Annual Report 2021

Raiffeisen BANK
Member of RBI Group

Survey of key data

Raiffeisen *BANK* d.d. Bosna i Hercegovina Monetary values in EUR million	2021	2020	Change
Income Statement			
Net interest income after impairment and provisions	44.8	37.6	119.3%
Net fee and commission income	41.6	35.0	118.9%
Net trading income	8.8	7.0	125.0%
General administrative expenses	(59.6)	58.5	(101.9)%
Profit before tax	39.7	25.2	157.4%
Profit after tax	35.6	22.8	156.0%
Balance Sheet			
Cash and cash equivalents	876.0	864.1	101.4%
Loans and advances to customers	1,221.8	1,222.2	100.0%
Deposits and loans from banks and financial institutions	48.3	77.3	62.5%
Deposits from customers	2,082.0	2,022.2	103.0%
Equity (including profit)	290.4	293.8	98.9%
Total assets	2,496.1	2,500.0	99.8%
Regulatory information			
Risk-weighted assets	1,402.1	1,364.3	102.8%
Capital adequacy ratio	18.4%	18.4%	(0.0) PP
Performance			
Return on equity (ROE) before tax	15.6%	9.3%	6.3 PP
Return on equity (ROE) after tax	14.0%	8.4%	5.5 PP
Cost/income ratio	(61.3)%	(62.8)%	1.5 PP
Return on assets (ROA) before tax	1.6%	1.0%	0.6 PP
Resources			
Number of employees	1,277.0	1,278.0	(0.1)%
Business outlets	95.0	100.0	(5.0) PP

Raiffeisen
Bosna i Hercegovina

The Raiffeisen Group in Bosnia and Herzegovina consists of Raiffeisen *BANK* d.d. Bosna i Hercegovina, Raiffeisen *LEASING* d.o.o. Sarajevo, Raiffeisen *INVEST* Društvo za upravljanje fondovima d.d. Sarajevo, Raiffeisen *CAPITAL* a.d. Banja Luka, društvo za finansijsko posredovanje and Raiffeisen *ASSISTANCE* d.o.o. Sarajevo.

Raiffeisen *BANK* d.d. Bosna i Hercegovina

Raiffeisen Bank has operated as a financial institution in Bosnia and Herzegovina since 1992 when it was founded as Market banka d.d. Sarajevo. Thanks to the quality of its business, it soon stood out as a very successful and profitable bank. Today, the bank has almost 1,300 employees serving over 430,000 customers. The bank's key competitive advantages are: investment in new technology; experienced, educated and constantly developed staff; its focus on the individual customer approach, and keeping up with the latest market and industry trends.

Raiffeisen *LEASING* d.o.o. Sarajevo

Raiffeisen *LEASING* has been operating in Bosnia and Herzegovina for more than 10 years. The LEASING offer includes a wide range of tailor-made finance and operating leases. This member of the Raiffeisen Group in Bosnia and Herzegovina offers modern, personalized and flexible financing, committed to be a reliable partner to its customers.

Raiffeisen *INVEST* d.d. Sarajevo

Raiffeisen *INVEST* Društvo za upravljanje fondovima d.d. Sarajevo is a fund management company operating in the Bosnia and Herzegovina market since 2012. Raiffeisen *INVEST* offers new investment products to the local market, intended for various customer profiles, depending on their risk appetite and expected investment return.

Raiffeisen *CAPITAL* a.d. Banja Luka

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

Raiffeisen *ASSISTANCE* d.o.o. Sarajevo

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

Raiffeisen
Bosna i Hercegovina

Sustainability management – part of the corporate culture of Raiffeisen bank

ESG stands for environmental, social and sustainable business conduct across the entire Raiffeisen Group, which is supported by the United Nations Sustainable Development Goals (SDG).

Aware of the fact that the relevance of ESG is constantly increasing, Raiffeisen BANK dd Bosnia and Herzegovina has recognized the need to coordinate such activities, in order to root, recognize and monitor ESG principles at various levels.

An ESG team has been formed in the bank with representatives of all organizational units whose operations may be relevant to sustainability management. In doing so, the bank wants to ensure that this topic receives the attention of all stakeholders and the highest decision-making bodies, and becomes broadly integrated into the bank's operations.

Numerous activities have been launched in the bank's individual business segments, such as financial literacy, informing all stakeholders through internal and external channels of communication on responsible business and ESG, and raising awareness of ESG topics, products and socially responsible initiatives.

Overview of Raiffeisen

Report of the Supervisory Board	6
Preface of the Chairman of the Management Board	7
Macroeconomic overview	8
Raiffeisen Bank International at a glance	10
Raiffeisen *BANK* d.d. Bosna i Hercegovina at a glance	11
The Management Board	12
Organisational structure	13
Balance Sheet (in BAM and EUR)	15
Income Statement (in BAM and EUR)	16
Financial indicators	17

Report of the Supervisory Board

Despite all challenges, Raiffeisen *BANK* dd Bosna i Hercegovina ended the year with good results, with an achieved total profit of BAM 69.5 million, capital of BAM 568.04 million and assets of BAM 4.8 billion.

During the 2021 financial year, the Supervisory Board of Raiffeisen *BANK* dd Bosna i Hercegovina held more than 20 meetings. The overall attendance rate for Supervisory Board meetings was around 100 per cent.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisen BANK dd Bosna i Hercegovina. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies.

The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

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

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

Key issues discussed by the Supervisory Board related to the improvement of internal processes in order to give customers the best possible service, as well as IT transformation, network digitalization, business with Corporate and SME customers, and implementation of the strategic plan. The Supervisory Board also discussed the financial indicators and other data (including an overview of key macroeconomic developments, the political and economic framework and the situation in the banking sector) as well as reports on current business activities.

After yet another challenging year due to the COVID-19 pandemic, I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen *BANK* dd Bosna i Hercegovina for their unwavering efforts, and also our customers for their continued trust.

On behalf of the Supervisory Board

Peter Jacenko
Chairman of the Supervisory Board

Preface of the Chairman of the Management Board

Although the second year of the COVID-19 pandemic was challenging, we are satisfied with our results. We ended 2021 with a total net profit of BAM 69.5 million, total deposits of BAM 4.1 billion and loans in the amount of BAM 2.38 billion.

The banking sector during the second year of the corona virus pandemic remained resilient. The strong recovery of the real sector was accompanied by a solid recovery of the banking sector, with a continued trend of excess liquidity. The assets of the sector grew by 7.8 percent on an annual basis to a record BAM 36.4 billion or 99 per cent of GDP. Profitability of banks significantly improved in 2021, and it is estimated that banks will return to, or even exceed the level of profitability before the pandemic.

The COVID-19 pandemic has also demonstrated the need and increased use of digital channels. By focusing on customers, we continuously worked to expand our offer with new services in the segment of digitalization, and to improve our existing solutions. Our Raiffeisen Mobile Banking application saw new functionalities available, leading our customers to rate it on the Play Store and App Store as the best application on the BiH market. At the same time, we worked on the transformation of our branches into iPoslovnice and their adaptation to digital trends. Digitalization remains in our focus, because we want to provide customers with a sense of ease when doing business with the bank and to increase their satisfaction with our services. Our success is further confirmed by the awards of three renowned world magazines: Global Finance, EMEA Finance and The Banker, which awarded our bank with the Best Bank awards in Bosnia and Herzegovina in 2021.

Raiffeisen Bank believes in Responsible banking. As a responsible banker, we are committed to creating long-term added value for all our stakeholders. In 2021, we intensified our activities in ESG and sustainability management and established an ESG team within the bank. This team gathers the different bank segments working together to tackle the ESG and sustainability issues on the bank level.

Following our Sustainability strategy, we supported and will continue to support our customers by offering them our financial support and advice to assist them in choosing the services and solutions that will help them better manage their financial lives on a daily basis.

In this context, we offer energy efficiency loans, credit lines for women in business, and provide special lending conditions for pensioners, which include packages with significant savings. Our offers also include the Raiffeisen CLUB package especially for young people starting out in life to help them to become financially independent.

Our unwavering commitment to be there for our customers, employees and community we operate in has been an attribute of our bank since its establishment. We are proud to be an Engaged citizen by supporting more than 60 socially responsible projects in 2021, focusing on the most vulnerable categories of our society, i.e. children and people with special needs.

We also take care for the environment. We contributed to reducing the CO2 emissions at the Group level by 12% compared to the year before. Last, but not the least, we have taken extensive steps to support our employees, who are our greatest strength. We offered our employees skills and education programs to help them improve their opportunities and advance their career path within the bank. Finally, we regularly conduct employee satisfaction surveys to pinpoint areas for work environment improvements.

Our focus has always been on creating top-quality service and products, and continuously investing in cutting-edge innovations to meet and exceed the expectations of our customers. We know that local companies will have to align their business with the EU standards and directives on sustainability in the period ahead, and we, as their Fair partner, will be there to support them in their transformation towards sustainable business.

On behalf of the Management Board of Raiffeisen *BANK* dd Bosna i Hercegovina, I would like to thank our customers for their trust, and employees, who contribute to the development of our bank with their outstanding performance and knowledge.

James Daniel Stewart Jr.,
Chairman of the Management Board

Macroeconomic overview

In the second year of the COVID 19-crisis, the resilience and the speed of recovery of the private sector and the overall economy of Bosnia and Herzegovina surprised all market participants with its strength. After the blockade of the economy, lockdown and movement restrictions during 2020 that led to a recession, 2021 saw explosive growth of activity in many aspects of the economy and the beginning of the vaccination process, followed by uncertainty throughout various pandemic cycles during the year. In 2021, Bosnia and Hercegovina faced the third and fourth waves of the coronavirus spread, with the lowest vaccination rate and the highest mortality rate in Europe, but also with the lowest number of daily diseased persons per hundred thousand inhabitants among all Central and Eastern European countries in the later stages of the pandemic. Bosnia and Herzegovina was also among the countries with the mildest restrictive measures in Europe, which was due to the limited financial support that the entities could provide in case of a shutdown of the economy and certain industries. This led to a high rate of COVID-19 recoveries but also, unfortunately, to the highest mortality rate in Europe of 5 per cent on average.

Initial expectations regarding the intensity of economic recovery in 2021 were based on the marginally negative first quarter and the gradual strengthening of economic pace from the second quarter onwards, followed by accelerated vaccination rates and a strong impact of the low base effect from 2020. However, after the first quarter of 2021, available sentiment indicators suggested that economic recovery in that year would be much stronger than originally expected, driven by a strong impetus from the extraordinary growth of exports of goods and services and stronger recovery than expected. Also, the country's real economy and its production and export sectors proved to be highly resilient to the negative consequences of the political crisis and the three waves of the COVID-19 pandemic that hit the country.

Following first signs of economic recovery in the first quarter, the second and third quarters of 2021 revealed an explosive recovery, pushing the strong trend until the end of the year, with record growth estimated at 6.8 per cent year-on-year. This is also the highest growth rate in modern economic history of Bosnia and Herzegovina, due to the extremely low base effect from the previous year and the strong recovery of key categories of GDP, namely exports of goods and services and private consumption. The competitiveness of domestic export-oriented companies – mainly in the metal, wood and furniture industries – coupled with strengthening global demand and the market orientation to close supply chains, strengthened the country's position in global supply chains, ultimately resulting in record-high exports of goods and services of over BAM 15 billion in 2021, or 41 per cent more than in the previous year. On the other hand, imports of goods and services also strengthened further due to stronger domestic demand and recovery in private consumption, with expected annual growth of 27.2 per cent, which will mitigate the outstanding contribution of exports of goods and services to overall GDP. Also, the record level of imports of goods and services was strongly driven by the jump in energy prices globally, which led to significant inflationary pressure, especially in the last quarter of 2021.

The continuous recovery of private consumption, being the largest category of GDP, especially in the second quarter of the year when the Statistics Agency of Bosnia and Herzegovina reported record growth of 12.9 per cent year-on-year, will result in an expected annual growth rate of 5.4 per cent for the entire year. In this regard, the positive dynamics of the retail index, which is one of the key indicators that directly captures consumer sentiment, correlated strongly with the recovery of private consumption. After a steep decline in 2020 during the lockdown period and a negative trend that had persisted for twelve months in a row, the retail index began to grow in March 2021, followed by strong double-digit retail sales growth rates, especially during the second quarter due to an extremely low base effect. The revival of consumer sentiment combined with positive labor market impulses in terms of lower jobless rates and stable wage growth, coupled with positive momentum in the consumer credit area, resulted in a strong recovery of this indicator with a growth rate of 18.1 per cent year-on-year in 2021. All three key categories of the retail index contributed positively to overall performance, with the category of retail trade in motor fuels posting the highest growth of 23.7 per cent annually, with equally strong growth in retail trade in non-food products of 23.1 per cent. Private consumption, like the retail segment in general, is expected to remain one of the key drivers of economic growth in the period ahead, along with exports of goods and services.

Furthermore, after the collapse in the first quarter of the year and the recovery that followed in the subsequent quarters, gross investments are expected to post an annual growth rate of 7.7 per cent along with further stabilization of investment inflows, now that that the Securities Commission of the Federation of Bosnia and Herzegovina has finally commenced work after 20 months of stagnation in the local capital market.

The strong momentum from exports was also directly felt in the export-oriented processing industry and electricity production as the key categories of the industrial production index. After two years of recession and eight consecutive quarters of adverse developments, industrial production is finally leaving the negative cycle, driven by the strong positive impact of strengthened foreign demand. As a result, the correlation between the key drivers of economic recovery – industrial production and exports – has grown even stronger with an annual growth rate of 10.7 per cent in 2021. The biggest contribution to overall industrial recovery come from two key categories of industrial production: manufacturing with an annual growth rate of 12.5 percent and electricity production and distribution with an annual growth rate of 11.7 per cent. Mining, on the other hand, continues to struggle with recessionary trends due to structural problems in the mines of Elektroprivreda BiH d.d. as well as frequent strikes and production stops, leading ultimately to a decline of 4.4 per cent year-on- year.

After four years of positive price developments, the COVID-19 pandemic led to a sharp decline in economic activity both globally and in Bosnia and Herzegovina, causing a historic drop in oil prices and a decline in the "import inflation effect". This resulted in an average deflation trend of 1 per cent in 2020, with the strongest deflation trends coming from just two categories that account for 30 per cent of the CPI basket: the price of transportation and the price of clothing and footwear. The deflationary trend continued in the first quarter of 2021, followed by a reversal and continuous price growth, which intensified in the last quarter of 2021 due to the spillover of price shocks in the global market. Inflation in the second year of the COVID-19 crisis reached 2 per cent year-on-year, driven primarily by strong growth in the transport category of 5.9 per cent and the food and non-alcoholic beverage category of 3.5 per cent year-on-year.

The labor market witnessed favorable developments in 2021, both in official statistics and according to the redesigned methodology that is harmonized with the new regulations of the European Parliament and the Council, according to which data is processed through the Labor Force Survey, quarterly and annually. The favorable trend in the labor force led to a drop of the ILO jobless rate to 16.1 per cent in the fourth quarter of 2021. Official statistics also indicate improved trends in employment/unemployment categories compared to the pre-pandemic period. Namely, the official jobless rate in 2021 was 32.4 per cent on average compared to 33.3 per cent in 2019, with still moderate growth of the number of employed persons, more precisely 834.8 thousand compared to 830.4 thousand in 2019. Positive trends were also recorded in the number of jobless persons, which fell in 2021 to 375.8 thousand, from 401.8 thousand in 2019. The stable wage trend during the year intensified in the last quarter with a final growth rate of gross wages of 4.5 per cent and net wages of 4.4 per cent annually.

Despite the strong recovery in the real sector 2021, which reached pre-pandemic levels already in the third quarter, the banking sector saw only moderate recovery, especially when it comes to lending. On the other hand, the balance sheets of commercial banks indicate a continued strong trend of excess liquidity. Total assets of the banking sector increased by 7.8 per cent annually to record-high BAM 36.4 billion or 98.4 per cent of GDP. However, the strong growth of assets did not have a significant impact on the dynamics of lending. Total loans grew 3.6 per cent annually, driven by the retail segment (+5.5 per cent), while corporate loans grew only slightly (+1.7 per cent). On the funding sources side, total deposits from customers grew at double-digit rates during the year to reach a final growth rate of 11.4 per cent year-on-year. Retail deposits, as the largest component of overall deposits, grew in a range of 8 to 9 per cent year-on-year and weakened at the end of the year to 6.8 per cent. Corporate deposits, on the other hand, grew 17.2 per cent year-on-year due to excess liquidity that accumulated in the absence of investment activity.

