assistance of our own financial risk management (FRM) and information technology (IT) specialists included, among others: • Inspecting the Bank's methods to estimate ECL and assessing their compliance with the relevant requirements of the regulatory and financial reporting frameworks. As part of the above, we identified the relevant models, assumptions and sources of data, and assessed whether such models, assumptions, data and their application are appropriate in the context of the said requirements. We also challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level factors; • Making relevant inquiries of the Bank's risk management and IT personnel in order to updated our understanding of the provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing of the Bank's IT control environment for data security and access; • Testing the design, implementation and operating effectiveness of selected controls over the approval, recording and monitoring of loans, including those relating to the identification of significant increase in credit risk, loss events and default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, collateral valuations and calculation of the impairment allowances.

Key Audit Matters (continued)

Key audit matter *(continued)*	How our audit addressed the matter *(continued)*
Expected credit losses for individually significant Stage 3 (non-performing) exposures (equal to or above EUR 50 thousand) are determined on an individual basis by means of a discounted cash flows analysis. The process involves subjectivity and reliance on a number of significant assumptions, including those in respect of the expected proceeds from the realization of the related collateral and the minimum period for collateral disposal, as well as the FBA's specific minimum provisioning requirements. While the economic environment in 2024 has shown mixed signs of stabilization, inherent uncertainties remain, particularly in relation to specific markets and credit risk assumptions. In the wake of the above factors, we considered impairment of loans and receivables to be associated with a significant risk of material misstatement in the financial statements, which required our increased attention in the audit. Accordingly, we considered this area to be a key audit matter.	• For a sample of exposures, taking into account customer's business, market conditions and debt service, critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3; For collective impairment allowances : • Challenging the key risk parameters (PD, EAD and LGD) applied in the collective ECL model, by reference to the Bank's data on historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances; • Obtaining the relevant forward-looking information and macroeconomic projections used in the Bank's ECL assessment. Independently assessing the information by means of corroborating inquiries of the Management Board and inspecting publicly available information; • Evaluating key overlays to the ECL model used by the Bank, by applying our knowledge of the industry and our understanding of the macro-economic situation; For impairment allowances calculated individually: • For a sample of individually significant Stage 3 (non-performing) exposures, challenging the Bank's cash flow projections and key assumptions used, by reference to our knowledge of the relevant industry and of the borrower, and assessing the reasonableness of the collateral valuation by inspecting the Bank's underlying valuation reports. For loan exposures in totality: • Assessing the adequacy of the recognized ECLs against the various minimum provisioning requirements prescribed by the FBA; • Critically assessing the overall reasonableness of the impairment allowances, including both the share of the gross non-performing exposures in total gross exposure and the non-performing loans provision coverage. • Examining whether the Bank's loan impairment and credit risk-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.

Independent Auditors' report
To the shareholders of NLB Banka d.d., Sarajevo *(continued)*

Other Information

Management is responsible for the other information. The other information comprises Management report included in the Annual Report of the Bank, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

With respect to the Management Report, we also performed procedures required by the Law on Accounting and Auditing in Federation of Bosnia and Herzegovina ("Law on Accounting and Auditing"). Those procedures include considering whether the Management Report has been consistent with financial statements for the same financial year.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and procedures above, in our opinion the information given in the Management Report for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the financial statements.

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Management report. We have nothing to report in this respect.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the statutory accounting requirements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Independent Auditors’ report
To the shareholders of NLB Banka d.d., Sarajevo *(continued)*

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditors’ report
To the shareholders of NLB Banka d.d., Sarajevo *(continued)*

Auditors’ Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 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 auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors’ report is Vedran Vukotić.

KPMG B-H d.o.o. za reviziju

17 April 2025

Registered Auditors
Zmaja od Bosne 7-7a
71000 Sarajevo
Bosnia and Herzegovina

D.O.O. ZA REVIZIJU KPMG B-H SARAJEVO

Kpmg

(All amounts are given in thousands of BAM, unless otherwise stated)

	Note	2024	2023
Interest and similar income calculated using the effective interest method	5a	70,425	60,442
Interest and similar expense calculated using the effective interest method	5b	(13,854)	(9,329)
Net interest and similar income using effective interest rate method	5	**56,571**	**51,113**
Fee and commission income	6a	40,150	35,417
Fee and commission expense	6b	(11,388)	(10,836)
Net Fee and commission income	6	**28,762**	**24,581**
Impairment losses and provisions		(7,594)	(4,486)
Impairment losses on financial instruments	*7a*	*(7,002)*	*(4,262)*
Other net impairment losses and provisions	*7b*	*(592)*	*(224)*
Other losses from financial assets	8	(941)	(2,035)
Net positive currency differences	9	203	823
Gains from long-term non-financial assets	10	359	1,335
Other income	11	275	345
Employee's expenses	12	(23,909)	(21,474)
Depreciation	18a, 18b	(5,230)	(4,704)
Other expenses	13	(18,933)	(18,519)
Profit before income tax		**29,563**	**26,979**
Income tax		(2,593)	(2,844)
Deferred Income tax		604	775
Income Tax	14	**(1,989)**	**(2,069)**
Net profit for the year		**27,574**	**24,910**
Statement on total comprehensive income:			
Items that can be reclassified to profit or loss		**1,239**	**1,258**
Increase in the fair value of debt instruments recognized at fair value through total comprehensive income		1,377	1,398
Income tax referring to these items		(138)	(140)
Items that will not be reclassified into profit or loss		**(22)**	**(86)**
Increase/(decrease) of fair value of equity instruments recognized at fair value through other total comprehensive income		-	4
Actuarial Gains / (losses) related to severance provision		(24)	(90)
Income tax reffering to these items		2	-
Other comprehensive income		**1,217**	**1,172**
Total comprehensive income		**28,791**	**26,082**
Basic and diluted earnings per share (in BAM)	26	**70.47**	**63.06**

Notes on pages 44 to 147 form an integral part of these financial statements.

NLB BANKA d.d., SARAJEVO
Statement of financial position
(All amounts are given in thousands of BAM, unless otherwise stated)

	Note	31 December 2024	31 December 2023
Assets			
Cash and cash equivalents	15	261,014	237,382
Financial assets at fair value through other comprehensive income	16	119,525	181,924
Investments in equity instruments	*16a*	*105*	*105*
Loans to customers, securities and other debt instruments	*16b*	*119,420*	*181,819*
Financial Assets at amortized cost	17	1,537,791	1,328,624
Reserve at Central Bank	*17a*	*166,126*	*153,116*
Bank deposits	*17b*	*47,753*	*445*
Loans to and receivables from clients	*17c*	*1,233,074*	*1,118,906*
Other financial assets at amortized cost	*17d*	*90,838*	*56,157*
Prepaid income tax		251	
Deferred tax assets	14a	2,111	1,642
Property, plant and equipment	18a	31,897	30,946
Right-of-use assets	18b	4,434	4,691
Intangible assets	19	1,854	1,755
Long-term assets intended to sales and assets from discontinued operations	20	34	12
Other assets and receivables	21	422	753
Total assets		**1,959,333**	**1,787,729**
Liabilities			
Financial liabilities at fair value through profit or loss	22	1,290	654
Financial liabilities at amortized cost	23	1,748,928	1,598,293
Banks' deposits and other financial institutions	*23a*	*49,890*	*54,922*
Customers' deposits	*23b*	*1,576,580*	*1,412,767*
Borrowings	*23c*	*87,881*	*89,315*
Lease liabilities		*4,510*	*4,709*
Other financial liabilities at amortized cost	*23d*	*30,067*	*36,580*
Income tax liabilities	14	-	290
Deferred tax liabilities	14a	6	6
Provisions	24	5,910	6,001
Credit risk of taken liabilities and given guarantees	*24a*	*2,995*	*3,675*
Litigations and claims	*24b*	*-*	*2*
Other provisions	*24c*	*2,915*	*2,324*
Other liabilities	25	178	1,017
Total liabilities		**1,756,312**	**1,606,261**
Equity			
Share capital	1	53,605	53,605
Reserves		75,106	75,106
Revaluation reserves		(310)	(1,527)
Revaluation reserves for financial assets at fair value through other comprehensive income		44	(1,195)
Other revaluation reserves		(354)	(332)
Profit		**74,620**	**54,284**
Profit of the year		27,574	24,910
Accumulated retained profit from previous years		47,046	29,374
Total Equity		**203,021**	**181,468**
Total Equity and liabilities		**1,959,333**	**1,787,729**

Notes on pages 44 to 147 form an integral part of these financial statements.

The Management Board has authorized these financial statements on 17 April 2025 and signed them accordingly:

Berin Lakomica MB Member	Igor Tutuš MB Member	Jure Peljhan MB Member	Lidija Žigić President of MB

NLB Banka d.d., Sarajevo NLB 01

(All amounts are given in thousands of BAM, unless otherwise stated)

	Share capital	Reserves	Revaluation reserves for financial assets measured at fair value through other comprehensive income	Other revaluation reserves	Accumulated retained earnings	Total
Balance as of 31 December 2022	**53,605**	**75,106**	**(2,457)**	**(242)**	**44,373**	**170,385**
Balance as of January 1 2023	**53,605**	**75,106**	**(2,457)**	**(242)**	**44,373**	**170,385**
Profit for the period.	-	-	-	-	24,910	24,910
Other total comprehensive income for the period	-	-	1,262	(90)	-	1,172
Total comprehensive income for the period	-	-	**1,262**	**(90)**	**24,910**	**26,082**
Dividends paid	-	-	-	-	(14,999)	(14,999)
Balance as of 31 December 2023	**53,605**	**75,106**	**(1,195)**	**(332)**	**54,284**	**181,468**
Balance as of January 1 2024	**53,605**	**75,106**	**(1,195)**	**(332)**	**54,284**	**181,468**
Profit for the period.	-	-	-	-	27,574	27,574
Other total comprehensive income for the period	-	-	1,239	(22)	-	1,217
Total comprehensive income for the period	**53,605**	**75,106**	**44**	**(354)**	**81,858**	**210,259**
Dividends paid	-	-	-	-	(7,238)	(7,238)
Balance as of December 31 2024	**53,605**	**75,106**	**44**	**(354)**	**74,620**	**203,021**

The notes on pages 44 to 147 are an integral part of these financial statements.

(All amounts are given in thousands of BAM, unless otherwise statedi)

	Note	2024.	2023.
Cash flows from operating activities			
Interest and similar income calculated using the effective interest method		65,237	59,579
Interest expenses and similar income calculated using the effective interest method		(11,786)	(7,518)
Fees and commission income		45,703	41,230
Fees and commission expenses		(9,196)	(8,098)
Collection of previously written off receivables for given loans and interest		4,181	2,849
O Cash payments to employees		(23,469)	(20,904)
Cash payments on operating expenses		(29,270)	(24,728)
Other income from operating activities		-	(3,558)
Paid income tax		(2,844)	(2,480)
Net cash from operating activities before changes on operating assets and operating liabilities:		**38,556**	**36,372**
Cash flows from operating activities			
(Increase) reserve at Central Bank, net		(13,017)	(12,626)
(Increase) / decrease placement at other banks, net		(47,315)	13
(Increase) in loans and receivables from clients, net		(123,883)	(112,624)
Dencrease / (inecrease) in other assets and receivables, net		285	(471)
Decrease of bank deposits and other financial institutions		(5,088)	(55,888)
Increase of clients deposits		163,425	162,780
Increase/(decrease) of provisions for liabilities		-	-
Decrease of other liabilities		(81)	(189)
Net increase / (decrease) of other liabilities		(7,785)	13,136
Net cash from operating activities		**5,097**	**30,503**
Cash flows from investing activities			
Acquisition of debt instruments at fair value through other total comprehensive result		(769,619)	(433,992)
Proceeds from the disposal of debt instruments at fair value through OCI		836,736	420,213
Acquisition of debt instruments at amortized cost		(33,829)	(54,047)
Proceeds from the disposal of property plant and equipment		828	185
Acquisition of property plant and equipment		(4,286)	(3,576)
Acquisition of Intangible Assets		(661)	(725)
Net cash flow from investment activities:		**29,169**	**(71,942)**
Cash flows from financing activities			
Dividends paid		(7,201)	(14,936)
Proceeds from bank loans		1,947	-
Repayment of principal bank loans		(17,034)	(17,044)
Prpceeds from loans from other financial institutions		-	19,558
Repayment of loans principal from other financial institutions		-	-
Proceeds from subordinated loans		13,270	18,580
Repayment of principal leases		(1,640)	(1,438)
Net cash flow from financingactivities		**(10,658)**	**4,720**
Net increase/(decrease) in cash and cash equivalents:		**23,608**	**(36,719)**
Cash and cash equivalents at the beginning of the period:	**15**	**237,382**	**274,089**
Effects of changes in foreign exchange currency rates: o:		24	12
Cash and cash equivalents at the end of the period:	**15**	**261,014**	**237,382**

The notes on pages 44 to 147 are an integral part of these financial statements.

1. General information

NLB Banka d.d., Sarajevo (hereinafter: The Bank) is a bank of universal type, which is organized as separate shareholders' company as of April 1, 1990.

The Bank was initially registered with the Registry of Companies with the Cantonal Court in Tuzla, and following the move of the head office from Tuzla zo Sarajevo in 2015, the Bank is registered with the Registry of Companies with the Municipal Court in Sarajevo, and with the Registry of the Securities Commission of the Federation of BiH, with all relevant data and permissions issued by the Banking Agency of the Federation of BiH (hereinafter: FBA) and other relevant bodies. The headquarters of the Bank is at the address Koševo 3, 71000 Sarajevo, Bosnia and Herzegovina.

The Bank conducts its operations directly and through organizational parts in the business network, as follows:
a) Tuzla Branch with Centar Tuzla, Sjenjak, Brčko, Čelić, Kalesija, Sapna and Teočak branches
b) Branch Tuzla 2 with branches Centar Gračanica, Doboj Istok, Gradačac, Srebrenik and Orašje
c) Tuzla 3 Branch Office with branches Slatina, Lukavac, Živinice, Banovići and Kladanj,
d) Sarajevo Branch with branches Centar Sarajevo, Ilidža, Alipašino Polje, Pofalići, Ferhadija, Dobrinja, Otoka, Goražde,
e) Mostar Branch with branches Centar, Rondo, Čapljina, Široki Brijeg and Ljubuški,
f) Zenica Branch with branches Centar Zenica, Travnik, Vitez and Bihać.

Through the headquarters in Sarajevo and the business network, the Bank is authorized to perform all types of tasks that banks can perform, as follows:
1. Receiving of all types of money deposits and other monetary assets;
2. Granting and taking financial loans;
3. Issuing guarantees and commitments;
4. services in internal and international payments and money transfers, in accordance with special regulations;
5. Buying and selling of foreign currencies and precious metals;
6. Issuing and managing means of payment (including credit cards, travel and bank cheques);
7. Financial leasing;
8. Buying, selling and collecting receivables (factoring, forfeiting and others);
9. Purchase and sale of money market instruments and capital for its own or somebody else's account;
10. Purchase and sale of securities (brokering-dealership);
11. Managing portfolio of securities and other valuables;
12. Securities market support operations, agent operations and issuance of shares, in accordance with regulations governing the securities market;
13. Investment consulting and custody operations;
14. Financial management and consulting services;
15. Data collection services, preparing analysis and providing information on the creditworthiness of legal and natural persons who independently carry out the registered business activity;
16. Safe deposit box lease;
17. Insurance intermediary services in accordance with regulations governing insurance intermediary services, except liability insurance for motor vehicles;
18. other operations that support concrete banking activities.

(All amounts are given in thousands of BAM, unless otherwise stated)

1. General information *(continued)*

Bank's shareholders

	December 31 2024		December 31 2023	
	Amount in BAM	%	Amount in BAM	%
Nova Ljubljanska banka d.d., Ljubljana, Slovenia	52,177,300	97.34	52,177,300	97.34
Others	1,427,860	2.66	1,427,860	2.66
Total	**53,605,160**	**100.00**	**53,605,160**	**100.00**

The headquarters of the Bank is at the address Koševo 3, 71000 Sarajevo, Bosnia and Herzegovina.

The majority owner of the Bank is Nova Ljubljanska banka d.d., Ljubljana, with 97,34% of share capital as of 31 December 2024, which is also ultimate owner of the Bank.

NLB Bank d.d. Sarajevo is subject to consolidation in the financial statements of NLB d.d., Ljubljana, whose financial statements can be found at Trg republike 2, 1520 Ljubljana, Slovenia, and are available at the following link: https://www.nlb.si/financial-reports .

Employees

As of 31 December 2024, NLB Banka d.d., Sarajevo had 497 employees (31 December 2023: 478 employees).

(All amounts are given in thousands of BAM, unless otherwise stated)

2. Adoption of new and revised standards

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

The following new standards, interpretations and amendments to existing standards, which may be applicable to the Bank, are mandatory for periods beginning on 1 January 2024:

Effective date	New standards or amendments
January 1, 2024	Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
	Non-current Liabilities with Covenants - Amendments to IAS 1 and Classification of Liabilities as Current or Non-Current - Amendments to IAS 1

Application of new or amended standards did not have significant impact on the Bank's financial statements.

The following new standards, interpretations and amendments to existing standards issued by the IASB are not yet ieffective and were notadopted by the Bank :

Effective date	New Standards and Amendments to Existing Standards
January 1, 2025	Amendments to IAS 21 - Impossibility of Exchange (August 2023)
January 1, 2027	IFRS 18 Presentation and Disclosure in Financial Statements
	IFRS 19 Non-Public Liability Subsidiaries: Disclosures
Available for optional application/effective date postponed indefinitely	Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

New IFRS 17 Insurance contracts will replace IFRS 4. It applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is allowed. The implementation of this standard in Federation of Bosnia and Herzegovina has been postponed until 2026. This new standard as well as its amendments are not expected to result to any significant changes in the Bank.

The application of these Standards is not expected to have a significant impact on the Bank's financial statements.

3. Summary of material accounting policies

3.1. Basis of preparation and statement of compliance

The financial statements of the Bank have been prepared in accordance with the accounting regulations applicable to banks in 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 FBiH, passed based on aforementioned laws:

The Law on Accounting and Auditing in FBiH (Official Gazette of FBiH, no. 15/21 of 24.02.2022) stipulates preparation of the financial statements in accordance with the International Financial Reporting Standards (IFRS).
The Law on Banks of FBiH stipulates preparation of annual financial statements in accordance with the aforementioned Law on Accounting and Auditing in FBiH, this law and bylaws passed based on both laws.
The Decision of the Banking Agency of FBiH on Credit Risk Management and Determining Expected Credit Losses (the Decision), which is in force as of 1 January 2022, has established minimum rates for the calculation of value adjustments and for the valuation of non-financial assets arising from credit operations (acquired tangible assets whose valuation is within the scope of other relevant IFRS).

The form of the attached financial statements is prescribed by the Rulebook on the content and form of financial statements for companies ("Official Gazette of FBiH", no. 81/21, 102/22 and 99/23).

In accordance with the provisions of the Decision, the Bank created higher allowances for credit losses as of 31 December 2024 in the amount of BAM 8,914 thousand compared to the amount calculated by using the Bank's internal model in line with the requirements of IFRS 9. This difference arose from the following reasons:

- application of minimum impairment rates stipulated by the Article 23 of the Decision for exposures in Stage 1 of credit risk in the amount of BAM 6,824 thousand,
- application of minimum impairment rates stipulated by the Article 24 of the Decisions for exposures in Stage 2 of credit risk in the amount of BAM 2,090 thousand,

Previously described differences between the statutory accounting regulations applicable to banks in FBiH and requirements for recognition and measurement under International Financial Reporting Standards are presented in the table below*:

3. Summary of material accounting policies *(continued)*

3.1. Basics of preparation and statement of compliance *(continued)*

BAM'000	**31 December 2024**	**31 December 2023**
Assets	(8,914)	(5,156)
Liabilities	1,318	465
Equity	(10,232)	(5,621)
	2024.	**2023.**
Financial result before taxation	(10,232)	(5,621)

The decision prescribes rules in the local regulation for "Accounting write-offs" under which the Bank is required to make an accounting write-off of balance sheet exposures two years after the bank has recorded the expected credit losses in the amount of 100% of its gross book value and declared them fully due.

For debt instruments measured at FVOCI loss allowance is recognized in the statement of financial position as part of the financial assets at fair value through FVOCI and is not included as part of the revaluation amount in the investment's revaluation reserve.

Where accounting policies are consistent with International Financial Reporting Standards, there is a link in these financial statements to the relevant IFRSs.

These financial statements were authorized by the Management Board as of 17 April 2025 for submission to the Supervisory Board.

Comparatives

Except where a standard or interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative amounts. Where IAS 8 is applied, comparative data has been adjusted to conform to changes in presentation in the current year.

3. Summary of material accounting policies *(continued)*

3.2. Going concern

The financial statements are made under going concern assumption, which implies that the Bank will continue with its business activities in the foreseeable future, and will be able to realize receivables and settle liabilities in the normal course of operations.

3.3. Basis for the preparation and presentation of financial statements

These financial statements are prepared on historical cost basis, except for financial liabilities at fair value through profit or loss and financial assets ast fair value through other comprehensive income, which are measured and presented at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for the asset.

Fair value is the price which may be achieved by sale of an asset or would be paid for a transfer of a liability in the ordinary transaction between parties on the primary (or on the most favourable) market on the measurement date, regardless of whether the price is directly observed or estimated by application of the other techniques for value measurement. While estimating the fair value of assets or liabilities the Bank takes into consideration characteristics of assets or liabilities that the participants in the market would have considered when determining the price of assets or liabilities on the date of measurement. Fair value for measurement and/or for the purpose of disclosure in these financial statements is estimated on such a basis (apart for measurements which have some similarity to fair value measurement i.e., net realizable value according to IAS 2 or value in use according to IAS 36.

Fair value of financial instruments on active market is based on current prices of supply and demand for financial assets or financial liabilities. If the market for some financial instrument is not active, the Bank determines fair value using various valuation techniques. Valuation techniques include using current independent market transactions between informed parties, discounted cash flow analysis and other valuation techniques which participants on the market usually use. Valuation techniques reflects current conditions on the market on the day of valuation which does not have to reflect real conditions on the market before or after valuation.

Furthermore, for the financial reporting purposes fair value indicators are divided into levels 1, 2 or 3, based on the degree to which the measurement of fair value can be viewed according to the importance of evaluating fair value in its entirety, as follows:

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

The valuation techniques used for the measurement of fair value maximize the use of relevant observable inputs, while the use of unobservable inputs is minimized. In cases where input data which is used for measurement of fair value of assets or liabilities can be classified in different levels of the fair value hierarchy, the measurement of fair value is classified fully in the appropriate level according to the lowest level inputs which are important for the overall measurement considered.

The Bank performs transfers or reclassifications among different fair value levels of hierarchy when input data used for the determination of the fair value of assets or liabilities are classified in a different level than the level in which the input data used for the previous measurement of fair value of that asset or liability are classified.

3. Summary of material accounting policies *(continued)*

3.3. Basis for the preparation and presentation of financial statements *(continued)*

Reclassification of financial assets from one to another level of hierarchy of fair value is made due to changes in circumstances or input data:

- From level 1 into level 2: when the bond is withdrawn from organized market or when it becomes illiquid
- From level 1 into level 3: when the shares are withdrawn from organized market, if company bankruptcy proceeding has been started or when disclosure of value has been terminated
- From level 2 into level 3: when base instrument (share or equity share) of derivative financial instrument is withdrawn from organized market, when it starts bankruptcy proceeding (for shares and bonds)
- From level 2 into level 1: if bonds are actively traded on organized market
- From level 3 into level 1: if shares or bonds are included on an organized market
- From level 3 into level 2: if base instrument (share or equity share) of derivative financial instrument is included on an organized market with no active quotation, but there are identical or similar instruments listed on the market.

Reclassification from one level of hierarchy of fair value to another is required in cases when, during the measurement of fair value, inputs from one level are replaced by inputs from another level.

3.4. Functional and presentation currency

Financial statements are presented in Convertible Marks (BAM), which represents official reporting currency in Bosnia and Herzegovina. The Convertible Mark has a fixed exchange rate linked to the Euro (EUR 1 = BAM 1.95583).

3.5. Use of estimates and judgments

The preparation of financial statements in accordance with IFRS requires the Board to use judgements, estimates and assumptions which have influence on the application of accounting policies and disclosed amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and related assumptions are reviewed on a regular basis. Changes in accounting estimates are recognized in the period in which these estimates were changed, and possibly in future periods, if affected by them.
Information on areas of significant uncertainty related to estimates and judgements used in the application of accounting policies, which have a significant influence on amounts disclosed in these financial statements, are disclosed in *Note 3.30*.

Accounting policies listed below were applied consistently to all periods presented in these financial statements.

3.6. Foreign Currencies

Assets and liabilities in foreign currencies are translated into the local currency using the exchange rate set by the Central Bank of Bosnia and Herzegovina on the last day of the reporting period.

Monetary items denominated in foreign currencies are translated at the exchange rate ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial recognition.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the year-end translation of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss

(All amounts are given in thousand BAM unless otherwise stated)

3. Summary of material accounting policies *(continued)*

3.6. Foreign currencies *(continued)*

All foreign exchange gains and losses recognized in the statement of profit or loss are presented in net amount within appropriate items.

Exchange rates used in financial statements are the official rates determined by the Central Bank of Bosnia and Herzegovina. On 31 December, the average exchange rates were as follows:

Exchange rate	31 December 2024	31 December 2023
	BAM	BAM
USD	1,872683	1,769982
EUR	1,95583	1,95583

3.7. Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing instruments on an accrual basis. Penalty interest income is accounted for on an accrual basis.

Interest income is calculated using the method of effective interest rate on gross carrying value of on-balance exposure.

Accrued interest income on non-performing loans is excluded from profit or loss and recognized as income upon collection. For loans to legal entities for which credit loss allownce is calculated on an individual basis, and for which there is acceptable collateral, interest income is calculated using the effective interest rate method applied to amortized cost.

Interest is calculated in accordance with the contract between creditor and debtor. If stipulated by the contract, interest for deposits is added to the principal.

Loan origination fee income is deferred throughout the duration of the loan using the effective interest rate method. Income from loan origination fees is presented within the Interest income position.

3.8. Fee and commission income and expense

Fee and commission income is recorded in the statement of profit or loss because the Bank meets the obligation embedded in the contract, in accordance with the rules of "IFRS 15 Revenue from contracts with customers".

The rule is as follows:
if the performance obligation is met at a particular point in time, the related revenue is recognized in the statement of profit or loss when the service is provided;
If the obligation to execute is met over time, the related income is recognized in the statement of profit or loss to reflect progress in meeting that obligation.

Due to the above rules, fees for transactions arising from domestic and foreign payment transaction services are usually recorded at the time the service is provided, while fees related to portfolio management and the like are usually recognized over the life of the contract (input method).

The amount of income related to income from fees and commissions and other operating income is measured based on contractual provisions. If the contractual amount is subject to change in whole or in part, revenue must be recorded based on the most probable amount that it expects to receive.

3. Summary of material accounting policies *(continued)*

3.8. Fee and commission income and expense *(continued)*

Such an amount is determined based on all the facts and circumstances deemed relevant to the assessment, which depend on the type of service provided, and on the assumption that it is unlikely that the revenue recognized will not be significantly reversed. For services provided by the Bank, such variability is not normally foreseen.

If the contract relates to different services whose performance obligation is not fulfilled at the same time, the income is allocated to different obligations, in proportion to the independent price of the delivered goods/services. Therefore, these amounts will be recorded in the statement of profit or loss, based on the time of fulfilment of each obligation.

Fee expenses consist of fees paid by the Bank to the CBBH for internal payment operations, SWIFT costs, card operations costs and deposit insurance costs. Fees and commissions expenses are recognized in the period to which they relate.

3.9. Dividend income

Dividends are recognized in the income statement as dividend income when the shareholders' rights to receive dividends are established.

3.10. Employee benefits

In its regular operations, the Bank pays taxes and contributions on and from salaries, calculated from the gross salary, as well as meal allowances, transport allowances, and vacation bonuses in accordance with local legislation for its employees. These expenses are recorded in the statement of comprehensive income in the period to which the salaries relate.

The Bank may, in accordance with the business result and individual work success of employees, periodically, by special decisions, award variable rewards for work performance that exceeds the expected or target result by up to 20% of the basic salary of employees. When paying the variable part of the salary for the achieved results above the average (total score over 101%), the starting point is the quota allocated to the organizational unit by the competent manager, which can amount to 8% of the salary. In 2022, there was no payment of variable rewards.

Employee benefits represent amounts the employer must pay to the employees in accordance with laws, rulebooks and contracts, which also represents a basis for recording provisions in accordance with IAS 19.

The Bank forms provisions for severance payments, based on an actuarial calculation, which is usually made on 30.09 every year. The effects of provisions for severance payments arising from differences between projected actuarial payments and actual payments and changes in actuarial assumptions (discount rate, employee turnover, increase in average salary, etc.) are recognized in other comprehensive income and are never reclassified to the statement of profit or loss. Changes in the present value of liabilities arising from the approach of the maturity date are recognized as interest expense.

The Bank has made provisions for unused vacation days in 2024 using the Bank's average gross hourly rate method for each unused vacation day and created additional provisions, which were charged to cost of provisions for unused vacation.

3. Summary of material accounting policies *(continued)*

3.11. Taxation

Taxes are calculated in accordance with the regulations of the Federation of Bosnia and Herzegovina and Brčko District. The starting point in determining the income tax base is the business result reported in the income statement. Differences between the profit presented in the accounting records and the taxable profit in the tax balance occur due to corrections prescribed by the Corporate Income Tax Act and the accompanying Rulebook, according to which certain expenses shown in the accounting records, although actually incurred, from the aspect of the income tax regulations represent non-deductible expenses, which as such increase the tax base.

Accordingly, individual expenses, depending on the type, can be treated in the tax balance:

- as non-deductible expenses in their full amount (which increase the corporate income tax base as a whole), or
- as non-deductible expenses in the prescribed percentage (which increase the corporate income tax base only in the non-deductible part).

In addition, certain expenses may be tax deductible permanently, while other expenses may be tax deductible with a certain time lag (as temporary tax differences, which are reflected based on income tax not only in one but in several accounting and tax periods).

Temporary tax differences occur:

- in cases where once unrecognized items (i.e. items that increased taxable profit in one period) will subsequently be treated as tax deductible items, for which taxable profit may be reduced in some future period
- in cases where pre-tax items (i.e., items used to reduce taxable profit in one period) will subsequently be treated as non-tax deductible, and these amounts will have to be increased by taxable profit in some future period.

In the first case, when it comes to temporary tax differences, such items will in future periods result in deferred tax assets and in the second case deferred tax liabilities.

The current regulations also provide for tax relief as tax incentives, for example through the tax balance, the recognition of double the amount of gross salary for newly hired employees, subject to certain conditions.

The income tax rate is 10%.

When it comes to indirect taxes, the Bank is in the VAT system. Given the specificity of the services provided by the Bank, most of such services are exempt from VAT.
There is an obligation to calculate VAT for services that are subject to this obligation and the Bank acts accordingly.

The Bank has no right to deduct input VAT and input VAT is recorded on the expense on which the related service is recorded.

The VAT rate is 17%.

3.12. Earnings per share

The Bank discloses basic earnings per share. Basic earnings per share are calculated by dividing net profit or loss of the current period attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares for the period.

3. Summary of material accounting policies *(continued)*

3.13. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with a maturity of less than 3 months, including cash and non-restricted balances with the Central Bank as well as other eligible securities and loans and advances to banks.

3.14. Due from other banks

Amounts due from other banks encompass placements with other banks that become due for collection on a fixed date.

3.15. Financial Assets

Financial assets originate from lending operations, foreign exchange related operations, deposits, and payments operations; they are also used in securities trading, the purchase and collection of receivables, and they are the result of other banking services. Loans, deposits, debt securities issued are recognised on the date on which they are originated. Financial assets under regular-way purchases and sales are recognised at settlement date. All other financial assets are recognised on the date on which the Bank becomes a party to the contractual provision of the instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or decrease in financial instruments. An incremental cost is incurred upon rendering a transaction. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost (AC) is the amount at which the financial instrument was recognized at initial recognition less any principal repayments increased by accrued interest, or the amount at which the financial instrument was recognized less any write-down for incurred impairment losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and amortization of all premiums or discounts up to the maturity date by applying the effective interest rate. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discounts or premiums (including fees deferred at origination, if any), are not presented separately and are included in the carrying values in the statement of financial position (balance sheet).

The effective interest rate method is a method of calculation of the amortized cost of a financial asset or financial liability, and the allocation of interest income or interest expenditures over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The effective interest rate discounts cash flows of variable interest instruments until the next interest re-pricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the entire expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

3. Summary of material accounting policies *(continued)*

3.15. Financial Assets *(continued)*

Measurement of financial assets

According to IFRS 9 – Financial Instruments, financial assets are measured at:

- Amortized cost,
- Fair value, with valuation effects recognized in other comprehensive income (FVOCI), or
- Fair value, with valuation effects recognized in profit or loss (FVPL).

Criteria that determine classification and valuation of financial assets are:

- business model for financial asset management,
- characteristics of financial instrument's contractual cash flows.

The Bank adopts the business model that reflects how it manages groups of financial assets to achieve its business objectives. Business model is not assessed on an instrument-by-instrument basis, but at their level of aggregated portfolios considering following:

- how the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- the risks that affect the performance of the business model and the way those risks are managed
- how key management personnel is compensated (sales – collection of fair value or collection of contractual cash flows)
- the expected frequency, value and timing of sales.

The decision on selection of business model is based on reasonably expected events without 'stress case' scenarios. If the cash flows are different from the expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing business model for new financial assets. According to the Bank's business model, loans to customers and deposits are classified in business model which has purposes of collecting contractual cash flow. Loans to customers and deposits are valued at amortized cost, except in cases when they don't pass SPPI test.

Conditions for classification of debt instruments in banking book are provided in Policy for operating with financial instruments.

If the contractual cash flows represent Solely Payments of Principal and Interest (SPPI), then debt instruments are measured at amortised cost or at fair value through other comprehensive income (FVOCI), depending on the business model.

In case the contractual cash flows do not satisfy SPPI criteria, then financial assets are valued at fair value through profit or loss (FVPL).

For SSPI test, the principal represents fair value of the financial asset at the moment of initial recognition, and interest compensation for:

- Time value of money
- Credit risk, in relation to unpaid principal at a given moment
- Compensation for other basic lending risks (liquidity) and expenses
- Profit margin that is consistent with a basic lending arrangement.

3. Summary of material accounting policies *(continued)*

3.15. Financial Assets *(continued)*

For SPPI the Bank uses Manual for Performance of SPPI Test in Accordance with IFRS 9 for Debt Financial Assets. To confirm correctness of SPPI test performance, which was performed by operating sector, the secondary controls are performed as defined by the Manual for SPPI test performance.

Equity financial instruments and instruments which are combination of debt and equity are not subject to SPPI test and are valued at fair value.

Financial assets valued at amortized cost

Financial assets are valued at amortized cost if the following conditions are met:
- Business model objective is to collect contractual cash flows
- In accordance with contractual terms, cash flows occur on specified date that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets valued at amortized cost are initially recognized at fair value increased for direct transaction cost, and subsequently are valued at amortized cost. Interests and exchange differences are recognized directly in profit or loss. Interests are calculated using effective interest rate which includes accrual of direct transaction costs, premiums and discounts which are accrued during the lifetime of financial asset.

Loans and deposits are recognized in the off-balance record at the date of contract, and in balance sheet at the date of contract realization.

Bank places short-term, long-term, frame agreements and commission loans (in own name, for someone else's account) to corporate and retail clients according to business policy of the Bank.

Loans are subsequently recognized in amount of unpaid principal, increased by accrued interests and fees and decreased by impairment.

Loans and placements in foreign currency are recalculated in domicile currency in general ledger, Convertible Mark, using average rate of Central Bank BiH.
Exchange differences are daily calculated and recognized in profit or loss as revenue or expense.

Financial assets valued at fair value through other comprehensive income (FVOCI)

Debt instruments within financial assets are valued at fair value through other comprehensive income when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- at specified dates, in accordance with the contractual terms, cash flows occur and they represent solely payment of principal and interest of the financial asset (meet the SPPI test).

3. Summary of material accounting policies *(continued)*

3.15. Financial Assets *(continued)*

Equity instruments which are not held for trading, are measured at fair value through other comprehensive income, if management at initial recognition makes a decision that effects of valuation are recognized in other comprehensive income.

Financial assets classified in group of financial assets valued at fair value through other comprehensive income, initially and subsequently are measured at fair value. Direct expenses occurred at the moment of purchase are added to the fair value. Change of fair value as a result of valuation is recorded in other comprehensive income. At the moment of derecognition (e.g. sales)) the total accumulated amount in other comprehensive income for debt financial instruments is transferred to profit or loss statement, and for equity instruments to retained earnings.

Interests and exchange differences for debt financial instruments are recognized directly in profit or loss. Interests are calculated using effective interest rate which involves accrual of direct transaction costs, premiums and discounts which are accrued during the lifetime of financial asset.

For debt securities the impairment is calculated.
For equity securities impairment is not calculated. Dividend income is recognized in profit or loss.

Financial assets valued at fair value through profit or loss statement (FVPL)

In this group of financial assets are:
- Financial assets held for trading,
- Financial assets which are mandatorily measured at fair value through profit or loss (which do not pass SPPI test and equity securities for which management didn't decide to recognize effects of valuation through other comprehensive income).
- Financial assets classified to be measured at fair value through profit or loss in case that this classification significantly decrease or alleviate imbalance which would have occurred due to different measurement basis of financial assets or liabilities.

Financial assets which are valued at fair value through profit or loss are valued at fair value at the moment of recognition and subsequently, and effects of valuation are recognized in profit or loss.

Fee for approval of loans to customers and deposits is recognized as current year income and it is not accrued through the period.
Costs occurred during the purchase of debt securities are recognized in profit or loss as fee expense.
Financial assets are valued at fair value on a monthly basis and individually for each financial asset.

Reclassification of financial assets

The Bank can reclassify financial assets when business model for financial assets management is changed. Those changes are very rare and occur based on internal or external factors, they must be significant to the bank's operation and demonstrable to external parties. Changes of business model can occur in case when Bank starts or ceases to perform activities significant for its business, e.g., if Banks buy or sell business segment.

3. Summary of material accounting policies *(continued)*

3.15. Financial Assets *(continued)*

Reclassification is done prospectively, as of the day of reclassification onwards, where the day of reclassification is the first day of reporting period, which follows change of business model (in case of quarterly reporting, that is first day of quarter after change).

In case the Bank reclassify financial assets from category which is measured at amortized cost into category which is measured at fair value through profit or loss, fair value is measured at the day of reclassification. Possible gain or loss which occurs as difference between previously repaid value and fair value is recognized in profit or loss.

If the Bank reclassifies financial assets from the category measured at fair value through profit or loss into a category measured at amortized cost, the fair value of that financial asset at the date of reclassification becomes their new gross carrying value.

If the Bank reclassifies financial assets from a category measured at fair value through other comprehensive income into the category measured at amortized cost, the reclassification is carried out at fair value at the date of reclassification. Cumulative gains or losses from other comprehensive income are removed from equity and adjust the fair value of financial assets at the date of reclassification. Consequently, financial assets at the date of reclassification are measured as if they were always measured at amortized cost. The effective interest rate and the measurement of expected credit losses are not changed.

If the Bank reclassifies financial assets from a category measured at fair value through other comprehensive income into the category measured at amortized cost, the reclassification is carried out at fair value at the date of reclassification. Cumulative gains or losses from other comprehensive income are removed from equity and adjust the fair value of financial assets at the date of reclassification. Consequently, financial assets at the date of reclassification are measured as if they were always measured at amortized cost. The effective interest rate and the measurement of expected credit losses are not changed.

If the Bank reclassifies financial assets from a category measured at fair value through other comprehensive income into the category measured at fair value through profit or loss, the financial assets are further measured at fair value. Cumulative gains or losses from other comprehensive income are transferred from other comprehensive income to the profit or loss as a reclassification adjustment at the date of reclassification.

Change of contracted cash flows during the lifetime of the financial asset

Modified financial assets are those for which the contractual terms are changed during the lifetime. The contractual terms are changed if the Bank and the borrower conclude a contract for the replacement (payment) of the old financial asset (before the original maturity) with a new financial asset (new contract), but in a way that the bank and the borrower define new contractual terms (annex to the contract). The contract terms are changed as follows:
- As a renewal or extension of the loan maturity, where this is possible for clients that have no financial difficulties and
- As a restructuring of financial assets for clients with financial difficulties.

Renewal or extension of the period of loan

The Bank recognizes a new financial asset when renewing or extending the loan repayment term if the change of contractual terms results with significant modification of contractual terms.

3. Summary of material accounting policies *(continued)*

3.15. Financial Assets *(continued)*

3.15.1. Restructured financial assets

Restructuring of a loan is carried out in accordance with the Bank's business policy. The aim of the loan restructuring is to provide the borrower with an adequate repayment in accordance with his capabilities and to provide the Bank with more efficient collection of receivables. In this sense, the restructuring includes a proposal to modify the contractual terms agreed when approving the loan. Restructuring is carried out according to the Bank's decision in cases where it is estimated that the client has a problem with the repayment of the loan and when it is estimated that according to the original contract the loan will not be repaid within the agreed deadline.

Possible types of restructuring that are performed individually or in combination are the following:

- prolongation of principal repayment and/or interest or postponing the repayment of principal and/or interest,
- reduction of interest rate and/or other costs,
- reduction of the number of receivables (principal and/or interest) as a result of the agreed debt write off,
- taking over debtor's receivables from a third party, in the name of partial and full repayment of the loan,
- replacement of the existing loan with a new loan, other similar benefits, which facilitate the financial position of the debtor.

If the restructuring contract involves significant changes in cash flows, then a new financial asset is recognized, and the existing one is derecognized. For the new asset, it is necessary to perform the SPPI test on the day of recognition and classify it into a particular group depending on the SPPI test result. The effects arising from the change in the previously contracted characteristics (the difference between the repayment value of previously contracted cash flows and new contracted cash flows) are recalculated through the impairment.
A newly recognized asset is treated as a POCI financial asset at the initial recognition.
In accordance with Measures and procedures for placement approval, a restructured asset is classified into the credit rating group C or below.

If the restructuring contract does not result in significant changes in the characteristics of cash flows, the effects are recognized as a gain or loss on the modified financial assets. The effects of the modification are calculated as the difference between the repayable gross carrying value of the asset and the new contracted cash flows discounted at the original effective interest rate.

In the case of a financial asset item that represents a debt financial instrument (securities and loans), the Bank is required to determine whether a modification is significant, i.e. whether the difference between the present value of the remaining cash flows discounted using the original effective interest rate and the present value of the modified cash flow flows discounted using the original effective interest rate of more than 10%, according to local regulations, for individuals and legal entities.
If the modification is significant, the bank derecognizes the original item of financial assets and begins to recognize the new item.
If the modification is not significant, the bank continues to recognize the financial asset. The SPPI test is performed at the recognition day of the originally contracted financial asset. The starting point for assessing whether the credit risk of the financial asset in relation to the initial recognition has significantly changed is the date of original recognition of the financial asset.

If the Bank approaches the restructuring of receivables by taking over other assets (tangible assets, securities, etc.), including investments in borrowers' equity acquired through conversion of receivables from debtors, the acquired assets are recognized in the balance sheet at fair value. The difference between the fair value of the acquired asset and the carrying amount of receivables is recognized in the profit or loss as a decrease/release of the impairment of approved loans and receivables.

(All amounts are given in thousands of BAM, unless otherwise stated)

3. Summary of material accounting policies *(continued)*

3.15. Financial Assets *(continued)*

3.15.1. Restructured financial assets (continued)

The Decision on special measures that the bank applies in extraordinary circumstances with the aim of mitigating negative economic consequences and preserving the stability of the banking sector of the Federation of Bosnia and Herzegovina defines relief for bank clients who are directly or indirectly affected by the negative effects of extraordinary circumstances (floods 2024), as well as special rules for credit risk management, which the bank applies in the event that it approves special measures to a client. The special measures that the bank may approve for clients defined by the Decision are: a moratorium, the introduction of a "grace" period for the repayment of principal, the extension of the final maturity for the repayment of loans that are repaid in annuities, the extension of the maturity date of loans with a single maturity including revolving loans and overdrafts on transaction accounts for a period of up to six months, the approval of an additional amount of exposure for the purpose of overcoming its current liquidity difficulties, and other measures that the bank takes in order to facilitate the servicing of the client's credit obligations, recovery and establishment of a sustainable client's business.
As of 31 December 2024 The Bank has approved measures for 2 clients, legal entities (2 installments of term extension and 3 installments of grace period) with an exposure of BAM 3,643 thousand.

3.16. Property and equipment

Property and equipment items are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write down the cost of such assets to their residual values over their estimated useful lives. Land and assets in construction are not depreciated. Applied depreciation rates are set for 2024 and 2023 as follows

	2024	**2023**
Buildings	2%	2%
Leasehold improvements	20%	20%
Computer equipment	14.3-50%	14.3-50%
Vehicles	15%	15%
Furniture and other office equipment	7-15%	7-15%

The period and amortization method is reviewed once a year at the end of each business year. When the expected useful life significantly differs from the previous estimation, the corresponding change in the period of depreciation is required. This represents the change in accounting estimate and such change should be adequately accounted for in the financial statements.

For tangible assets the Bank periodically estimates whether there are indicators of impairment. Within such estimation process the Bank considers several indicators from internal and external sources. When the Bank finds that there are indicators of impairment in tangible assets, then the Bank initiates the process of estimation of recoverable value. Recoverable value is the value in use or the fair value reduced by cost of sale, whichever is higher. Overview of property and equipment and right of use assets in 2024 and 2023 is presented in Note 18.

Leasehold improvements Leasehold improvements are capitalized and amortized by a straight-line method, during their useful life, or during the lease period depending on what is shorter.

3.16.1. Leases

Leases accounting is in accordance with IFRS 16 Lease. A contract is a lease contract if it transfers the right to control the use of a particular asset for a specified period in exchange for a consideration.
Bank as a lessee
At the inception of the lease, the Bank recognizes an asset that represents a right to use (i.e., a right-of-use asset) and a liability under the lease. This applies to all leases except short-term and low-value leases. Short-term leases are defined as those that have a maximum lease term of 12 months at the commencement date of the lease, with no option to purchase fixed assets. Leases of property, plant, and equipment with a value less than or equal to EUR 5 thousand are defined as low-value leases. In these cases, rents are treated as a cost based on the straight-line method throughout the lease term.

3. Summary of material accounting policies *(continued)*

3.16.1. Leases (*continued)*

The right to use the assets
At the date of commencement of the lease, the Bank measures the right to use the asset at cost less accumulated depreciation, impairment losses and adjusted for each re-measurement of the lease liability. The value of the asset, which constitutes the right to use, includes the amount of the initial measurement of the lease liability, payment of rent made on or before the lease date, less rental incentives received, initial direct costs of tenants and an estimate of costs incurred by the lessee in dismantling or removing the leased property, renovating the location where it is located or returning the leased property to the condition required by the lease terms. After the date of commencement of the lease, the Bank measures the asset that represents the right of use using a cost model and depreciates it on a straight-line basis over the estimated lease term. It also separately recognizes interest on lease obligations. The right to use the asset is presented in the statement of financial position in the line Property, equipment and assets with the right to use.

Lease liabilities
On the commencement date of the lease, the Bank measures the lease liability at the present value of the rent, which has not yet been paid at that date. Rents include fixed rents, variable rents that depend on an index or a rate, amounts expected to be paid by the lessee under the residual value guarantee, executing the purchase option price, if it is fairly certain that the lessee will exercise this option and paying a penalty for termination of the lease, if the lease duration indicates that the lessee will take the opportunity to cancel the lease.

After the commencement date of the lease, the lessee should measure the lease liability so that:
- increases carrying values to take into account interest on the lease liability,
- decreases carrying values to take into account rentals paid; and
- re-measures carrying values to take account of any changes in used assumptions or contractual characteristics of the lease,
- lease liabilities are presented in the statement of financial position under the line “Other financial liabilities”.

Bank as a lessor
In 2021, the Bank leased a smaller part of the main building in Tuzla, for 5 years, with the possibility of extending the lease. The contract is classified as an operating lease. The amount of lease income is expressed within the position other revenues in the Statement of comprehensive income.

3.17. Intangible assets

(a) Licences
Acquired licenses for computer software are measured at historical cost.
Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

(b) Computer software
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Bank are recognized as intangible assets insofar as they are expected to generate economic benefits that exceed costs within the time period beyond one year. Direct costs include the costs of the software development team that has developed the software and an appropriate portion of relevant overheads.

3. Summary of material accounting policies *(continued)*

3.17. Intangible assets *(continued)*

Computer software development costs recognized as assets are amortized over their estimated useful lives (5 years).

An overview of the intangible assets in 2024 and 2023 is presented in the Note 19.

3.18. Repossessed financial and nonfinancial assets

Repossessed assets represent financial and non-financial assets acquired by the Bank through the settlement of overdue loans. These assets are initially recognized at fair value when acquired, and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets.

Assets repossessed for overdue loans classified for further sale are held under IFRS 5 if they are non-current assets (mostly real estate), which is available for immediate sale and if the sale in the next 12 months is probable; otherwise, it is classified in accordance with IAS 2.

In accordance with the Decision on credit risk management and determination of expected credit losses, the Bank applies the concept of fair value, or realistic value when assessing repossessed assets received in exchange for full or partial debt repayment. For tangible assets for which a stable and active market exists, the fair value represents a value equal to the market value for such assets.

In the absence of such a market, the fair value has to be established by an independent, formal and professional assessment. When it is not possible to reliably determine the fair value, i.e. uncontested and stable value of the acquired tangible assets, for bookkeeping purposes the Bank will apply only the technical value of BAM 1.
Receivables per repossessed assets (loan amount not settled by repossessed asset) remain in the balance sheet until sale proceeds are realized or until a permanent write-off is recorded provided there are no sufficient funds from the sale or other additional security.

The repossessed tangible assets are classified as risk-bearing assets unless they are sold within one year.

The acquired tangible, which are introduced by the decision into the Bank's operations, are recorded as other fixed assets and are depreciated.

Assets acquired through collection of receivables, which are leased to third parties, are first recorded as fixed assets of the Bank and depreciated, and then based on the lease agreements, revenue is generated.

3.19. Liabilities for guarantees

The Bank issues financial guarantees. Financial guarantees represent an irrevocable payment guarantee in case of a customer not being able to meet its liabilities to a third party, and they carry the same credit risk as loans. Financial guarantees are initially recognized at their fair value, which is usually proved by the amount of received fees. This amount is amortized on a straight-line basis over the commitment period.

After initial recognition, issued guarantees are subsequently measured at the higher of:

- Initial measurement less amortized fee, and
- Estimated costs that will be necessary to settle the obligation under the contract.

3. Summary of material accounting policies *(continued)*

3.20. Deposits of clients, banks and other deposits

At initial recognition, received deposits are valued in accordance with corresponding documents which support the initial receipt of funds. For a vista deposits and deposits without a defined maturity, fair value is the amount payable on the reporting date. Estimated fair value of deposits with a fixed maturity is based on cash flows discounted using the currently offered interest rates on deposits with a similar remaining maturity.

3.21. Liabilities on received loans, subordinated debts and other borrowings

Liabilities on borrowed loans, subordinated debts and other borrowings are initially recognized at the fair value which is usually represents the amount received. These financial liabilities are subsequently recognized at amortized cost using the effective interest rate method, and the transaction costs occurred are recognized in the profit or loss of the current period.

3.22. Impairment of financial assets and off-balance sheet contingent liabilities – IFRS 9

The model of expected credit losses includes not only credit losses occurred but also losses expected to occur in the future. Allowance for expected credit losses (ECL) is required for all loans and other debt financial assets, except financial assets held at fair value through profit or loss, together with loan commitments and financial guarantee contracts.

Allowance is based on expected credit losses related to probability of default (PD) in the upcoming 12 months, except in case of a significant increase in credit risk since initial recognition, in case of which the allowance is based on probability of default during the lifetime (LECL). When deciding whether the risk of default has significantly increased since the initial recognition, the Bank takes into consideration reasonable information that is relevant and available without unnecessary costs or efforts. This also includes quantitative and qualitative information and analyses based on historical information, experience and estimates of credit experts, also considering future information.

The methodology for the calculation of value adjustments and provisions defines the credit risk level (Stage) classification criteria, criteria for transfer between stages, the calculation of risk indicators and model validation. Financial instruments are classified into Stage 1, Stage 2 and Stage 3, based on the impairment methodology as described below:

- stage 1– performing portfolio: no significant increase in credit risk since initial recognition, impairment is recognized based on 12-month period,
- stage 2 – unsatisfactory portfolio: significant increase of credit risk since initial recognition, impairment is recognized based on lifetime of the assets, and
- stage 3 - poor portfolio: impairment is recognized during the lifetime for this financial asset. The default definition is aligned with the FBA regulation.

A significant increase in credit risk is assumed:

- when credit rating significantly deteriorated at the reporting date compared to the credit rating at initial recognition. More precisely, for natural persons for 2 notches on a short scale (e.g. from A/B to C credit rating group), and for legal entities for 3 notches on a long scale (e.g. from CCC to C),
- when financial assets have material delays exceeding 30 days (maturity days are also included in the credit risk assessment), whereby material delay is considered to be:
  - for individuals, an amount greater than BAM 200 and 1% of the debtor's total balance sheet exposure,
  - for legal entities, an amount greater than BAM 1,000 and 1% of the debtor's total balance sheet exposure.
- accounts blocked in the Bank in the last 30 days for more than 5 working days,
- blocking of accounts in other banks in the last 30 days (longer than >20 days)

3. Summary of material accounting policies *(continued)*

3.22. Impairment of financial assets and off-balance sheet contingent liabilities – IFRS 9 *(continued)*

- suspicion of fraud and/or criminal acitivities – court proceedings or the client is no the "watch list".
- deterioration of the financial indicators of the debtor or the group of related parties to which it belongs (e.g. net loss in operations for 2 consecutive years, FO/EBITDA over 8 if the same result is difficulties in doing business and not investments, deterioration of EBIT/i by 3 notches, drop in revenue over 30% with impairment of other indicators, which is not related to the client's specific business model),
- a significant increase in the interest rate due to which the natural person does not meet the criterion of creditworthiness, i.e. which leads to an increase in credit risk for legal entities,
- due to unfulfilled contractual covenants if more than 30 days have elapsed since the deadline for fulfillment of the covenant.

Expected credit loss (ECL) for stage 1 financial assets is calculated based on 12-month PD (probability of default) or shorter PD period if the maturity of financial assets is less than 1 year. The 12-month PD already includes the macroeconomic effect.

LECL for stage 2 financial assets is calculated based on PD during the lifetime (LPD), because their credit risk is significantly increased since their initial recognition. This calculation is also based on assessment of future events that considers several economic scenarios to identify probability of losses related to macroeconomic forecasts.