The banking sector in Bosnia and Herzegovina is highly concentrated and dominated by the three largest banking groups holding almost 50 per cent of overall banking assets (UniCredit, Raiffeisen and NLB, the top three players since 2014). The process of market consolidation accelerated in 2020 and 2021, bringing the total number of operating banks to 21. There were two mergers in the period under review: between ASA banka and Vakufska banka, on the one hand, and between NLB banka and Komercijalna banka, on the other hand. Furthermore, Sberbank Europe announced the sale of some of its branches and its exit from the CE/SEE region to AIK bank, Gorenjska bank and Agra Europe Cyprus Bank. There were, however, no transactions or change of ownership until the end of 2021.

When it comes to 2022, initial expectations are based on continued solid recovery of 3.6 per cent annually driven by the export-oriented industry, strong momentum in the retail sector driven by the recovery of private consumption and investment, as well as positive developments in the construction sector. The escalation of geopolitical events, however, has changed economic reality in the blink of an eye. Given the speed of developments not only on the military front but also on the sanctions front against Russia, where additional sanctions on energy imports from Russia are expected, it is difficult to determine the magnitude of the economic shock that will affect Europe in the first place, and the rest of the world as well. In these times of uncertainty, the initial assessment of the new reality indicates that GDP growth in Bosnia and Herzegovina will slow down in 2022 to 3.2 per cent year-on-year, which is in line with the forecasts for the euro zone (3 per cent year-on-year), as a result of significant reductions in gas and oil trade with Russia. The key growth drivers are expected to be exports of goods and services thanks to increased demand from the EU and Central and Eastern Europe as well as moderate private consumption, which will be further affected by lower real available income caused by skyrocketing prices. Constantly rising inflation during 2022 will reach new peaks in the first half of the year (7.5 per cent year-on-year), resulting in an expected average inflation rate of 6.1 per cent year-on-year in 2022.

Raiffeisen Bank International at a glance

Raiffeisen Bank International (RBI) regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group comprises numerous other financial service providers that are active in areas such as leasing, asset management and M&A.

In total, around 46,000 RBI employees serve 19 million customers from around 1,800 business outlets, the vast majority of which are in CEE. At year-end 2021, RBI's total assets was approximately EUR 192 billion.

RBI AG shares have been listed on the Vienna Stock Exchange since 2005. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares with the remaining 41.2 per cent in free float.

Raiffeisen *BANK* d.d. Bosna i Hercegovina at a glance

Raiffeisen BANK d.d. Bosna i Hercegovina is a subsidiary of Raiffeisen Bank International AG (RBI), one of the leading universal type banks in the region of Central and Eastern Europe (CEI) and one of the top commercial and investment banks in Austria.

The bank has operated as a financial institution since November 1992, when it was founded as Market banka d.d. Sarajevo with a dominant share of privately owned capital (above 90 per cent).

Thanks to the quality of its business, it soon stood out as a very successful and profitable bank. The bank was a leading banking partner to numerous international financial organizations (World Bank, IFC, KfW, SOROŠ and EBRD) in the implementation of credit lines between 1996 and 2000.

Raiffeisen Zentralbank Österreich AG-Vienna acquired Market banka d.d. on July 21, 2000. It was then successfully integrated into the Raiffeisen network where it now operates as Raiffeisen *BANK* d.d. Bosna i Hercegovina. RZB became the sole shareholder of Hrvatska Poštanska banka in May 2001 and renamed it Raiffeisen BANK HPB. Since January 1, 2003, when Raiffeisen *BANK* HPB was successfully integrated into Raiffeisen *BANK*, the bank has been operating under the single name 'Raiffeisen *BANK* d.d. Bosna i Hercegovina'. This allowed Raiffeisen to strengthen its position in the local market and significantly expand its business network.

In the years that followed, the bank took on a pioneering role in the country's banking industry. It became a leader in providing digital banking services, such as: Online and Mobile banking, Viber banking, *RaiConnect* services for SME and Premium customers and the m-pay application for payment via mobile phone.

Numerous international and local awards attest to the successful business operations of the bank. These include the Global Finance 'Best Bank in BiH', The Banker 'Bank of the Year' award, EMEA Finance 'Best Bank in BiH' award and the local award the 'Golden BAM'.

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

Shareholder Structure of Raiffeisen *BANK* d.d. Bosna i Hercegovina:
Raiffeisen *BANK* dd Bosna i Hercegovina is a fully owned subsidiary of Raiffeisen SEE Region Holding GmbH.

In addition to Raiffeisen BANK Bosna i Hercegovina, the Raiffeisen Group in Bosnia and Herzegovina also comprises Raiffeisen INVEST, Raiffeisen *LEASING*, Raiffeisen *ASSISTANCE* and Raiffeisen *CAPITAL*.

Vision 2025

- We are the most recommended financial services group.

Mission

- We transform continuous innovation into superior customer experience.

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

The Management Board

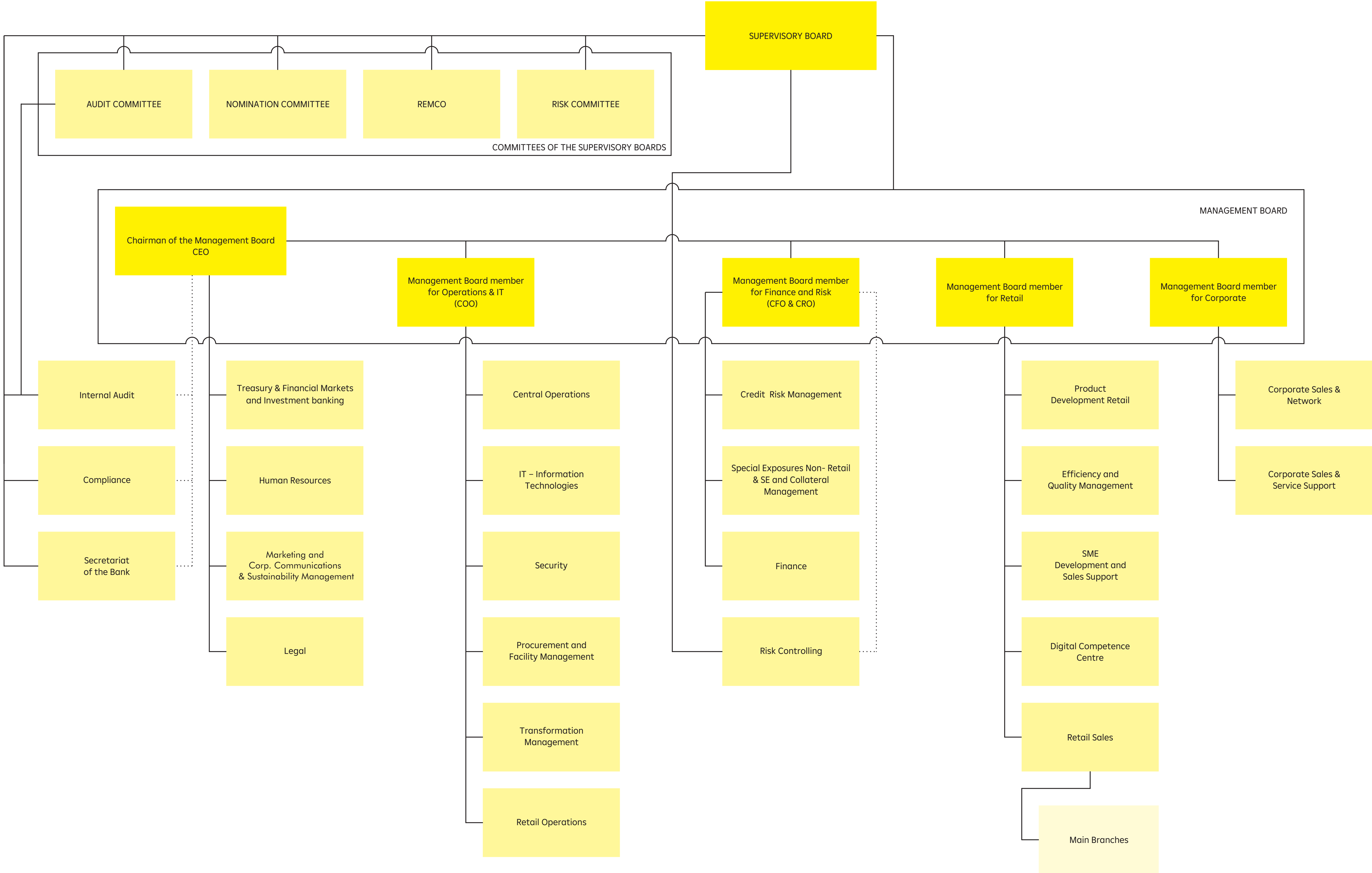
James Stewart
Chairman of the Management Board

Andreea Achim
Member of the Management Board

Mirha Krivdić
Member of the Management Board

Edin Hrnjica
Member of the Management Board

Organisational Structure



Balance Sheet

as at 31 December 2021 and 2020

	2021 (BAM 000)	2021 (EUR 000)	2020 (BAM 000)	2020 (EUR 000)
ASSETS				
Cash and cash equivalents	1,713,338	876,016	1,690,128	864,149
Legal reserve with the Central Bank of BiH	416,375	212,889	409,037	209,137
Loans and advances to customers	2,389,685	1,221,827	2,390,437	1,222,211
Financial assets at fair value through other comprehensive income	498	255	556	284
Assets held for sale				
Financial assets at fair value through profit and loss	-	-	-	0
Financial assets at amortised cost	167,175	85,475	122,561	62,664
Investments in subsidiaries	11,050	5,650	11,050	5,650
Investments in associates and joint ventures	2,204	1,127	3,827	1,957
Income tax prepayments	7,935	4,057	10,310	5,271
Deferred tax assets	213	109	53	27
Other assets and receivables	28,203	14,420	90,122	46,079
Investment property	28,643	14,645	29,951	15,314
Tangible and intangible fixed assets	109,043	55,753	123,996	63,398
Right-of-use assets	7,998	4,089	10,183	5,206
TOTAL ASSETS	**4,882,360**	**2,496,311**	**4,892,211**	**2,501,348**
LIABILITIES				
Dues to banks	94,502	48,318	151,113	77,263
Dues to customers	4,072,009	2,081,985	3,955,130	2,022,226
Provisions	30,183	15,432	39,680	20,288
Lease liabilities	8,143	4,163	10,080	5,154
Other liabilities	46,296	23,671	98,766	50,498
Subordinated debt	61,804	31,600	61,804	31,600
Deferred tax liabilities	1,376	704	977	500
TOTAL LIABILITIES	**4,314,313**	**2,205,873**	**4,317,550**	**2,207,528**
EQUITY				
Share capital	247,167	126,374	247,167	126,374
Share premium	4,473	2,287	4,473	2,287
Fair value reserves	268	137	326	166
Retained earnings	316,139	161,639	322,695	164,992
EQUITY	**568,047**	**290,438**	**574,661**	**293,820**
TOTAL EQUITY AND LIABILITIES	**4,882,360**	**2,496,311**	**4,892,211**	**2,501,348**

Income Statement

for the years ended 31 December 2021 and 2020

	2021 (BAM 000)	2021 (EUR 000)	2020 (BAM 000)	2020 (EUR 000)
Interest and interest-like income	138,371	70,748	144,665	73,966
Interest expenses and interest-like expenses	(23,415)	(11,972)	(24,732)	(12,645)
Net interest income	**114,956**	**58,776**	**119,933**	**61,321**
Fee and commission income	107,867	55,152	91,059	46,558
Fee and commission expenses	(26,540)	(13,570)	(22,659)	(11,585)
Net fee and commission income	**81,327**	**41,582**	**68,400**	**34,972**
Net financial income	17,052	8,719	13,503	6,904
Other operating income	8,092	4,137	8,267	4,227
Operating income	**221,427**	**113,214**	**210,103**	**107,424**
Administrative expenses	(102,184)	(52,246)	(99,935)	(51,096)
Depreciation and amortization	(14,338)	(7,331)	(14,441)	(7,384)
Operating expenses	**(116,522)**	**(59,577)**	**114,376**	**58,480**
Earning before impairment losses, provisions and income tax	**104,905**	**53,637**	**95,727**	**48,944**
Provisioning for impairment losses	(27,240)	(13,928)	(46,383)	(23,715)
PROFIT BEFORE INCOME TAX	**77,665**	**39,709**	**49,344**	**25,229**
Income tax	(8,081)	(4,132)	(4,723)	(2,415)
NET PROFIT FOR THE YEAR	**69,584**	**35,578**	**44,621**	**22,814**
Earnings per share (BAM)	70.4	36.0	45.1	23.1

Financial indicators

The presented data is stated or calculated on the basis of the bank's audited financial statements

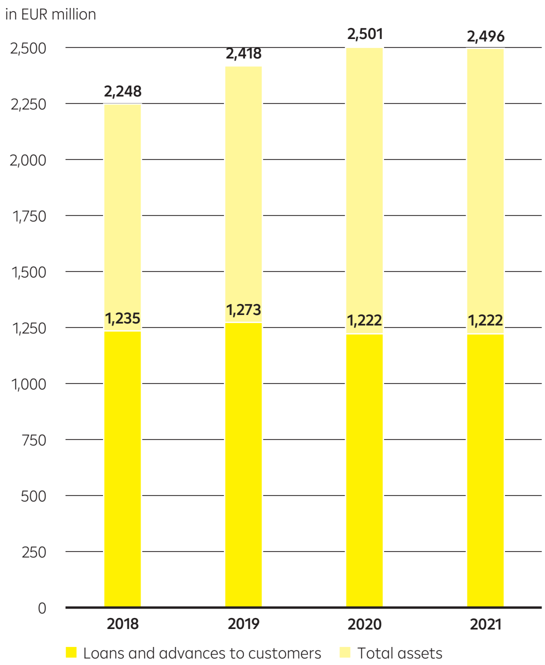
	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)	2018 (BAM 000)
Year-end				
Total assets	4,882,360	4,892,211	4,729,276	4,396,159
Customer deposits	4,072,009	3,955,130	3,682,424	3,528,207
Loans and advances to customers	2,389,685	2,390,437	2,490,432	2,415,608
Share capital	247,167	251,640	251,640	251,640
Share capital and reserves	568,047	574,661	562,545	570,087
Annual results				
Total income	221,427	210,103	221,108	216,055
Total operating expenses	(143,762)	160,759	145,873	121,944
Profit before tax	77,665	49,344	75,235	94,111
Profit after tax	69,584	44,621	56,901	84,459
Ratios				
Return on assets (ROA)	1.6%	1.0%	1.6%	2.2%
Return on equity (ROE)	15.6%	9.3%	14.9%	17.6%
Cost/income ratio (CIR)	(61.3)%	(62.8)%	(60.3)%	53.6%

	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)	2018 (EUR 000)
Year-end				
Total assets	2,496,311	2,501,348	2,418,040	2,247,720
Customer deposits	2,081,985	2,022,226	1,882,793	1,803,944
Loans and advances to customers	1,221,827	1,222,211	1,273,338	1,235,081
Share capital	126,374	128,661	128,661	128,661
Share capital and reserves	290,438	293,820	287,625	291,481
Annual results				
Total income	113,214	107,424	113,051	110,467
Total operating expenses	(73,504)	82,195	74,584	62,349
Profit before tax	39,709	25,229	38,467	48,118
Profit after tax	35,578	22,814	29,093	43,183
Ratios				
Return on assets (ROA)	1.6%	1.0%	1.6%	2.2%
Return on equity (ROE)	15.6%	9.3%	14.9%	17.6%
Cost/income ratio (CIR)	(61.3)%	(62.8)%	(60.3)%	53.6%

Assets and loans

Net loans to customers account for 49 per cent of total assets in 2021, same as in 2020. Gross loans to customers account for 53 per cent, with gross retail loans making up 64 per cent and corporate loans 36 per cent of the total loan portfolio.

Assets and Loans



	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)	2018 (BAM 000)
Total assets	**4,882,360**	**4,892,211**	**4,729,276**	**4,396,159**
Loans and advances to customers	2,389,685	2,390,437	2,490,432	2,415,608

	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)	2018 (EUR 000)
Total assets	**2,496,311**	**2,501,348**	**2,418,040**	**2,247,720**
Loans and advances to customers	1,221,827	1,222,211	1,273,338	1,235,081

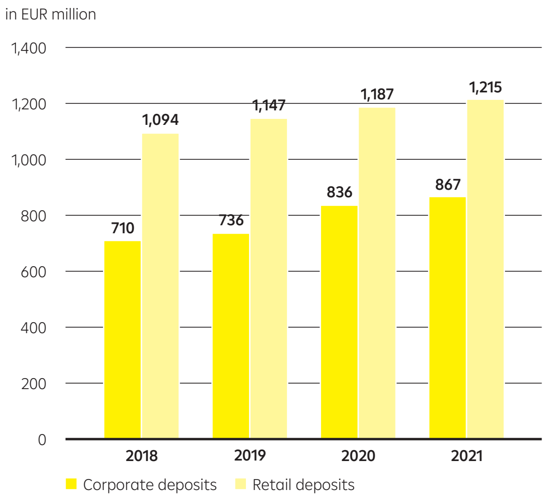
Lending

	2021 (BAM 000)	2021 (EUR 000)	2020 (BAM 000)	2020 (EUR 000)	Change %
Corporate loans	920,085	470,432	990,587	506,479	(7.1)%
Retail loans	1,668,371	853,025	1,593,518	814,753	4.7%
Gross loans	**2,588,456**	**1,323,457**	**2,584,105**	**1,321,232**	**0.2%**
Impairment	198,770	101,629	193,668	99,021	2.6%
Net loans	**2,389,686**	**1,221,827**	**2,390,437**	**1,222,211**	**(0.0)%**

Customer deposits

Retail deposits make up 58 per cent of total deposits, which is an increase of BAM 54,942 thousand as a result of long-standing and successful business based on meeting customers' needs. Total retail deposits consist of term deposits with a share of 33 per cent and sight deposits with a share of 67 per cent. The share of retail deposits in total deposits was 58 per cent at the end of 2021, compared with 59 per cent at the end of 2020.