Financial assets in stage 3 are observed in accordance with Methodology of individual allowance and provisions, which has not been changed in relation to the previous period. Exposures below the material threshold have collective impairment using the PD of 100%. The financial instrument will be transferred out of stage 3 if it no longer meets the criteria of decreased value after the probation period.

The bank cannot reclassify exposures from credit risk level 3 directly to credit risk level 1. The bank can reclassify exposures assigned from credit risk level 3 to credit risk level 2 only when the following conditions are met:

- when all conditions for assignment to new credit risk 3 have ceased to be applicable i
- when the debtor during the defined period of recovery has continuously demonstrated regularity in repayment, namely:
  - for restructured exposures and POCI assets within 12 months from the date of restructuring, i.e. upon initial recognition of POCI assets,
  - for non-restructured exposures within six months from the date when the conditions from Article 20 of the Decision on Credit Risk Management and Determination of Expected Credit Losses ceased to be fulfilled.

Impairment – allowance for credit losses
As stated in Note (3.1) Basis of preparation and statement of compliance, the new regulatory decision prescribes minimum rates for calculating allowances for credit losses, i.e., if the Bank, in accordance with its internal methodology, determines higher amounts of allowances for credit losses compared to amounts calculated by applying the Decision, will apply higher amounts of allowances for credit losses.

The minimum rates of expected credit losses prescribed by the Decision are presented below.

Credit risk level 1
For exposures allocated to Credit Risk Level 1, the Bank determines expected credit losses at least as follows:

(a) for low-risk exposures referred to in Article 18 Paragraph (2) of the Decision on Credit Risk Management and Determination of Expected Credit Losses – 0.1% of exposure,

(All amounts are given in thousands of BAM, unless otherwise stated)

3. Summary of material accounting policies *(continued)*

3.22. Impairment of financial assets and off-balance sheet contingent liabilities – IFRS 9 *(continued)*

Impairment – allowance for credit losses (continued)

(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 calculating the bank's capital – 0.1% exposure,
(c) for exposures to banks and other financial sector entities for which there is a credit assessment by a recognized external institution for credit rating assessment, which in accordance with Article 69 of the Decision on calculating the bank's capital is assigned to credit quality level 1, 2 or 3 - 0.1 % of exposure,
(d) for other exposures – 1% of exposure.

Since June 30, 2022, the Bank applies the minimum rate of expected credit losses for credit risk level 1 - for point d) other exposures, which amounts to a minimum of 1% of the exposure, in accordance with Article 23, paragraph (2) of the Decision on credit risk management and determination of expected credit losses. If the bank, in accordance with its internal methodology, determines the amount of expected credit losses greater than those resulting from the provision of this article, the higher amount determined in this way shall be applied.

Credit risk level 2

For credit risk level 2 the minimum rate of expected credit losses of 8% of exposure is applied, in accordance with Article 24. paragraph (2) Credit risk management decisions and determining expected credit losses. If the bank determines in accordance with its internal methodology the amount of expected credit losses higher than those arising from the provisions of this Article, a higher amount shall apply.

Credit risk level 3

For exposures allocated to Credit Risk Level 3, the Bank determines expected credit losses at least in the amounts defined in Table 1 or Table 2 below.

Minimum expected credit loss rates for exposures secured by eligible collateral:

Days overdue	Minimum regulatory expected credit loss	Minimum applied credit loss
less than 180 days	15%	45%
181 – 270 days	25%	45%
271 – 365 days	40%	45%
366 – 730 days	60%	60%
731 – 1460 days	80%	80%
Over 1460 days	100%	100%

Minimum expected credit loss rates for exposures not secured by eligible collateral:

Days overdue	Minimum regulatory expected credit loss	Minimum applied credit loss
less than 180 days	15%	45%
181 – 270 days	45%	55%
271 – 365 days	75%	75%
366 – 456 days	85%	85%
Over 456 days	100%	100%

3. Summary of material accounting policies *(continued)*

3.22. Impairment of financial assets and off-balance sheet contingent liabilities – IFRS 9 *(continued)*

Impairment – allowance for credit losses (continued)

The Bank measures ECL and recognizes allowance for credit losses for each reporting period. The ECL measurement reflects:
1) an unbiased and probable weighted amount that is determined by assessing the range of possible outcomes;
2) the time value of money;
3) all reasonable and available information that is available at no undue cost at the end of each reporting period on past events, current conditions, and forecasts of future conditions.

POCI (Purchased or originated credit impaired asset) asset is an exposure that is determined to be credit impaired at the moment of initial recognition due to the existence of significant credit risk.

Collective alloawances are calculated by multiplying the EAD (exposure at default) at the end of each month with corresponding PD and LGD (loss given default). Exposure at default (EAD) is defined as the sum of balance exposure and off-balance exposure multiplied by CCF (CCF – The credit conversion factor is the estimate of the proportion of using off-balance in the event of default. It is calculated as the ratio between the increase of on-balance exposure in total exposure over a period of one year before the default until default date, and the value of off-balance one year before the default.). The results obtained for each month are discounted to the present time. For exposures in Stage 1 expected credit loss (ECL) takes only 12-month period into account, while Stage 2 includes all potential losses up to the maturity date.

For the purposes of estimating the LGD parameter, the Bank uses collateral HC (haircut) at each collateral level and URR (recovery rate of unsecured part of portfolio) at the level of each segment of the client. The Bank includes information regarding the future both in the assessment of significant increase in credit risk and in the measurement of expected credit loss (ECL). Information being considered include macroeconomic factors (e.g., unemployment rate, GDP growth, interest rates and housing prices) and economic forecasts.

Recalculation of all parameters is performed once a year or more frequently, if the macro environment changes more than it was included in previous forecasts, in that case, all parameters are recalculated in line with new forecasts.

As of 31 December 2024, the bank applied credit loss allowance percentages to financial instruments in credit risk level 3 in accordance with the tables on the previous page. Exceptions to the above are:

- Loans that are E credit bonity, given that 100% impairment allowance has been recognized in accordance with the Methodology,
- Loans that have an individual approach to calculating expected credit losses,
- Loans which are under legally processed given that 100% impairment allowance has been recognized,
- A more conservative approach was applied in the sense that loans that were not 100% covered by collateral were treated as uncovered.

Impairment of other assets and receivables

The Bank applies expected credit loss rates for receivables from customers, receivables based on factoring and financial leasing, and other receivables determined at least in the amounts as specified in the Table:

(All amounts are given in thousands of BAM, unless otherwise stated)

3. Summary of material accounting policies (continued)

3.22. Impairment of financial assets and off-balance sheet contingent liabilities – IFRS 9 *(continued)*

Impairment of other assets and receivables *(continued)*

No	Days past due	Minimum expected credit losses
1.	No days past due	0.5%
2.	Up to 30 days	2%
3.	From 31 to 60 days	5%
4.	From 61 to 90 days	10%
5.	From 91 to 120 days	15%
6.	From 121 to 180 days	50%
7.	From 181 to 365 days	75%
8.	Over 365 days	100%

When determining the day past due, the bank takes into account delays in repayment of obligations to the bank in a materially significant amount.
If the bank, in accordance with its internal methodology, determines the amount of expected credit losses greater than those presented in the table above it is obliged to apply the higher amount determined.

Derecognition of financial assets

Derecognition of financial assets occur when:
- The contractual right to cash flows is terminated,
- when the transfer of a financial asset is carried out, and the transfer meets the criteria for the derecognition.

Write-off of loans and receivables

The authority for making decisions on write-off and procedures for writing off non-performing loans are prescribed by the provisions of the Standard for writing off overdue receivables and transfer to accounting write-off / off-balance sheet. Write-off of receivables can be accounting write-off and permanent write-off of receivables.

Accounting write-off is the transfer of a balance sheet exposure to off-balance sheet records, whereby the Bank reserves the right to take further measures to collect receivables from debtors. The write-off of exposures in the status of default is applied to receivables according to the criteria:
- Write-off of the balance sheet exposure two years after the Bank has recorded the expected credit losses in the amount of 100% of the gross book value of that exposure, and
- That these receivables are fully due, except for exposure based on financial leasing.

3. Summary of material accounting policies *(continued)*

3.22. Impairment of financial assets and off-balance sheet contingent liabilities – IFRS 9 *(continued)*

Write-off of loans and receivables *(continued)*

Permanent write-off is a write-off of a balance sheet exposure that leads to the cessation of recognition of all or part of the exposure in the bank's business books (on-balance sheet and off-balance sheet records). To make a decision on permanent write-off of receivables, if no accounting write-off has been done before, 100% of the value adjustment must be formed.

Accounting write-off is the transfer of a balance sheet exposure to off-balance sheet records, whereby the Bank reserves the right to take further measures to collect receivables from debtors.

In accordance with the provisions of the Decision of the Banking Agency of the FBiH on credit risk management and determination of expected credit losses (Official Gazette of FBiH, no. 44/19 and 37/20), the Bank is obliged to write off exposures in the status of default, two years after that the Bank has recorded expected credit losses in the amount of 100% of the gross carrying amount of that exposure, whereby the receivables must be fully due.

The provisions of the aforementioned Decision do not apply to finance lease exposures.

3.23. Other provisions

Provisions are recognized when:
- the Bank has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation,
- the amount of liability can be reliably estimated.

When there are a number of similar liabilities, the probability that an outflow will be required in a settlement is determined by considering the type of the entire pool of liabilities. A provision is recognized even if there is a low probability of an outflow with respect to the individual item included in the same class of liabilities.

Provisions are measured at the present value of the expected cash outflows required to settle the liability. When the outflow of assets is not probable anymore, provisions are released.

IAS 19 provisions – Employee benefits are explained in notes 3.10 and 3.30

3.24. Share capital and reserves

Share capital consists of ordinary and preference shares and it is stated in BAM at nominal value. Reserves are being formed based on the decision of the Bank's Assembly on the adoption of an annual calculation and profit distribution.

3. Summary of material information on accounting policies *(continued)*

3.25. Statutory reserves

Statutory reserves have been created in accordance with the Company Law of the FBiH, which requires 10% of the profit for the year to be transferred to this reserve until statutory reserves reach 25% of the issued share capital. If the statutory reserves do not reach 25% of issued share capital within five business years, a public limited company is required to increase its transfer to the statutory reserve to 20% of its annual profit for fifth and subsequent business years until capital reserves reach 25% of issued share capital. The statutory reserve can be used for covering current and prior year losses. The Bank was increasing its share capital by redirecting its earnings into statutory reserves, so that as of 31 December 2024, the statutory reserves of the Bank amounted to 140.11% of the share capital.

The Bank's legal reserves as of 31 December 2024, amounted to BAM 75,106 thousand, out of which BAM 13,401 thousand relate to the legally prescribed 25% of the share capital, and BAM 61,705 thousand relate to the amount exceeding the statutory reserve.

3.26. Revaluation reserves for financial assets measured at fair value through other comprehensive income and other revaluation reserve

Revaluation reserves for financial assets measured at fair value through other comprehensive income include changes in the fair value of financial assets at fair value through other comprehensive income, and other revaluation reserves, which refer to actuarial gains/losses in accordance with IAS 19, and which arise from the increase or decrease in the present value of the obligation for the defined benefits of employees, and due to changes in actuarial assumptions and experience adjustments.

3.27. Off-balance sheet commitments and contingent liabilities

In the ordinary course of business, the Bank enters credit-related commitments which are recorded in the off- balance-sheet and primarily comprise of guarantees, letters of credit and unused frame agreements. Such financial commitments are recorded in the Bank's balance sheet if and when they become payable.

3.28. Funds managed for and on behalf of third parties

Assets and revenues from operating activities, where the Bank acts as an agent, including holding or keeping assets on behalf of individuals, trustees and other institutions, are included in the Bank's financial statements, in positions Other liabilities (*Note 23d*) and Fee and commission income (*Note 6a*).

3.29. Related party transactions

According to the definition of IAS 24, related parties are:

- parties which directly or indirectly through one or more intermediaries control the reporting party or are being controlled or jointly controlled by the reporting entity, associates over which the Bank has a significant influence,
- individuals with direct or indirect voting power in the Bank which gives them significant influence over the Bank's operations, or over any other subject which is influenced by a related party in performing transactions with the Bank,
- members of the key management personnel i.e., individuals with authorizations and responsibility for planning, managing and controlling the Bank's operations, including directors and key management.

While considering transactions with a related party, attention is focused on the substance and basis of relationship, not just on the legal form.

3. Summary of material accounting policies *(continued)*

3.30. Key accounting estimates and assumptions

The Bank makes estimates and assumptions with respect to effects which influence reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events which are considered reasonable under the circumstances.

Impairment losses on loans, deposits with other banks and other assets and off-balance sheet items exposed to risk

The Bank reviews its loan portfolio and other assets and off-balance sheet items to assess the level of impairment monthly. The Bank determines whether a portfolio impairment loss should be recorded in the profit or loss and assesses whether there is any observable data indicating that there will be a decrease in the estimated future cash flows from a portfolio of loans and guarantees before the decrease can be identified with individual loans in that portfolio.

The most significant judgments and key sources of estimation uncertainty in relation to measuring the level of impairments includes the following:

– determination of criteria for a significant increase in credit risk (SICR);
– selection of suitable models and assumptions for measuring ECL;
– determination of the number and relative weighting of future scenarios for associated ECL;
– incorporation of forward looking information,
– determination a group of financial assets for the purposes of measuring ECL.

Note 4.1 contains more detailed information on the methods of measuring expected credit losses, clarifies the concept of credit risk levels, input parameters, assumptions and assessment techniques, and the Bank's related judgments and assessments.

Forward looking information

During 2024, the Bank reviewed the IFRS 9 provisioning by testing the relevant macroeconomic scenarios to accurately reflect the current circumstances and their future impacts.

The Bank established multiple scenarios (i.e., baseline, optimistic, and severe) for the ECL calculation, aiming to create a unified projection of macroeconomic and financial variables for the Bank. The Bank formed three probable scenarios with an associated probability of occurrence for forward-looking assessment of risk provisioning in the context of the IFRS 9. These IFRS 9 macroeconomic scenarios incorporate the forward-looking and probability-weighted aspects of the ECL impairment calculation. Both features may change when material changes in the future development of the economy are recognised and not embedded in previous forecasts.

The baseline scenario is the central scenario and also a reference point for other scenarios. It is based on the latest results of official and professional projections, with additional specific adjustments.

Key features of the baseline scenario:

- GDP growth is expected to be supported by a recovery in private consumption, reduced inflationary pressures, a reduction in the energy shock and an increase in disposable income
- Private consumption will further benefit from the normalisation of real wage growth and a resilient labour market.
- Losses in competitiveness, higher energy prices and slower growth in China will continue to constrain industrial sector.
- Global trade and industry will recover, which will help the eurozone's industrial sector and exports.
- ECB's monetary policy and unfavorable credit conditions will continue to affect growth in 2024, but the effects will diminish later.
- The trend of disinflation will continue despite the rise in labor costs.

(All amounts are given in thousands of BAM, unless otherwise stated)

3. Summary of material accounting policies *(continued)*

3.30. Key Accounting Estimates and Assumptions *(continued)*

- Core inflation will remain the main driver of inflation and keep it above the ECB's target.
- Wage growth is expected to decline over the forecast period.
- A decrease in ECB interest rates will lead to changes in the yield curve.

Macroeconomic scenarios for the presented variables, developed for the Bank and used in the first half of 2024 (until 30.06.2024) in %:

	Optimistic scenario			Baseline scenario			Severe scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Bosna and Herzegovina									
Real GDP	2.3	2.9	2.4	1.0	2.0	2.3	0.3	0.9	1.2
Unemployment rate	15.0	14.0	14.2	15.2	15.1	14.8	15.9	16.2	16.2
EURIBOR (6M)	2.4	2.1	2.2	2.7	2.3	2.3	4.6	4.5	4.6

Macroeconomic scenarios for the presented variables, developed for the Bank and used in the second half of 2024 (as of 30.06.2024) in %:

	Optimistic scenario			Baseline scenario			Severe scenario		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
Bosna and Herzegovina									
Real GDP	3.1	3.5	3.5	2.5	3.0	3.0	1.8	1.6	2.6
Unemployment rate	12.0	10.6	10.1	12.5	12.0	11.5	13.2	14.5	14.6
EURIBOR (6M)	1.7	1.5	1.8	2.9	2.6	2.6	3.9	3.6	3.7

The Bank formed three probable scenarios with an associated probability of occurrence for forward-looking assessment of risk provisioning in the context of IFRS 9. IFRS 9 macroeconomic scenarios incorporate the forward-looking and probability-weighted aspects of ECL impairment calculation. Both features may change when material changes in the future development of the economy are recognised and not embedded in previous forecasts. On this basis, for year 2024, the Bank assigned weights of 20%-60%-20% (optimistic and severe scenarios receive 20% each, and baseline scenarios 60%).

The results for the Bank show the following deviations of the severe and optimistic scenario from the baseline as at 31 December 2024:

	Optimistic scenario	Basic scenario	Severe scenario
Level of collective allowances	89%	100%	112%

The result shows that the optimistic scenario would result in 89% of the baseline provisions, while the severe scenario and its conservative assumptions lead to an increase of 12% compared to the baseline.

3. Summary of material accounting policies *(continued)*

3.31. Key Accounting Estimates and Assumptions *(continued)*

Severance payments and unused vacation days

Severance payments are a legally established obligation of an employer to pay compensation to an employee upon retirement. The effects of provisions for severance payments arising from differences between projected actuarial payments and actual payments and changes in actuarial assumptions (discount rate, employee turnover, increase in average salary, etc.) are recognized in other comprehensive income and are never reclassified to the balance sheet. The present value of these future liabilities is calculated by applying a discount interest rate. Changes in the present value of liabilities arising from the approach of the maturity date are recognized as interest expense. These provisions are only used to settle expenses for which they have been originally created for. The Bank re-assesses the value of these provisions as at 30 September each year.

As at 30.09.2024, the authorized actuary has made a calculation of provisions for severances for 2023 in accordance with IAS 19 and the Bank has made the required adjustments.

An assessment of short-term provisions for unused vacation days is done in accordance with the number of days of unused annual holidays as of balance sheet date and the Bank's average gross per diem for reporting year.

Litigations

The Bank's management assesses the amount of provisions for outflows of funds based on litigation; the assessment is based on the estimated probability of the future cash outflows, arising from past contractual or legal obligations. More details on ongoing litigations are described in *Note 24*.

Income Tax

The Bank is subject to income taxes in the Federation of Bosnia and Herzegovina and in the Brčko District of Bosnia and Herzegovina. The Bank performs income tax assessments every month on the basis of taxable accounts balances, and the final calculation is performed at 31 December.

The reconciliation of effective tax rate of the Bank is disclosed in Note 14.

4. Bank's financial risk management

4.1. Risk management and transfer strategy

Risk management strategy represents part of the overall risk management system for risks to which the Bank is exposed in its operations and is in line with the business policy and general strategy of the Bank.

The Strategy includes guidelines from the Risk Management Strategy of NLB Group. The main purpose of the Strategy is to define key risks while achieving the defined medium-term strategic objectives of the Bank as well as meeting all requests, both local regulator - Banking Agency of the Federation of Bosnia and Herzegovina (Agency), and as directed by NLB d.d. Ljubljana including the requirements of the Bank of Slovenia and ECB at the level of the NLB Group.

The Strategy defines the kind of risks the Bank is willing to assume, those that are not acceptable to the Bank, as well as the strategic guidelines for taking and managing risks at the Bank (including Risk Appetite, Risk Profile, ICAAP, ILAAP, Recovery Plan, Budgeting and Equity Planning Process).

The Bank places significant emphasis on understanding and competencies in risk management across the organization. A lot of emphasis is also placed on continuous improvement of the risk culture and its awareness throughout the organization. The key objective of the Bank's risk management is to comprehensively assess and monitor risks throughout the Bank.

Basic goals and principles of Risk Taking and Risk Management are:

- taking into account the criteria set out in the Risk Appetite;
- inclusion of risk analysis in the decision-making process at strategic and operational level;
- focus on diversification to avoid large concentration at portfolio level;
- following the risk standards defined for all members at the NLB Group level;
- rational introduction of new products and their analysis and monitoring;
- optimal use of capital;
- price determination in accordance with appropriate risk;
- full compliance with internal policies / procedures and applicable regulations;
- satisfactory system of internal controls, frame of three lines of defense.

Special focus is placed on ensuring compliance with internal policies, rules, procedures and relevant regulations. If any deficiency is identified (by the relevant organizational unit, internal and/or external audit, compliance), an action plan is established to address these deficiencies, including monitoring its implementation.

The strategy is an document that sets out the material principles and guidelines for risktaking risk in the following business segments:

- the principles of risk management and restrictions on lending to legal and natural persons and adequate collateral management;
- ensuring an adequate amount of liquidity and the management of liquidity reserves;
- ensuring an appropriate structure of sources of financing, including guidelines for retail operations in the part relating to savings products;
- managing market risk, i.e. foreign exchange and interest rate risk, with the aim of managing the Bank's own positions,
- the closing of other financial transactions in the treasury business,
- managing operational risk.
- management of environmental and social (ESG) risks as an integral part of the above risk categories.

4. Bank's financial risk management *(continued)*

4.1. Risk management and transfer strategy *(continued)*

More detailed rules, limits, guidelines and competences related to risk management are defined by individual internal acts, policies and procedures at the NLB Group level (lending/loan approval, collateral management, loan portfolio, liquidity risk, interest, foreign exchange, operational risk, etc.), NLB Group risk management standards, lending policies, lending policies for non-financial corporations and natural persons, Framework policy for categorizing transactions from an environmental and social aspect and other internal acts and policies specific to the Bank..
Risk Appetite is a comprehensive document that defines the types and risk measures that the Bank is ready to accept or avoid in order to achieve business goals. In that regard, it is a key point of the business strategy, updating and improving the risk management strategy with quantitative measures. It represents the basis for the ICAAP, the ILAAP, the Recovery Plan and other risk-limiting systems and the underlying foundation in multi-year budgeting and capital planning.

ICAAP has key role in Bank's risk management. ICAAP decreases risk uncertainty to which the Bank is exposed or could be exposed in the course of its business while estimating ability of the Bank to maintain required level of capital and effective risk management. ICAAP is a result of relevant business units processes within the Bank, including Management and Supervisory board. The annual statement of the Bank's Management Board on capital adequacy in the Bank gives a clear position of the current and future position of the Bank in the field of capital adequacy management.

ILAAP estimates overall liquidity requirements of the Bank with aim to secure good liquidity risk management. ILAAP is result of relevant business units' processes including Management and Supervisory board. The annual Bank's Management board statement on the adequacy of the Bank's liquidity gives clear position of current and future position of the Bank, in the field of liquidity risk management.

Recovery Plan of NLB Banka d.d. Sarajevo is prepared with aim to secure financial sustainability of the Bank, as well as restoring sustainable business functioning and appropriate Bank's financial position in case of worsening its financial position. The aim of the Recovery Plan is to define procedures that enable the Bank's Management to have timely insight into the potential threat to the Bank's financial stability. For the purpose of crisis preparedness, preliminary plans have been developed on the measures to be taken in the event of different types of emergencies.

The Bank is exposed to various risks in its operations, of which the following risks are crucial for the Bank's overall operations:
- credit risk,
- market risk,
- liquidity risk,
- interest rate risk
- operational risk.

In addition, the Bank monitors the exposure to risks from the group of Other risks, defined in the Guidelines for the application of ICAAP and ILAAP in the bank, where the emphasis is on minimizing their possible impact on the Bank's operations. Tolerance to all types of risks is also determined based on annual identification, measurement and assessment of material risks in the Bank within the ICAAP and ILAAP.

4. Bank's financial risk management *(continued)*

4.2. Credit risk management

The Bank is exposed to the credit risk, which is the risk of loss due to debtors' inability to settle its cash commitments towards the Bank.

General requirements

Credit risk management, as the most important risk, is aimed at accepting moderate risks and ensuring an optimal return given the risks taken. To maintain the medium and long-term viability of the business, the Bank seeks to gradually increase the quality of the loan portfolio and increase profitability, based on a better ratio between returns and risks taken. The main credit risk indicators whose limits and target values are defined in Risk Appetite Banks are in the segment of maintaining portfolio quality and credit risk volatility. The Bank paid special attention during 2022 to the management of interest-induced credit risk due to macroeconomic developments in the market. In 2022, the bank proactively analysed the effects of the increase in the consumer basket and the impacts on the income and creditworthiness of customers. The bank creates strategies for managing interest-induced credit risk.

The key principles of risk taking and risk management are related to lending to clients, legal entities (non-financial corporations) and individuals targeting the domestic market. The principles and rules for lending to different segments are defined by the Bank's internal acts.

The emphasis is mainly on:
- defining the main conditions relating to the approval of placements and collateral
- defining target segments that the Bank is prepared to finance, as it sees potential, taking into account the aspect of the risks taken
- defining segments that the Bank does not want to finance, either because of risks being too high or too low profitability, taking into account assumed risks or other reasons a projection of expected losses the Bank is prepared to assume upon approval of the placements, and
- defining the approach by which the Bank proactively manages risks arising from low-quality exposures

Risk mitigation

The Bank has a moderate risk appetite for assuming risk. The main source of repayment is the borrower's creditworthiness and available cash flow, while the placement security is considered to be a secondary source of repayment. Credit risk mitigation is done through the provision of quality collateral in accordance with the Bank's internal acts. Portfolios are diversified by business segments and activities, with particular regard to exposures to a single entity or group of related parties.
In addition, regular monitoring and analysis of trends in the quality of individual segments of the loan portfolio, with a particular focus on new transactions, allows early detection of increased risk as well as optimization of taken risks relative to profitability.