Customer deposits



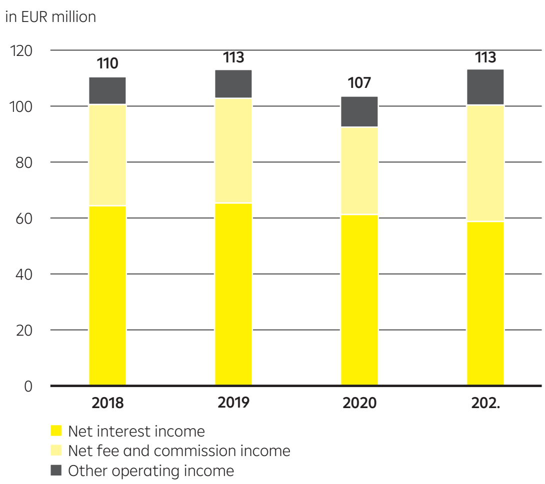
	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)	2018 (BAM 000)
Corporate deposits	1,696,250	1,634,313	1,439,245	1,389,398
Retail deposits	2,375,759	2,320,817	2,243,179	2,138,809

	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)	2018 (EUR 000)
Corporate deposits	867,279	835,611	735,874	710,388
Retail deposits	1,214,706	1,186,615	1,146,919	1,093,556

Total income (with total income structure)

Interest income has a share of 52 per cent and net fee and commission income a share of 37 per cent in total income. Interest income and interest expenses decreased by 4 per cent and 5 per cent respectively, compared to the year before.

Total income



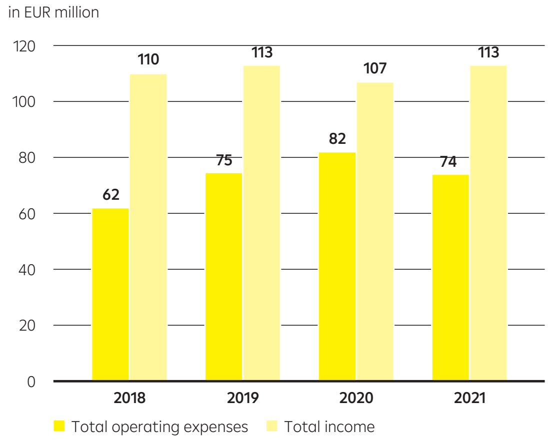
	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)	2018 (BAM 000)
Total income	**221,427**	**210,103**	**221,108**	**216,055**
Net interest income	114,956	119,933	127,846	125,881
Net fee and commission income	81,327	68,400	73,143	70,828
Other operating income	25,144	21,770	20,119	19,346

	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)	2018 (EUR 000)
Total income	**113,214**	**107,424**	**113,051**	**110,467**
Net interest income	58,776	61,321	65,367	64,362
Net fee and commission income	41,582	34,972	37,397	36,214
Other operating income	12,856	11,131	10,287	9,891

Operating expenses/total income comparison

Total operating expenses fell by 11 per cent in the period under review (2020-2021) Stricter cost control, by both cost organization and structure, led to an improvement of the cost/income ratio.

Expenses/income comparison



	2021 (BAM 000)	2020 (BAM 000)	2019 (BAM 000)	2018 (BAM 000)
Total operating expenses	(143,762)	(160,759)	(145,873)	(121,944)
Total income	221,427	210,103	221,108	216,055

	2021 (EUR 000)	2020 (EUR 000)	2019 (EUR 000)	2018 (EUR 000)
Total operating expenses	(73,504)	(82,195)	(74,584)	(62,349)
Total income	113,214	107,424	113,051	110,467

Business overview

Corporate Banking	23
SME Business	24
Retail Banking	26
Treasury, Financial Markets and Investment Banking	31

Corporate Banking

Corporate banking at Raiffeisen *BANK* dd Bosna i Hercegovina in 2021 was still negatively impacted by the COVID-19 pandemic. The whole market faced a lack of investments and customers were redirected towards short-term financing, due to the uncertain macroeconomic environment and business conditions. This led to a decline in the corporate loan portfolio of 8 per cent compared with the previous year.

The bank focused primarily on preserving the quality of the existing loan portfolio and implementing the relief measures program prescribed by regulatory authorities for customers affected by the COVID-19 crisis. This led to a decrease of the volumes of performing and non-performing assets compared with the previous year.

Deposits from corporate customer increased by 2 per cent year-on-year, mainly funds in customers' transaction accounts, reflecting their continued trust in the bank despite tightened lending.

In line with macroeconomic trends and the overall economic situation, the bank actively adjusted its business models in 2021, and thus improved it internal business environment to make business easier for its corporate customers. The implementation of new digital business channels and enhancement of existing ones, the simplification of processes such as payments, application for products, delivery of documents and communication with customers, brought us positive feedback from customers who recognized the bank's commitment to partner relationships.

The bank maintained its presence in each region of the country in 2021. The focus of the Corporate segment remains on developing good overall relationships with customers through intensive engagement in the development and promotion of products in the area of loans, trade finance, documentary business, cash management and digital channels.

SME Business

Raiffeisen *BANK* dd Bosna i Hercegovina continued in 2021 to develop products from the following credit lines:
- EIF COSME guarantee program,
- RS Government guarantee program,
- Women in business,
- KfW energy efficiency loans.

In the SME business segment as well, the bank aims to adjust its business model to increasing challenges and changes in the banking market in order to create sustainable values for all stakeholders. The bank offers "green" financial products and services and provides its customers with training in various financial topics as part of the credit line "Women in Business" and KfW energy efficiency loans.

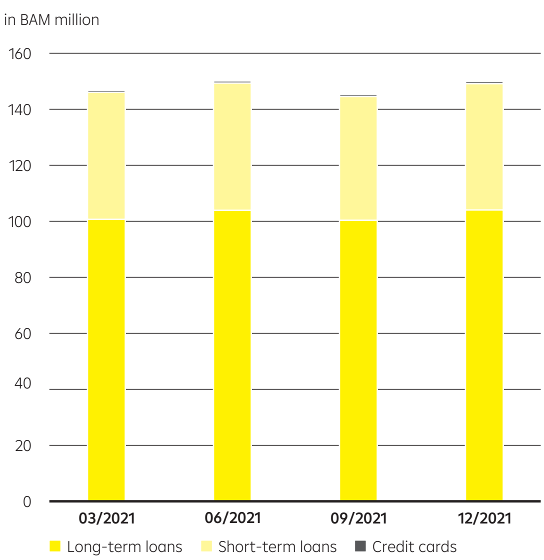
In order to maintain liquidity, customers were provided with various COVID-19 relief measures, that had a significant impact on the business performance of companies, particularly small and medium enterprises. Below is a short overview of key indicators in the SME segment:

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

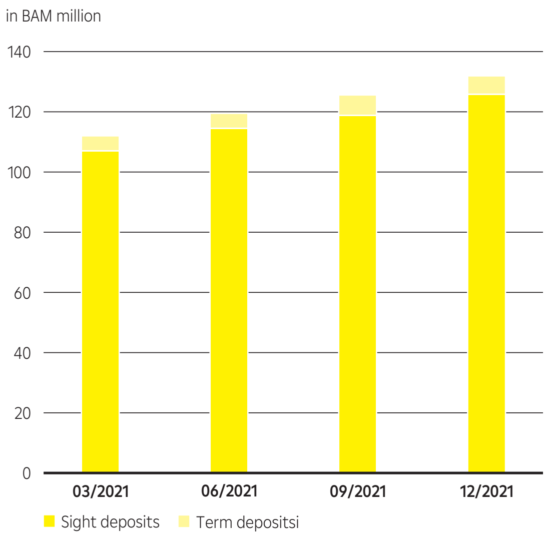
'000 BAM	March 2021	June 2021	September 2021	December 2021
Credit cards	678	720	712	744
Short-term loans	45,340	45,436	44,201	45,117
Long-term loans	100,702	103,925	100,381	104,046

'000 BAM	March 2021	June 2021	September 2021	December 2021
Term deposits	4,993	6,504	6,787	6,111
Sight deposits	107,039	114,519	118,817	125,843

SE loans



SE deposits

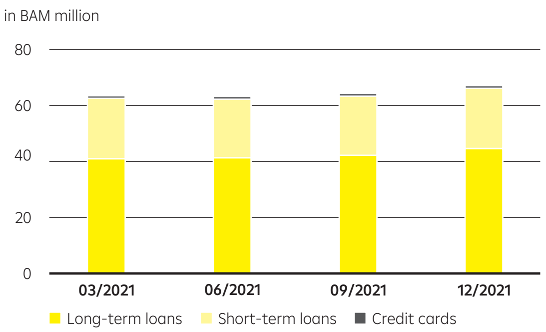


Development of the Loan and Deposit Portfolios (Micro customers):

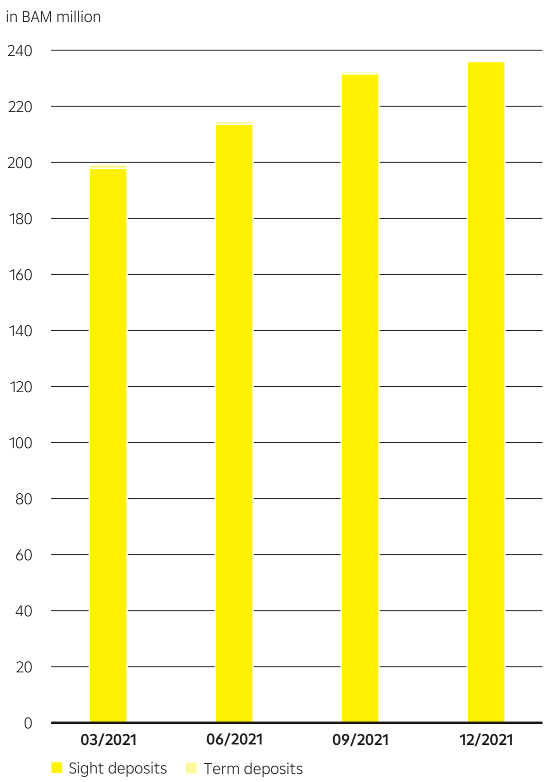
'000 BAM	March 2021	June 2021	September 2021	December 2021
Credit cards	919	964	962	971
Short-term loans	21,565	20,940	21,126	21,488
Long-term loans	40,961	41,300	42,194	44,622

'000 BAM	March 2021	June 2021	September 2021	December 2021
Term deposits	1,401	1,004	783	496
Sight deposits	197,822	213,596	231,584	236,007

Micro loans



Micro deposits



SME Service packages

In 2021, Raiffeisen *BANK* dd Bosna i Hercegovina continued its positive trend of migrating packages from old to new ones. At the end of the year, new packages reached a share of 58 per cent in the total number of packages. The bank conducted regular education and training of its staff to enable them to present the benefits of the new packages – Easy, Medium, Pro – in the best possible way to customers. Enhanced support and monitoring helped make the packages migration process much easier and shorter.

Retail Banking

Raiffeisen *BANK* dd Bosna i Hercegovina continued in 2021 to develop new products and enhance existing ones, in order to meet its customers' needs in the deposit, loan and card businesses with private individuals.

Personal accounts sets

Raiffeisen *BANK* dd Bosna i Hercegovina provided its customers in 2021 with service packages enabling them to use the products and services from the packages free of charge and pay a lower fee through waiver points. Customer can check any time via their mobile phone the number of waiver points and the fee reduction they are eligible for.

The service packages come with numerous benefits, such as "Roadside assistance", "Travel angel" and "Second car", providing them with road safety 24 hours per day. The packages also include digital services free of charge: Raiffeisen Viber banking, Raiffeisen mobile banking, Online banking.

Within the packages, customers can also use debit cards, with or without overdraft limits, as well as credit cards with instalment payment options, where they can chose the card that suits them best.

The bank offers the following service packages.
- Club
- Pensioner
- Moment
- Tempo
- Glamour
- Triumph

Retail deposits

Compared to 2020, total retail deposits placed with Raiffeisen BANK d.d. Bosna i Hercegovina grew by 0.11 per cent in 2021. Term deposits grew 2.25 per cent in 2021.

Overview of retail deposits

'000 BAM	2021	Change	2020	Change	2019	Change	2018
Sight deposits	825,742	(10.7)%	924,296	3.3%	894,800	8.8%	822,142
Term deposits	789,391	2.3%	771,997	(5.0)%	812,794	(5.6)%	861,115
Current accounts	760,164	21.6%	625,358	17.3%	533,203	15.6%	461,426
Total	**2,324,269**	**0.1%**	**2,321,651**	**3.6%**	**2,240,797**	**4.5%**	**2,144,683**

Retail lending

The bank worked actively in 2021 to prepare campaigns and offer new benefits for credit products:
- All-purpose loan campaign "It's time for something new",
- "What you can do today, do it online",
- Housing loan campaign "Get your own home at even lower instalments"
- "It's time for hassle-free banking".

As a special benefit that was offered until December 31, 2022, purpose loans and housing loans were processed without a management fee.

In March 2021, housing loans were offered with a discount, which decreased the price for the customer and eventually increased new volumes.

Overview of the retail loan portfolio

'000 BAM	2021	Change	2020	Change	2019	Change	2018
Long-term loans	1,571,118	5.4%	1,490,552	0.2%	1,487,716	6.0%	1,397,578
Short-term loans	1,941	(6.6)%	2,078	(0.2)%	2,579	(10.0)%	2,866
Card products	100,413	3.5%	96,984	(7.7)%	105,084	4.0%	101,529
Total	**1,673,472**	**5.0%**	**1,589,614**	**(0.4)%**	**1,595,379**	**6.2%**	**1,501,973**

Card Business

Credit cards

A total of 16,449 new credit cards were issued in 2021 and the year ended with 105,108 credit cards.

The 'Mastercard Shopping Credit Card' was the leader among the new cards. It allows customers to pay in instalments without any interest or fees at almost 3,000 points of sale.

The bank implemented campaigns in 2021 to promote discounts on payments with credit cards at participating merchants. The campaigns were created according to the season of the year to address various needs, enabling both new and existing customers to get benefits. 3D Secure was implemented in 2021 as a service that provides enhanced safety for online card payments at merchants that are participating in the programs Mastercard SecureCode and/or Verified by Visa. The 3D Secure service provides an additional security layer for online card transactions. When making online purchases, the customer enters an OTP – one-time password – that is generated by the bank and sent to the customer as part of an SMS text message. If required, the verification is done for each online purchase.

Card Acceptance at Point sof Sale (POS)

POS and e-commerce volumes grew substantially in 2021, by 40 per cent and more than 100 per cent, respectively. This increase in 2021 was driven by several major projects: The migration to the new e-commerce solution was finished, offering more options and functionalities for the customer compared to the previous version. The latest version of 3D secure was implemented, at both the issuer domain and the acquirer domain. Partner relationships were arranged with several Payment Gateway providers, such as Monri Payments, CorvusPay and Allsecure. The integration with Cybersource was also successfully completed, which led to new acquisitions on this new technical solution.

Card Acceptance at ATMs

Raiffeisen *BANK* dd Bosna i Hercegovina continued in 2021 to bring this service closer to its customers, by expanding and relocating its ATM network across the country. The volume of cash withdrawals at the ATM network in 2021 increased 7 per cent.