Risk control and monitoring

The Bank monitors credit risk exposures in a manner that is consistent with the legal limits and in line with the Bank's internal limits. Credit risk management is defined by internal acts as well as by an adequately established organizational structure of the Bank's risk taking and risk management. Also, control in the process of assuming the level of credit risk is performed through defined levels of decision making in the credit business.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management *(continued)*

Total credit risk exposure	**31 December 2024**	**31 December 2023**
Cash and cash equivalents (*Note 15*)	261,014	237,382
Financial assets at FVOCI (*Note 16*)	119,525	181,924
Financial assets at amortised cost (*Note 17*)	1,537,791	1,328,624
	1,918,330	**1,747,930**

The following table shows the maximum exposure to credit risk:

Financial Assets	**Total carrying value**	**Impairment**	**Total net carrying value**
31 December 2024			
Cash and cash equivalents (*Note 15*)	**261,183**	**(169)**	**261,014**
Financial assets at FVOCI *(Note 16):*	**120,026**	**(501)**	**119,525**
Investment in equity instruments	105	-	105
Loans to customers, securities and other debt instruments	119,921	(501)	119,420
Financial assets at amortized cost *(Note 17):*	**1,583,414**	**(45,623)**	**1,537,791**
Reserve at Central Bank *(Note 17a)*	166,292	(166)	166,126
Deposits at other banks *(Note 17b)*	47,760	(7)	47,753
Loans to customers *(Note 17c)*	1,277,451	(44,377)	1,233,074
Other financial assets (*Note 17d*)	91,911	(1,073)	90,838
	1,964,623	**(46,293)**	**1,918,330**
Unused loans, letters of credit and guarantees (*Note 28*)	**236,248**	**(2,995)**	**233,253**
Total	**2,200,871**	**(49,288)**	**2,151,583**
31 December 2023			
Cash and cash equivalents (*Note 15*)	**237,570**	**(188)**	**237,382**
Financial assets at FVOCI:	**182,545**	**(621)**	**181,924**
Investment in equity instruments	105	-	105
Loans to customers, securities and other debt instruments	182,440	(621)	181,819
Financial assets at amortized cost:	**1,371,408**	**(42,784)**	**1,328,624**
Reserve at Central Bank *(Note 17a)*	153,269	(153)	153,116
Deposits at other banks *(Note 17b)*	446	(1)	445
Loans to customers	1,160,684	(41,778)	1,118,906
Other financial assets (*Note 17d*)	57,009	(852)	56,157
	1,791,523	**(43,593)**	**1,747,930**
Unused loans, letters of credit and guarantees (*Note 28*)	**248,809**	**(3,675)**	**245,134**
Total	**2,040,332**	**(47,268)**	**1,993,064**

The Bank performs regular reviews of assets, and the credit risk assessment is carried out on a monthly basis based on established rating groups and regularity in servicing liabilities.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. The Bank's Financial Risk Management *(continued)*

4.2. Credit risk management *(continued)*

Credit risk exposure regarding loans to customers and funds held with other banks, measured at amortized cost, by credit rating, is presented below:

31 December 2024	**Bank deposits**		**Loans to clients**		**Total**	
	Gross	Risk provisions	Gross	Risk provisions	Gross	Risk provisions
A	47,760	(7)	781,156	(12,140)	828,916	(12,147)
B	-	-	428,879	(9,375)	428,879	(9,375)
C	-	-	40,814	(2,669)	40,814	(2,669)
D	-	-	18,096	(11,683)	18,096	(11,683)
E	-	-	8,506	(8,509)	8,506	(8,509)
Total	**47,760**	**(7)**	**1,277,451**	**(44,377)**	**1,325,211**	**(44,383)**
Total (net)	**-**	**47,753**	**-**	**1,233,074**	**-**	**1,280,828**

31 December 2023	**Bank deposits**		**Loans to clients**		**Total**	
	Gross	Risk provisions	Gross	Risk provisions	Gross	Risk provisions
A	446	(1)	695,512	(9,774)	695,958	(9,775)
B	-	-	391,465	(8,569)	391,465	(8,569)
C	-	-	49,035	(2,936)	49,035	(2,936)
D	-	-	7,001	(3,725)	7,001	(3,725)
E	-	-	17,671	(16,774)	17,671	(16,774)
Total	**446**	**(1)**	**1,160,684**	**(41,778)**	**1,161,130**	**(41,779)**
Total (net)	**-**	**445**	**-**	**1,118,906**	**-**	**1,119,351**

The Bank is determining the rating of clients to which it has exposure. A short and long scale is applied, short for Private individuals and long for Legal entities. D and E ratings are assigned to non-performing clients.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management *(continued)*

Segment	Product	Rating	PD 2024
Private individuals	Consumer loans	A	1,55%
Private individuals	Consumer loans	B	36,80%
Private individuals	Consumer loans	C	64,59%
Private individuals	Mortgage loans	A	0,41%
Private individuals	Mortgage loans	B	14,41%
Private individuals	Mortgage loans	C	18,58%
Private individuals	Other loans	A	0,77%
Private individuals	Other loans	B	30,61%
Private individuals	Other loans	C	48,12%
Legal entities	All loans	AAA	0,68%
Legal entities	All loans	AA	0,82%
Legal entities	All loans	A	0,96%
Legal entities	All loans	BBB	1,11%
Legal entities	All loans	BB	1,25%
Legal entities	All loans	B	3,12%
Legal entities	All loans	CCC	4,39%
Legal entities	All loans	CC	9,33%
Legal entities	All loans	C	10,20%

Through the organization of the credit function, the Bank has established a separation of the functions of processing loan applications, approving loans, monitoring loans and assessing credit risks.

In the process of approving placements, the creditworthiness of all clients of the Bank is determined. The starting point for determining the creditworthiness of legal entities is the General Methodology of Prudential Classification, which is applied to clients to whom the Bank is exposed up to BAM 800 thousand. For clients to whom the Bank is exposed to more than 800 thousand BAM, an extended prudential analysis is being prepared.

The credit rating uniformly identifies the amount of credit risk assumed by the Bank. Creditworthiness implicitly reflects the probability that a client will default within one year (PD). The prudential classification depends on several factors, so it is necessary to evaluate both qualitative and quantitative factors. Quantitative factors are key indicators of the balance sheet that indicate the financial stability of the client and his ability to repay liabilities, as well as the client's delays in repaying liabilities to the Bank. Qualitative criteria further assess the credit risk of clients in terms of the activities they are engaged in, the quality of management, relationships with customers, suppliers, and more.

The creditworthiness analysis also includes the assessment of the business and financial plan, i.e. projections of future operations and planned cash flow from regular operations. Therefore, creditworthiness reflects a combination of all factors that affect the client's risk; consequently, it reflects the risk of the industry and changes in the micro environment, etc. Creditworthiness reflects all qualitative and quantitative information about the client and is the most adequate indicator of the degree of risk that such a client represents.

For specific/standardized client segments (banks, insurance companies, NLB Group members, states, central governments and central banks, municipalities, project financing, start-ups, clients with licensed professions, associations and institutions), different approaches to determining creditworthiness are used and regulated by separate acts.

For natural persons, different approaches are used to determine creditworthiness. Depending on the amount of exposure of natural persons, the procedure for assessing the creditworthiness classification can be objective or individual (based on financial and other data from the loan application) and is regulated by the Instruction for the Prudential Classification of Natural Persons in NLB Banka d.d., Sarajevo.

Creditworthiness is subject to regular annual monitoring and auditing for all clients.

4. Bank's financial risk management *(continued)*

4.2. Credit risk management *(continued)*

The prudential classification for legal entities in accordance with the General Methodology is done through the following steps:

1) Preliminary restrictions
2) Financial Creditworthiness
3) Qualitative creditworthiness
4) Initial creditworthiness
5) Compliance criteria
6) Final creditworthiness

Financial Indicators (75% weight)	+	Qualitative indicators (25% weighting)	=	Initial creditworthiness

After determining the initial creditworthiness, the final creditworthiness of the client is adjusted and determined. Matching criteria are used to adjust the initial creditworthiness. It is necessary to assess the criteria for compliance with a certain caution and restraint, and it should be explained in detail in the decision-making materials.

The prudential classification for banks is done through the following steps:

International creditworthiness	+	BankScore	=	NLB creditworthiness
Creditworthiness of the banking group is determined on the basis of the average international rating by the International Credit Rating agencies (Fitch, Moody's and S&P)		*If there is no International Rating Banking Group is only classified based on NLB model*		

According to the NLB methodology, the credit risk of the analyzed bank was set in four process steps:
1) Financial Analysis
2) Country Analysis
3) Potential external support
4) Qualitative changes

A unique score is obtained on the basis of an analysis of process steps, ranging from 0 to 9, to which the corresponding rating class is assigned.

Insurance companies, depending on the existence of an international rating (Fitch, Moody's or S&P) and the existence of MVK (Material Material Clients) status, use different approaches to credit ratings: an approach that is enthusiastic about an international rating and a model-based approach (Calculation of creditworthiness based on a quantitative and qualitative assessment of an insurance company).

NLB Bank assigns a rating to the central government level and central banks in accordance with the respective rating of the respective country by international rating agencies Fitch, Moody's or S&P, and the Rating Classification of municipalities is carried out on the basis of an expert model or on the basis of the credit rating of international credit rating agencies.

In the case of project financing, the Bank relies solely on the effects of the project itself and on the project's ability to generate cash flow sufficient for the full and timely repayment of principal and interest.

4. Bank's financial risk management *(continued)*

4.2. Credit risk management *(continued)*

Initial rating (quantitative factors)	+	Qualitative factors	→	Potential knock-out criteria	=	Final rating
70% weight		30% weight		Potential adjustment		

Impairment Losses and Provisions Policy

In accordance with IFRS 9, expected credit losses are based on transfers of financial assets between three (3) stages. The change in credit quality and credit risk from the moment of initial recognition is one of the basic criteria for transitions/changes between the stages in which the client is classified.

Collective impairment allowances and provisions are accounted for financial assets and contingent liabilities classified in Stage 1 and Stage 2 and non-performing clients that are not part of an individual assessment and are classified in Stage 3.

Individual impairment and provisions are calculated for clients in Stage 3 with exposures equal to or greater than EUR 50,000.

Collaterals

For the majority of placements granted to clients, the Bank requires collateral.

Collaterals usually include one or a combination of following items:
- pledge of cash deposit,
- pledge of securities,
- pledge of property, including first line mortgage over property;
- pledge of precious metals,
- pledge of movable assets,
- irrevocable guarantees,
- insurance with an insurance company,
- bills of exchange.

In addition to the above, the Banke also uses the following elements for securing placements:
- co-guarantors,
- cessions and assignations,
- administrative order on monthly salary or agreement on confiscation;
- and exceptionaly guarantees by retail and legal entities.

The Bank reserves the right to request any other type of instrument (or variations of the above instruments) that it deems necessary.

The estimate of the fair value of collateral is based on the value of the collateral estimated at the time of borrowing and is updated periodically in accordance with the relevant credit policy.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management (*continued*)

Credit exposure and collateral value before discounting for loans and receivables from customers and deposits with other banks:

	Maximum credit risk exposure (net)	Estimated fair value of collaterals
31 December 2024		
Credit exposure, net	*1,280,827*	*158,704*
Loans to customers at AC	*1,233,074*	*158,704*
Placements with banks	*47,753*	-
Off-balance sheet exposure, net	*233,253*	*10,776*
Total	**1,514,080**	**169,480**

	Maximum credit risk exposure (net)	Estimated fair value of collaterals
31 December 2023		
Credit exposure, net	*1,119,351*	*156,714*
Loans to customers at AC	*1,118,906*	*156,714*
Placements with banks	*445*	-
Off-balance sheet exposure, net	*245,134*	*10,760*
Total	**1,364,485**	**167,474**

Out of the total collateral value, as at 31 December 2024, BAM 157,650 thousand relates to commercial and residential real estate, while the rest of the collaterals relate to deposits. Estimated fair value of collateral represents estimated fair value reduced by applicable haircuts for different types of collaterals, as a means to account for liquidity risk, on the reporting date. If higher than exposure amount, he estimated fair value is reduced to the exposure amount.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management *(continued)*

The estimated collateral value by collateral types for loans and receivables from customers and off-balance-sheet exposures in total for stage 1, 2 and 3 and separately for stage 3 is presented in the following tables:

31 December 2024	**Gross Exposure**	**Fair value of collateral**					**Impairment**	**Maximum exposure to credit risk**
Stage 1,2 i 3	**1**	**Cash deposits**	**Guarantee**	**Real estate**	**Movable assets**	**Total collateral**	**2**	**(3=1-2)**
Retail loans	**750,434**	**2,117**	-	**80,269**	-	**82,386**	**(26,054)**	**724,380**
Housing loans	181,127	736	-	51,793	-	52,529	(2,966)	178,161
Consumer loans	454,589	9	-	-	-	9	(19,304)	435,284
Other retail loans	114,718	1,372	-	28,476	-	29,848	(3,784)	110,934
Corporate Loans	**527,017**	**6,880**	-	**69,438**	-	**76,318**	**(18,322)**	**508,695**
Corporate customers	444,943	6,309	-	64,185	-	70,494	(14,391)	430,552
SME i	58,627	530	-	4,195	-	4,725	(3,203)	55,425
Other customers	23,447	41	-	1,058	-	1,099	(728)	22,718
Off-balance sheet exposure	**236,248**	**2,833**	-	**7,943**	-	**10,776**	**(2,995)**	**233,253**
Guarantees	99,594	2,787	-	2,353	-	5,140	(1.,78)	98,416
Letters of credit	5,408	-	-	1,352	-	1,352	(054)	5,354
Approved undrawn loans	131,246	46	-	4,238	-	4,284	(1,763)	129,483
Total	**1,513,699**	**11,830**	-	**157,650**	-	**169,480**	**(47,371)**	**1,466,328**

31 December 2024	**Gross Exposure**	**Fair value of collateral**					**Impairment**	**Maximum exposure to credit risk**
Stage 3	**1**	**Cash deposits**	**Guarantee**	**Real estate**	**Movable assets**	**Total collateral**	**2**	**(3=1-2)**
Retail loans	**13,271**	-	-	**175**	-	**175**	**(10,029)**	**3,242**
Housing loans	440	-	-	46	-	46	(344)	97
Consumer loans	11,893	-	-	-	-	-	(9,021)	2,872
Other retail loans t	938	-	-	129	-	129	(664)	273
Corporate Loans	**13,332**	-	-	**2,726**	-	**2,726**	**(10,163)**	**3,168**
Corporate customers	10,192	-	-	2,478	-	2,478	(7,408)	2,784
SME	2,732	-	-	247	-	247	(2,397)	335
Other customets	408	-	-	-	-	-	(358)	50
Off-balance sheet exposure	**73**	-	-	-	-	-	**(35)**	**38**
Guarantees	23	-	-	-	-	-	(11)	13
Letters of credit	-	-	-	-	-	-	-	-
Approved undrawn loans	50	-	-	-	-	-	(24)	26
Total	**26,676**	-	-	**2,901**	-	**2,901**	**(20,227)**	**6,448**

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management (*continued*)

31 December 2023	**Gross Exposure**	**Fair value of collateral**					**Impairment**	**Maximum exposure to credit risk**
Stage 1,2 i 3	**1**	**Cash deposits**	**Guarantee**	**Real estate**	**Movable assets**	**Total collateral**	**2**	**(3=1-2)**
Reatil loans	**667,416**	**2,900**	**-**	**66,128**	**-**	**69,028**	**(23,851)**	**643,565**
Housing loans	144,888	961	-	40,957	-	**41,918**	(2,677)	142,211
Consumer loans	421,676	63	-	-	-	**63**	(18,691)	402,985
Other retail loans	100,852	1,876	-	25,171	-	**27,047**	(2,483)	98,369
Corporate Loans	**493,268**	**8,257**	**-**	**79,429**	**-**	**87,686**	**(17,927)**	**475,341**
Corporate customers	426,133	5,702	-	72,102	-	**77,804**	(12,438)	413,695
SME	48,374	2,153	-	6,700	-	**8,853**	(4,690)	43,684
Other customers	18,761	402	-	627	-	**1,029**	(799)	17,962
Off-balance sheet exposure	**248,809**	**5,523**	**-**	**5,237**	**-**	**10,760**	**(3,675)**	**245,134**
Guarantees	104,913	4,401	-	-	-	**4,401**	(1,815)	103,098
Letters of credit	489	-	-	**2,052**	-	**2,052**	(6)	483
Approved undrawn loans	143,407	1,122	-	3,185	-	**4,307**	(1,854)	141,553
Total	**1,409,493**	**16,680**	**-**	**150,794**	**-**	**167,474**	**(45,453)**	**1,364,040**

31 December 2023	**Gross Exposure**	**Fair value of collateral**					**Impairment**	**Maximum exposure to credit risk**
Stage 3	**1**	**Cash deposits**	**Guarantee**	**Real estate**	**Movable assets**	**Total collateral**	**2**	**(3=1-2)**
Retail loans	**14,253**	**-**	**-**	**115**	**-**	**115**	**(11,386)**	**2,867**
Housing loans	418	-	-	55	-	55	(323)	95
Consumer loans	12,981	-	-	-	-	-	(10,373)	2,608
Other retail loans	854	-	-	60	-	60	(690)	164
Corporate Loans	**10,418**	**-**	**-**	**1,810**	**-**	**1,810**	**(9,112)**	**1,306**
Corporate customers	6,061	-	-	757	-	757	(4,833)	1,228
SME	3,874	-	-	1,016	-	1,016	(3,874)	-
Other customers	483	-	-	36	-	36	(405)	78
Off-balance sheet exposure	**49**	**2**	**-**	**2**	**-**	**4**	**(30)**	**21**
Guarantees	13	2	-	2	-	4	(11)	2
Letters of credit	-	-	-	-	-	-	-	-
Approved undrawn loans	36	-	-	-	-	-	(19)	17
Total	**24,720**	**2**	**-**	**1,927**	**-**	**1,929**	**(20,528)**	**4,192**

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management (*continued*)

Overviews of LTV (loan to value) ratios for 2024 and 2023 are presented below:

LTV indicator 31 December 2024	0-30%	30-60%	60-90%	90-100%	100-120%	120-%	Amount of uncovered loans	Total
Housing loans	3,847	36,169	70,635	24,256	527	3,084	42,610	181,128
Consumer loans	3,690	20,116	44,698	7,395	80	1,414	491,913	569,306
Total	**7,537**	**56,285**	**115,333**	**31,651**	**607**	**4,498**	**534,523**	**750,434**

LTV indicator 31 December 2023	0-30%	30-60%	60-90%	90-100%	100-120%	120-%	Amount of uncovered loans	Total
Housing loans	3,005	25,635	58,391	17,029	858	1,803	38,167	144,888
Consumer loans	3,157	16,668	30,258	13,414	846	820	421,676	421,676
Total	**6,162**	**42,303**	**88,649**	**30,443**	**1,704**	**2,623**	**459,843**	**566,564**

Loan portfolio per industrial sector is presented in the table below. Calculated interests and fees which increase the balance of loan receivables and bank placements, as well as accrued income, deducted from loan receivables and bank placements, are presented within the separate positions in the table below.

	31 December 2024		31 December 2023	
	BAM	**%**	**BAM**	**%**
Retail	749,655	58.74	666,679	57.492
Trade	203,358	15.93	211,836	18.27
Mining and industry	139,579	10.94	128,560	11.09
Financial institutions	20,072	1.57	15,419	1.33
Vuilding construction industry	52,848	4.14	41,293	3.56
Transportation and communications	23,759	1.86	25,427	2.19
Trading in real estate	6,095	0.48	14,079	1.21
Services, tourism, catering	1 5,046	1.18	5,824	0.50
Agriculture, forestry and fishing	1,987	0.16	2,343	0.20
Other	63,856	5.00	48,266	4.16
	1,276,255	**100.00**	**1,159,726**	**100.00**
Interest and fees	3,266		3,173	
Deferred fees for loans processing	(2,070)		(2,215)	
	1,277,451		**1,160,684**	
Less: Impairment allowance	(44,377)		(41,778)	
	1,233,074		**1,118,906**	

4. Bank's financial risk management *(continued)*

4.2. Credit risk management (*continued*)

Non-Performing Loans

Non-Performing Loans (NPL) are the Bank's loans classified into categories D and E. Management of non-performing portfolio is done in the Department for Collection and NPL Management. For all Corporate and SME customers in Categories D and E whose total exposure to a client or group of related entities is over 1,000 EUR, immediately after the fulfilment of these criteria a procedure is initiated to transfer the customer from the business component to the Department for Collection and NPL Management (corporate collection department/retail collection department).

Sector is divided into two organizational units, the Corporate Collection Department and Retail Collection Department, where the process of early, late and court collection of claims from problematic clients is being run and monitored.
The process of collecting claims for retail is centralized and oversees the Retail Collection Department.

All activities for collecting claims for retail clients are undertaken solely by the Retail Collection Department and start from the first day of the client's delay through early collection and continue through late collection activities and initiation of court proceedings until the claims are closed or the client recovered.

In the collection process for corporate entities, the Corporate Collection Department is involved with collection activity starting from a 31st day of delay, which implies customer interaction, meeting, and defining collection strategy for the client along with the Corporate Sector. With the classification of a client in a credit rating class D and E, the client enters the jurisdiction of the Corporate Collection Department, where the collection strategy is defined individually for each client (restructuring, settlement, and collateral, collection from collaterals, initiation and conducting court proceedings).

If the clients under the jurisdiction of Collection department and NPL management establish the continuity in payment without delays and exit financial difficulties after the recovery period, then they are returned to Performing portfolio under the jurisdiction of corporate department and Retail department.

In the process of collection of receivables, the clients, for which restructuring measures were taken, are included.

Measures for restructuring debt include a "concession" to a debtor which is caused by deterioration in economic and financial situation of the customer and his inability to service the debt under previously agreed terms and conditions. A client with financial difficulties may be performing or non-performing.

Restructured receivables represent the "forborne" exposure of the Bank that needs to be considered in the sectors for PE - performing entities of the Sector for Corporate and the Sector for Retail or NPE - non-performing entities of the Sector for collection and non-performing asset management. "R" represents receivables with granted concessions due to financial difficulties (concessions would not have been approved if client didn't have financial difficulties).

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management *(continued)*

The overview of the forborne loans is presented in the table by segments:

	31 December 2024		
Segment	**Performing portfolio**	**Non-performing portfolio**	**Total**
Corporate clients	1	3,133	3,134
SME clients	-	366	366
Other clients	135	-	135
Retail	167	53	220
Total	**303**	**3,552**	**3,855**

	31 December 2023		
Segment	**Performing portfolio**	**Non-performing portfolio**	**Total**
Corporate clients	426	-	426
SME clients	207	4,804	5,011
Other clients	-	199	199
Retail	177	114	291
Total	**810**	**5,117**	**5,927**

Impairment allowances for loans with forborne status are presented in the table by segments:

	31 December 2024			
Segment	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate clients	-	-	2,021	2,021
SME clients	-	-	239	239
Other clients	-	13	-	13
Retail	-	75	38	113
	-	**88**	**2,298**	**2,386**

	31 December 2023			
Segment	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate clients	-	54	-	54
SME clients	-	25	2.745	2.770
Other clients	-	-	37	37
Retail	-	76	71	147
	-	**155**	**2.853**	**3.008**

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.2. Credit risk management (*continued*)

Reprograms and restructuring

The restructuring of liabilities aims to enable the client to repay liabilities in accordance with its realistic capabilities, while ensuring more efficient and secure collection of the Bank's receivables. In that sense, the restructuring of liabilities represents a change in the conditions agreed upon when approving the loan (e.g., extension of repayment terms, reduction of the interest rate, etc.). The purpose of restructuring is to prevent a potential loss to the Bank, so it is important that restructuring is attempted at an early stage of delay (or even before the client begins to be late) if the client is unable to meet its obligations.
However, restructuring may also be possible for clients in the late or court collection phase in cases where restructuring is a better option for the Bank, or the client requires restructuring due to changed circumstances (e.g. employment of the client).

The decision on the restructuring of the client's obligations is made by the competent authority, in accordance with the authorizations determined by the Decision on authorizations in credit operations.

Restructured exposure may be identified as both in the uncollectable (NPL) and in collectable (PL) part of the portfolio.

	Number of re-contracted loans (number of transactions)	Gross loan exposures
31 December 2024		
Corporate	11	3,931
Retail and entrepreneurs	13	228
Total	**24**	**4,159**
31 December 2023		
Corporate	4	286
Retail and entrepreneurs	16	3,474
Total	**20**	**3,760**

4. Bank's financial risk management *(continued)*

4.2. Credit risk management (*continued*)

Watch Loan Commitee, Watch lista i Intensive care lista

Watch Loan Committee (hereinafter referred to as WLC) is a body that has the task of defining all activities that the Bank undertakes to collect receivables from performing clients of natural and legal entities where one or more EWS signals (Early Warning Signs) have been recognized. or which, according to the criteria, are or should be on the Watch list (hereinafter: WL) or Intensive care list (hereinafter: ICL), and for clients legal entities refers to the delay of receiving from 8 to 90 days, which are not classified as NPL clients and clients A, B and C creditworthiness), and NPL clients (clients of D creditworthiness) who have been granted restructuring/reprogramming obligations and or an out-of-court settlement, and up to the initiation of court proceedings. For client's natural persons EWS signals as well as WL1/WL 2 refers to clients with 0 days delay. The detailed powers, responsibilities and mode of work of the Committee are prescribed by the Rules of Procedure of the Watch Loan Committee and the Watch Loan Committee and monitoring watch list.

The goal of the WLC is:

- establishing a continuous process of identification of potentially problematic clients based on early warning signals in the Bank,
- stop the delay day counter (according to the local and international methodology for determining the days of delay),
- analysis of submitted proposals for inclusion and exclusion of clients on WL and ICL,
- making decisions on listing and excluding clients on WL and ICL,
- defining measures to be taken towards clients,

all with the aim of mitigating risks and stopping negative trends.

WL1 and WL2 include clients who are legal entities with a delay of 8 to 30 days (on WL 1 list clients with a delay of 8 to 15 Mmax days, and on WL 2 list clients who are in arrears from 15 to 30 Mmax days), and on ICL are included clients with a delay of 31 to 90 days. In addition to the days of delay as criteria for entering the WL1, WL2 and ICL lists, other criteria have been defined that can bring clients to one of the mentioned lists, and the decision on inclusion on the list is made by the WLC Committee.

Clients who are natural persons on the WL1/WL2 lists are included with 0 days delay, and for which the criteria for entering one of the lists have been identified.

Clients listed on WL1 retain the existing level of credit risk (stage) in which they are classified at the time of listing on WL1 and the creditworthiness valid at the time of listing on WL1, and clients listed on WL2 are assigned or retained credit risk level 2 (stage 2), depending on the existing classification of the client in the level of credit risk at the time of listing on WL2, and the creditworthiness of the CCC is determined.

The Intensive care (ICL) list includes:

- Performing clients - / Corporate / SME / Micro /, who are in default of 31 to 90 days according to the international methodology for determining the days of delay, classified in stage 2 and 3 according to local regulatory regulations,
- NPL clients (D creditworthiness clients) as well as clients who have been approved for restructuring / rescheduling of obligations or out-of-court settlement, until the initiation of court proceedings.

For performing clients assigned to the ICL list credit risk level 2 (stage 2) is assigned or retained and credit rating C is determined, and for non-performing customers credit rating D is assigned and credit risk level 3 (stage 3).

4. Bank's financial risk management *(continued)*

4.2. Credit risk management (*continued*)

In addition to the criteria for days of delay on the last day of the month, the Bank considers other important factors for the potential inclusion of the client in the WL, i.e., ICL:

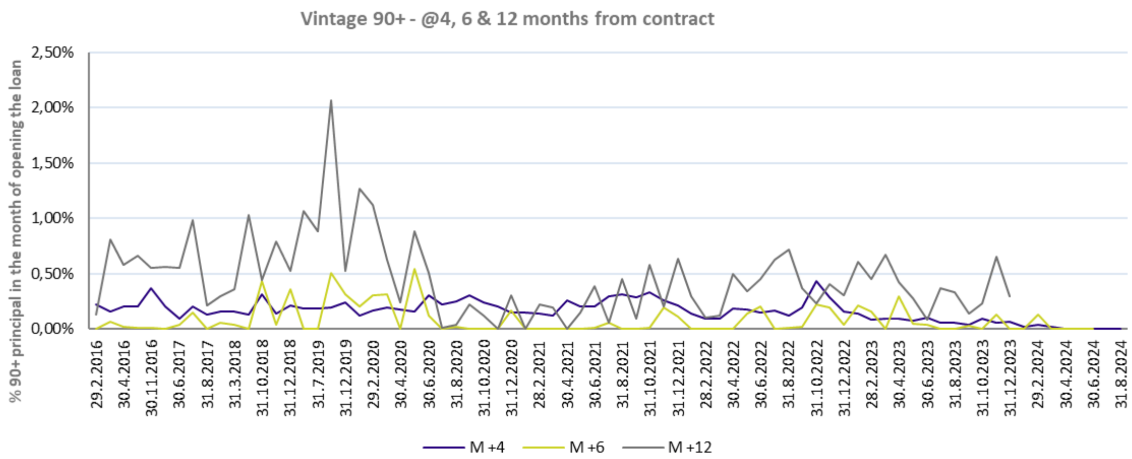
- transaction account blocking (clients whose account is found to be blocked are included in the ICL)
- frequent change of management,
- change of creditworthiness,
- degree of financial security,
- financial debts according to EBITDA ratio,
- poor stage category of debtors in other Banks or poor stage category of co-borrowers,
- bankruptcy or liquidation proceedings with the co-debtor,
- Decision of the Credit Committee on the inclusion of the client in the WL / ICL,
- overdue liabilities over 100 BAM,
- negative information in the media (printed and electronic),
- other reasons why the WLC decides that it can classify clients into WL and ICL.

Vintage analysis

The Bank monitors the quality of approved placements and days past due after approval using two types of vintage analysis. Vintage 30+ and Vintage 90+ are used to track the number, value, and percentage of loans that are in delay 30+ or 90+ days as of the month of contract. The Vintage 30+ report starts after at least 2 months have passed since contracting, while the 90+ report records delay after 4 months have elapsed since contracting. Vintage reports are updated on a monthly basis, so that they consistently number all the previous months from the contracting date to the reporting date, and for the purposes of simpler reporting, cross sections 4, 6, 12, 18, 24 and 36 months from the moment of contracting are used, significant changes are also taken into account in other time periods. For a Retail loans segment, it is diversified into 4 types of residential mortgage, consumer, credit card and overdraft facilities, while for corporate loans diversification refers to maturity, i.e., long-term loans, short-term and overdrafts and business cards.

The average percentage of delays 90+, 12 months after approval, observed on a monthly level on 31 December 2024, is 0.38%, which is at an approximate level as on 31 December 2023, when it was 0.37%.

Vintage 90+ Analysis of Physical Faces



(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

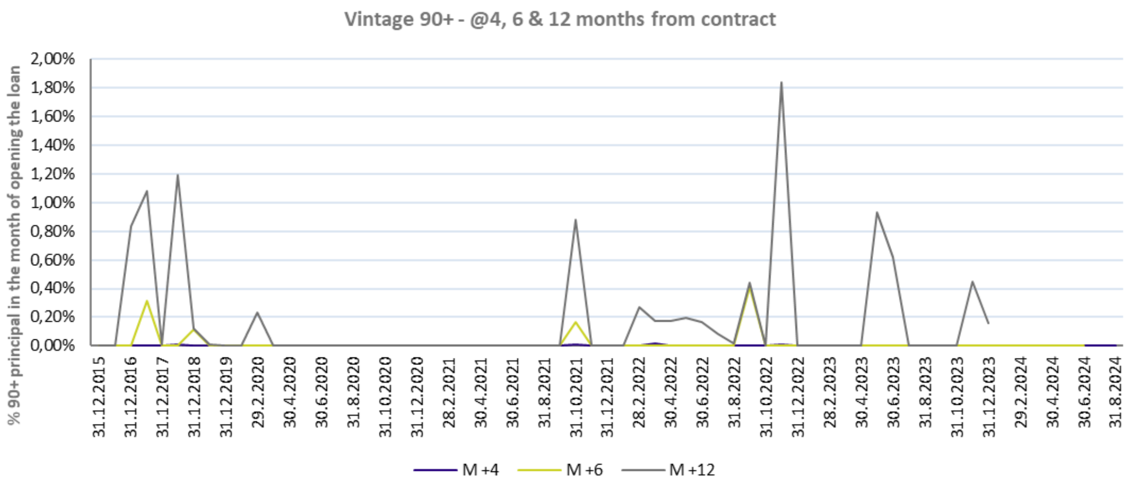
4.2. Credit risk management (*continued*)

The table below shows the quarterly movement of the exposure share in 90+ delay compared to the quarter in which it was contracted, with sections @ 12, 18, 24 and 36 months from contracting.

	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Vintage @12 M	0,58%	0,85%	0,81%	1,19%	0,90%	1,02%	0,57%	0,10%	0,17%	0,16%	0,19%	0,20%	0,49%	0,16%	0,43%	0,57%	0,32%	0,58%	0,26%	0,27%	0,40%
Vintage @18 M	1,49%	1,61%	1,57%	1,58%	1,59%	1,42%	0,75%	0,39%	0,43%	0,20%	0,33%	0,31%	0,69%	0,44%	0,58%	1,11%	0,49%	0,73%	0,33%	0,00%	0,00%
Vintage @24 M	1,90%	1,96%	2,12%	2,24%	1,99%	1,49%	1,38%	0,65%	0,60%	0,32%	0,28%	0,45%	0,64%	0,56%	0,81%	1,06%	0,66%	0,00%	0,00%	0,00%	0,00%
Vintage @36 M	2,23%	2,30%	2,11%	2,35%	2,38%	2,11%	1,20%	0,99%	0,87%	0,34%	0,60%	0,76%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%

Legal entities have a special form of monitoring the client's delay in settling obligations through WLC so that Delays of 90+ occur in isolated cases.

Vintage 90+ Legal Entity Analysis



The table below shows the quarterly movement of the exposure share in 90+ delay compared to the quarter in which it was contracted, with sections @ 12, 18, 24 and 36 months from contracting. It is not possible to derive legality since the jumps are caused by individual isolated cases.
Loans approved in Q2 2023 have an increase in arrears of 12 months after approval, and refer to long-term loans of one client (change in structure from short-term loans) that were granted to the client for the purpose of realizing the exit strategy and reducing the Bank's total exposure to the group to which the client belongs.

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Vintage @12 M	0,00%	3,42%	0,00%	0,05%	0,05%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,18%	0,15%	0,18%	0,21%	0,49%	0,00%	0,47%	0,00%	0,17%
Vintage @18 M	0,01%	4,22%	0,02%	0,90%	0,05%	0,00%	0,01%	0,00%	0,00%	0,01%	0,00%	0,25%	0,27%	0,19%	0,13%	0,57%	0,00%	0,17%	0,00%	0,00%
Vintage @24 M	0,03%	4,22%	0,02%	0,90%	0,05%	0,00%	0,00%	0,00%	0,00%	0,01%	0,00%	0,18%	0,27%	0,14%	0,13%	0,57%	0,00%	0,00%	0,00%	0,00%
Vintage @36 M	0,67%	4,21%	0,00%	0,85%	0,00%	0,00%	0,02%	0,00%	0,00%	0,00%	0,00%	0,18%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%

4. Bank's financial risk management *(continued)*

4.3. Market risk management

Risk measurement

The measurement of exposure to market risks is performed in accordance with regulations and the methodology for measuring the quantity of risk exposure on the level of the NLB Group, by using standard approach. The NLB Group's policy for market risk management, includes certain limitations and procedures in policies and other documents of the NLB Group.

General requirements

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates, foreign currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risks, in terms of the Banking Law, are considered to be position risk, currency (foreign exchange) risk and commodity risk, of which currency (foreign exchange) risk is the most significant for the Bank. In addition, equity risk, investment risk, settlement risk and free delivery risk are also considered in the group of market risks.

The Management Board sets limits and guidelines for monitoring and mitigating market risks, which is regularly monitored by the Bank's ALCO Committee.

When it comes to market risk management, the key factor is the separation of responsibilities between the monitoring and management of market risks Non-credit risks are regularly monitored by the Risk department, which analyses whether all positions for certain types of risk are within the defined limits. Open positions are managed by the Asset liability management department of the Bank which maintains them within the given limits.

Risk mitigation

The department for trading daily currency conversions maintains the foreign exchange position within legally and internally established limits, and continuously conducts different activities to reduce market risks to the lowest level.

Risk controlling and monitoring

Risk controlling is used to monitor compliance with certain legal and internal limits. Market risk controlling, and monitoring is supported by internal methodologies adjusted to Basel Standards. In accordance with the local regulations the Bank provides the necessary level of capital for covering potential unexpected losses due to exposure to currency and other market risks.

4.4 Foreign currency risk management

Currency risk is the Bank's exposure to the possible impact of changes in exchange rates and the risk that adverse changes result in losses for the Bank in BAM (local currency). The level of risk represents a function of level and the size of exposure to possible changes of exchange rates for the Bank, depending on the amount of bank's foreign debt and the level of Bank's open balance sheet and off-balance FX positions, i.e. the degree of compliance of its currency flows.
Foreign currency exposure arises from loans, deposits, and investment and trading activities. It is monitored daily in accordance with legislation and internally set limits for each currency and for the total balance sheet denominated or linked to a foreign currency. Throughout the year open currency positions were maintained in accordance with the regulations set by the Banking Agency of FBiH and internal limits defined by the Methodology of the NLB Group, considering the comprehensiveness of the impact on other limits in the event of an increase in foreign exchange risk exposure, primarily capital-related limits.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.4. Foreign currency risk management (*continued*)

Since BAM has a fixed exchange rate to EUR, in accordance with the Currency Board arrangement, the Bank was not exposed to changes in EUR exchange rate. Fluctuations in other currencies did not have a significant influence on exposure of the Bank to foreign currency risk since the open foreign exchange position was reduced to a minimum.
The following table details the sensitivity of the Bank to a 10% increase and a decrease in BAM relative to the USD calculated on the Bank's net foreign exchange position.

	2024	**2023**
USD Profit/(Loss)	3/(2)	3/(3)

The bank had the following currency position:

31 December 2024	**EUR**	**USD**	**Other currencies**	**Total**
Financial Assets				
Cash andcash equivalents	116,999	14,160	7,209	138,368
Securities at fair value through the icome statement and at fair value through other comprehensive income	108,439	-	-	108,439
Securities at amortized cost	19,065	-	-	19,065
Other Financial Assets	1,938	61	-	1,999
Loans and receivables under financial leases contracted with a foreign exchange clause	338,303	-	-	338,303
Other assets contracted with a foreign exchange clause	1,072	-	-	1,072
	585,816	**14,221**	**7,209**	**607,246**
Financial liabilities				
Deposits from banks and other financial institutions	2,173	1	1	2,175
Deposits from clients	312,293	14,082	7,047	333,422
Loans taken	48,826	-	-	48,826
Subordinated debit	37,718	-	-	37,718
Other financial liabilities	11,768	106	162	12,036
Deposits and loans contracted with a foreign exchange clause	201,963	-	-	201,963
	614,741	**14,189**	**7,210**	**636,140**
Foreign exchange position, net	**(28,925)**	**32**	**(1)**	**(28,894)**

31 December 2023	**EUR**	**USD**	**Other currencies**	**Total**
Financial Assets				
Cash and cash equivalents	93,699	9,137	5,043	107,879
Securities at fair value through the income statement and at fair value through other comprehensive income	142,583	-	-	142,583
Securities at amortized cost	9,355	-	-	9,355
Other Financial Assets	1,103	1	-	1,104
Loans and receivables under financial leases contracted with a foreign exchange clause	408,890	-	-	408,890
Other assets contracted with a foreign exchange clause	4,737	-	-	4,737
	660,367	**9,138**	**5,043**	**674,548**
Financial liabilities				
Deposits from banks and other financial institutions	2,497	1	-	2,498
Deposits from clients	293,014	8,910	4,880	306,804
Loans taken	63,914	-	-	63,914
Subordinated debit	24,448	-	-	24,448
Other financial liabilities	20,415	229	195	20,839
Deposits and loans contracted with a foreign exchange clause	252,431	-	-	252,431
	656,719	**9,140**	**5,075**	**670,934**
Foreign exchange position, net	**3,648**	**(2)**	**(32)**	**3,614**

4. Bank's financial risk management *(continued)*

4.5. Interest rate risk management

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or re-price at different times or in different amounts.

In case of floating rates, the Bank's assets and liabilities are also exposed to base risk, which is the difference in the re-pricing characteristics of the various floating rate indices, such as savings rates, the six months EURIBOR, and different types of interest. Risk management activities are consistent with the Bank's business strategies, and they are aimed at optimizing net interest income given the market interest rate levels.

The Bank produced Policies and procedures for monitoring of market risk management, whose goal is to manage and limit the potential losses of the Bank, due to changes in foreign and domestic interest rates that affect the economic and market value of the Bank.

To achieve the Policies' goals for monitoring interest rate risk exposure, the Bank identifies positions that are sensitive to change in interest rates, prepares data for the calculation of interest-sensitive positions, establishes methods for risk measurement, establishes control mechanisms and limits, determines authorizations and responsibilities, and prepares reports.

The purpose of interest rate risk management, as one segment of assets and liabilities management, is to determine the optimal interest rate, and with that, the Bank's income, considering market conditions and the competitive environment, and to adjust the interest rate in line with the Bank's assets and liabilities.

Considering this objective, it is extremely important to assess the sensitivity of revenues towards abrupt changes in the market interest rate.

As a protection from interest rate risk exposure, the Bank contracts the variable interest rate, adjusts the structure of interest-bearing assets and liabilities subject to interest payment, and uses other interest rate risk management instruments.
The Bank manages the interest rate risk in the following manner:
- By adequately determining the level of the interest margin, by adjusting the interest rates on positions of interest-sensitive assets and liabilities to be within the same maturity and time intervals within which the re-establishment of the interest rate is being performed; and/or
- By securing maturity alignment of interest-sensitive assets and liabilities (when the fixed interest rate is used), or by adjusting the deadline (time interval for re-establishment of the interest rates in cases where variable interest rate is being used).

The Bank is exposed to risks that affect its financial position and cash flows, through the effects of change in interest rates on the market. The table below shows the Bank's exposure to interest rate risk.

Positions of assets and liabilities as at 31 December 2024 and 2023 are presented at book value and in accordance with the agreed interest rate and the date of repricing.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.5. Interest rate risk management *(continued)*

	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
31 December 2024						
Assets						
Current accounts	81,827	-	-	-	-	81,827
Term deposits	46,768	-	166,065	984	-	213,817
Loans	73,055	133,439	543,088	276,359	198,659	1,224,600
Securities	82,145	9,779	17,279	92,953	7,000	**209,156**
Total assets	**283,795**	**143,218**	**726,432**	**370,296**	**205,659**	**1,729,400**
Liabilities						
Current accounts	15,176	-	1,136,585	-	-	**1,151,761**
Term deposits	74,494	22,553	33,768	212,503	1,661	**344,979**
Loans	-	-	45,403	13,201	27,939	**86,543**
Total liabilities	**89,670**	**22,553**	**1,215,756**	**225,704**	**29,600**	**1,583,283**
Exposure to interest risk, net	**194,125**	**120,665**	**(489,324)**	**144,592**	**176,059**	**146,117**

	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
31 December 2023						
Assets						
Current accounts	104,178	-	-	-	-	**104,178**
Term deposits	-	-	153,061	-	-	**153,061**
Loans	126,798	198,192	563,176	144,331	81,828	**1,114,325**
Securities	5,929	79,985	77,135	64,159	11,325	**238,533**
Total assets	**236,905**	**278,177**	**793,372**	**208,490**	**93,153**	**1,610,097**
Liabilities						
Current accounts	3,227	-	997,599	-	-	**1,000,826**
Term deposits	20,463	49,501	233,054	159,718	758	**463,494**
Loans	-	2,445	48,550	37,367	-	**88,362**
Total liabilities	**23,690**	**51,946**	**1,279,203**	**197,085**	**758**	**1,552,682**
Exposure to interest risk, net	**213,215**	**226,231**	**(485,831)**	**11,405**	**92,395**	**57,415**

As of 31 December 2024, the Bank is mostly exposed to items with a fixed interest rate (65.05% of the total portfolio), while the rest is with a variable interest rate (34.95% of the portfolio). When talking about reference rates, they are included in variable interest rates.

In the management of interest rate risk, the Bank uses a simulation of expected and extreme changes in interest rates and the impact of these changes on the profit and loss statement.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.5. Interest rate risk management *(continued)*

The following table shows the impact of expected changes in interest rates on the Bank's profit, while all other variables remain unchanged:

Sensitivity of the profit and loss account to the change in interest rates for 31 December 2024

Increase in interest rates	Impact on profit and loss statement in '000 KM	Interest rate reduction	Impact on profit and loss statement in '000 KM
+50bp	1.643	-50bp	(1.643)

Sensitivity of the profit and loss account to the change in interest rates for 31 December 2023

Increase in interest rates	Impact on the Profit and Loss Statement in KM	Interest rate reduction	Impact on the Profit and Loss Statement in KM
+50bp	1.741	-50bp	(1.741)

Interest rate sensitivity as a result of changes in market interest rates affects two categories:
- the amount of net interest income,
- the market value of certain financial instruments (interest-sensitive placements and sources), which consequently affects the market value of the Bank's capital

The sensitivity of the income statement in the table shows how a change in market interest rates, applied to an existing open interest-sensitive position, would be reflected in the Bank's financial result. The limit for the income aspect of interest rate risk, which is expressed as a decrease in net interest income in the event of a parallel change in interest rates by 50 bp, is 3.5% of the capital. The effect of the interest rate reduction by 50 bp as of 31 December 2024 is 0.87% of the capital.

In accordance with the Policy and Procedures for Monitoring Exposure to Interest Rate Risk, the Bank must meet the criterion of the impact of a parallel movement of the interest rate curve by 200 basis points, which it applies to the existing open interest rate position at individual time intervals. In 2024, there were no significant changes to the Interest Rate Risk Exposure Policy and Procedures. The limit for the EVE (Economic Value of Equity) indicator is 8%. More significant changes are expected during 2025, where there will be a change in the model for calculating core deposits. The model for core deposits is one of the key factors for calculating the EVE indicator. Given that so far local regulation has been based on a simplified calculation of EVE indicators, the New Regulation will come into force in mid-2025 and the IRRB regulation will be significantly closer to the EU regulation.

Sensitivity of the market value of financial instruments as of 31 December 2024

Change in interest rates	The Effect of the Simulation in '000 KM	The Effect of the Simulation With respect to capital.
200bp	7.199	3,83%

Sensitivity of the market value of financial instruments as at 31 December 2023

Change in interest rates	The Effect of the Simulation in '000 KM	The Effect of the Simulation With respect to capital.
200 bp	6.963	4,51%

4. Bank's financial risk management *(continued)*

4.6. Liquidity risk management (continued)

Definition

Liquidity is the ability of a bank to finance an increase in assets on the one hand and also fulfil maturity obligations on the other hand, but without creating unacceptable costs. Liquidity risk is the risk of loss arising from the existing or expected inability of the Bank to meet its due cash obligations. This risk may arise from a reduction in the source of funding or from a decrease in the liquidity of certain assets. Liquidity risk is associated with liquidity financing risk (liability liquidity) and market liquidity risk (CBC (counterbalancing capacity on the asset side). On the liability side, liquidity risk may result in a loss if the Bank is unable to meet all of its liabilities or if the Bank, due to its inability to provide sufficient funds to meet its liabilities, is compelled to provide additional funds at a price that significantly exceeds normal costs. On the asset side, liquidity risk is related to the market value of the CBC and arises in the event of a significant impairment of the market value of a particular financial instrument and may lead to insufficient value of the CBC necessary to cover the Bank's liquidity needs.

General Terms and Conditions

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including various types of retail and corporate deposits, loans taken, core and supplementary capital. This increases the flexibility of funding sources, reduces dependence on a single source, and the cost of financing in general.
The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with different maturities. The Bank continuously assesses liquidity risk by identifying and monitoring changes in financing that are necessary to achieve the business objectives set in accordance with the Bank's strategy. In addition, the Bank has a portfolio of liquid assets as part of its liquidity risk management strategy.

Liquidity risk exposure measurement is also performed using the Scoring model. The purpose of the Scoring model is to assess liquidity risk by monitoring various indicators, and to inform the Bank's Management Board about the assessment of current liquidity risks to which the Bank is exposed. The output results of the scoring model are then used as input data in the decision-making process. The scoring model covers the Bank's current liquidity situation and provides an overall estimate of the Bank's current liquidity risk. Liquidity risk is currently monitored by regular calculations of certain liquidity indicators. The current values of the selected indicators in the Scoring model are compared with the predefined limit values of each of these indicators. Internal liquidity indicators are regularly monitored and reported to ALCO (ALCO). Asset and Liabilities Committee). In addition to liquidity indicators, the results of the Scoring model are also presented as an integral part of the ALCO report. In accordance with local regulations, the Bank is obliged to maintain a minimum liquidity requirement through the LCR and the Net Stable Funding Ratio (NSFR)
The Bank regularly conducts stress tests in the liquidity risk management process. The Bank regularly conducts an Internal Liquidity Adequacy Assessment Process (ILAAP).
The purpose of the ILAAP is to establish a strong liquidity risk management system in the Bank. In accordance with the Risk Acquisition and Management Strategy and Risk Appetite, the tolerance for liquidity risk is low. The ILAAP is included in the day-to-day business process and business decisions in the form of daily monitoring of cash flows, the results of stress tests are used to define the volume of liquid reserves, and the defined indicators in the internal limit system related to the monitoring of liquidity risk exposure are used to activate the Liquidity Plan for Emergency Situations or the Bank's Recovery Plan.

4. Bank's financial risk management *(continued)*

4.6. Liquidity risk management *(continued)*

Risk control

The Bank adjusts its business activities in compliance with liquidity risk according to legislation and internal policies for the maintenance of liquidity reserves, the matching of liabilities and assets, limits, and preferred liquidity ratios. The Bank's Treasury manages liquidity reserves daily, also ensuring that the Bank satisfies all customer needs.

Monitoring of liquidity risk exposures

The Non-Credit Risk Management Department monitors the following liquidity indicators on a monthly basis:
- Liquidity coverage ratio (LCR) – liquidity buffer / total 30-day net liquidity outflows,
- Net Stable Funding Ratio (NSFR) – available amount of funds for stable financing / required amount of funds for stable financing,
- Net Loan to Deposit (Net LTD) - the ratio of net loans (minus value adjustments) to deposits (net loans to the non-banking sector/deposits to the non-banking sector),
- Share of unpledged liquid reserves in total assets (AUAR),
- Share of non-bank deposits in total liabilities (excluding capital),
- Share of the sources of the 30 largest non-bank depositors in the total balance sheet total,
- A'vista stability - Stable demand deposits,
- Liquidity stress test - strong combined stress test and reverse stress tests
- Maturity of financial assets and liabilities for up to 30 days,
- Ratio of assets above reserve requirement and reserve requirement

The purpose of the Scoring model is to assess liquidity risk by monitoring various indicators, and to inform the Bank's Management Board about the assessment of current liquidity risks to which the Bank is exposed. The output results of the scoring model are then used as input in the decision-making process.

The aim of the Scoring model is to monitor in detail the Bank's exposure to liquidity risk, through the monitoring of various indicators indicators that have an impact on the Bank's liquidity. The scoring model covers a wide range of different indicators, taking into account both Bank-specific indicators as well as systemic indicators, which have an impact on the Bank in a broader sense. The Scoring model provides a clear input for further decision-making, as the Scoring model provides an assessment of the Bank's liquidity risk, numerically, in the form of a number. This number corresponds to one of the five levels of risk, which represent the levels of liquidity risk, and range from low to high liquidity risk. The scoring model enables efficient monitoring of liquidity risk and assesses the current liquidity situation of the Bank.

The indicators included in the Scoring model have been identified as key indicators for assessing the Bank's liquidity risk.

The indicators in the Scoring model were selected based on the following criteria:
- Inclusion of indicators in Risk Appetite
- Inclusion of indicators in the Policy
- Regulatory requirements
- Impact of indicators on liquidity
- Monitoring frequency (monthly, in case of some calculations quarterly calculations)

In addition to the above Bank-specific indicators, the Scoring model includes several systemic risk indicators, which fully cover the systemic risk that affects the bank's liquidity risk (GDP, Inflation, Unemployment rate, Public debt).

The scoring model gives the result (number) of risk levels, which represents an assessment of the Bank's liquidity position.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.6. Liquidity risk management *(continued)*

The liquidity risk assessment is described according to the following risk levels:

1. Low liquidity risk, if the result is within the interval 0% - 15%
2. Acceptable liquidity risk, if the result is within the interval 15% - 30%
3. Moderate liquidity risk, if the result is within the interval 30% - 45%
4. Significant liquidity risk, if the result is within the interval 45% - 60%
5. High liquidity risk, if the result is in the interval 60% - 100%.

The Bank's liquidity risk exposure as at 31 December 2024 is within an acceptable level of risk, as the result of the Scoring model is 18.90% (31.12.2023: 17.95%).

In the event of exposure to high liquidity risk, the Bank would activate the Liquidity Plan for Emergency Situations.

The following table details the Bank's remaining contractual maturities for financial assets and liabilities. The table has been prepared on the basis of undiscounted cash flows of financial assets and liabilities, including interest on those assets that will be earned, except for assets on which the Bank expects cash flows to occur in another period.

31 December 2024	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial Assets						
Cash, cash equivalents and reserve requirements with the CBBH	427,235	-	-	-	-	427,235
Securities at fair value through other comprehensive income	82,591	9,727	3,153	23,949	105	119,525
Receivables on loans and financial leases	73,050	110,265	324,895	553,961	355,159	1,417,330
Securities at amortized cost	405	-	12,149	67,902	6,932	87,388
Other Financial Assets	50,441	-	-	985	14	51,440
Total	**633,722**	**119,992**	**340,197**	**646,797**	**362,210**	**2,102,918**
Financial liabilities						
Deposits of banks and other financial institutions	6,943	300	12,769	29,878	-	49,890
Deposits from clients	1,168,719	27,390	181,524	206,230	2,043	1,585,906
Loans taken	1,602	6,420	13,700	58,033	47,328	127,083
Other financial liabilities	30,066	-	318	5,264	219	35,867
Total	**1,207,330**	**34,110**	**208,311**	**299,405**	**49,590**	**1,798,746**
Exposure to liquidity risk, net	**(573,608)**	**85,882**	**131,886**	**347,392**	**312,620**	**304,172**

Short position up to 1 month is result of significant amount of deposits with maturity of up to 1 month (current accounts). The Bank is continuously monitoring relevant liquidity ratios, and accordingly can react and manage outflows within 30 calendar days.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management (*continued)*

4.6. Liquidity risk management *(continued)*

31 December 2023.	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Financial Assets						
Cash, cash equivalents and reserve requirements with the CBBH	390,378	-	-	-	-	390,378
Securities at fair value other net result	71,364	29,189	54,326	24,104	2,000	180,983
Receivables on loans and financial leases	74,879	87,939	318,869	500,275	307,652	1,289,614
Securities at amortized cost	-	-	-	46,641	6,929	53,570
Other Financial Assets	6,269	9	40	561	42	6,921
Total	**542,890**	**117,137**	**373,235**	**571,581**	**316,623**	**1,921,466**
Financial liabilities						
Deposits of banks and other financial institutions	13,532	1,000	20,100	20,240	-	54,872
Deposits from clients	1,050,032	67,478	130,700	166,591	1,090	1,415,891
Loans taken	32	6,000	11,262	50,635	-	67,929
Subordinated debt	433	932	1,371	10,921	36,673	50,330
Other financial liabilities	37,308	1,594	2,119	4,152	1,092	46,265
Total	**1,101,337**	**77,004**	**165,552**	**252,539**	**38,855**	**1,635,287**
Exposure to liquidity risk, net	**(558,447)**	**40,133**	**207,683**	**319,042**	**277,768**	**286,179**

Off-balance sheet items

(a) Liabilities on loans

The timings of contractual amounts of the Bank's off-balance sheet financial instruments committing it to extend loans to customers are summarized in the table below.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
As of 31 December 2024						
Loan liabilities	131,246	-	4,626	782	-	**136,654**
As of 31 December 2023						
Loan liabilities	143,407	-	-	489	-	**143,896**

(b) Other Financial Liabilities - Guarantees

Other financial liabilities are also included in the table below, based on the earliest maturity date under the contract. Potential settlements could be made earlier if the terms of the underlying agreement are not complied with and the Bank is called for settlement.