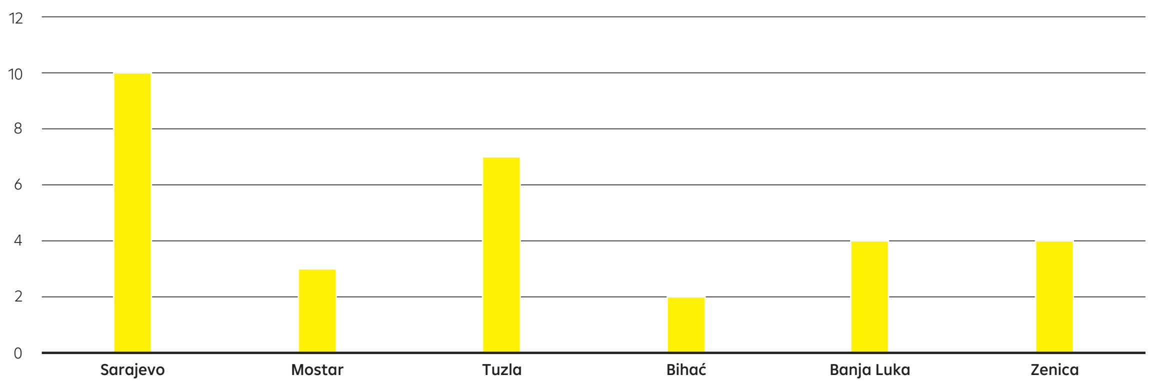
Business Network Coordination

At the beginning of 2021, Raiffeisen *BANK* dd Bosna i Hercegovina started the optimization, modernization and digitalization of its branches. As a result, five branches redirected their business to the nearest alternative outlets:

Poslovnica	Preusmjerenje	Alternativna poslovnica	Adresa	Grad
Agencija Alipašina	→	Agencija Titova	Maršala Tita 11	Sarajevo
		Agencija Ciglane	Merhemića trg bb	Sarajevo
		Filijala Skenderija	Valtera Perića 20	Sarajevo
Agencija Grbavica	→	Filijala Centar	Zmaja od Bosne bb	Sarajevo
Agencija Ilidža 2	→	Filijala Ilidža	Rustempašina bb	Ilidža
Agencija Međugorje	→	Filijala Čitluk	Kralja Tomislava 43	Čitluk
Agencija Gospodska	→	Filijala Banja Luka	Vase Pelagića 2	Banja Luka
		Agencija Banja Luka	Milana Tepića 11	Banja Luka

At the end of the year, the bank's business network comprised 95 branches, thereof 30 digital, cashierless branches.

Cashierles



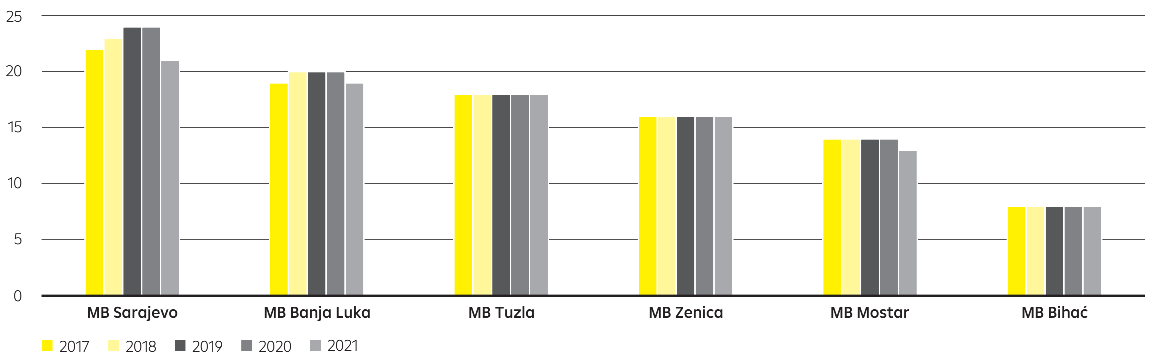
The bank offers ATM services to both customer segments – retail and corporate.

Customers have access to 297 ATMs, of which 118 offer the cash-in and cash-out option (61 cash-in-/cash-out ATMs where customers can pay bills and make money transfers, and 57 Bankomatiq devices).

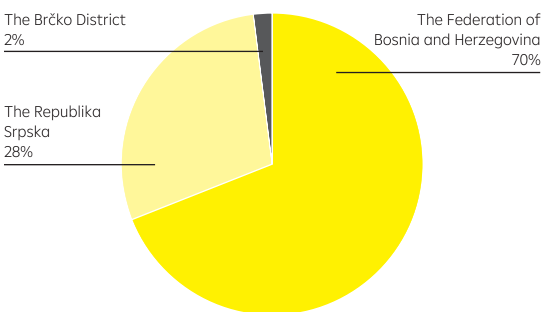
Corporate customers are offered the service of quick and simple transfer of deposits using their Cash-in card at ATMs. This service is available 24 hours per day, seven days per week, cutting the need to wait in queue to deposit money at the counter.

The regional branches are located in the country's administrative and political centers and provide the branch network with administrative and professional support.

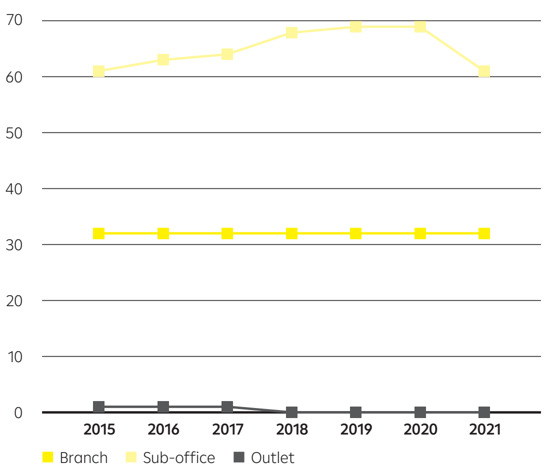
Development of the branch network from 2017 to 2021



Regional coverage of the branch network



Structure of business outlets across time



Quality Management

Continuously meeting the needs of its customers by providing high quality services is one of the foremost goals of Raiffeisen *BANK* dd Bosna i Hercegovina. High quality requires customer-oriented actions and a precise strategy for managing customer experience at all meeting/touch points between the customer and the bank. Everything that happens in the bank has an impact on customers' perception and their loyalty. Therefore, supreme customer experience is the key to success.

In day-to-day contacts with customers through all available communication channels, the bank collects ideas and suggestions and adapts its business to the actual needs of its customers. Accordingly, the bank conducts regular quantitative and qualitative research in order to get all information required for reasonable improvement actions, properly and in real time.

This research covers all segments and channels, and supports all development projects where the customer's opinion is the basis for decision-making. The aim of customer experience management is to get the customer involved right from the start in all business segments, creating tailor-made products and services.

Analysing complaints, suggestions and commendations is another key activity that helps us gain a picture of our customers' experience, and then create guidelines for the further improvement of our business. Our employees use the collected data in their daily work and strive to meet the needs and requests of our customers
and whenever possible to exceed their expectations.

The bank is aware of the importance of human resources and the need to adjust to new market rules and demands. It constantly trains flexible and educated staff with a wide range of competencies and skills, using modern agile work methods, aimed at improving its products and services, and eventually, customers' experience with the bank.

Digital Competence Centre

Digital Services

In 2021, Raiffeisen *BANK* dd Bosna i Hercegovina further improved its existing digital solutions, by implementing new systems and setting plans for the digitalization process. The bank has also expanded its team and achieved the targets in this segment.

The Digital Competence Center started its operations in 2015 and has recorded significant achievements.

In 2021, the Digital Competence Center contributed towards the quality of services and the satisfaction of customers using digital services, by developing new functionalities that are safe and easy to use. Customers are directed to digital services due to the ease of their use and 24/7 availability.

Raiffeisen Mobile Banking

Raiffeisen Mobile Banking is one of the digital services that recorded significant results in 2021. The number of digital service users was additionally drive by the COVID-19 pandemic, but the quality of the service remained unchanged. Users embraced the digital way of doing business, where they can get answers digitally to almost any request.

The Raiffeisen Mobile Banking application had 33,395 active users at the end of 2019, and their number grew to 100,000 at the end of 2021, recording a growth rate of 200 per cent.

Our Raiffeisen Mobile Banking application was rated by our customers on the Play Store and App Store as the best application on the Bosnia and Herzegovina market, where only applications with more than 30 customer ratings were considered.

In 2021, more than 80 per cent of all transactions were executed digitally. The number of transactions made via Raiffeisen Mobile Banking grew by 66 per cent compared to year-end 2020. The volume of transactions via this application reached record high growth of 101 per cent compared to 2020.

The functionalities developed in 2021 allowed customers to make many financial transactions from the comfort of their home and helped improving customer relationships.

Online banking

An increasing number of corporate customers opts to make transactions online rather than coming tp the branch and using paper orders. Electronic orders placed by corporate customers participated with 92 per cent in the total number of transactions of corporate customers at Raiffeisen *BANK* dd Bosna i Hercegovina in 2021.

The corporate segment saw an internet penetration of 60 per cent, which is 13 per cent more than in Q4 2020. The bank has acquired 2,800 users for this service.

The number of online transactions made by corporate customers in 2021 grew 14 per cent compared to 2020. The volume of online transactions made by corporate customers increased by 12.5 per cent compared to 2020.

Private individuals, on the other hand, are turning to Mobile Banking and leaving traditional online banking.

Digital Sales

Raiffeisen *BANK* d.d. Bosna i Hercegovina has achieved excellent results in digital sales in 2021. More than one-third of loan requests were initiated digitally (web site, Raiffeisen Mobile Banking). Private individuals were able to apply online for these services: current account, service packages, loans, credit cards, overdrafts, funds etc. The online way of application was also available to corporate customers for loans, business cards and guarantees. The bank was oriented towards providing customers with an ease of doing business with the bank. Also in 2021, the bank worked to create the internal conditions and cooperated with the relevant supervisory authorities to implement the *end2end* application process.

Treasury, Financial Markets and Investment Banking

Trading and Sales Department

Raiffeisen *BANK* dd Bosna i Hercegovina reaffirmed its distinguished position at the top of the local market in the area of foreign currency trading. Despite the challenges faced by the entire banking sector, the Treasury Division managed to find solutions to help customers receive high-quality services in the foreign exchange business at any time and select the bank as their partner for foreign currency conversion deals.

The year 2021 was extremely turbulent for global economies in general and the financial market in particular, which saw strong fluctuations in currency prices that were the main cause of the bank's exposure to foreign exchange risk.

Exposure to foreign exchange risk was regularly controlled in the Trading and Sales Department in accordance with legal requirements and internal limits by individual currency and in the overall amount for the euro and the BAM.

The business year ended successfully, and all open FX positions were maintained within the limits set by the Banking Agency of the Federation of Bosnia and Herzegovina (FBA) and within the internal limits determined by the methodology of the Raiffeisen Group.

The turbulent developments in the global financial market also affected our customers, whose needs were changing rapidly, and it was a challenge to follow the bank's strategic direction towards continuous development of service quality and business transparency focused on improving customer satisfaction.

The year ended with 119 active customers who were provided with quick access to the most favorable market exchange rates, as events on the interbank foreign exchange market were monitored in real time.

Customers who wanted to protect themselves fully or completely from foreign exchange risk were offered the Treasury products: FX spot and forward deals.

The growing number of customers using the Customer Desk Service attests to the trust that customers place in the bank and the group it belongs to.

A great deal of the tasks performed by the employees working in the Trading and Sales Department was focused on trading in banknotes with local partner banks, and also on further optimizing the costs of cash management.

In light of the challenging trend that persisted in the money market throughout 2021, where interest rates remained extremely low or even negative, the priority was to remain an active participant in the areas of banknote trading and cash management.

Funding and Financial Institutions

The bank continued in 2021 to arrange long-term funding on favorable terms in order to meet customer needs. Due to a sound deposit base, the bank kept its focus in the credit lines area on loans taken with maturities of five years and more. The bank was particularly oriented towards participating in energy saving and sustainability programs. In this regard, the bank initiated better placements of loans for energy saving projects with financial incentives for customers from the credit line from Kreditanstalt für Wiederaufbau (KFW), by drawing the remaining tranche of EUR 12 million.

In addition, a credit line of EUR 5 million was agreed with the European Bank for Reconstruction and Development (EBRD) as part of the competitiveness programme that is also based on energy savings.

The EBRD credit line to support women in business was drawn in its full amount in 2021 and made available to the market.

The bank also continued its excellent cooperation with the network banks of the RBI Group in the area of obtaining long-term sources of funding. An agreement was signed with the sister bank Raiffeisen Bank Hungary to support the growth of housing loans.

Continuing the commitment to financing sustainable and energy efficient projects, the focus in 2021 remained on projects that include these components.

In order to optimize the costs of international payments, the bank arranged more favorable conditions for payments in CHF with the existing correspondence bank Union Bank of Switzerland (UBS) and plans to open another CHF account with Postfinance. Limits for banks around the world were provided throughout the year in order to meet customer needs and demands.

Investment Banking

Overview of capital markets in 2021

The strong economic recovery after the outbreak of the COVID19 crisis with record BDP growth in 2021, and the solid recovery of the banking sector, were unfortunately not followed by recovery of both capital markets in Bosnia and Herzegovina. Turnover on the Sarajevo Stock Exchange (SASE) in the period under review reached BAM 321 million, which is 40.7 per cent or BAM 220 million less than in 2020. Almost 60 percent of that turnover came from primary trade in bonds and treasury bills of the Federation of Bosnia and Herzegovina, which reached BAM 189.8 million in 2021. Due to the reduced need for financing and the adequate level of liquidity of the Federal Ministry of Finance, only five auctions were held in 2021, in which BAM 100 million in treasury bills and BAM 89.8 million in bonds were issued, which is 50 per cent less than in the previous year. Treasury bills were issued with maturities of six and twelve months and with an average yield ranging from 0.002 to 0.014 per cent, while the bond issues were mostly with longer maturities of six, seven and ten years with an average yield between 0.794 to 1.077 per cent.

Regular turnover on SASE in 2021 amounted to BAM 81.6 million, which is 32.4 per cent less than in 2020. Securities trading played a dominant role in regular trading, while secondary trading was extremely low with a 0.26 per cent share in the total trading volume in this segment. Viewed individually, the largest turnover was achieved with shares of the issuer Sarajevo osiguranje d.d. Sarajevo in the free market segment, in the amount of BAM 13.3 million through 107 deals. Significant trading volumes were also achieved with shares of Bosnalijek d.d. Sarajevo, in the amount of BAM 10.9 million through 530 transactions, representing 95 per cent of the turnover of listed companies. The average price of this issuer grew 77.4 per cent in 2021 to reach BAM 31 at the end of the year. When it comes to quotation of investment funds, the most traded shares, as in the previous year, were shares of ZIF Prof Plus d.d. Sarajevo, in the amount of BAM 5.4 million through 40 transactions.

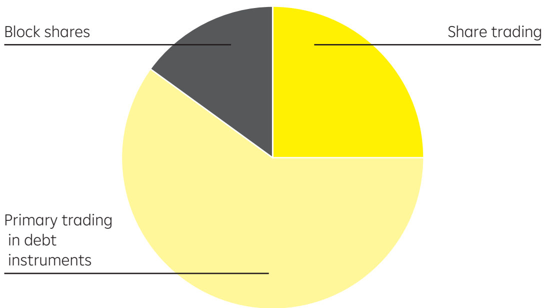
A total of 170 OTC transactions were carried out in 2021, in the total amount of BAM 49.6 million, thereof 11 packages of shares in the amount of BAM 47.5 million.

The trend of rising stock prices on SASE during 2021 mirrors the positive development of key stock indices on SASE. For instance, the SASX10 index grew 27.9 per cent compared to the previous year, and SASX30 grew 23.5 per cent. The BIFX investment fund index also grew but at a slower pace of 1.69 per cent.

Looking at the performance of 6 SASE members in 2021, Raiffeisen bank ranked first by turnover, which reached BAM 217.4 million, and second by the number of deals on the stock exchange with 1,574 concluded deals.

A detailed structure of individual segments and shares of regular and OTC trading on SASE is shown in the chart below.

The structure of total turnover on SASE is 2021



A downward trend compared to 202 was also recorded on the Banja Luka Stock Exchange (BLSE), where total turnover in 2021 reached BAM 377.8 million, which is 48.5 per cent less than in the year before.

A major part of total turnover, or more precisely 56.5 per cent, was primary trading through public offering, which amounted to BAM 213.4 million in 2021, or 61 per cent less than in 2020.

The reduced trading activity in this area is a direct consequence of the decision of the Republika Srpska to take out borrowing on the international market in the amount of EUR 300 million. Out of the total volume of primary trading on BLSE, BAM 161.9 million represents the amount collected by the Ministry of Finance of the Republika Srpska through 6 auctions on BLSE.

There were 4 auctions of six-month treasury bills with an average yield ranging from 0.359 per cent to 0.5694 per cent, and 2 auctions of bonds with maturities of seven and ten years with an average yield of 1.99 per cent and 2.50 per cent respectively. A significant issuer of bonds on BLSE, in addition to the RS Government, was Elektrokrajina a.d. Banja Luka that issued bonds in the amount of BAM 27.4 million with ten-year maturity and 3.5 per cent interest annually.

Regular turnover on BLSE amounted to BAM 109.4 million, which is 9.1 per cent less than in 2020. BLSE has a much more developed secondary bond market than SASE. As much as 59 per cent of the regular turnover in 2021, or BAM 64.6 million, came from bonds and other debt securities. The largest turnover was achieved with RSBDON bonds (maturity: March 3, 2023) in the amount of BAM 14.7 million. The remaining part regular turnover, or BAM 44.7 million, came from shares, where the largest individual volumes were generated with shares of ZTC Banja Vrućica a.d. Teslić in the amount of BAM 15.3 million, and shares of Telekom Srpske a.d. Banja Luka in the amount of BAM 13.7 million.

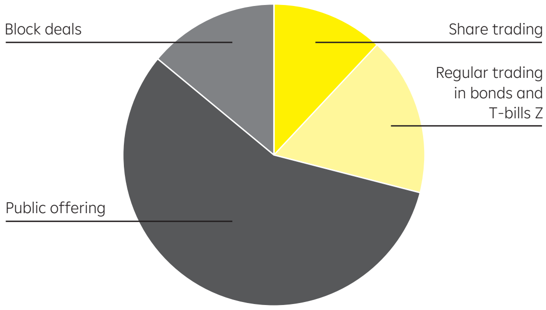
When it comes to other deals, 7 block deals worth BAM 53 million were concluded in 2021, where the deal with the highest value was made with shares of Komercijalna banka a.d. Banja Luka in the amount of BAM 43 million that were bought by the NLB Group. There were also 8 takeover transactions in the total amount of BAM 2 million.

A detailed structure of individual trading segments and their shares on BLSE is shown in the chart below.

The stock exchange blue chip index BIRS posted growth of 15.8 per cent compared to the previous year, which is the first significant growth after many years of stagnation. The growth of BIRS was mostly driven by the price increase of Telekom Srpska shares by 43.4 per cent. The Bond Index (ORS) rose 2.8 per cent, continuing its continuous growth started in 2011.

Looking at the performance of 5 BLSE members, Raiffeisen *CAPITAL* a.d. Banja Luka ranked third by the number of concluded deals, and also third by regular trading volumes, in the amount of BAM 50.4 million.

The structure of total turnover on BLSE in 2021



Securities Services

Custody had a very successful business year, in which the number of customers increased by 13 percent. This attests to the fact that the existing customer base is stable and that new customers have placed their trust in Raiffeisen BANK dd Bosnia and Herzegovina and selected it as a reliable provider of this type of service. The high quality of custody services was recognized and confirmed in a local survey conducted among local customers who gave it the highest grade. The bank's license to conduct the custody business in the capital market of the Republika Srpska was successfully extended, by which the Securities Commission of the Republika Srpska confirmed that the bank is constantly meeting all legal requirements for the provision of custody services. With the custody license maintained in the FBiH as well, the bank covers the entire market in Bosnia and Herzegovina with custody services.

In the depository business area, the bank successfully performed all operations in the issue and trade of securities, in accordance with legal regulations and to the satisfaction of its customers. Despite the challenging times in the funds administration segment, the year ended successfully, and high-quality services were provided to customers. The stable number of customers attests to the excellence of service, and in this area the bank is still the best positioned bank in the local market with a market coverage of 68 per cent.

The bank successfully renewed its licenses as depository in the issue of and trade in securities as well as depository of funds. The Securities Commission of the Federation of Bosna and Herzegovina thereby confirmed that the bank continues to satisfy all legal requirements for the provision of depository banking services.

In the **Broker Business Segment**, Raiffeisen *BANK* dd Bosna i Hercegovina acts as a professional intermediary on the Sarajevo Stock Exchange, where it ranked first by the turnover achieved and second by the number of executed deals in 2021. There was also an increase in the number of customer transactions in foreign markets, which confirms that the bank continues to provide a complete service in this area, providing its customers with access to all global markets. In the local market, customers showed the strongest interest in trading in equity instruments, most notably shares of Bosnalijek d.d. Sarajevo, BH Telecom d.d., JP Elektroprivreda BiH dd Sarajevo and JP Elektroprivreda HZHB Mostar. Also, customers were informed on an ongoing basis of key activities in the local market.

Research and Financial Advisory

Research services remained in the focus of customers and the bank's Management Board in 2021, given the high level of uncertainty caused by the COVID-19 crisis as well as expectations about future economic and financial developments. In a very challenging economic and financial environment, Focus Economics awarded the bank's analyst team as the best forecaster in 2021 for all key economic variables of the Bosnia and Herzegovina market, which is proof of the credibility and quality of the bank's research activities.

Despite the very challenging market environment in the past year, the focus of financial advisory was placed on promoting the services of issuing agent in debt securities issues, for both existing and prospective customers.

Institutional Customers

Institutional customers – a segment consisting of non-bank financial institutions and the central government in Bosnia and Herzegovina with its ministries and government authorities – use numerous products of the bank, from transaction accounts, loans, guarantees, deposits, business cards, PoS and e-pay to securities services.

The year 2021 was extremely challenging as the consequences of the COVID-19 pandemic continued to have a significant impact on the business operations of all legal entities. It is, however, important to emphasize that not a single institutional customer asked the bank for any of the relief measures provided for by the Decision on COVID-19 Relief Measures released by the Banking Agency. Despite the difficulties encountered by the bank's customers, they were repaying their loans without any delays. The bank and its customers began very early to switch to digital ways of conducting transactions wherever possible.

The bank reaffirmed its strong market share by providing professional and quality services. The stability of total deposits, even at low interest rates, is a clear sign of trust that institutional customers place in the bank.

Financial Statements

Annual business report for 2021	37
Responsibilities of the Management and Supervisory Boards for the preparation and approval of the separate financial statements	42
Independent Auditors' Report	43
Separate Statement of profit or loss and other comprehensive income	47
Separate Statement of financial position	48
Separate statement of cash flows	49
Separate statement of changes in equity	50
Notes to the separate financial statements	51

Annual business report for 2021

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

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

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

The Russian-Ukrainian conflict and the introduction of drastic economic sanctions on Russia by the EU, the US and the UK as countermeasures, especially in the energy sector, have resulted in a significant change in the global economic outlook for the period 2022-2023. In this regard, 2022 will bring a slowdown in the dynamics of economic growth in BiH to 3.2% YoY, which will be reflected in the slowdown in the performance of the banking sector, i.e. weaker than expected growth of key indicators (assets, loans, deposits). Namely, the spill over of global political instability as well as the local political crisis will affect the growth of the banking sector in 2022, which will be reflected in the lower projected growth rate of deposits and loans in 2022. Also, the expected weakening of investment confidence and investment activity will be felt most in the area of corporate lending, which will have the greatest impact on the reduced expected total credit growth of 3.2% in 2022. In line with the slowing market dynamics, the Bank has adjusted the initial growth expectations of key loan and deposit categories to the new economic and political environment and the overall business plan for 2022, which is being revised through regular quarterly financial forecasting processes.

c) The most important activities related to research and development

In terms of research and development, one of the key elements of the Bank's strategy is digital transformation and automation, which includes activities in the field of replacing the Bank's Core Banking System (CBS), which will enable significant improvement and velocity in all segments of the Bank. In all business segments, the Bank is rapidly working on projects of digitalization and automation of processes within the Bank and with clients, which will certainly contribute to significantly improving the overall volume of business and client experience with the Bank.

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

In 2021, the Bank did not repurchase its own shares or stakes.

e) Information on business segments

The Bank has no separate business segments in terms of IFRS 8.

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

Sources of funding

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

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

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

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

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

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

By analysis, we come to the conclusion that the realized sources of funding enabled the fulfilment of all regulatory and group liquidity requirements and restrictions, and enabled the maintenance and growth of the active portfolio.

Cash and placements

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

In this way, the maximum optimization of liquidity is achieved, taking into account the above elements, which ultimately has a positive impact on the financial position and overall performance of the Bank. With regard to Markets operations, the Bank has n derivative transactions (financial instruments), which would be relevant for the assessment of the financial position of the Bank. Namely, the Bank offers FX Forward / Flexi Forward transactions to clients, but they are small in volume and insignificant in terms of revenue.

As for the bond portfolio, as a type of financial instrument, the Bank does not keep it in the so-called "trading book" but "to maturity". The financial result, i.e. the income from operations with bonds for the Market portfolio is approximately KM 700 thousand (for 2021), which is certainly not significant for assessing the financial position and financial performance.

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

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

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

Credit risk

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

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

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

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

Credit risk management is defined in current credit policies that are updated on an annual basis. The Credit Risk Management Unit creates credit policy proposals for individual business segments, which are subject to decision-making by the Bank's Management Board and Supervisory Board.

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

They are managed through:
- conducting the process of analysis, ranking of clients and risk assessment when approving placements
- making a decision on approving placements based on clearly defined criteria in credit policies, including cross-border transactions
- active portfolio monitoring and proposal for asset classification
- maintaining exposure by type of business, products, clients and industries at the desired level (it is defined through the annual budgeting process, defining credit policy, limits, etc.)
- maintaining the probability of default (PD) / Default rate at an acceptable level
- management of collateral instruments
- applying credit risk mitigation techniques (collateral instruments are one of the main strategies and measures used to reduce credit risk exposure)
- maintaining the coverage of the portfolio with eligible collateral at a satisfactory level (minimum coverage depending on the client's rating is defined annually through a respective credit policy, and it is maintained on a target level through control of credit policy exceptions, constant monitoring of value and collateral eligibility elements).
- special attention was paid to problematic placements in the Non-retail and Collection Special Assets Management unit
- maintaining the final loss after collection at a satisfactory level (Loss Given Default), through adequate collateralisation and provisions.

Liquidity risk

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

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

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

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

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

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

Also, liquidity risk management implies the involvement of the Bank's bodies in the management of which management support is provided by committees and all employees who are indirectly or directly involved in the takeover and management and control of liquidity risk, primarily:

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

Market risk

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

The process of taking and managing market risks and the process of controlling these risks are clearly demarcated, which means that managing and taking over market risks is primarily carried out in the organizational unit Treasury, Financial Markets and Investment Banking, and their control is performed within the unit Market risk management groups.

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

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

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

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

Interest rate risk in the banking book

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

Interest rate risk management is based on the following principles:

- managing the balance in refinancing assets in terms of terms, currencies and types of interest rates in order to minimize the risk of changes in interest rates and the impact on business results
- defining the limit of interest rate risk exposure by analysing interest rate sensitive assets and liabilities, which are sensitive to changes in interest rates from the point of view of maturity and amount
- contracting interest rates as determined by the Bank's Tariff
- determining the components of reference interest rates
- stress testing
- monitoring profitability indicators.

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

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

Operational risk

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

The strategy related to operational risk management includes:

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

Operational risk management strategy:

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

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

The operational risk management framework consists of processes, structures, controls and systems applied in operational risk management, thus ensuring the establishment of key management elements and operational activities.

Managing and controlling operational risk contributes to strengthening business objectives and meeting regulatory requirements.

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

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

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

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

The separate financial statements set out on pages 15 to 113 were authorised by the Management Board on 4 May 2022 for issue to the Supervisory Board, and are signed bellow to signify this, on behalf of the Bank, by:

For and on the behalf of Management Board

President of Management Board
James Daniel Stewart Jr

Member of Management Board
Andreea Achim

Raiffeisen Bank d.d. Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Bosna i Hercegovina
4 May 2022

Independent Auditors' Report

To the Shareholders of Raiffeisen Bank dd Bosna i Hercegovina

Opinion

We have audited the separate financial statements of Raiffeisen Bank dd Bosna i Hercegovina (the Bank), which comprise the separate statement of profit or loss and other comprehensive income and the separate statement of financial position as at 31 December 2021, and the separate statement profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

Basis for Opinion

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

Other Matters

The separate financial statements of the Bank for the year ended 31 December 2020 were audited by another auditor, who expressed an unmodified opinion to those financial statements on 27 May 2021.

Key Audit Matters

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

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

In its separate financial statements for the year ended 31 December 2021 the Bank presented financing to customers in the amount of KM 2,588,455 thousand and total expected credit loss in the amount of KM 198,372 thousand.

Key Audit Matter	How the Key Audit Matter Was Addressed in Our Audit
For accounting policies, see Note 3. For additional information regarding the identified key audit matter see notes 6, 16 and 20.	
Credit risk represents one of the most important types of financial risks which the Bank is exposed to. Determining appropriate methods and models by the Management to measure and manage credit risk is therefore one of the most important areas in safeguarding the Bank's capital. As part of the credit risk management process, appropriate determination and measurement of loss allowances for expected credit losses represents one of the key considerations for the Management. In determining both the timing and the amount of loss allowance for expected credit losses on loans to and receivables from customers, the Management exercises significant judgement in relation to the following areas: • Use of historical data in the process of determining risk parameters; • Estimation of the credit risk related to the exposure on loans and receivables from customers; • Assessment of credit risk stage allocation for loan exposures and receivables from customers; • Assessment on the significance of subsequent changes in credit risk of an exposure for the purposes of identifying whether significant increase in credit risk has occurred, leading to changes in stage allocation and the required measurement of lifetime expected credit losses; • Assessment of the forward-looking information, including the impact of the COVID-19 pandemic; • Expected future cash flows from operations, which could be available for recovering given loans; • Valuation of collateral and assessment of the period in which a cash proceeds based on potential repossession and sale for individually assessed credit losses. Since determination of appropriate loss allowances for expected credit losses on loans and receivables requires the use of complex models (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to Management bias. This fact led to the determination of loss allowances for expected credit losses on loans and receivables from customers, recognized in accordance with the statutory accounting regulations applicable to banks in Federation of Bosnia and Herzegovina as a key audit matter in our audit of the financial statements for the year ended 31 December 2021.	In order to address the risks associated with loss allowances for expected credit losses on loans to and receivables from customers, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient and appropriate audit evidence for our conclusion. We performed the following audit procedures with respect to area of financing: • Review and verification of the Bank's methodology for recognizing loss allowances for expected credit losses and comparing the reviewed methodology against the requirements of the statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina; • Obtaining understanding of control environment and internal controls implemented by the Management within the process of measuring loss allowances for expected credit losses, including used applications and information technology tools and corresponding internal controls; • Evaluating design and inspecting implementation of identified internal controls relevant to the process of measuring loss allowances for expected credit losses; • Testing identified relevant controls for operating effectiveness; • Performing substantive tests over recognition and measurement of loss allowances for expected credit losses on sample of loans allocated to Stage 1 and Stage 2, focusing on: i. models applied in stage allocation and transitions between stages; ii. assumptions used by the Management in the expected credit loss measurement models; iii. criteria used for determination of significant increase in credit risk, including the impact of COVID-19; iv. assumptions applied to calculate lifetime probability of default; v. methods applied to calculate loss given default; vi. methods applied to incorporate forward- looking information, including the impact of COVID-19; vii. re-performing calculation of expected credit losses on a selected sample. • Performing substantive tests over recognition and measurement of loss allowance for expected credit losses on sample of individually assessed loans allocated to Stage 3 (non-performing loans), which included: i. assessment of customer's financial position and performance following latest credit reports and available information ii. review of judgements and assumptions applied in the calculation and measurement of expected future cash flows from operations, taking into consideration customer's financial position and performance in the current economic environment affected by the COVID-19; iii. reviewing and assessing expected future cash flows and periods in which cash proceeds from potential repossession and sale from collateral and estimated realization period; iv. assessment of appropriateness of transition of financing exposures between stages and allocation of credit exposures with granted moratoria. v. recalculation of expected credit losses on a sample selected using the following criteria: assessment of customer credit risk, industry risk, days of delay in payment of overdue loan receivables and other receivables, etc. vi. Assessed the completeness and accuracy of disclosures related to expected credit losses in the context of the requirements statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the separate financial statements and our auditor's report.

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

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

Based on the procedures performed during our audit, to the extent we are able to assess it, we report that:

1) Information included in the other information is, in all material respects, consistent with the attached separate financial statements.
2) Management Report has been prepared, in all material respects, in accordance with the Article 42 of the Accounting Act.

Based on the knowledge and understanding of the Bank and its environment, which we gained during our audit of the separate financial statements, we have not identified material misstatements in the other information.

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

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

In preparing the separate financial statements, 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.

Auditor's Responsibilities for the Audit of the Separate Financial

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal 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 auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Sabina Softić.