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
As of 31 December 2024						
Other financial facilities	36	1,756	15,702	72,516	9,584	**99,594**
As of 31 December 2023						
Other financial facilities	31,326	595	7,646	62,038	3,308	**104,913**

4. Bank's financial risk management (*continued)*

4.7. Fair Value of Financial Assets and Liabilities

Fair value is defined as the price that the Bank would obtain to sell a financial asset or to pay for the transfer of a liability in the ordinary course of business between market participants at the measurement date (i.e., an exit price). This emphasizes that fair value is a market-based measure. The standard assumes a fair value hierarchy where level 1 is the preferred method where available:

- 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 in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly obervable from market data.
- Level 3: Inputs that are unobservable. this category includes all instruments for which the valuation technique includes inputs that are not obesrvable and the unobersvable inputs have e a significant effect on the instrument'a valuation. This category includes instruments that are valued based on quoted prices for similar instrumentgs for which significant unobservable adjustments or assumtpions are required to reflect differences between the instruments.

4.7.1. The fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis, from period to period.

In the balance sheet of the Bank, debt securities are carried at fair value and at amortized cost. Equity securities are carried at fair value. Reduction to fair value is performed at the end of each month, and the difference in value in relation to cost is recorded in equity.

As at 31 December 2024, part of securities portfolio is classified as financial assets at fair value through other comprehensive income (FVOCI) at credit risk level 1 (Stage 1) and serves as liquidity reserves, while the other part of the portfolio of securities is classified as financial assets at amortised cost. Securities are measured at fair value in accordance with IFRS. The Bank also calculates fair value for the portfolio that is maintained at amortized cost, but the effects of the calculation are not accounted for. The effects of the valuation are disclosed in the Report on Changes in Equity under the Revaluation Reserve for Financial Assets measured at fair value through other comprehensive income. The total fair value of securities classified as FVOCI is BAM 119,420 thousand (31.12.2023: BAM 181,819 thousand).

The determination of hierarchical levels is carried out in accordance with regulatory requirements.

The following table presents how the fair value of securities held at fair value through other comprehensive income is determined (in particular, the valuation techniques and inputs used).

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.7. Fair Value of Financial Assets and Liabilities *(continued)*

4.7.1. The fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis, from period to period *(continued)*

Fair value as of		Fair value hierarchy
31 December 2024	**31 December 2023**	
Financial assets at fair value, which are measured through other comprehensive income		
• Republic of Germany – 11,724 thousands BAM • Republic of France – 11,718 thousands BAM	• Republic of Slovenia - 3,949 thousands BAM • Kingdom of Belgium – 2,918 thousands BAM • Ministry of Finance of the Republic of Srpska – 16.162 thousands BAM • Kingdom of Belgium – 25,440 thousands BAM • Kingdom of the Netherlands – 21,387 thousands BAM • Republic of Austria – 4,874 thousands BAM • Republic of Finland – 13,619 thousands BAM • Republic of France – 7,813 thousands BAM • Republic of Germany – 27,320 thousands BAM Republic of Slovenia – 19,642 thousands BAM	Level 1
• Kingdom of the Netherlands – 28,830 thousands BAM • Republic of France – 11,729 thousands BAM • Republic of Austria – 18,541 thousand BAM • Kingdom of Belgium – 9,727 thousands BAM • Republic of Srpska – 16,614 thousands BAM • Federation of BiH – 10,371 thousand BAM • City of Banja Luka - 166 thousands BAM	• City of Banja Luka - 485 thousands BAM	Level 2

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's Financial risk management *(continued)*

4.7. Fair Value of Financial Assets and Liabilities *(continued)*

4.7.1. The fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis, from period to period *(continued)*

Fair value per day		Fair value hierarchy Fur hygiene values
31 December 2024	**31 December 2023.**	
Equity instruments:		
• SWIFT Belgium – 91 thousand BAM • RVP FBiH – 14 thousand BAM	• SWIFT Belgium – 91 thousand BAM • RVP FBiH – 14 thousand BAM	Level 3

4.7.2. The fair value of the Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis, from period to period

The fair value of loans and deposits is calculated by different segments, products and residual maturities. The calculations are based on the net value of the loan increased by future interest. All future cash flows from principal and interest are discounted to present value.

When calculating fair value, the following criteria are taken into account:

1. The calculation is based on data from individual contracts.
2. Performing (loans of ABC creditworthiness clients) and non-performing (loans of DE creditworthiness clients) are especially considered.
3. Segmentation of loans and deposits (government, banks, financial organizations, companies, and households) is taken into account.
4. The calculation of fair value considers the expected cash flows from loans and deposits, from principal and interest, in accordance with repayments plans, whereby the net present value of cash flows from each contract is reduced by credit loss allowance, while accrued interest is not taken into account.

Discount rate used for discounting of future cash flows of loans and deposits in accordance with the net present value methodology, are the average interest rate observable on the market for performing loans and deposits with similar characteristics. For NPL a 20% discount factor is used.

Calculated fair value of financial instruments as at 31 December 2024 is presented below and has no impact on the Bank's existing accounting records:

		31 December 2024		31 December 2023.	
Financial Assets	Fair value Hierarchy	Book-value	Fair Value	Book-value	Fair value
Deposits with other banks	Level 3	101,383	101,407	27,878	27,933
Loans and receivables	Level 3	1,239,359	1,240,073	1,125,697	1,154,203
Total		**1,340,742**	**1,341,480**	**1,153,575**	**1,182,136**
Financial liabilities					
Deposits of banks and other financial institutions	Level 3	1,140	1,140	1,383	1,383
Deposits from clients	Level 3	1,625,330	1,622,115	1,466,306	1,464,560
Loans taken	Level 3	87,881	78,518	89,315	84,473
Total		**1,714,351**	**1,701,773**	**1,557,004**	**1,550,416**

4. Bank's inanciafl risk management *(continued)*

4.8. Operational Risk Management

Operational risk management as an important part of the Bank's business activities enables the Bank to operate with its activities successfully and to preserve its reputation.

The Bank performs the following activities with regards to operational risk:

- Permanent identification and risk assessment activities, the identification of all operational risks in business activities in the Bank, in new processes, new products, as well as operating risks related to hiring external suppliers,
- Activities of regular re-identification on an annual basis, review of previously identified operating risks,
- Semi-annual reporting to the Operational risk management board on the maximum limit of risk tolerance, important operational risks of categories A and B (with proposals for their overcoming), as well as important damage events,
- Annual calculation of the Bank's risk profile and comparative overview with risk profile for the previous year and reporting to NLB d.d. and the Operational risk management board,
- Monthly data collection and reporting on negative events,
- Quarterly reporting to the Banking Agency of FBiH,
- Reporting to the Operational Risk Management Committee on the results of monitoring key risk indicators,
- Stress testing in the area of operational risk and reporting to the Operational Risk Management Committee and the FBiH Banking Agency on the results.

In order to improve processes for operational risk management, the Bank performed the following activities:

- Regular activities related to adequate operational risk management for all processes, new projects, outsourcing, and the development of new products, processes, and systems, as well as projects being implemented,
- Continuous activities on the identification of operational risks related to "cyber" crime, inadequate software operations, risks of data incorrectly entered into the software, natural disasters risks, risks of noncompliance with legislation, rules, regulations, agreements, prescribed practices, ethical standards and other operational risks that have a little chance of occurrence but may have a very high financial effect, or they represent a very high risk to the reputation of the Bank, and other specific operational risks to which they would like to draw attention,
- Special emphasis on compliance risk (risk of loss due to legal sanctions), risk of conduct (risk of loss due to deliberate deception of customers in the presentation of products and services, and inadequate treatment of clients in resolving their complaints), risks arising from potential adverse events occurred, and the risk of terrorist attacks,
- Permanent support of audit recommendations in assessing the adequacy of system of controls in certain business areas,
- Preparation of analyses of operational risk within the most important business processes,
- Holding meetings of the Operational risk management board on a monthly basis,
- Continuous education of employees on processes of identification of operational risks and reporting on recorded harmful events, potential harmful events and increasing awareness on the presence of such risks in the working environment of all Bank employees,
- Owners of operational risk processes have been appointed to identify significant / key / systemic risks in individual processes, define specific measures for risk management and centralized monitoring of implementation.
- the analysis of the impact on the Bank's operations was carried out (Business impact analysis) and the testing of the reserve location (Disaster recovery testing) was completed.
- Participation in activities related to outsourcing risk assessments in the part of operational risks and business continuity management, as well as giving consent to methodological compliance.

4. Bank's financial risk management *(continued)*

4.9. Capital risk management

In accordance with the Law on Banks of Federation of Bosnian and Herzegovina (Official gazette of FBiH, number: 27/17), the minimum amount of the Bank's subscribed founding capital cannot be less than BAM 15,000 thousand.

The aim of managing of the Bank's capital is to ensure and maintain the optimum volume, structure and sources of capital, to enable:

- Ensure all legal (regulatory) requirements,
- Cover all risks assumed in the Bank's operations,
- Continuous achievement of strategic goals of the Bank and
- Achieving optimal return on equity to shareholders.

The Bank's Management monitors capital adequacy indicators and other business indicators monthly and reports on indicators' actual values are delivered to the FBA quarterly in a prescribed form.

The Bank, in accordance with the Decision on Calculating the Capital of the Bank (Official Gazette of the Federation of Bosnia and Herzegovina, No. 98/23, 13/24) (hereinafter: the Decision), must at all times meet the following minimum capital requirements:

1. regular share capital rate of 7.50% (CET1 rate), as a ratio of common equity (Tier 1) to total risk exposure,
2. Additional Tier 1 capital rate of 9.75% (T1 rate), as a ratio of share capital to total risk exposure, and
3. Tier 2 capital rate of 12.75%, as the ratio of regulatory capital to the total amount of risk exposure.

According to this Decision, the regulatory capital of the Bank represents the sum of core and additional capital, after regulatory adjustments:

1. Common equity (Tier 1) represents sum of regular core capital items (CET 1) after regulatory adjustments and additional Tier 1 capital items (AT1) after regulatory adjustments.
2. Additional capital of Bank (Tier 2) is the sum of capital instruments, subordinated debts, and other items of additional capital after deduction for regulatory compliance, which cannot be more than one-third of the core capital.

(All amounts are given in thousands of BAM, unless otherwise stated)

4. Bank's financial risk management *(continued)*

4.9. Capital risk management *(continued)*

The Bank calculates total risk exposure as a sum of the following item:
- Exposure weighted with risk for credit risk,
- Capital requirements relating to market risks (foreign exchange risk, settlement risk, commodity risk) and
- Capital requirements for operational risk.

When calculating the total amount of risk exposure, the Bank multiplies capital requirements relating to market risks and operational risk with 8.33.
Also, the Bank must maintain a conservation buffer of capital in the form of regular core capital in the amount of 2.5% of the total amount of risk exposure. The capital conservation buffer represents a part of the ordinary core capital above the prescribed minimum of 6.75% of the total amount of risk exposure and cannot be used to maintain the rate of the core and the total capital rate.
The FBA may determine the rate of capital buffer for a systemically important bank in the amount of 0% to 2% of the total amount of exposure to risk.

The requirement for a combined equity conservation buffer is Common Equity Tier 1 capital (expressed as a percentage of the total amount of risk exposure), which is intended to meet the requirements for a capital conservation buffer, plus the following conservation buffers, depending on what is applicable:
1. Countercyclical buffer specific for the bank
2. Buffer for a systemically important bank and
3. Systemic risk buffer.

The application of Countercyclical buffer specific for the bank, buffer for a systemically important bank and systemic risk buffer are not prescribed yet.

Since the beginning of the application of the Decision on the calculation of Bank capital, the Bank maintains a regulatory capital rate above the required minimum of 12% and fulfills requirement for maintenance of capital conservation buffer of 2.5%, as well as an additional requirement for Risk Appetite of the Bank of 0.75%.

The following table presents regulatory capital items, amount of exposure to risk, and capital ratios in accordance with the Decision as of 31 December 2024:

	31 December 2024 Unaudited	**31 December 2023 audited**
Regulatory capital of the Bank	**225,211**	**185,763**
Exposure weighted with credit risk	1,158,620	975,789
Risk exposure for valuation risk	4,773	-
Risk exposures for operational risk	77,877	68,589
Total risk exposure	**1,241,270**	**1,044,378**
Realized own funds ratios		
Common Equity Tier 1 capital ratio	15.15%	15.44%
Additional Tier 1 capital ratio	15.15%	15.44%
Solvency ratio	18.14%	17.79%
Required own funds ratios		
Common Equity Tier 1 capital ratio - required	10.00%	10.00%
Additional Tier 1 capital ratio – required	12.25%	12.25%
Solvency ratio	15.25%	15.25%

4. Bank's financial risk management *(continued)*

4.9. Capital risk management *(continued)*

The ICAAP is an important part of capital planning. ICAAP defines a set of restrictions for different types of risks (all relevant types of risks to which the Bank may be exposed, not only materially the largest), in terms of their consumption of capital under normal and stressful conditions.

ICAAP's most important goal at the Bank is to ensure adequate capital and sustainability in every moment. The purpose of the ICAAP process is for the Bank to have in place sound, effective and comprehensive strategies and processes for assessing and maintaining current amounts, types and allocation of internal capital that are considered adequate to cover the nature and level of risk to which the Bank may or may be exposed. ICAAP plays a key role in maintaining the continuity of the Bank's operations by ensuring its adequate capitalization.

An economic perspective gives a very comprehensive view of risks. From an economic perspective, the goal is to provide the capital needed internally for the risks that could cause economic loss, based on current quantification and using very high levels of reliability to estimate unexpected losses. Some of these risks, or the risks associated with them, can be partially or fully materialized later under a normative perspective through the adverse impact on the income statement that results in a decrease in equity. Therefore, the Bank is expected to evaluate in a regulatory perspective the extent to which risks identified and quantified in the economic perspective could affect equity and the total amount of risk exposure in the future.

The normative perspective is a multi-year assessment of the Bank's ability to meet all quantitative regulatory and supervisory requirements related to capital. The Bank is expected to manage its capital adequacy from an economic perspective by ensuring that its risks are adequately covered by internal capital. In the normative perspective, the results of stress resistance testing were taken into account for the purpose of possible adjustment of internal capital requirements in accordance with the economic perspective of capital.

During 2024, the Bank continuously maintained capital ratios above the prescribed regulatory / supervisory minimums and in accordance with internally defined limits, which indicates the ability to meet all regulatory and supervisory requirements related to capital adequacy.

Data presented on 31 December 2024, at the time of preparation of these reports have not yet been audited given that the regulatory audit deadline is May 31, 2025.

(All amounts are given in thousands of BAM, unless otherwise stated)

5. Net interest income and similar income

a. Interest Income calculated using the effective interest rate

	2024	2023
Loans measured at amortized cost	58,103	52,655
Placement with banks	4,148	2,758
Other interest and similar income	3,774	997
Interest Income	**66,025**	**56,410**
Financial assets at fair value through other comprehensive income	**4,400**	**4,032**
Total income from interest and similar income at effective interest rate	**70,425**	**60,442**

b. Interest Expense and similar expenses at effective interest rate

	2024	2023
Deposits	6,697	5,331
Borrowings	3,134	2,369
Subordinated debt	3,518	1,464
Discount amount of provisions under IAS 19	55	65
Other interest expenses	450	100
Interest expense	**13,854**	**9,329**
Net Interest Income and similar income at effective interest rate	**56,571**	**51,113**

(All amounts are given in thousands of BAM, unless otherwise stated)

6. Net fee and commission income

a. Fee and commission income

	2024	2023
Income from payment transactions	14,704	11,736
Income from card transactions	9,987	10,432
Income from basic accounts	7,876	7,826
Income from fees for exchange transactions	4,374	2,200
Income fees from bank insurance and other	1,562	1,683
Income from fees and commissions from contracts with clients	**38,503**	**33,877**
Income from fees and commissions from guarantees and credit obligations	1,647	1,540
Fee and commission income	**40,150**	**35,417**

b. Fee and commission expense

	2024	2023
Payment transactions and other banking services expenses	1,149	1,105
Deposit insurance expenses	10,239	9,731
Fee and commission expenses	**11,388**	**10,836**
Net fees and commission income	**28,762**	**24,581**

7. Impairment losses and provisions

a. Impairment losses and provisions from financial assets

	2024				2023
	Stage 1	Stage 2	Stage 3	Total	
Net credit losses from financial assets at amortised cost	(1,427)	3,615	5,723	7,911	(4,278)
Net credit losses from financial assets at FVOCI	(229)	-	-	(229)	251
Provisions for the credit risk of commitments and guarantees (Note 24a)	(838)	239	(81)	(680)	(235)
Total impairment and provisions	**(2,494)**	**3,854**	**5,642**	**7,002**	**(4,262)**

b. Other impairment losses and provisions

	2024				2023
	Stage 1	Stage 2	Stage 3	Total	
Net provisions / Provision for court disputes (Note 24b)	-	-	-	-	30
Other provision/ net earlier admitted provisions (Note 24c)	592	-	-	592	(254)
Total impairment losses and provisions	**592**	**-**	**-**	**592**	**(224)**

(All amounts are given in thousands of BAM, unless otherwise stated)

8. Other gains and (losses) from financial assets

	2024				2023
	Stage 1	Stage 2	Stage 3	Total	
Net losses on modifications of financial assets which did not result in derecognition	(510)	-	-	(510)	(2,055)
Net effects of value changes of financial liabilities at fair value through profit or loss	(431)	-	-	(431)	(135)
Other gains from financial assets	-	-	-	-	155
	(941)	**-**	**-**	**(941)**	**(2,035)**

9. Foreign exchange gains

	2024	2023
Fee income from foreign exchange transactions	12,343	1,016
Fee expense from foreign exchange transactions	(12,140)	(198)
	203	818
Foreign exchange differences, net	-	5
	203	**823**

10. Other gains and (losses) from long-term non-financial assets

	2024	2023
Net gains and (losses) from rights-of-use assets	-	1,176
Net gains and (losses) from non-current assets held for sale	126	96
Net gains and (losses) from property, plant and equipment	567	82
Other gains/(losses) from earlier acknowledged from value impairment of long term non-financial assets	(334)	(19)
	359	**1,335**

11. Other income

	2024	2023
Income from lease	192	192
Subsequently determined interest and fee income	1	24
Other income	82	129
	275	**345**

(All amounts are given in thousands of BAM, unless otherwise stated)

12. Employee's expenses

	2024	2023
Net salaries	12,207	10,895
Taxes and contributions	7,793	6,984
Meal and transport	1,721	1,586
Holiday allowance	1,118	1,022
Other	1,070	987
	23,909	**21,474**

The average number of employees by calculated hours in 2024 was 457 (2023: 452).

13. Other expenses

	2024	2023
Deposit insurance expenses	3,117	3,050
Maintenance	2,893	2,624
Postal and telecommunications services cost	1,337	1,389
Marketing costs	3,099	1,790
Services	1,610	1,380
Security costs	1,216	1,195
Fees to FBA	1,350	1,058
Overhead costs	665	624
Office supplies and small inventory	861	677
Rent	553	488
Insurance costs	473	130
Legal expensesand other administrative expenses	302	261
Cleaning costs	209	196
Management fee	91	100
Other costs and expenses	1,157	3,557
	18,933	**18,519**

Other expenses include the costs of of the independent external auditor, whose structure is shown below:

	2024	2023
Audit of financial statements	152	121
Other audit services	3	11
Other non-audit services	18	39
Total	**173**	**171**

In accordance with the contract on the audit of the annual report, group reporting package and regulatory reports for the Banking Agency of the Federation of Bosnia and Herzegovina, and the audit of the information system for 2024, the Bank contracted with KPMG B-H d.o.o. the amount of BAM 152 thousand including VAT (2023: BAM 119 thousand including VAT, KPMG B-H d.o.o. Sarajevo).

(All amounts are given in thousands of BAM, unless otherwise stated)

14. Income tax

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

	2024	2023
Income tax for the year	2,593	2,844
Deferred tax	(604)	(775)
	1,989	**2,069**

Reconciliation of the income tax presented in the tax balance and the accounting income tax can be presented as follows:

	2024	2023
Profit before tax	29,563	26,979
Income tax at the statutory rate of 10%	2,956	2,698
Non-taxable income	(100)	(97)
Effect of non-deductible expenses	729	963
Tax reliefs	(992)	(720)
Effects of temporary tax differences	(604)	(775)
Income tax expense	**1,989**	**2,069**
Effective income tax rate for the year	**6,73%**	**7,67%**

14. a Deferred tax assets and liabilities

Movement in deferred tax assets

	2024	2023
Balance at 31 December previous year	1,642	1,007
Deferred tax assets- other provisions	50	21
Deferred tax assets- stage 1 and 2 impairment allowances	554	754
Deferred tax assets-actuary	2	-
Deferred Tax assets-debt securities at FVOCI	(137)	(140)
Balance at 31 December	**2,111**	**1,642**

Movement in deferred tax liabilities

	2024	2023
Balance at December 31 previous year	6	6
Deferred tax liabilities-equity securities	-	-
Balance at December 31	**6**	**6**

(All amounts are given in thousands of BAM, unless otherwise stated)

14. Income tax *(continued)*

14. a Deferred tax assets and liabilities *(continued)*

Deferred tax (tax assets or tax liabilities) is recognised because of the difference between the carrying amount for tax and accounting purposes for the following items:

	Deferred tax assets	Deferred tax liabilities	Net deferred tax assets / (liabilities)
Balance at 31 December 2022	**1,007**	**6**	**1,001**
Other provisions for loans and receivables through the income statement	21	-	21
Gain- deferred tax assets IV Stage 1 and 2 impairment of the value of the property	754	-	754
Deferred tax assets-debt securities	(140)	-	(140)
Deferred tax assets-equity securities			
Balance at 31 December 2023	**1,642**	**6**	**1,636**
Other provisions for loans and receivables from clients through profit or loss	50	-	50
Gain- deferred tax assets Stage 1 and 2	554	-	554
Deferred tax assets - actuary	2	-	2
Deferred tax assets-debt securities	(137)	-	(137)
Balance at 31 December 2024	**2,111**	**6**	**2,105**

15. Cash and cash equivalents

	31 December 2024	31 December 2023
Cash in hand	53,471	50,042
Balances with banks with maturity until 30 days	81,869	104,284
Liquidity reserves above the required reserve at the Central Bank	125,532	83,180
Calculated interest on assetsat banks	311	64
	261,183	**237,570**
Less : Value adjustment	(169)	(188)
	261,014	**237,382**

Cash and cash equivalents include cash in hand and balances on accounts with the Central Bank of BiH, and cash on accounts with other banks without placements to banks with maturity more than 30 days.

(All amounts are given in thousands of BAM, unless otherwise stated)

15. Cash and cash equivalents *(continued)*

The table below presents the gross exposure of the Bank in a form of placements with banks according to the internal rating system (internal classification) and by the level of credit risk (stage classification) at the end of the year:

Gross Exposure	**31 December 2024**				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**2023**
Cash and cash equivalents	261,183	-	-	261,183	237,570
	261,183	**-**	**-**	**261,183**	**237,570**

Gross Exposure	**31 December 2024**						
	A	**B**	**C**	**D**	**E**	**Total**	**2023**
Cash and cash equivalents	99,361	161,822	-	-	-	261,183	237,570
	99,361	**161,822**	**-**	**-**	**-**	**261,183**	**237,570**

Impairment	**31 December 2024**				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**2023.**
Cash and cash equivalents	(169)	-	-	(169)	(188)
	(169)	**-**	**-**	**(169)**	**(188)**

16. Financial assets at fair value through other comprehensive income

IFRS 9 classifies financial assets as financial assets measured at fair value through other comprehensive income.

16a Investment in equity instruments	**31 December 2024**	**31 December 2023**
S.W.I.F.T., Belgium	91	91
Register of securities of the FBiH, Sarajevo	14	14
	105	**105**

The bank had no dividend income in 2024.

16b Debt securities	**31 December 2024**	**31 December 2023**
Government F BiH -Federal Ministry of finance	10,373	35,156
Kingdom of , Belgium	9,727	28,358
Republic of Germany	11,724	27,320
Ministry of finance of Republic of Slovenia	-	23,591
Kingdom of the Netherlands	28,830	21,387
Republic of Srpska - Ministry of finance	16,613	19,216
Republic of Finland	-	13,619
Republic of France	23,447	7,813
Republic of Austria	18,540	4,874
City of Banja Luka	166	485
	119,420	**181,819**

(All amounts are given in thousands of BAM, unless otherwise stated)

16. Financial assets at fair value through other comprehensive income *(continued)*

The table below shows the Bank's gross exposure in the form of financial instruments at fair value through other total result according to the internal prudential system (internal classification) and by credit risk levels (stage classification) at the end of the year:

31 December 2024	**Stage 1**		**Stage 2**		**Stage 3**		**Total**
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
Internal classification							
A	-	92,026	-	-	-	-	92,026
B	-	28,000	-	-	-	-	28,000
C	-	-	-	-	-	-	-
D and E	-	-	-	-	-	-	-
	-	**120,026**	**-**	**-**	**-**	**-**	**120,026**

31 December 2023	**Stage 1**		**Stage 2**		**Stage 3**		**Total**
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
Internal classification							
A	-	127,179	-	-	-	-	127,179
B	-	55,366	-	-	-	-	55,366
C	-	-	-	-	-	-	-
D and E	-	-	-	-	-	-	-
	-	**182,545**	**-**	**-**	**-**	**-**	**182,545**

Changes in gross carrying amount and related value adjustments for financial assets measured at fair value through other comprehensive result in 2024 are presented below:

	Stage 1		**Stage 2**		**Stage 3**		**Total**
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessmen**	**Individual assessment**	**Collective assessment**	
Fair value as of 31 December 2023	**-**	***182,545***	-	-	-	-	***182,545***
New assets approved or purchased	-	94,641	-	-	-	-	94,641
Aset derecognition/maturity (excluding write-offs)	-	(155,784)	-	-	-	-	(155,784)
Changes in fair value	-	(1,376)	-	-	-	-	(1,376)
Transfer in Stage 1	-	-	-	-	-	-	-
Transfer in Stage 2	-	-	-	-	-	-	-
Transfer in Stage 3	-	-	-	-	-	-	-
As at 31 December 2024.	-	**120,026**	**-**	**-**	**-**	**-**	**120,026**

(All amounts are given in thousands of BAM, unless otherwise stated)

16. Financial assets at fair value through other comprehensive income *(continued)*

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Fair value as of 31 December 2022	**-**	***164,276***	-	-	-	-	***164,276***
Newassets approved or purchased	-	125,848	-	-	-	-	125,848
Asset derecognition/maturity (excluding write-offs)	-	(106,177)	-	-	-	-	(106,177)
Changes in fair value	-	(1,402)	-	-	-	-	(1,402)
Transfer in Stage 1	-	-	-	-	-	-	-
Transfer in Stage 2	-	-	-	-	-	-	-
Transfer in Stage 3	-	-	-	-	-	-	-
As of 31 December 2023.	-	**182,545**	**-**	**-**	**-**	**-**	**182,545**

(All amounts are given in thousands of BAM, unless otherwise stated)

16. Financial assets at fair value through other comprehensive income *(continued)*

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
ECL Allowance as of 31 December 2023	**-**	**621**	**-**	**-**	**-**	**-**	**621**
New assets approved or purchased	-	92	-	-	-	-	92
Asset derecognition/maturity (excluding write-offs)	-	(212)	-	-	-	-	(212)
Transfer in Stage 1	-	-	-	-	-	-	-
Transfer in Stage 2	-	-	-	-	-	-	-
Transfer in Stage 3	-	-	-	-	-	-	-
Changes due to non-recognition modifications	-	-	-	-	-	-	-
Changes in models /parameters for credit risk assessment	-	-	-	-	-	-	-
Improvements	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-	-
As at 31 December 2024.	**-**	**501**	**-**	**-**	**-**	**-**	**501**

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
ECL Allowance as of 31 December 2022	**-**	***873***	**-**	**-**	**-**	**-**	***873***
New assets approved or purchased	-	166	-	-	-	-	166
Asset derecognition/maturity (excluding write-offs)	-	(418)	-	-	-	-	(418)
Transfer in Stage 1	-	-	-	-	-	-	-
Transfer in Stage 2	-	-	-	-	-	-	-
Transfer in Stage 3	-	-	-	-	-	-	-
Changes due to non-recognition modifications	-	-	-	-	-	-	-
Changes in models/parameters for credit risk assessment	-	-	-	-	-	-	-
Improvements	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-	-
As at 31 December 2023.	**-**	**621**	**-**	**-**	**-**	**-**	**621**

(All amounts are given in thousands of BAM, unless otherwise stated)

16. Financial assets at fair value through other comprehensive income *(continued)*

Equity instruments at fair value through other comprehensive income:

Structure of equity investments	Activities	Country of business	% of Ownership as 31 December 2024.	% of Ownership 31 December 2023
The Association of Banks of Bosnia and Herzegovina	Activities of other member organizations	Bosnia and Herzegovina	4.35	4.35
Register of Securities of FBiH	Registration and maintenance of securities data	Bosnia and Herzegovina	0.687	0.687
S.W.I.F.T.	Payment transactions	Belgium	0.0055	0.0055

List of securities by valuation levels as of 31 December 2024:

	Level 1	Level 2	Level 3	Total
Debt securities	23,442	95,978	-	119,420
Total	**23,442**	**95,978**	**-**	**119,420**

List of securities by valuation levels as of 31 December 2023:

	Level 1	Level 2	Level 3	Total
Debt securities	126,961	54,858	-	181,819
Total	**126,961**	**54,858**	**-**	**181,819**

The table above presents debt securities classified in different hierarchical levels of fair value.