Yuri Sidorovich, procurator

Sabina Softić, partner and licensed auditor

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Deloitte d.o.o. Sarajevo
Zmaja od Bosne 12c
Sarajevo, Bosnia and Herzegovina
Sarajevo, 4 May 2022

Separate Statement of profit or loss and other comprehensive income

income for the year ended 31 December 2021

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

	Notes	2021	2020
Interest income calculated using the effective interest rate	8	138,371	144,665
Interest expense	9	(23,415)	(24,732)
Net interest income		**114,956**	**119,933**
Fee and commission income	10	107,867	91,059
Fee and commission expense	11	(26,540)	(22,659)
Net fee and commission income		**81,327**	**68,400**
Net gains from foreign currency trading	12	17,165	13,731
Net loss from other financial instruments at fair value through profit and loss	13	(113)	(228)
Other operating income	14	8,092	8,267
Net operating income		**221,427**	**210,103**
Administrative expenses	15	(102,184)	(99,935)
Depreciation and amortization	27, 28, 29, 30	(14,338)	(14,441)
Operating expense		**(116,522)**	**(114,376)**
Profit before impairment losses, provisions and income tax		**104,905**	**95,727**
Impairment losses, net	16	(27,240)	(46,383)
PROFIT BEFORE TAX		**77,665**	**49,344**
Income tax expense	17	(8,081)	(4,723)
NET PROFIT FOR THE YEAR		**69,584**	**44,621**
Other comprehensive income			
Other comprehensive income		(57)	11
Total other comprehensive income		**(57)**	**11**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**69,527**	**44,632**
Earnings per share (KM)	38	**70.38**	**45.13**

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

Separate Statement of financial position

at 31 December 2021

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

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	18	1,713,338	1,690,128
Obligatory reserves at the Central Bank of BiH	19	416,375	409,037
Loans and receivables to customers	20	2,389,685	2,390,437
Financial assets at fair value through other comprehensive income	21	498	556
Debt instruments at amortized cost	23	167,175	122,561
Investments in subsidiaries	24	11,050	11,050
Investments in associates and joint ventures	25	2,204	3,827
Deferred tax assets	17	213	53
Current tax prepayment		7,935	10,310
Other assets and receivables	26	28,203	90,122
Investment property	27	28,643	29,951
Property and equipment	28	90,077	105,412
Right-of-use assets	29	7,998	10,183
Intangible assets	30	18,966	18,584
TOTAL ASSETS		**4,882,360**	**4,892,211**
LIABILITIES			
Borrowings from banks and other financial institutions	31a	92,497	126,787
Deposits from banks and other financial institutions	31b	2,005	24,326
Deposits from customers	32	4,072,009	3,955,130
Subordinated debt	33	61,804	61,804
Provisions for liabilities and charges	34	30,183	39,680
Lease liabilities	35	8,143	10,080
Other liabilities	36	46,296	98,766
Deffered tax liabilities	17	1,376	977
TOTAL LIABILITIES		**4,314,313**	**4,317,550**
EQUITY AND RESERVES			
Share capital	37	247,167	247,167
Share premium		4,473	4,473
Fair value reserves		268	326
Retained earnings		316,139	322,695
TOTAL EQUITY AND RESERVES		**568,047**	**574,661**
TOTAL LIABILITIES, EQUITY AND RESERVES		**4,882,360**	**4,892,211**

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

Separate statement of cash flows

flows for the year ended 31 December 2021

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

	Notes	2021	2020
OPERATING ACTIVITIES			
Net profit for the year	77,665	44,621	
Adjustments for:			
Depreciation and amortisation	27,28,29,30	14,338	14,441
Impairment losses, net	16	27,240	46,383
Profit from sale of tangible assets and investment property	14	(1)	-
Write-off of property, equipment and intabgible assets		-	41
Net loss from other financial instrument at fair value through profit and loss	13	-	228
Net change in provisions for liabilities and charges	15	(2,293)	(1,239)
Net interest income	8,9	(114,956)	(119,933)
Written off liabilities	14	(28)	-
Dividend income	14	(3,037)	(3,362)
Income tax expense		-	4,723
		(1,072)	**(14,097)**
Changes in operating assets and liabilities:			
Net increase in obligatory reserves with CBBH		(7,338)	(10,038)
Net (increase) / decrease in loans given to customers, before impairment		(18,165)	51,008
Net decrease / (increase) in other assets and receivables, before impairment		60,056	(56,832)
Net decrease in deposits from banks and other financial institutions		(22,321)	(149,059)
Net change in due to customers		116,879	272,465
Net (decrease) / increase in other liabilities		(50,207)	47,048
		77,832	**140,495**
Paid income tax		(7,842)	(13,544)
Received interest	8	138,371	139,486
Paid interest	9	(23,415)	(24,719)
Received dividends	14	3,037	3,362
NET CASH FLOW REALISED IN OPERATING ACTIVITIES		**187,983**	**245,080**
INVESTING ACTIVITIES			
Proceeds from financial assets at fair value through profit or loss		-	6,958
Proceeds from financial assets at amortised costs		20,421	33,919
Outflows for purchase of debt instruments at amortized cost		(65,249)	(16,416)
Purchase of property and equipment	28	(2,170)	(6,240)
Purchase of intangible assets	30	(4,429)	(6,390)
Proceeds from property and equipment sold		129	248
Proceeds from sale of intangible assets		-	704
NET CASH FLOW (USED) / REALISED IN INVESTING ACTIVITIES		**(51,298)**	**12,783**
FINANCING ACTIVITIES			
Repayment of borrowings from banks and other financial institutions		(34,290)	(37,264)
Repayment of subordinated debt		(76,140)	-
Paid lease liabilities	39	(3,077)	(3,815)
NET CASH FLOW USED IN FINANCING ACTIVITIES		**(113,507)**	**(41,079)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**23,178**	**216,784**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	18	**1,690,128**	**1,473,344**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	**1,713,338**	**1,690,128**

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

Separate statement of changes in equity

at 31 December 2021

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

	Issued share capital	Share premium	Fair value reserves	Retained earnings	Total
Balance as at 31 December 2019	**247,167**	**4,473**	**315**	**310,590**	**562,545**
First time adoption FBA Decision (Note 5)	-	-	-	(32,516)	(32,516)
Balance as of 1 January 2020	**247,167**	**4,473**	**315**	**278,074**	**530,029**
Net profit for the year	-	-	-	44,621	44,621
Other comprehensive income	-	-	11	-	11
Total comprehensive income	**-**	**-**	**11**	**44,621**	**44,632**
Balance as at 31 December 2020	**247,167**	**4,473**	**326**	**322,695**	**574,661**
Distribution of dividends	-	-	-	(76,141)	(76,141)
Net profit for the year	-	-	-	69,584	69,584
Other comprehensive income	-	-	(57)	-	(57)
Total comprehensive income	**-**	**-**	**(57)**	**69,584**	**69,527**
Balance as at 31 December 2021	**247,167**	**4,473**	**268**	**316,139**	**568,047**

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

Notes to the separate financial statements

for the year that ended 31 December 2021
(all amounts are expressed in thousands of KM, unless otherwise stated)

1. General

History and incorporation

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

Principal activities of the Bank are:
1. accepting deposits from the public and placing of deposits;
2. providing current and term deposit accounts;
3. granting short- term and long-term loans and guarantees to the local municipalities, corporate customers, private individuals and other credit institutions dealing with finance lease and foreign exchange transactions;
4. money market activities;
5. performing local and international payments;
6. foreign currency exchange and other banking-related activities;
7. providing banking services through an extensive branch network in Bosnia and Herzegovina.

The registered address of the Bank is Zmaja od Bosne bb, Sarajevo. As at 31 December 2021 the Bank had 1,277 employees (31 December 2020: 1,278 employees).

The Supervisory Board, Management Board and Audit Committee

During 2021 and on the date of this report, the members of the Supervisory Board were:

Supervisory Board

Peter Jacenko	Supervisory Board
Markus Kirchmair	Deputy Chairman
Markus Plank	Member
Johannes Kellner	Member
Elisabeth Geyer – Schall	Member
Zinka Grbo	Member
Jasmina Selimović	Member

During 2021 and on the date of this report, the members of the Audit Committee were:

Audit Committee

Renate Kattinger	Chairman
Nedžad Madžak	Member
Abid Jusić	Member
Vojislav Puškarević	Member
Benina Veledar	Member

During this report and on 31 December 2021 Management Board consists of directors and executive directors. The following persons performed these functions during the year and on the day of this report:

Management Board

James Daniel Stewart Jr	President of the Management Board since 7 July 2021
Edin Hrnjica	Acting President of the Management Board from 7 April till 6 July 2021; Member of the Management Board since 7 July 2021
Andreea Achim	Member of the Management Board since 12 February 2021
Mirha Krivdić	Member of the Management Board since 7 July 2021
Kreshnik Halili	Member of the Management Board since 29 March 2022
Karlheinz Dobnigg	President of the Management Board till 19 March 2021
Mirha Hasanbegović	Member of the Management Board till 19 March 2021
Ante Odak	Member of the Management Board till 6 July 2021

2. Basis of presentation

2.1. Reporting framework

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

- The FBiH Law on Accounting and Auditing prescribes the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").
- The Law on Banks of the FBiH prescribes the preparation of annual financial statements in accordance with the aforementioned Law on Accounting and Auditing of the FBiH, this law, and bylaws adopted on the basis of both laws.
- The Agency adopted the Decision on Credit Risk Management and Determination of Expected Credit Losses (the "Decision"), applicable from 1 January 2021 and which resulted in certain differences resulting from the calculation of impairment for credit losses due to the application of minimum rates prescribed by the Decision, which are not required by IFRS 9: "Financial Instruments" ("IFRS 9"). The decision also has an impact on the valuation of non-financial assets arising from credit operations (acquired tangible assets whose valuation is within the scope of other relevant IFRS).

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

In accordance with the provisions of the Decision as at 31 December 2020 the Bank calculated an impairment for credit losses that is higher by KM 32,749 thousand than the amount obtained by calculating the result of the Bank's internal model for calculating expected credit losses, compliant with the requirements of IFRS 9, with details as follows:

Application of Article 23 of the Decision prescribing the application of minimum impairment rates for all exposures allocated to credit risk level 1 – calculated difference in the amount of KM 6,816 thousand,

- Application of Article 24 of the Decision prescribing the application of minimum impairment rates for all credit exposures in credit risk level 2 – calculated difference in the amount of KM 17,622 thousand,
- Application of minimum impairment rates prescribed in Article 25 of the Decision for exposures at credit risk level 3 (non-performing assets) – calculated difference in the amount of KM 7,823 thousand.
- application of the minimum impairment rates prescribed in Article 26 of the Decision for trade receivables, receivables based on factoring and financial leasing and other receivables – the difference in the amount of KM 488 thousand.

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

All amounts are expressed in thousands of BAM	1 January 2020	31 December 2020	31 December 2021
Assets	(23,374)	(22,992)	(25,716)
Liabilities	9,142	9,757	7,841
Equity	(32,516)	(32,749)	(33,557)

In 2020, the Bank has started applying the Decision on credit risk management and determination of expected credit losses. Changes in significant accounting policies are described in Note 2.5 *Changes in accounting policies* and effects of the first-time adoption of the Decision are presented in Note 5 *Transition to the calculation of expected credit losses in accordance with the new regulatory requirements*.

As explained in Note 2.5, the Bank did not restate the comparative data for 2019. The effects of the first application of the Decision are recognized against the initial balance of retained earnings and reserves on 1 January 2020.

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 are separate financial statements of the Bank prepared in accordance with the Law on Accounting and Auditing in FBiH, the Law on Banks of FBiH and bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina. As explained in Note 24, the Bank is a parent within the Raiffeisen Bank BH Group and will also prepare consolidated financial statements, which will be approved by the Management Board. For better understanding of the Raiffeisen Bank Group as a whole, users should read the consolidated financial statements.

These separate financial statements were authorised by the Management Board on 4 May 2022 for submission to the Supervisory Board.

2.2. Basis for measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis.

The principal accounting policies adopted are set out below.

2.3. Functional and presentation currency

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

2.4. Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Information on areas with significant uncertainty in the estimates and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements are disclosed in Note 4.

2.5. Changes in accounting policies

As previously stated in Note 2.1 Reporting Framework, as of 1 January 2020, the Bank applied the *Decision on Credit Risk Management and Determination of Expected Credit Losses* issued by the Banking Agency of the Federation of Bosnia and Herzegovina, which resulted in changes in accounting policies and adjustments. amounts previously recognized in separate financial statements.

As prescribed by the Decision, the Bank did not revise the comparative data for 2019. The effects of the first application of the Decision are recognized against the initial balance of retained earnings and provisions on 1 January 2020. Other basic accounting policies applied in the preparation of the separate financial statements are the same as in the preparation of the separate annual financial statements as at 31 December 2019.

The implementation of the Decision has resulted in changes in accounting policies related to the measurement of financial assets. A detailed description of the changes is disclosed in Note 3 Significant accounting policies and Note 5 Transition to the calculation of expected credit losses in accordance with the regulatory requirements of these separate financial statements.

3. Significant accounting policies

Except for the previously described changes in Note 2.5, the Bank has consistently applied the accounting policies further described below to all periods disclosed in these separate financial statements.

3.1. Foreign currency transactions

Transactions in currencies other than Bosnian Marks ("KM") are initially recorded at the exchange rates prevailing on the dates of transactions. Monetary assets and liabilities are translated at rates prevailing on the reporting date. Non-monetary items carried at fair value denominated in foreign currencies are translated at prevailing rates on the date when fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Profits and losses arising on translation are included in the income statement for the period.

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

31 December 2021	EUR 1 = KM 1.95583	USD 1 = KM 1.72563
31 December 2020	EUR 1 = KM 1.95583	USD 1 = KM 1.74799

3.2. Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- gross carrying amount of the financial asset; or
- the amortized costs of the financial liability.

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

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

Amortised cost and gross carrying value

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

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

Calculation of interest income and expense

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

However, for financial assets that have been credit-impaired sustainably to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of financial assets. If the asset is no longer credit-impaired, the calculation of interest income returns to the gross basis.

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

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

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

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

3.3. Fee and commission income and expenses

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

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees.

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

Fee and commission income and expenses, reported as such, comprise mainly fees related to credit card transactions, the issuance of guarantees and letters of credit, domestic and foreign payment transactions and other services and are recognised in the profit and loss statement upon performance of the relevant service.

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

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

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

3.4. Net trading gains

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

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

Net income from other financial instruments at fair value through profit and loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit and loss and, from 1 January 2019, also non-trading assets mandatorily measured at fair value through profit and loss. This line item includes fair value changes, interest, dividends and foreign exchange differences.

3.6. Dividend income

Dividend income is recognised in the income statement when the right to receive income is established and when the amount of dividends can be reliably measured.

3.7. Leases

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

i) As a lessee

Bank recognizes right-of-use asset and a lease liabiliy from the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlzing asset or the site on which it is located, less any lease incentives recevied.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, or over the period for which the lease is expected to be active. In addition, right-of-use asset is periodicaly reduced by impairment losses, if applicable, or adjusted for a particular remeasurement of lease obligations.

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

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; less any prepayments received in connection with the lease;
- variable payments that depend on a particular index or rate and that are initially measured against that index or rate on the first day of the lease;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early

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

When the lease liability is remeasured in this way, the carrying amount of the asset is properly adjusted for use or the difference is recorded in the income statement if the carrying amount of the asset is reduced to zero.

The Bank discloses assets with the right of use and the lease liability as a separate item in the statement of financial position.

The Bank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (limited amount of assets are 5,000 EUR) and short-term leases.

The income statement and other comprehensive income show interest expense on the lease liability separately from the depreciation of the right of use asset. Interest expense on a lease liability is a component of finance costs.

ii) Bank as a Lessor

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

3.8. Income tax

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

Current income tax

Net income differs from taxable income of the period reported in income statement and statement of comprehensive income, as it includes items of income and expense that are taxable or non-taxable in other years, as well as items that are never taxable or are deductible. The Bank's current tax liabilities are calculated by applying tax rates that are in effect or in the process of being adopted at the reporting date.

Deferred income tax

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

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

3.9. Investments in subsidiaries

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

Investments in subsidiaries in these separate financial statements are stated at cost less any impairment, if needed.

3.10. Investments in associates and joint ventures

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

A joint ventures refers to the investment into jointly controlled entity. A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures in these separate financial statements are stated at cost of acquisition less any impairment, if they exist.

3.11. Financial assets and liabilities

Recognition and initial measurement

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

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

3.11.1. Financial assets

(i) Classification and subsequent measurement

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

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:
(i) The purpose of managing financial assets (business model)
(ii) The contractual characteristics of cash flows ("Solely Payments of Principle and Interest", further "SPPI test" or "SPPI")

Based on these factors, the Bank classifies its debt instruments into one of the following three measurement categories:

- **Financial assets at amortised cost**

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

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

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

- **Financial assets through other comprehensive income**

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

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

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

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

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

In addition, the Bank has the option to designate, on initial recognition, financial assets that otherwise meet the requirements to be measured at amortised cost or at FVOCI at fair value through profit and loss, if doing so significantly reduces the accounting mismatch that would otherwise arise.