The Level 1 debt securities portfolio consists of bonds and treasury bills of the Republic of France and the Republic of Germany.

The level 2 securities portfolio consists of long-term bonds and treasury bills of the Kingdom of the Netherlands, the Republic of France, the Republic of Austria, the Kingdom of Belgium, the Republic of Srpska, the Federation of Bosnia and Herzegovina and the City of Banja Luka.

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost

17.a Reserve requirement with the Central Bank of BiH

The reserve requirement is the minimum amount that must be deposited with the Central Bank of Bosnia and Herzegovina. According to the Law on the Central Bank of Bosnia and Herzegovina, as of 1 July 2016, the reserve requirement represents 10% of the average ten-day deposits and borrowed funds, regardless of the currency in which the funds are denominated. The base in the domestic currency for the calculation of the reserve requirement in BAM consists of deposits and borrowed funds in BAM, while the foreign exchange base for the calculation of the required reserves in EUR consists of deposits and borrowed funds in BAM with a currency clause and deposits and borrowed funds in foreign currencies.

The reserve requirement is maintained through the average balances of accounts with the Central Bank of Bosnia and Herzegovina.

	31 December 2024	31 December 2023
Obligatory reserve at Central Bank BiH	166,292	153,269
Less: Impairment	(166)	(153)
	166,126	**153,116**

The Central Bank for the bank's reserve accounts in the accounting period:

- on the amount of required reserves on the basis of the base in the domestic currency (KM) – calculates the fee at the rate of 50 basis points
- on the funds of the reserve requirement on the basis of the base in foreign currencies and in the domestic currency with a currency clause – the fee is calculated at the rate of 30 basis points,
- on the amount of funds above the reserve requirement in BAM – at a zero rate
  on the amount of funds above the reserve requirement in EUR – at a zero rate.
  The Central Bank of Bosnia and Herzegovina has postponed the full implementation of the new reserve requirement framework, where for the period until 30 June 2025 it is prescribed to hold 5% of the required calculated amount for the required reserve in EUR currency, and the rest of 95% in the domestic BAM currency, and 100% of the required calculated amount for the required reserve in the domestic currency.

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17.a Reserve requirement with the Central Bank of BiH

The tables below show the Bank's gross exposure in the form of reserve requirements with the CB BiH, and the calculated value adjustment according to credit risk levels (stage classification) at the end of the year:

Gross Exposure	31 December 2024				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**2023**
Obligatotiry reserve with the CB of BiH	166,292	-	-	166,292	153,269
	166,292	**-**	**-**	**166,292**	**153,269**

Gross Exposure	31 December 2024						
	A	**B**	**C**	**D**	**E**	**Total**	**2023**
Obligatotiry reserve with the CB of BiH	-	166,292	-	-	-	166,292	153,269
	-	**166,292**	**-**	**-**	**-**	**166,292**	**153,269**

Impairment	31 December 2024				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**2023**
Obligatotiry reserve with the CB of BiH	(166)	-	-	(166)	(153)
	(166)	**-**	**-**	**(166)**	**(153)**

17.b Deposits with other banks

	31 December 2024	**31 December 2023**
Deposits with other banks	47,760	446
Less: Impairment	(7)	(1)
	47,753	445

The tables below show the Bank's gross exposure in the form of deposits with other banks, and the calculated value adjustment according to the levels of credit risk (stage classification) at the end of the year:

Gross exposure as at 31.12.2024	31 December 2024				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**2023.**
Deposits with other banks	47,760	-	-	47,760	446
	47,760	**-**	**-**	**47,760**	**446**

Gross exposure as at 31.12.2023	31 December 2024						
	A	**B**	**C**	**D**	**E**	**Total**	**2023**
Deposits with other banks	47,760	-	-	-	-	47,760	446
	47,760	**-**	**-**	**-**	**-**	**47,760**	**446**

Impairment	31 December 2024				
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**2023.**
Deposits with other banks	(7)	-	-	(7)	(1)
	(7)	**-**	**-**	**(7)**	**(1)**

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17.c Loans and receivables from customers

	Short-term loans on 31 December		Long-term loans on 31 December		Total on 31 December.	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Retail loans	35,132	32,300	715,302	635,116	750,434	667,416
Corporate loans	271,308	261,171	255,710	232,097	527,017	493,268
	306,440	**293,471**	**971,012**	**867,213**	**1,277,451**	**1,160,684**
Less: impairment	(11,782)	(10,085)	(32,595)	(31,693)	(44,377)	(41,778)
	294,658	**283,386**	**938,417**	**835,520**	**1,233,074**	**1,118,906**

The table below shows the Bank's gross exposure in the form of loans to clients according to the internal prudential system (internal classification) and by credit risk levels (stage classification) at the end of the year:

	31 December 2024						
	Stage 1		**Stage 2**		**Stage 3**		**Total**
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
Internal Classification Telugu							
A	-	777,916	-	3,240	-	-	781,156
B	-	421,338	-	7,540	-	-	428,878
C	-	23,702	-	17,112	-	-	40,814
D and E	-	-	-	-	13,151	13,452	26,603
	-	**1,222,956**	**-**	**27,892**	**13,151**	**13,452**	**1,277,451**

	31 December 2023						
	Stage 1		**Stage 2**		**Stage 3**		**Total**
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
Internal Classification Telugu							
A	-	692,537	-	2,975	-	-	695,512
B	-	380,443	-	11,022	-	-	391,465
C	-	31,895	-	17,141	-	-	49,036
D and E	-	-	-	-	10,085	14,586	24,671
	-	**1,104,875**	**-**	**31,138**	**10,085**	**14,586**	**1,160,684**

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

The development of impairment allowances in 2024 and 2023 is presented in the following table:

	2024	2023
1 January	**41,778**	**40,585**
Increase in impairment for the year	26,075	18,931
Decrease in impairment	(12,846)	(12,409)
Increase during the year, net	13,229	6,522
Decrease in impairment based on unwinding	-	(6)
Net cost of interest impairment	36	(69)
Accounting write-off during the year	(3,249)	(4,982)
Permanent write-off	(7,417)	(272)
31. December	**44,377**	**41,778**

Below is an overview of loans granted to clients by segment and by credit risk levels as of 31 December 2024 and 31 December 2023:

31 December 2024

	Stage 1		Stage 2		Stage 3		
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Total
Retail loans							
Housing loans	-	179,656	-	1,031	-	440	181,127
Consumer loans	-	437,251	-	5,445	35	11,858	454,589
Other retail loans	-	113,050	-	730	182	756	114,718
	-	**729,957**	**-**	**7,206**	**217**	**13,054**	**750,434**
Corporate Loans							
Corporate clients	-	415,822	-	18,929	10,151	41	444,943
SME clients	-	55,044	-	851	2,682	50	58,627
Other clients	-	22,132	-	907	101	307	23,447
	-	**492,998**	**-**	**20,687**	**12,934**	**398**	**527,017**
		1,222,955	**-**	**27,893**	**13,151**	**13,452**	**1,277,451**
Less: Impairment	-	(20,288)		(3,896)	(9,952)	(10,241)	(44,377)
Total loan (net)	**-**	**1,202,667**	**-**	**23,997**	**3,199**	**3,211**	**1,233,074**

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

Changes in gross carrying amount and related value adjustments for loans granted to individuals in 2024 are presented below:

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
Gross carrying amount as at 31 December 2023	**-**	**644,015**	**-**	**9,148**	**99**	**14,154**	**667,416**
New assets originated or purchased	-	271,371	-	1,163	-	255	**272,789**
Assets derecognized or matured (excluding write-offs)	-	(180,166)	-	(2,024)	(8)	(2,660)	**(184,858)**
Transfers to Stage 1	-	4,644	-	(3,931)	-	(713)	-
Transfers to Stage 2	-	(4,147)	-	4,643	-	(496)	-
Transfers to Stage 3	-	(4,363)	-	(1,789)	126	6,026	-
Changes to contractual cash flows due to modification not resulting in derecognition	-	(1,397)	-	(4)	-	(1)	**(1,402)**
Accounting write-offs	-	-	-	-	-	(3,211)	**(3,211)**
Write-offs	-	-	-	-	-	(300)	**(300)**
At 31 December 2024	**-**	**729,957**	**-**	**7,206**	**217**	**13,054**	**750,434**

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	**Collective assessment**	**Individual assessment**	**Collective assessment**	**Individual assessment**	**Collective assessment**	
Gross carrying amount as at 31 December 2022	**-**	**579,568**	**-**	**8,406**	**140**	**16,896**	**605,010**
New assets originated or purchased	-	292,454	-	1,696	-	972	**295,122**
Assets derecognised or matured (excluding write-offs)	-	(221,625)	-	(3,335)	(107)	(2,397)	**(227,464)**
Transfers to Stage 1	-	2,922	-	(2,167)	-	(755)	-
Transfers to Stage 2	-	(5,198)	-	5,808	-	(610)	-
Transfers to Stage 3	-	(3,553)	-	(1,260)	103	4,710	-
Decrease in CLA due to improvement	-	(553)	-	-	-	-	**(553)**
Accounting write-offs	-	-	-	-	(37)	(4,385)	**(4,422)**
Write-offs	-	-	-	-	-	**(277)**	**(277)**
At 31 December 2023	**-**	**644,015**	**-**	**9,148**	**99**	**14,154**	**667,416**

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
ECL Allowance as at 31 December 2023	-	**10,460**	-	**2,004**	**52**	**11,335**	**23,851**
New assets originated or purchased	-	5,283	-	373	-	120	**5,776**
Assets derecognized or matured (excluding write-offs)	-	(1,376)	-	(178)	-	(295)	**(1,849)**
Transfer to Stage 1	-	1,175	-	(797)	-	(378)	**-**
Transfer to Stage 2	-	(76)	-	345	-	(269)	**-**
Transfer to Stage 3	-	(76)	-	(477)	20	533	**-**
Decrease in CLA due to improvement	-	(2,659)	-	(375)	(53)	(1,388)	**(4,475)**
Increase in CLA due to worsening	-	1,284	-	1,115	95	3,768	**6,262**
Changes to contractual cash flows due to modification not resulting in derecognition	-	-	-	-	-	-	**-**
Accounting write-offs	-	-	-	-	-	(3,211)	**(3,211)**
Write-offs	-	-	-	-	-	(300)	**(300)**
At 31 December 2024	**-**	**14,015**	**-**	**2,010**	**114**	**9,915**	**26,054**

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
ECL Allowance as at 31 December 2022	-	**7,496**	-	**1,457**	**167**	**15,624**	**24,744**
New assets originated or purchased	-	5,912	-	499	-	899	**7,310**
Assets derecognizedor matured (excluding write-offs)	-	(2,871)	-	(326)	(130)	(2,429)	**(5,756)**
Transfer to Stage 1	-	941	-	(332)	-	(609)	**-**
Transfer to Stage 2	-	(89)	-	595	-	(506)	**-**
Transfer to Stage 3	-	(39)	-	(299)	8	330	**-**
Decrease in CLA due to improvement	-	(890)	-	(407)	-	(25)	**(1,322)**
Increase in CLA due to worsening	-	-	-	817	44	2,700	**3,561**
Changes to contractual cash flows due to modification not resulting in derecognition	-	-	-	-	-	-	**-**
Accounting write-offs	-	-	-	-	(37)	(4,385)	**(4,422)**
Write-offs	-	-	-	-	-	(264)	**(264)**
At 31 December 2023	**-**	**10,460**	**-**	**2,004**	**52**	**11,335**	**23,851**

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

Changes in gross carrying amount and related value adjustments for loans to corporates in 2024 are presented below:

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Gross carrying amount as at 31 December 2023	**-**	**460,860**	**-**	**21,990**	**9,986**	**432**	**493,268**
New assets originated or purchased	-	373,006	-	6,236	5,254	132	**384,628**
Assets derecognized or matured (excluding write-offs)	-	(318,820)	-	(21,500)	(1,442)	(1,719)	**(343,481)**
Transfers to Stage 1	-	1,248	-	(1,248)	-	-	**-**
Transfers to Stage 2	-	(18,663)	-	18,746	-	(83)	**-**
Transfers to Stage 3	-	(4,516)	-	(3,520)	6,352	1,684	**-**
Changes to contractual cash flows due to modification not resulting in derecognition	-	(117)	-	(17)	(108)	-	**(242)**
Accounting write-offs	-	-	-	-		(38)	**(38)**
Write-offs	-	-	-	-	(7,108)	(10)	**(7,118)**
At 31 December 2024	**-**	**492,998**	**-**	**20,687**	**12,934**	**398**	**527,017**

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Gross carrying amount as at 31 December 2022	**-**	**425,480**	**-**	**12,965**	**9,939**	**132**	**448,516**
New assets originated or purchased	-	364,300	-	10,644	472	82	**375,498**
Assets derecognised or matured (excluding write-offs)	-	(317,045)	-	(6,172)	(575)	(39)	**(323,831)**
Transfers to Stage 1	-	1,506	-	(1,506)	-	-	**-**
Transfers to Stage 2	-	(11,206)	-	11,206	-	-	**-**
Transfers to Stage 3	-	(286)	-	(868)	810	344	**-**
Decrease in CLA due to improvement	-	(1,298)	-	-	-	-	**(1,298)**
Accounting write-offs	-	-	-	-	(516)	(44)	**(560)**
Write-offs	**-**	**-**	**-**	**(102)**	**-**	**-**	**(102)**
At 31 December 2023	**-**	**460,860**	**-**	**21,990**	**9,986**	**432**	**493,268**

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
ECL Allowance as at 31 December 2023	**-**	**6,635**	**-**	**2,180**	**8,758**	**354**	**17,927**
New assets originated or purchased	-	4,490	-	528	4,334	48	**9,400**
Assets derecognized or matured (excluding write-offs)	-	(3,082)	-	(941)	(299)	(16)	**(4,338)**
Transfer to Stage 1	-	104	-	(104)	-	-	-
Transfer to Stage 2	-	(342)	-	379	-	(37)	-
Transfer to Stage 3	-	(109)	-	(408)	515	2	-
Decrease in CLA due to improvement	-	(1,512)	-	(379)	(282)	(11)	**(2,184)**
Increase in CLA due to worsening	-	90	-	630	3,919	34	**4,673**
Changes to contractual cash flows due to modification not resulting in derecognition	-	-	-	-	-	-	-
Accounting write-offs	-	-	-	-	-	(38)	**(38)**
Write-offs	-	-	-	-	(7,108)	(10)	**(7,118)**
At 31 December 2024	**-**	**6,274**	**-**	**1,885**	**9,837**	**326**	**18,322**

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
ECL Allowance as at 31 December 2022	**-**	**6,635**	**-**	**2,180**	**8,758**	**354**	**17,927**
New assets originated or purchased	-	4,490	-	528	4,334	48	**9,400**
Assets derecognized or matured (excluding write-offs)	-	(3,082)	-	(941)	(299)	(16)	**(4,338)**
Transfer to Stage 1	-	104	-	(104)	-	-	-
Transfer to Stage 2	-	(342)	-	379	-	(37)	-
Transfer to Stage 3	-	(109)	-	(408)	515	2	-
Decrease in CLA due to improvement	-	(1,512)	-	(379)	(282)	(11)	**(2,184)**
Increase in CLA due to worsening	-	90	-	630	3,919	34	**4,673**
Changes to contractual cash flows due to modification not resulting in derecognition	-	-	-	-	-	-	-
Accounting write-offs	-	-	-	-	-	(38)	**(38)**
Write-offs	-	-	-	-	(7,108)	(10)	**(7,118)**
At 31 December 2023	**-**	**6,635**	-	**2,180**	**8,758**	**354**	**17,927**

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

Loans and receivables from clients – Stage 1

At 31 December 2024	Not due	Due in less than 30 days	Due in 31 - 60 days	Due in 61 - 90 days	Due over 90 days	Total
Housing loans	177,091	2,565	-	-	-	179,656
Consumer loans	417,160	20,091	-	-	-	437,251
Other retail loans	109,306	3,744	-	-	-	113,050
Total retai loans	**703,557**	**26,400**	**-**	**-**	**-**	**729,957**
Corporate lending	411,047	4,775	-	-	-	415,822
SME lending	54,150	894	-	-	-	55,044
Other loans	21,153	979	-	-	-	22,132
Total Corporate loans	**486,350**	**6,648**	**-**	**-**	**-**	**492,998**
Total Loans to customer	**1,189,907**	**33,048**	**-**	**-**	**-**	**1,222,955**
of which: restructured	26	-	-	-	-	26

At 31 December 2023	Not due	Due in less than 30 days	Due in 31 – 60 days	Due in 61 – 90 days	Due over 90 days	Total
Housing loans	139,854	3,051	-	-	-	142,905
Consumer loans	382,557	19,752	-	-	-	402,309
Other retail loans	95,284	3,517	-	-	-	98,801
Total Retail loans	**617,695**	**26,320**	**-**	**-**	**-**	**644,015**
Corporate lending	396,561	3,976	-	-	-	400,537
SME lending	41,544	1,508	-	-	-	43,052
Other loans	16,218	1,053	-	-	-	17,271
Total Corporate loans	**454,323**	**6,537**	-	-	-	**460,860**
Total Loans to customers	**1,072,018**	**32,857**	-	-	-	**1,104,875**
of which: restructured	29					29

The methodology for the formation of collectively calculated impairment alloawance and provisions in NLB Banka d.d., Sarajevo defines the levels of material overdue for corporate and retail, which will result in clients being transferred to Stage 2. Accordingly, Stage 1 contains clients overdue for 30 days, but their delay is not materially significant to be transferred to Stage 2.

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

Loans and receivables from clients – Stage 2

At 31 December 2024	Not due	Due in less than 30 days	Due in 31 - 60 days	Due in 61 - 90 days	Due over 90 days	Total
Housing loans	737	252	42	-	-	1,031
Consumer loans	1,877	1,588	1,260	720	-	5,445
Other retail loans	490	103	87	50	-	730
Total retai loans	**3,104**	**1,943**	**1,389**	**771**	**-**	**7,206**
Corporate lending	10,785	325	5,429	2,390	-	18,929
SME lending	105	545	201	-	-	851
Other loans	742	75	91	-	-	908
Total Corporate loans	**11,632**	**945**	**5,721**	**2,390**	**-**	**20,688**
Total Loans to customer	**14,735**	**2,888**	**7,110**	**3,161**	**-**	**27,894**
of which: restructured	157	28	91	-	-	276

At 31 December 2023	Not due	Due in less than 30 days	Due in 31 - 60 days	Due in 61 - 90 days	Due over 90 days	Total
Housing loans	1,153	261	18	134	-	1,566
Consumer loans	2,927	1,114	1,662	683	-	6,386
Other retail loans	884	46	122	144	-	1,196
Total retai loans	**4,964**	**1,421**	**1,802**	**961**	**-**	**9,148**
Corporate lending	18,354	1,182	-	-	-	19,536
SME lending	1,447	-	-	-	-	1,447
Other loans	1,007	-	-	-	-	1,007
Total Corporate loans	**20,808**	**1,182**	**-**	**-**	**-**	**21,990**
Total Loans to customer	**25,772**	**2,603**	**1,802**	**961**	**-**	**31,138**
of which: restructured	342	-	-	-	-	342

(All amounts are given in thousands of BAM, unless otherwise stated)

17. Financial assets at amortized cost *(continued)*

17c Loans and receivables from customers *(continued)*

Accounts receivable – Stage 3

At 31 December 2024	Not due	Due in less than 30 days	Due in 31 - 60 days	Due in 61 - 90 days	Due over 90 days	Total
Housing loans	186	42	-	-	212	440
Consumer loans	2,065	605	209	63	8,950	11,892
Other retail loans	122	109	-	14	693	938
Total retai loans	**2,373**	**756**	**209**	**77**	**9,855**	**13,270**
Corporate lending	-	-	-	41	10,151	10,192
SME lending	-	225	-	-	2,507	2,732
Other loans	-	91	-	-	317	408
Total Corporate loans	**-**	**316**	**-**	**41**	**12,975**	**13,332**
Total Loans to customer	**2,373**	**1,072**	**209**	**118**	**22,830**	**26,602**
of which: restructured	48	213	-	-	3,292	3,552

At 31 December 2023	Not due	Due in less than 30 days	Due in 31 - 60 days	Due in 61 - 90 days	Due over 90 days	Total
Housing loans	22	39	15	11	331	418
Consumer loans	1,566	769	50	100	10,496	12,981
Other retail loans	139	19	6	-	690	854
Total retai loans	**1,727**	**827**	**71**	**111**	**11,517**	**14,253**
Corporate lending	-	-	-	-	6,061	6,061
SME lending	-	-	-	-	3,874	3,874
Other loans	83	-	-	-	400	483
Total Corporate loans	**83**	**-**	**-**	**-**	**10,335**	**10,418**
Total Loans to customer	**1,810**	**827**	**71**	**111**	**21,852**	**24,671**
of which: restructured	135	31	6	-	2,759	2,931

17.d Other financial assets at amortized cost

	31 December 2024	31 December 2023
Other financial assets at amortized cost		
Debt securities	*87,783*	*54,121*
Receivables from the card transactions	2,827	1,696
Calculated service fees receivables	894	789
Other financial assets.	407	403
	91,911	57,009
Less: Impairment	(1,073)	(852)
Other financial assets at amortized cost	**90,838**	**56,157**

(All amounts are given in thousands of BAM, unless otherwise stated)

18. Property, plant and equipment

18. and. Property, plant and equipment

Cost	Land and buildings	Vehicles	Computer equipment	Other equipment	Leashold improvements	Assets under construction	Total
At of 1 January 2023	37,352	1,022	9,940	6,140	1,933	442	56,829
Additions	-	-	-	-	-	3,576	3,576
Transfer	29	761	1,514	240	48	(2,592)	-
Transfer from intangible assets	-	-	339	-	-	-	339
Disposals	-	-	-	-	-	-	-
- write-offs	-	-	(1,378)	(111)	-	-	(1,489)
- disposal on IAS 36	-	-	-	-	-	-	-
- sale of assets	-	(188)	-	-	-	-	(188)
At of 31 December 2023	**37,381**	**1,595**	**10,415**	**6,269**	**1,981**	**1,426**	**59,067**
Additions	-	-	-	-	-	4,412	4,412
Transfer	943	1,546	1,061	632	360	(4,542)	-
Transfer from intangible assets	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
- write-offs	-	-	(499)	(445)	(267)	-	(1,211)
- disposal on IAS 36	-	-	-	-	-	-	-
- sale of assets	(336)	(757)	-	-	-	-	(1,093)
At of 31 December 2024	**37,988**	**2,384**	**10,977**	**6,456**	**2,074**	**1,296**	**61,175**
Accumulated depreciation and impairement							
As of January 1, 2023.	**15,030**	**624**	**6,002**	**3,946**	**1,366**	**-**	**26,968**
Depreciation for the period	747	168	1,230	444	235	-	2,824
- write-offs	-	-	(1,378)	(105)	-	-	(1,483)
- sale of assets	-	(188)	-	-	-	-	(188)
At of 31 December 2023	**15,777**	**604**	**5,854**	**4,285**	**1,601**	**-**	**28,121**
Depreciation for the period	753	281	1,360	489	239	-	3,122
- write-offs	-	-	(470)	(431)	(267)	-	(1,168)
- sale of assets	(224)	(573)	-	-	-	-	(797)
At of 31 December 2024	**16,306**	**312**	**6,744**	**4,343**	**1,573**	**-**	**29,278**
Net book value 31 December 2024	**21,682**	**2,072**	**4,233**	**2,113**	**501**	**1,296**	**31,897**
Net book value 31 December 2023	**21,604**	**991**	**4,561**	**1,984**	**380**	**1,426**	**30,946**

(All amounts are given in thousands of BAM, unless otherwise stated)

18. Property, plant and equipment *(continued)*

18. b. Right of use assets

Cost	
At of 1 January 2023	**8,043**
Increase	4,959
- write-offs	(8,043)
At of 31 December 2023	**4,959**
Increase	1,661
- write-offs	(538)
At of 31 December 2024	**6,082**
Accumulated depreciation	
As of 1 January 2023	**4,937**
Depreciation of period	1,309
- write-offs	(5,978)
At of 31 December 2023	**268**
Depreciation of period	1,546
- write-offs	(166)
At of 31 December 2024	**1,648**
Net book value 31 December 2024	**4,434**
Net book value 31 December 2023	**4,691**

During 2024 and 2023, Property and equipment did not serve as collateral for the Bank's liabilities. The total acquisitions cost of tangible assets, which are fully depreciated and are still in use, amounts to BAM 5,498 thousand as of 31 December 2024, while as of 31 December 2023, it amounted to BAM 5,319 thousand.

Leases

a) Lease as lessee

Right of use assets	**31 December 2024**	**31 December 2023**
Property	4,963	3,840
Equipment	1,119	1,119
Total	**6,082**	**4,959**

The increase in the right to use property during 2024 amounted to 6,082 thousand BAM.

In the statement of financial position, assets with the right to use are disclosed as a separate item within Tangible Assets, and liabilities based on leases are reported as a separate item Liabilities based on lease.

(All amounts are given in thousands of BAM, unless otherwise stated)

18. Property, plant and equipment *(continued)*

18. b. Property with the right of use *(continued)*

In Statement of profit and loss, the following types of costs refer to rents:

Depreciation expense	**2024.**	**2023.**
Property	1,310	1,109
Equipment	236	200
Total	**1,546**	**1,309**

Other expenses	**2024.**	**2023.**
Short-term lease expanses (Note 13)	244	267
Expensesfor leases of low-value (Note 13)	309	221
Interest expenses	141	78
Expenses on VAT based on leases treated under IFRS 16 (Note 13)	-	-
Total	**694**	**566**

A total of 2,275 thousand BAM was paid to suppliers from the lease bases in 2024. Of this, the amount of BAM 1,722 thousand refers to leases treated according to IFRS 16.