Purpose of managing financial assets (Business model)

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

Business models of the Bank are:

- Business model whose objective is to hold assets for the collection of contractual cash flows – it includes all financial assets held for the purpose of collection of contractual cash flows over the lifetime of the financial instrument. For the purpose of classification in this business model, financial assets go through the SPPI test, and the following financial assets are allocated to this model:
  - cash on transaction accounts with other banks,
  - placements with other banks,
  - loans to customers,
  - other receivables.

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

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

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

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

Contractual cash flow characteristics (SPPI)

Test of features of contractual cash flows from the point of view of solely payment of principal and interest is one of the criteria for the classification of financial assets in an individual category of measurement. SPPI test is implemented for the purpose of establishing whether the interest rate on unsettled principle reflects the fee for time value of money, credit risk and other basic risks of borrowing, lending costs and profit margin.

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

Equity instruments

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

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

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

(ii) Derecognition of financial assets

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

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

From 1 January 2019 any cumulative gain or loss recognised through other comprehensive income in respect of equity investment securities designated as at fair value through other comprehensive income is not recognised in profit or loss on derecognition of such securities, but are directly recognised in retained earnings.

(iii) Modification of financial assets

Modification of financial assets is a process where the terms of the original contract are modified as a result of:
1) caused by current borrowers' needs (for example a reduction in the effective interest rate due to market changes, collateral substitution) and not caused by financial difficulties of the borrower,
2) caused by the current financial difficulties of the borrower or the difficulties that will arise soon, or by deteriorating the borrowers creditworthiness.

Modification of financial assets occurs when changes to some or all of the contract's provisions have been made.

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

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

However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to meet the originally agreed payments. The differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

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

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

(iv) Impairment

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

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

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

ECL measurement

Očekivani kreditni gubici prema internom modelu umanjenja vrijednosti se mjere kako slijedi:
- *financial assets that are not impaired at the reporting date*: as the present value of the missing cash (ie the difference between the cash flows to the entity under the contract and the cash flows that the bank expects to receive);
- *financial assets that are impaired at the reporting date:* as the difference between the gross carrying amount and the present value of expected future cash flows;
- *undrawn credit liabilities:* as the present value of the difference between the agreed cash flow to the Bank if the liability is unused and the cash flow that the Bank expects to receive; and
- *financial guarantee agreements:* expected payments to settle the guarantee holder less the amount that the Bank expects to reimburse.

See Note 6.1.3. which explains in detail the internal impairment model.

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

As disclosed in Notes 2.1, 2.5 and 5, as of 1 January 2020, the Bank measures expected credit losses in accordance with the requirements of the Decision on Credit Risk Management and Determination of Expected Credit Losses. The requirements of the Decision regarding impairment are based on the model of expected credit losses of IFRS 9, with certain specifics (for example, the prescribed minimum rates of expected credit losses for credit risk levels). Following the requirements of the regulator, the Bank updated the impairment methodology as of 1 January 2020 in accordance with the requirements of the new Decision, and defined minimum criteria for measuring expected losses in accordance with the distribution of exposure to credit risk levels, as described below.

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

1 Credit risk level 1:

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

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

2 Credit risk level 2:

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

3 Credit risk level 3:

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

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

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

b) exposures not secured by eligible collateral:

Days past due	Minimum expected credit loss
Up to 180 days	15%
from 181 to 270 days	45%
from 271 to 365 days	75%
from 366 to 456 days	85%
over 456 days	100%

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

For exposures related to cases when the debtor has not fulfilled its obligation to the bank no later than 60 days from the day when the protest was performed on the basis of a previously issued guarantee, the Bank determines and recognizes the expected credit loss in the amount of 100% of the exposure.

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

The minimum rates of expected credit losses for trade receivables, factoring and financial leasing receivables and other receivables are applied according to the table bellow:

Days past due	Minimum expected credit loss
there is no material past due amount	0.5%
up to 30 days	2%
from 31 to 60 days	5%
from 61 to 90 days	10%
from 91 to 120 days	15%
from 121 to 180 days	50%
from 181 to 365 days	75%
over 365 days	100%

Credit impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

See also Note 6.1.3.

POCI assets – purchased or originated credit-impaired assets

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

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

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

Write-offs

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

Write-off of loan receivables represents a loss. The consequence of writing off loan receivables is their derecognition from the accounting records, except in cases of accounting write-off, when the Bank acts in accordance with regulations by deciding on credit risk management and determining expected credit losses.

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

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

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

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

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

In accordance with the Decision on Credit Risk Management and Determination of Expected Credit Losses, effective from 1 January 2020, the Bank writes off the balance sheet exposure two years after the Bank has recognized expected credit losses in the amount of 100% of the gross book value of that exposure. and declared it fully due.

3.11.2. Financial liabilities

(i) Classification

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

(ii) Initial and subsequent measurement

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

(iv) Modification of financial liabilities

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

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

(iii) Derecognition of financial liabilities

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

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

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

3.11.3. Offsetting of financial assets and liabilities

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

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

3.11.4. Fair value measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

The Bank recognises transfers between levels of the fair value hierarchy as of the reporting period during which the change occurred.

3.11.5. Specific financial instruments

Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents inlcude cash, balances with the Central Bank and funds held at the current accounts with other banks and higly liquid financial assets with original maturities of three months or less from the date of acquisition.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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

Placements with banks and the obligatory reserve with the Central Bank

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

Loans and receivables

Loans to customers are presented at amortised cost net of impairment allowances to reflect the estimated revocable amounts.

"Loans and receivables" captions in the statement of financial position include:
- loans and receivables measured at amortised cost (see Note 3.11.1), thet are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and receivables at fair value through profit or loss, measured at fair value with changes in fair value that are recognized in profit or loss.

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

The 'financial assets at amortised cost" caption in the statement of financial position includes
- debt investment securities measured at amortised cost;

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

The Bank elects to present in other comprehensive income changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

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

Financial guarantees and loan commitments

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

Borrowings and subordinated debt

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

Current accounts and deposits from banks and customers

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

3.12. Property and equipment

Recognition and measurement

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

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

Estimated depreciation rates during 2020 and 2021 were as follows:

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

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

3.13. Intangible assets

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

Estimated depreciation rates were as follows:

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

3.14. Investment property

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

Buildings	2%

3.15. Impairment of non-financial assets

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

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

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

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

3.16. Provisions for liabilities and charges

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

Provisions for liabilities and charges are maintained at the level that the Bank's management considers sufficient for absorption of incurred losses. Management determines the sufficiency of provisions on the basis of insight into specific items; current economic circumstances risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions are released only for such expenditure in respect of which provisions are recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

3.17. Employee benefits

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

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

Retirement severance payments

The Bank makes provision for retirement severance payments in the amount of either 3 average net salaries of the employee disbursed by the Bank or 3 average salaries of the Federation of Bosnia and Herzegovina as in the most recent published report by the Federal Statistics Bureau, depending on what is more favourable to the employee.

The cost of retirement severance payments is recognised when earned.

3.18. Equity and reserves

Share capital

Share capital represents the nominal value of paid-in ordinary shares and is denominated in KM.

Retained earnings

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

Fair value reserves

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

Dividends

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

3.19. Earnings per share

The Bank publishes basic and diluted earnings per share (EPS) data. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. The Bank does not have preference shares.

3.20. Adoption of new and revised standards

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

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases" – Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting, at the latest, on or after 1 January 2021),
- Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9" adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

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

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

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

Amendments to IAS 16 "Property, Plant and Equipment" – Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- IFRS 17 "Insurance Contracts" including amendments to IFRS 17 adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- Amendments to IAS 1 "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IFRS 17 "Insurance contracts" – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

The Bank has elected not to adopt these new standards, amendments to existing standards and new interpretation in advance of their effective dates. The Bank anticipates that the adoption of these standards, amendments to existing standards and new interpretations will have no material impact on the separate financial statements of the Bank in the period of initial application.

4. Critical accounting judgements and key sources of estimation uncertainty

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

Impairment losses on loans and receivables

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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Note 3.11.1 (i): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 6.1.3 (i): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward- looking information into measurement of ECL and selection and approval of models used to measure ECL.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 and 31 December 2020 are included in the following notes.
te 6.1.3: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

- Note 3.11.4: determination of the fair value of financial instruments with significant unobservable inputs
- Note 3.11.1.(iv): impairment of financial instruments: key assumptions used in

COVID-19

Significant judgments and estimates relating to impairment for expected credit losses are particularly complex in the current uncertain environment caused by the onset of the COVID-19 pandemic and as described in more detail in the Note 6.1.1. *Credit quality analysis*. The COVID 19 pandemic continues to develop and the economic environment in which the Bank operates is subject to volatility, which could have a further impact on financial results as the duration of the COVID 19 pandemic and the effectiveness of measures taken by governments and the banking regulator are uncertain. We continue to monitor and evaluate the impact of the COVID 19 pandemic on key accounting judgments, estimates and assumptions.

Taxation

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

Regulatory requirements

The Agency is entitled to carry out regulatory inspections of the Bank's operations and to request changes to the carrying values of assets and liabilities, in accordance with the underlying regulations.

Litigation and claims

The total amount of legal proceedings is KM 73,844 thousand (2020: KM 55,541 thousand). The Bank performs an individual assessment of all court cases and creates provisions in accordance with the assessment. The assessment of risks and proposal for provisions for legal cases is performed by the Legal Affairs Department and Finance Division, and a decision on the creation of provisions is made by the Bank's management.

As stated in Note 34, the Bank provided KM 11,331 thousand (2020: KM 13,035 thousand), which management estimates as sufficient. Since the estimate is made considering the specifics of each individual case, it is not practicable for management to evaluate the financial impact of changes to the assumptions based on which provisions are quantified as at the reporting date.

Provisions for serverance payments

In calculating provisions for severance payments, the Bank discounts expected future cash flows on those payments, using discount rates that, according to the management's judgment, best reflect the time value of money.

5. Transition to calculation of expected credit losses in accordance with new regulatory requirements

Estimated impact of the first-time adoption of the Decision on credit risk management and calculation of expected credit losses

On June 20, 2019, the Banking Agency of the Federation of Bosnia and Herzegovina issued a Decision on Credit Risk Management and Determination of Expected Credit Losses (Official Gazette of the FBiH No. 44/19 of June 26, 2019), the application of which is binding on all banks. starting on January 1, 2020.

The requirements of the Decision in the area of impairment are based on the model of expected credit losses of IFRS 9, with certain specifics prescribed, which mostly refer to the prescribed minimum rates of expected credit losses for credit risk levels (for details see Note 3.11.1. (iv)). In accordance with the above, the banks were obliged to calculate the effects of the first time adoption of this Decision as of December 31, 2019, ie the opening balance as of January 1. 2020, and recognize them in the equity accounts on that day without correction of the comparative information for 2019.

The effects of the first time adoption are the difference between the expected credit losses determined in accordance with the provisions of this Decision and those identified and accounted for by the Bank in accordance with its internal methodology in accordance with IFRS 9, when the expected credit losses determined this way are smaller. In line with the requirements of the Decision, the effects are calculated for each individual exposure.

The impact of the transition to the calculation of expected credit losses in accordance with the new Decision on January 1, 2020 on the Bank's financial statements was a decrease in net assets in the amount of KM 32,516 thousand, arising from:
- Decrease in the amount of KM 23,374 thousand from additional impairment of financial assets,
- Increase in provisions for financial guarantees and loan commitments in the amount of KM 9,142 thousand.

The Bank has an adequate capital adequacy ratio following the adoption of the Decision. Capital adequacy ratios as at 31 December 2020 are presented in Note 6.4.

The impact of the adoption of the Decision on credit risk management and the calculation of expected credit losses is presented in the table below:

All amounts are expressed in thousands of BAM	Notes	December 31, 2019 MSFI 9	Re- measure-ment	January 1, 2020. FBA decision
ASSETS				
Cash and cash equivalents	18	1,473,344	(1,913)	1,471,431
Obligatory reserves at the Central Bank of BiH	19	398,999	-	398,999
Loans and receivables to customers	20	2,490,432	(20,173)	2,470,259
Financial assets at fair value through other comprehensive income	21	545	-	545
Financial assets at fair value through profit and loss	22	6,966	-	6,966
Debt instruments at amortized cost	23	143,178	(463)	142,715
Investments in subsidiaries	24	11,050	-	11,050
Investments in associates and joint ventures	25	3,827	-	3,827
Deferred tax assets	17	107	-	107
Current tax prepayment		359	-	359
Other assets and receivables	26	36,444	(825)	35,619
Investment property	27	30,656	-	30,656
Property and equipment	28	105,444	-	105,444
Right-of-use assets	29	11,215	-	11,215
Intangible assets	30	16,710	-	16,710
TOTAL ASSETS		**4,729,276**	**(23,374)**	**4,705,902**
LIABILITIES				
Borrowings from banks and other financial institutions	31a	163,746	-	163,746
Deposits from banks and other financial institutions	31b	173,919	-	173,919
Deposits from customers	32	3,682,424	-	3,682,424
Subordinated debt	33	61,804	-	61,804
Provisions for liabilities and charges	34	24,242	9,142	33,384
Lease liabilities	35	10,986	-	10,986
Other liabilities	36	49,096	-	49,096
Deffered tax liabilities	17	514		514
TOTAL LIABILITIES		**4,166,731**	**9,142**	**4,175,873**
EQUITY AND RESERVES				
Share capital	37	247,167	-	247,167
Share premium		4,473	-	4,473
Fair value reserves		315	-	315
Retained earnings		310,590	(32,516)	278,074
TOTAL EQUITY AND RESERVES		**562,545**	**(32,516)**	**530,029**
TOTAL LIABILITIES, EQUITY AND RESERVES		**4,729,276**	**(23,374)**	**4,705,902**

6. Financial risk management

The Bank's activities expose it to a variety of financial risks: credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

The Bank has established an integrated system of risk management by introducing a set of policies and procedures for analysis, evaluation, acceptance and risk management. Taking risk is core to the financial services business and the operational risks are an inevitable consequence of being in business.

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

Risk management is carried out by the Risk Management Division whose main purpose is to support financial operations, coordinate access to domestic and international financial markets, and oversee and manage financial risk through internal risk reports including analysis by size and level of the risk.

As previously disclosed, the COVID-19 pandemic represents a significant new event that has significantly affected the Bank's risk management.

6.1. Credit risk

Risk limit control and mitigation policies

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest payment and capital repayment obligations and by changing the lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

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

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

The Supervisory Board of the Bank makes a decision on the composition and authorizations of the Credit Committee and the Credit Committee for problematic loans. The Credit Committee, within its authority, may delegate credit approvals to lower levels of decision making and appoint credit decision-makers. Credentials and procedures of the Credit Committee and the Credit Committee for Problematic Loans are defined in the Rulebook on the Work of these Bodies.