(All amounts are given in thousands of BAM, unless otherwise stated)

19. Intangible assets

The total cost of intangible assets, which are fully depreciated and are still in use, amounts to BAM 2,256 thousand as of 31 December 2024, while on 31 December 2023 it amounted to BAM 1,997 thousand.

	Licenses and software	Assets in progress	TOTAL
Cost			
At 1 January 2023	**6,425**	**189**	**6,614**
Increases	-	725	725
Transfers	147	(147)	-
Transfers to tangible assets	-	(339)	(339)
Write-offs	(117)	-	(117)
At 31 December 2023	**6,455**	**428**	**6,883**
Increase	363	661	1,024
Transfers	(316)	(363)	(679)
Transfers to tangible assets	-	-	-
Write-offs	-	-	-
AT 31 December 2024	**6,502**	**726**	**7,228**
Accumulated deepreciation			
At January 1, 2023.	**4,673**	**-**	**4,673**
Depreciation	571	-	571
Write-offs	(116)	-	(116)
At 31 December 2023	**5,128**	**-**	**5,128**
Depreciation	562	-	562
Write-offs	(316)	-	(316)
At 31 December 2024	**5,374**	**-**	**5,374**
Net book value at 31 December 2024	**1,128**	**726**	**1,854**
Net book value at 31 December 2023	**1,327**	**428**	**1,755**

20. Non-current assets held for sale

Long-term assets intended for sale refer to the acquired tangible assets in the amount of BAM 34 thousand as of 31 December 2024 (2023: BAM 12 thousand), which relate property taken over for unpaid receivables. During 2024, the Bank foreclosed three properties for outstanding loans (2023: four properties).

As of 31.12.2024, the Bank owns 10 forecloses assets (property). All acquired tangible assets are located on the territory of Bosnia and Herzegovina.
The bank plans to sell the acquired assets for unpaid receivables within a period of up to one year from the date of acquisition. For assets that are not sold within one year, an evaluation of the value is carried out and the appropriate impairment is recognized.

Appraisals for 10 properties were made in 2024, and reassessments will be made in 2025. A valuation check is carried out annually by the Bank's internal appraisers, who hold the title of architectural/construction expert.

(All amounts are given in thousands of BAM, unless otherwise stated)

21. Other assets and receivables

	31 December 2024	31 December 2023
Other assets and receivables		
Prepaid costs and accruals	419	790
Smaill inventory	4	23
	423	813
Less: impairement allowance	(1)	(60)
Other assets and receivables	**422**	**753**

22. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through the balance of success refer to bonuses to the management board, which are paid in the value of financial instruments (shares) and which are revalued at each reporting date.

In June 2022, the Bank for the first time determined the number of instruments for 2021 and 2019 in the amount of 2,289 shares and on that basis booked BAM 332 thousand of financial liabilities.

The value of financial liabilities on this basis is determined on a monthly basis.
On 31 December 2024, an increase in the value of shares was determined in the amount of BAM 431 thousand, and on this basis, the effect of the change in the value of financial assets at fair value through the income statement was realized in the same amount and the effects were shown within the position of other gains / losses from financial assets.

23. Financial liabilities at amortized cost

23. a Banks' deposits and other financial institutions and other customers

	31 December 2024	31 December 2023
Deposits a vista	**6,944**	**13,532**
Banks	1,079	1,322
Other financial institutions	5,865	12,210
Other deposits	**42,905**	**41,339**
Banks	-	-
Other financial institutions	42,905	41,339
Interest accrued and reserved	41	51
Total banks and other financial institutions	**49,890**	**54,922**

(All amounts are given in thousands of BAM, unless otherwise stated)

23. Financial liabilities at amortized cost *(continued)*

23. b Customers' deposits

	31 December 2024	31 December 2023
Deposits a vista	**1,144,813**	**1,025,480**
Government	294,285	269,751
Public Enterprises	31,768	30,925
Private Companies	289,405	250,491
Non-profit organizations	22,767	20,274
Retail	506,588	454,039
Other deposits	**427,995**	**383,969**
Government	3,100	5,600
Public companies	23,474	23,480
Private companies	90,968	84,363
Non-profit organization	2,868	1,742
Retail	307,585	268,784
Interest accrued and reserved	**3,772**	**3,318**
Total customer's deposits	**1,576,580**	**1,412,767**

23c Borrowings

Borrowings refer to liabilities based on long-term and subordinated loans from banks and non-bank financial organizations.

	31 December 2024	31 December 2023
Borrowings		
Nova Ljubljanska banka d.d., Ljubljana	19,603	34,733
European Fund for South-East Europe (EFSE)	29,566	29,170
Subordinated loans		
Nova Ljubljanska banka d.d., Ljubljana	38,712	25,412
	87,881	**89,315**

Interest rates on the entire portfolio of long-term credit lines from banks and non-bank financial institutions for the year ended 31 December 2024 were realized in the range: fixed interest rates from 1.15% to 1.97% per annum, while variable interest rates were realized in the range of 6M EURIBOR +0.85% to 6M EURIBOR +3.5%. The Bank has contracted loans with the European Fund for South-East Europe (EFSE) with the character of MREL eligible liabilities.

In 2024, the Bank concluded one new subordinated debt agreement with NLB d.d. Ljubljana in the total amount of EUR 6.785 million. Contracted interest rates for individual subordinated contracts by rate types are fixed and variable related to 6M EURIBOR, the range of the realized total interest rate ranges from 4.70% to 15.75%, with an agreed maturity of 10 years.

(All amounts are given in thousands of BAM, unless otherwise stated)

23. Financial liabilities at amortized cost *(continued)*

23c Borrowings *(continued)*

The following is a breakdown of the liabilities arising from the financing activities:

	2024	
	Borrowings	**Subordinated debt**
Balance 1 January 2024	63,792	25,523
Repayment of borrowings	(17,034)	-
Proceeds from borrowings	1,947	13,270
Total changes from financing cashflows	**48,705**	**38,793**
Borrowings-related:	**326**	**57**
Interest expense	3,134	3,518
Interest paid	(2,808)	(3,461)
Balance at 31 December 2024	**49,031**	**38,850**

	2023	
	Borrowings	**Subordinated debt**
Balace at 1 January 2023	61,292	6,006
Repayment of borrowings	(17,044)	-
Proceeds from borrowings	19,558	18,580
Total changes from financing cashflows	**63,806**	**24,586**
Borrowings-related:	**(14)**	**937**
Interest expense	2,369	1,464
Interest paid	(2,383)	(527)
Balance at 31 December 2023	**63,792**	**25,523**

(All amounts are given in thousands of BAM, unless otherwise stated)

23. Financial liabilities at amortized cost *(continued)*

23. c Loans liabilities

The subordinated debt was used as an additional capital increase for regulatory purposes, with prior approval from the regulator. In the event of liquidation or bankruptcy of the Bank, the liabilities arising from the subordinated debt shall be subordinated to the Bank's other liabilities.

The loan and the subordinated liabilities under this basis are not additionally secured, nor subject to any own guarantee or guarantee, mortgage, or any other type or form of collateral issued, and no other form of arrangement may be made that would increase the superiority of the claims under this loan and subordinated liabilities by any of the following:

the Borrower or its subsidiaries; its parent company or its subsidiaries, its parent financial holding company or its subsidiaries, its mixed holding company or its subsidiaries, its mixed financial holding company or its subsidiaries; or any company that has close links with the entities listed above.
Early repayment of the loan is possible after the expiration of 5 years and 1 day after the date of withdrawal of funds, but with the prior consent of the FBiH Banking Agency.

23.d Other financial liabilities at amortized cost

	31 December 2024	**31 December 2023**
Unallocated inflows	907	15,376
Fund received for undue loan receivables	13,272	12,446
Liabilities to individuals based on inactive accounts	2,790	3,068
Liabilites to suppliers	1,642	1,305
Dividend liability	529	493
Other financial liabilities	10,238	3,892
Liabilites to employees	689	-
	30,067	**36,580**

In accordance with the Procedure for Handling Inactive Accounts, the Bank may terminate the contract with clients whom it considers to have no intention of continuing the business relationship. After the expiration of the 30-day notice period, the Bank transfers funds from the client's account to the account of other liabilities on the basis of funds on inactive accounts, if the client has not activated the account or withdrawn funds. The Bank remains obliged to pay the transferred funds at the client's request.

The management of assets in the name of and on behalf of clients

	31 December 2024	**31 December 2023**
Corporate	10,684	10,685
Retail	4,344	4,959
Total placements	**15,028**	**15,644**
Government of Tuzla Canton	10,916	10,955
Government of Sarajevo Canton	3,146	3,604
Other non-banking financial institutions	966	1,085
Total sources (liabilities)	**15,028**	**15,644**
Differences	**-**	**-**

Assets managed by the Bank as a trustee for and on behalf of third parties do not represent the Bank's assets in the Bank's balance sheet. The bank manages funds in the name and for the account of others, placed for the most part in the form of long-term loans to legal entities and citizens. The bank bears no risk for these placements, and receives compensation for its services.

(All amounts are given in thousands of BAM, unless otherwise stated)

24. Provisions

	31 December 2024	31 December 2023
Credit risk of commitments and guarantees (Note 28)	2,995	3,675
Litigation	-	2
Other provisions	2,915	2,324
	5,910	**6,001**

a. Credit risk of commitments and guarantees

	31 December 2024	31 December 2023
Opening balance as of 1 January	3,675	3,139
Increase/(decrease) for the year, net (*Note 7a)*	(680)	235
Other adjustments	-	301
	2,995	**3,675**

b. Litigation

	31 December 2024	31 December 2023
Opening balance as of January 1,	2	42
Decrease/increase for the year, net (*Note 7b*)	-	(30)
Utilization	(2)	(10)
	-	**2**

c. Other provisions

	31 December 2024	31 December 2023
Opening balance as of January 1,	2,324	2,093
Increase for the year, net (Note 7b)	592	254
Discount amount of provisions according to IAS 19 (Note 5b)	55	65
Release via OCI/additional booking via OCI	24	90
Utilization	(80)	(178)
	2,915	**2,324**

25. Other liabilities

	31 December 2024	31 December 2023
Other liabilities to employees	-	719
Liabilities for taxes and membership fees	169	169
Prepaid fees	-	129
Other liabilities	9	-
	178	**1,017**

(All amounts are given in thousands of BAM, unless otherwise stated)

26. Share capital

	31 December 2024	31 December 2023
Number of shares	**382,894**	**382,894**
-Ordinary shares	382,712	382,712
-Preferred shares	182	182

Preference shares were issued in 1991 bearing a dividend in an amount equal to the interest rate on retail term deposits with a maturity of over 3 years, applicable from the date on which the Shareholders' Assembly is held.

Ownership structure is presented within the Note 1.

Earnings per share

The Bank's shares are publicly traded shares on the Sarajevo Stock Exchange – SASE (The Sarajevo Stock Exchange). The Bank calculates and publishes earnings per share in accordance with IAS 33. Basic earnings per share are calculated by dividing the net profit, available for distribution to the Bank's shareholders by the weighted average number of ordinary shares for the period (amounts are in absolute numbers). The bank has no instruments, such as convertible debt or common stock options, that could result in diluted earnings per share. For this reason, the Bank does not calculate diluted earnings per share, i.e. it is the same as the basic earnings per share.

	31 December 2024	31 December 2023
Net profit of the Bank after tax (in BAM)	26.970.225	24,134,964
Weighted number of shares	382,712	382,712
Basic earnings per share (in BAM)	70.47	63.06

In June 2024, by the Decision of the Assembly of the Bank, No. I-100-58-7/24, dated June 27, 2024, the payment of dividend from accumulated (retained) earnings for 2023 was made.

For 2023, the amount of dividend for one ordinary share was 18.91 BAM, with a total of 7,238 thousand BAM of dividend calculated.

27. Transaction with related parties

Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Transactions with the Bank management and members of their families have likewise been considered transactions with related parties in 2024 and 2023.

Transactions with related parties are a part of everyday operations. These transactions include loans, deposits, and borrowings, received and issued guarantees and other potential liabilities.

Memberships of members of the Supervisory Board and Bank Management in other affiliates and non- affiliates are specified in the Annual report.

(All amounts are given in thousands of BAM, unless otherwise stated)

27. Transaction with related parties *(continued)*

The volume of transactions with related parties as well as the balances at the end of 31 December 2024 are shown in the following table:

Related party	Business activity/role of idividuals	Relationship of related party with NLB Banka d.d., Sarajevo	Liabilites	Receviables	Off-balance Receviables	Revenue	Expense
			NLB Banka d.d., Sarajevo as of 31 December 2024 toward related party			NLB Banka d.d., Sarajevo in 2024 Toward related party	
NOVA LJUBLJANSKA BANKA DD, LJUBLJANA	BANK ACTIVITY	SIGNIFICANT OWNERSHIP INTEREST IN THE BANK	60,450	26,602	3,000	1,135	5,010
NLB BANKA AD, BANJA LUKA	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	209	1,281	-	508	136
NLB BANKA AD, PODGORICA	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	38	134	-	-	-
NLB BANKA AD, SKOPJE	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	278	228	-	-	56
NLB KOMERCIJALNABANKA AD BEOGRAD	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	536	672	-	-	1
NLB REAL ESTATE DOO PODGORICA	REAL ESTATE BUSINESS	COMMON OWNER	-	-	-	-	4
MINISTRY OF FINANCE OF THE REPUBLIC OF SLOVENIA	OTHER ACTIVITIES	SHAREHOLDER OF A PERSON WITH SIGNIFICANT OWNERSHIP INTEREST IN THE BANK	-	9,688	-	590	-
NLB DIGIT D.O.O. BEOGRAD	COMPUTER DEVICE MANAGEMENT PROGRAMMING	PART OF THE SAME BANKING GROUP	224	-	-	-	396
INDIVIDUALS	MEMBERS OF THE MANAGEMENT AND MANAGEMENT BODIES AND MEMBERS OF THEIR FAMILIES		1,184	2,109	193	96	7

(All amounts are given in thousands of BAM, unless otherwise stated)

27. Transaction with related parties *(continued)*

The volume of transactions with related parties as well as the balances at the end of 31 December 2023 are shown in the following table:

Related party	Business activity/role of idividuals	Relationship of related party with NLB Banka d.d., Sarajevo	Liabilites	Receviables	Off-balance Receviables	Revenue	Expense
			NLB Banka d.d., Sarajevo as of 31 December 2023 toward related party			NLB Banka d.d., Sarajevo in 2024 Toward related party	
NOVA LJUBLJANSKA BANKA DD, LJUBLJANA	BANK ACTIVITY	SIGNIFICANT OWNERSHIP INTEREST IN THE BANK	61,567	30,136	5,000	762	3,579
NLB BANKA AD, BANJA LUKA	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	139	677	-	285	349
NLB BANKA AD, PODGORICA	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	38	202	-	-	-
NLB BANKA AD, SKOPJE	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	282	179	-	-	26
NLB KOMERCIJALNABANKA AD BEOGRAD	BANK ACTIVITY	RELATED BANK (COMMON OWNER)	-	222	-	-	-
REAM D.O.O. PODGORICA	REAL ESTATE BUSINESS	COMMON OWNER	-	-	-	-	9
MINISTRY OF FINANCE OF THE REPUBLIC OF SLOVENIA	OTHER ACTIVITIES	SHAREHOLDER OF A PERSON WITH SIGNIFICANT OWNERSHIP INTEREST IN THE BANK	-	32,826	-	1,171	214
NLB DIGIT D.O.O. BEOGRAD	COMPUTER DEVICE MANAGEMENT PROGRAMMING	PART OF THE SAME BANKING GROUP	184	-	-	-	374
INDIVIDUALS	MEMBERS OF THE MANAGEMENT AND MANAGEMENT BODIES AND MEMBERS OF THEIR FAMILIES		1,242	1,800	166	78	7

(All amounts are given in thousands of BAM, unless otherwise stated)

27. Transaction with related parties *(continued)*

Management Board remuneration

	2024	2023
Short-term employee benefits		
Net salaries	809	657
Taxes and contributions on net salaries	628	515
Other remunerations	168	145
Taxes and contributions on other income	133	109
	1,738	**1,426**

Net salaries, taxes and contributions are slightly higher in 2024 compared to 2023, which is caused by the payment of a five-year deferral of the variable part for 2019, 2021 and 2022, as well as the non deferred part of the compensation for 2023.

Remuneration of the members of the Bank's Supervisory and Audit Committees

	2024	2023
Fees paid to SB an AC members	34	34
Taxes and contributions	8	8
	42	**42**

During 2024 the fee was paid to two members of the Supervisory Board of the Bank and to one member of the Audit Committee of the Bank, who are not connected with the majority owner of the Bank.

(All amounts are given in thousands of BAM, unless otherwise stated)

28. Contingencies

The following table shows the agreed amounts related to the contingent and assumed liabilities of the Bank:

	Stage 1		Stage 2		Stage 3		Total	2023
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment		
Guarantees	-	99,075	-	495	-	23	99,593	104,913
Letters of credit	-	5,409	-	-	-	-	5,409	489
Granted loans not withdrawn	-	126,639	-	4,557	-	50	131,246	143,407
	-	**231,123**	**-**	**5,052**	**-**	**73**	**236,248**	**248,809**
Less: Provisions for potential losses	-	**(2,553)**	-	**(407)**	-	**(35)**	**(2,995)**	**(3,675)**
	-	**228,570**	**-**	**4,645**	**-**	**38**	**233,253**	**245,134**

The table below shows the gross exposure of the Bank in the form of contingencies and commitments to the internal rating system (internal classification) and to the level of credit risk (stage classification) at the end of the year
:

	2024.							
	Stage 1		Stage 2		Stage 3		Total	2023.
Internal classification	Individual assessment d	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment		
A	-	118,401	-	107	-	-	118,508	120,192
B	-	104,675	-	4,255	-	-	108,930	116,385
C	-	8,047	-	690	-	-	8,737	12,183
D and E	-	-	-	-	-	73	73	49
	-	**231,123**	**-**	**5,052**	**-**	**73**	**236,248**	**248,809**

Changes in gross carrying amount and related provisions for potential losses in 2024 are shown below:

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Amount of exposure at 31 December 2023	**-**	**245,717**		**3,043**	**9**	**40**	**248,809**
New exposures	-	139,128	-	4,499	-	11	143,638
Exposures derecognized or matured (excluding write-offs)	-	(153,702)	-	(2,111)	(9)	(377)	(156,199)
Transfer to Stage 1	-	261	-	(255)	-	(6)	-
Transfer to Stage 2	-	(244)	-	246	-	(2)	-
Transfer to Stage 3	-	(37)	-	(370)	-	407	-
Balance at 31 December 2024	**-**	**231,123**	**-**	**5,052**	**-**	**73**	**236,248**

(All amounts are given in thousands of BAM, unless otherwise stated)

28. Contingencies *(continued)*

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Amount of exposure 31 December 2022.	-	***223,663***	-	***2,376***	***503***	***43***	***226,585***
New exposures	-	131,822	-	1,656	-	6	133,484
Exposures derecognized or matured (excluding write-offs)	-	(108,793)	-	(1,938)	(494)	(35)	(111,260)
Transfer to Stage 1	-	78	-	(71)	-	(7)	-
Transfer to Stage 2	-	(1,024)	-	1,026	-	(2)	-
Transfer to Stage 3	-	(29)	-	(6)	-	35	-
Balance at 31 December 2023.		**245,717**		**3,043**	**9**	**40**	**248,809**

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Amount of exposure 31 December 2023.	-	**3,380**	-	**266**	**9**	**20**	**3,675**
New exposures	-	1,340	-	363	-	-	1,703
Exposures derecognized or matured (excluding write-offs)	-	(1,477)	-	(175)	(9)	(9)	(1,670)
Transfer to Stage 1	-	35	-	(32)	-	(3)	-
Transfer to Stage 2	-	(5)	-	6	-	(1)	-
Transfer to Stage 3	-	(1)	-	(31)	-	32	-
Increase in CLA due to improvement	-	131	-	21	-	24	176
Decrease in CLA due to improvement	-	(850)	-	(11)	-	(28)	(889)
Balance at 31 December 2024.	**-**	**2,553**	**-**	**407**	**-**	**35**	**2,995**

	Stage 1		Stage 2		Stage 3		Total
	Individual assessment	Collective assessment	Individual assessment	Collective assessment	Individual assessment	Collective assessment	
Exposure amount as of 31 December 2022.	-	***2,833***	-	***190***	***86***	***30***	***3,139***
New exposures	-	1,973	-	132	-	3	2,108
Exposures derecognized or matured (excluding write-offs)	-	(1,136)	-	(148)	(76)	(19)	(1,379)
Transfer to Stage 1	-	4	-	(3)	-	(1)	-
Transfer to Stage 2	-	(13)	-	14	-	(1)	-
Transfer to Stage 3	-	-	-	(1)	-	1	-
Increase in CLA due to omprovement	-	284	-	83	-	10	377
Decrease in CLA due to improvement	-	(565)	-	(1)	(1)	(3)	(570)
Balance at 31 December 2023.	**-**	**3,380**	**-**	**266**	**9**	**20**	**3,675**

28. Contingencies *(continued)*

Litigation in progress

As of 31 December 2024, 39 legal proceedings are pending against the Bank for which legal risk is assessed. The total value of these court proceedings as of 31 December, 2024, amounts to BAM 10,769 thousand; CHF 5 thousand and $ 50.

During 2024, the Bank received 7 new lawsuits.

Between 1 January, and 31 December 2024, 11 court proceedings were closed.

The Bank continually monitors legal risk and evaluates expected costs on the basis of legal risk, with the formation of adequate provisions on this basis. The number of provisions is disclosed in Note 24b.

(All amounts are given in thousands of BAM, unless otherwise stated)

29. Segment reporting

Reporting by bank segments is based on IFRS 8 Business Segments, which is based on a management approach. Segment reporting represents the results of business segments, prepared on the basis of internal reports, that the Management Board uses to assess the performance of segments and used as a source for decision-making. Business segments of the Bank are organizational units that communicate directly on the market with clients and contract and / or realize the Bank's services and thus generate revenues for the Bank. These are: Sector with business with economy with business centres Tuzla, Sarajevo, and Mostar (Corporate and SME), Sector for retail business with branches (Micro and Citizens), Sector for asset management (Financial markets) and Sector for collection and management of non-quality assets (Collection). The Other segment includes categories that are not allocated to any business segment, such as: overheads, service costs, other revenues and expenses.

Statement of financial position per segments as of 31 December 2024:

	Corporate and SME	**Micro and population**	**Financial market**	**Collection**	**Total reportable segments**	**Unallocated**	**Bank**
Interest income	17,155	41,331	11,245	633	70,364	61	70,425
Interest expense	(2,892)	(3,981)	(6,895)	(3)	(13,771)	(83)	(13,854)
Net interest income	14,263	37,350	4,350	630	56,593	(22)	56,571
Income from fees and commissions from contracts with clients, of which:	4,279	30,828	3,204	29	38,340	163	38,503
Income from payment transactions	2,163	8,796	2,895	10	13,864	31	13,895
Income from card transactions	1,490	9,744	268	1	11,503	5	11,508
Income from basic accounts	114	8,514	40	16	8,684	1	8,685
Income from fees and commissions from guarantees and credit obligations	1,474	164	-	9	1,647	-	1,647
Income from fees and commissions	5,753	30,992	3,204	38	39,987	163	40,150
Expenses from fees and commissions	(662)	(8,622)	(1,492)	(19)	(10,795)	(593)	(11,388)
Net income from fees and commissions	5,091	22,370	1,711	19	29,191	(429)	28,762
Other net non-interest income	(17)	(824)	739	(429)	(531)	427	(104)
Total operating income	19,337	58,896	6,800	220	85,253	(24)	85,229
Total costs	(2,367)	(17,664)	(602)	(1,218)	(21,851)	(26,221)	(48,072)
Profit / (Loss) before impairment and provision	16,970	41,232	6,198	(998)	63,402	(26,245)	37,157
Impairment losses (net)	(3,204)	(5,809)	(74)	2,050	(7,037)	(557)	(7,594)
Profit / (Loss) from regular operations before taxation	13,766	35,423	6,124	1,052	56,365	(26,802)	29,563
Loans and receivables	483,132	743,698	47,753	6,244	1,280,827	-	1,280,827
of which gross client loans	490,926	760,220	-	26,305	1,277,451	-	1,277,451
Financial liabilities valued at amortized cost	588,017	1,051,860	93,582	741	1,734,200	14,728	1,748,928

(All amounts are given in thousands of BAM, unless otherwise stated)

29. Segment reporting *(continued)*

Statement of financial position per segments as of 31 December 2023:

	Corporate and SME	Micro and population	Financial market	Collection	Total reportable segments	Unallocated	Bank
Interest income	16,193	35,780	7,700	717	60,390	52	60,442
Interest expense	(1,849)	(3,193)	(4,187)	(1)	(9,230)	(99)	(9,329)
Net interest income	14,344	32,587	3,513	716	51,160	(47)	51,113
Income from fees and commissions from contracts with clients, of which:	3,431	28,217	1,782	27	33,457	420	33,877
Income from payment transactions	*1,910*	*8,166*	*1,650*	*8*	*11,734*	*2*	*11,736*
Income from card transactions	*1,133*	*8,898*	*90*	*2*	*10,123*	*309*	*10,432*
Income from basic accounts	*33*	*7,738*	*41*	*14*	*7,826*	*-*	*7,826*
Income from fees and commissions from guarantees and credit obligations	1,405	127	-	8	1,540	-	1,540
Income from fees and commissions	4,836	28,344	1,782	35	34,997	420	35,417
Expenses from fees and commissions	(587)	(7,806)	(1,406)	(9)	(9,808)	(1,028)	(10,836)
Net income from fees and commissions	4,249	20,538	376	26	25,189	(608)	24,581
Other net non-interest income	(547)	242	(8)	142	(171)	639	468
Total operating income	18,046	53,367	3,881	884	76,178	(16)	76,162
Total costs	(1,936)	(15,577)	(637)	(1,199)	(19,349)	(25,348)	(44,697)
Profit / (Loss) before impairment and provisions	16,110	37,790	3,244	(315)	56,829	(25,364)	31,465
Impairment losses (net)	(2,942)	(7,355)	(293)	6,312	(4,278)	(208)	(4,486)
Profit / (Loss) from regular operations before taxation	**13,168**	**30,435**	**2,951**	**5,997**	**52,551**	**(25,572)**	**26,979**
Loans and receivables	457,176	658,308	445	4,525	1,120,454	(1,103)	1,119,351
of which gross client loans	465,588	671,265	-	24,933	1,161,786	(1,103)	1,160,683
Financial liabilities valued and amortized cost	516,789	963,963	93,337	450	1,574,539	23,754	1,598,293

(All amounts are given in thousands of BAM, unless otherwise stated)

30. Events after the reporting date

After the end of the reporting period and prior to the date of approval of these financial statements, there was a change in the composition of the Bank's Management Board.

On 31 December 2024, Management Board member Denis Hasanić ceased to perform the function of a Management Board member. As of 1 January 2025, two new members, Berin Lakomica and Igor Tutuš, were appointed to the Management Board, increasing the number of Management Board members from three to four.

This change represents a significant non-adjusting event in accordance with the provisions of IAS 10 – Events after the Reporting Period, and is therefore disclosed in the notes to the financial statements. The change has no impact on the financial statements for the year ended December 31, 2024.

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

31. Approval of the financial statements

The financial statements were approved by the Bank Management and authorised for issue on 17 April 2025.

Berin Lakomica Member of the Board	Igor Tutuš Member of the Board	Jure Peljhan Member of the Board	Lidija Žigić President of the Board

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