Off-balance-sheet credit instruments

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

6.1.1 Analiza kreditnog kvaliteta

6.1.1.1 Maximum exposure to credit risk before collateral held or other credit enhancement

Maksimalna izloženost kreditnom riziku stavki izvještaja o finansijskom položaju prikazana je kako slijedi:

All amounts are expressed in thousands of BAM	Notes	31 December 2021	31 December 2020
Cash and accounts with banks (excluding cash in the cash register)	18	695,506	650,776
Loans and advances to banks at amortised cost	18	352,556	418,336
Obligatory reserves at the Central Bank of BiH	19	416,375	409,037
Loans and advances to customers at amortised cost	20	2,370,489	2,379,808
Loans and advances to customers at fair value through profit or loss	20	19,196	10,629
Debt instruments at amortized cost	23	167,175	122,561
Other financial assets	26	24,030	86,002
		4,045,327	**4,077,149**

Maksimalna izloženost kreditnom riziku vanbilansnih stavki prikazana je kako slijedi:

All amounts are expressed in thousands of BAM	Notes	31 December 2021	31 December 2020
Credit commitments	34	667,224	681,495
Financial guarantees	34	304,925	290,252
		972,149	**971,747**

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

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

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Loans and advances to banks at amortised cost					
Excellent	-	-	-	-	-
Strong	294,517	-	-	-	294,517
Good	58,675	-	-	-	58,675
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**353,192**	**-**	**-**	**-**	**353,192**
Less: loss allowance	**(636)**	**-**	**-**	**-**	**(636)**
Net carrying amount	**352,556**	**-**	**-**	**-**	**352,556**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2020 Total
Loans and advances to banks at amortised cost					
Excellent	-	-	-	-	-
Strong	221,760	-	-	-	221,760
Good	197,301	-	-	-	197,301
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**419,061**	**-**	**-**	**-**	**419,061**
Less: loss allowance	**(725)**	**-**	**-**	**-**	**(725)**
Net carrying amount	**418,336**	**-**	**-**	**-**	**418,336**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Loans and advances to customers at amortised cost*					
Excellent	11	-	-	-	11
Strong	104,707	875	-	-	105,582
Good	519,608	22,221	-	388	542,217
Satisfactory	1,405,053	180,521	-	609	1,586,183
Substandard	42,864	81,515	-	298	124,677
Credit impaired	-	-	183,587	24,539	208,126
Unrated	83	1,125	3	854	2,065
Total gross amount	**2,072,326**	**286,257**	**183,590**	**26,688**	**2,568,861**
Less: loss allowance	**(17,012)**	**(22,873)**	**(138,959)**	**(14,387)**	**(193,231)**
Less: effects of modifications	**(12)**	**-**	**(3,651)**	**(1,478)**	**(5,141)**
Net carrying amount	**2,055,302**	**263,384**	**40,980**	**10,823**	**2,370,489**

During 2021, the Bank changed the scale on the basis of which the credit quality assessment of financial assets is performed, which resulted in significant differences in the amounts at the level of individual grades in 2021 compared to 2020, as shown in the table above.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2020 Total
Loans and advances to customers at amortised cost					
Excellent	629	1	-	-	630
Strong	117,274	1,879	-	-	119,153
Good	967,359	61,854	-	94	1,029,307
Satisfactory	823,029	144,131	-	118	967,278
Substandard	68,140	179,324	-	194	247,658
Credit impaired	-	-	180,846	17,987	198,833
Unrated	1,217	1,818	7,297	-	10,332
Total gross amount	**1,977,648**	**389,007**	**188,143**	**18,393**	**2,573,191**
Less: loss allowance	**(14,685)**	**(38,171)**	**(127,274)**	**(13,253)**	**(193,383)**
Net carrying amount	**1,962,963**	**350,836**	**60,869**	**5,140**	**2,379,808**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Debt instruments at amortized cost					
Excellent	39,604	-	-	-	39,604
Strong	55,434	-	-	-	55,434
Good	42,954	-	-	-	42,954
Satisfactory	9,728	20,764	-	-	30,492
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**147,720**	**20,764**	**-**	**-**	**168,484**
Less: loss allowance	**(275)**	**(1,034)**	**-**	**-**	**(1,309)**
Net carrying amount	**147,445**	**19,730**	**-**	**-**	**167,175**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2020 Total
Debt instruments at amortized cost					
Excellent	70,845	-	-	-	70,845
Strong	-	-	-	-	-
Good	11,606	12,104	-	-	23,710
Satisfactory	29,101	-	-	-	29,101
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
Total gross amount	**111,552**	**12,104**	**-**	**-**	**123,656**
Less: loss allowance	**(529)**	**(566)**	**-**	**-**	**(1,095)**
Net carrying amount	**111,023**	**11,538**	**-**	**-**	**122,561**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2021 Total
Credit commitments				
Excellent	1,760	-	-	1,760
Strong	140,583	600	-	141,183
Good	365,459	30,208	-	395,668
Satisfactory	97,374	24,736	-	122,110
Substandard	1,924	8,033	-	9,957
Credit impaired	25	-	1,648	1,673
Unrated	2,955	221	-	3,176
Total gross amount	**610,080**	**63,798**	**1,648**	**675,526**
Less: loss allowance	**(3,203)**	**(3,592)**	**(1,507)**	**(8,302)**
Net carrying amount	**606,877**	**60,206**	**141**	**667,224**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2020 Total
Credit commitments				
Excellent	578	275	-	853
Strong	75,219	12,907	-	88,126
Good	373,481	54,813	-	428,294
Satisfactory	128,195	30,291	-	158,486
Substandard	1,641	13,350	-	14,991
Credit impaired	-	-	4,736	4,736
Unrated	-	195	-	195
Total gross amount	**579,114**	**111,831**	**4,736**	**695,681**
Less: loss allowance	**(3,546)**	**(7,059)**	**(3,581)**	**(14,186)**
Net carrying amount	**575,568**	**104,772**	**1,155**	**681,495**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2021 Total
Financial guarantees				
Excellent	2,893	-	-	2,893
Strong	50,955	899	-	51,854
Good	108,458	5,432	-	113,890
Satisfactory	91,141	40,603	-	131,744
Substandard	1,508	10,014	-	11,522
Credit impaired	-	-	793	793
Unrated	-	22	-	22
Total gross amount	**254,955**	**56,970**	**793**	**312,718**
Less: loss allowance	**(1,712)**	**(5,723)**	**(358)**	**(7,793)**
Net carrying amount	**253,243**	**51,247**	**435**	**304,925**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	31 December 2020 Total
Financial guarantees				
Excellent	370	28	-	398
Strong	69,847	5,547	-	75,394
Good	64,874	23,294	-	88,168
Satisfactory	61,092	54,309	-	115,401
Substandard	1,040	16,790	-	17,830
Credit impaired	-	-	1,900	1,900
Unrated	-	276	-	276
Total gross amount	**197,223**	**100,244**	**1,900**	**299,367**
Less: loss allowance	**(1,321)**	**(6,343)**	**(1,451)**	**(9,115)**
Net carrying amount	**195,902**	**93,901**	**449**	**290,252**

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Loans and advances to customers at fair value through profit or loss		
Excellent	-	-
Strong	-	1
Good	8,796	6,007
Satisfactory	9,162	3,354
Substandard	1,120	1,169
Credit impaired	118	98
Unrated	-	-
Total	**19,196**	**10,629**

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

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2021 Total
Loans and reviewable to customers at amortised cost – gross carrying amount					
Current	1,984,318	240,579	19,095	11,234	2,255,226
Overdue < 30 days	87,989	33,771	7,894	2,400	132,055
Overdue > 30 days < 90 days	-	11,906	41,191	767	53,864
Overdue > 90 days	19	-	115,410	12,287	127,716
Less: loss allowance	**(17,012)**	**(22,873)**	**(138,959)**	**(14,387)**	**(193,231)**
Less: Effects of modifications	**(12)**	**-**	**(3,651)**	**(1,478)**	**(5,141)**
Net carrying amount	**2,055,302**	**263,384**	**40,980**	**10,823**	**2,370,489**

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	31 December 2020 Total
Loans and reviewable to customers at amortised cost – gross carrying amount					
Current	1,818,113	311,052	56,804	8,178	2,194,146
Overdue < 30 days	159,391	57,955	9,462	139	226,948
Overdue > 30 days < 90 days	142	19,577	9,043	5,757	34,519
Overdue > 90 days	2	423	112,834	4,319	117,578
Less: loss allowance	**(14,685)**	**(38,171)**	**(127,274)**	**(13,253)**	**(194,383)**
Less: Effects of modifications	**1,962,963**	**350,836**	**60,869**	**5,140**	**2,379,808**
Net carrying amount	**2,055,302**	**263,384**	**40,980**	**10,823**	**2,370,489**

COVID-19

The COVID-19 pandemic had a negative impact on the operations of a certain part of legal entities, and on a part of private individuals with the possible consequence of the emergence of liquidity difficulties in settling their financial obligations. In order to reduce long-term negative impacts on the economy, the Bank has taken a number of measures within the framework set by the Banking Agency of the Federation of Bosnia and Herzegovina, EBA guidelines and similar measures have been applied by other credit institutions in the market. In accordance with the above, since the beginning of the pandemic in 2020, the Bank has approved measures to clients affected by the negative effects of the pandemic. During the state of "Natural or other disasters in the territory of Bosnia and Herzegovina", the Bank granted clients a temporary moratorium measure. During the moratorium, the Bank did not calculate penalty interest on the amount of overdue receivables. On the other hand, the regular calculation of interest was further performed and it was attributed to the final repayment plan after the final modality was agreed.

Upon expiration of temporary measures (measures during the state of natural disaster), special measures approved by the Bank to clients, private and legal persons, were:

- moratorium, ie delay in repayment of credit obligations for a maximum of 6 months (not counting the temporary moratorium),
- introduction of a "grace" period for repayment of the principal of credit obligations in the case of loans that are repaid in annuity for a period not exceeding 6 months,
- extension of the maturity for repayment of annuity loans,
- extension of the maturity of single-maturity loans, including revolving loans and overdrafts on transaction accounts for a maximum period of 6 months, whereby clients could use during that period the part of the exposure that was unused on the day of modification,
- granting an additional amount of exposure for the purpose of overcoming current liquidity difficulties,
- other measures taken by the bank in order to facilitate the servicing of the client's credit obligations and the establishment of sustainable business flow of the client.

The measures are applied as individual or may include a combination of the same.

The goal is to choose measures that will enable clients to remedy the negative consequences of the virus pandemic on business in the coming period and to properly service credit obligations.

For individuals, the Bank considered a moratorium to be the most appropriate measure, and approved only this measure. For legal entities, the measures were approved in accordance with the analysis on the basis of which the Bank estimated that the approved measures will help the client to settle its obligations properly in the future.

In accordance with the regulatory framework, the measures had an expiry date of 31 December 2021. For some measures, the deadline was subsequently extended until 31 March 2022. The approval of the moratorium measure or other special measures did not in itself cause reclassification of exposures into restructured exposures or reclassification of clients to a higher level of risk or default status, but for all exposures the Bank regularly conducted credit risk analysis and available exposure data and information. connected by clients assessed the likelihood that the client will not be able to properly fulfill its obligations.

The table below presents the total exposure of loans for which one of the possible measures was approved as of December 31, 2020, which are still active:

All amounts are expressed in thousands of BAM	Stage 1		Stage 2		Stage 3		31 December 2021 Total	
	Number of accounts	Exposure KM '000	Number of accounts	Exposure KM '000	Number of accounts	Exposure KM '000	Number of accounts	Exposure KM '000
Non retail	-	-	-	-	-	-	-	-
Moratoria	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Retail (Pi & Micro)	-	-	-	-	-	-	-	-
Moratoria	-	-	3	-	-	-	-	-
Other	11	146	2	64	2	5	3	215
Total:	**11**	**146**	**5**	**64**	**2**	**5**	**18**	**215**

All amounts are expressed in thousands of BAM	Stage 1		Stage 2		Stage 3		31 December 2020 Total	
	Number of accounts	Exposure KM '000	Number of accounts	Exposure KM '000	Number of accounts	Exposure KM '000	Number of accounts	Exposure KM '000
Non retail	**51**	**20,514**	**129**	**47,468**	**21**	**33,801**	**201**	**101,783**
Moratoria	1	1,197	3	10,647	-	-	4	11,844
Other	50	19,317	126	36,821	21	33,801	197	89,939
Retail (Pi & Micro)	**901**	**17,511**	**547**	**9,964**	**89**	**1,608**	**1,537**	**29,083**
Moratoria	814	15,634	493	8,653	86	1,490	1,393	25,777
Other	87	1,877	54	1,311	3	118	144	3,306
Total:	**952**	**38,025**	**676**	**57,432**	**110**	**35,409**	**1,738**	**130,866**

As can be seen from the table above, there were no active Covid-19 measures in the Non-retail segment as of 31 December 2021.

In addition to approving measures for clients affected by the COVID 19 pandemic and monitoring the client in order to identify increased risk due to the COVID-19 pandemic, activities in risk management were focused on activities related to updating macroeconomic scenarios in calculating expected losses and generating adequate amounts of expected losses for customers whose business has been affected or is expected to be significantly affected by the impact of the COVID-19 pandemic.

In addition, in the Non-retail segment, the so-called Post Model Adjustment (PMA) was applied on the part of the portfolio for which a significant increase in the level of credit risk in the post COVID period was estimated and the need to record additional amounts of expected credit loss.

PMA is the application of a holistic approach to identify a significant increase in credit risk for certain exposures or groups of exposures for which additional credit quality information is available that cannot be included / identified through standard credit quality indicators. Post-model adjustment is applied when the existing calculated credit risk parameters cannot fully reflect the credit risk on the part of the portfolio and a higher percentage of provision coverage is assigned to it after the applied provision calculation methodology has been applied. Assigning a credit risk level 2 and increased expected credit losses, it resulted in a significant increase in the percentage of coverage of that part of the portfolio by expected credti losses ranging from 15% to 30% at the level of individual exposure.

As part of credit risk management activities, macroeconomic adjustments were made to the parameters for IFRS 9 provisions. Adjustments were made to reflect the latest changes caused by the development of the COVID-19 pandemic. The calculation of macroeconomic factors (Macroeconomic Overlay Factors, hereinafter "MOFs") ensures that the default rate trends that will occur in the case of different macroeconomic scenarios are included. The macroeconomic factors calculated in this way reflect the state of default rates only for the duration of the macroeconomic scenario, and do not necessarily cover the entire life expectancy of the financial instrument. During 2020, the MOF reflected the latest changes in the economy and the development of the COVID-19 pandemic. The Bank made changes to the MOF during four accounting periods, namely March, May, July and December 2020, in order to ensure that they adequately reflect the impact of the COVID-19 pandemic on future economic trends and the calculation of expected credit losses. One of the most important parameters that influenced the macroeconomic adjustements is the movement of the GDP of Bosnia and Herzegovina, and the MOFs were adjusted with the expected movement of the same according to the official forecasts of the Agency for Statistics of BiH.

Cash and cash equivalents

Within cash and cash equivalents the Bank held KM 56,256 thousand at 31 December 2021 (2020: KM 43,757 thousand) with other banks that are rated, based on S&P's at least AA- to BBB-.

6.1.2. Collateral held and other credit enhancements

During the year the Bank obtains financial and non-financial assets by taking possession of collaterals it holds as security or calling on other credit enhancements, in case of failure by the debtors to repay their due amounts. Such process of foreclosure involves mainly real estate, equipment, vehicles and deposits. Repossessed items are presented as such in the statement of financial position once they meet the criteria for recognition according to IFRS and local law. The policy of the Bank is to sell repossessed assets; during the period of possession and pending their final sale to third parties, the assets can be temporarily used if they are functional to the Bank's standard operations, or leased operationally to third parties.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals.

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
LTV ratio		
Less than 50%	19,518	53,110
51–70%	61,594	73,168
71–90%	137,059	74,097
91–100%	18,783	10,345
More than 100%	22,364	10,683
Total	**259,318**	**221,403**

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Credit-impaired loans		
Less than 50%	4,368	1,704
51–70%	3,555	3,637
More than 70%	-	3,896
Total	**7,923**	**9,237**

6.1.3 Amounts arising from ECL

i. Significant increase in credit risk (SICR)

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

Quantitative criteria

For corporate clients, the quantitative criteria assesses whether the risk of default on liabilities has increased significantly from the initial recognition through the threshold of 250% increase in the likelihood of default. Quantitative criteria are set individually for each product. No grouping of exposure is carried out, i.e. measuring a significant increase in credit risk on a collective basis.

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

Qualitative criteria

Elements that will be the main determinants which need to be considered for the purpose of assessing the steps between the various stages are the following:

- Eventual presence of due amount which remains overdue over 30 days. In the event of such case the credit risk of such exposure is considered “significantly increased” and is classified to Stage 2;
- Existence of “forbearance” measures;
- Qualitative information on credit quality deterioration due to which the client is included in the monitoring list;
- Certain indicators of the internal credit risk monitoring system and early warning system.

Determining the existence of any of the above mentioned guidlines represents a condition for change of credit risk level.

(ii) Credit risk grades

The Bank uses internal credti risk gradings that reflect its assessment of the probability of default of individual counteparties. The Bank uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of loan application is fed into this rating model. In addition, the model enables expert judgement form the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model. The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

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

Corporate clients

For corporate business, the rating is determined at the borrower level. An underwriter will incorporate any updated or new infromation/credit assessments into the credit system on an ongoing basis. In addition the Underwriter will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

Clients that meet a definition of a corporate client are treated through Corporate rating model that includes: the Large Corporate Rating Model and the Regular Corporate Rating Model. According to the general concept, borrower rating scale within corporate clients includes 25 rating grades for non-default clients and 1 grade for default clients.

In addition, for the category of small and medium-sized businesses, the Bank uses the SMB rating model. According to the general concept, the SMB client ranking scale includes a total of 25 rating grades for non- default clients in order to obtain all of the foreseen risk categories according to the internal rating system and 1 grade for default clients.

Local and regional governments

For local and regional government, the Bank uses the Local and Regional Governments rating model. According to the general concept of the LRG ranking scale, clients include 9 rating ratings for non-default clients and one rating for default clients.

Project financing

For project financing purposes, the Bank uses the Project finance rating model. According to the general concept of rating scale PF clients include 4 rating ratings for non-default clients and one rating for default clients.

Financial institutions

For financial institutions, the Bank uses the following rating models: FI (Bank) Rating Model, Insurance Rating Model, Sovereigns Rating Model and Funds Rating Model. In the process of ranking clients in the category of financial institutions, the final rating is determined at the level of the RBI Responsible Unit. According to the general concept, the client rating scale for the given rating model has 9 grades for non-defalted clients, and one grade for default clients, with the exception of FI Rating model that includes 25 grades for non-default and 1 for default.

Retail clients (Private Individuals and Micro)

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

Micro client is a legal entity whose annual income is less than EUR 1 million and exposure less than EUR 100 thousand, and persons organized as independent employees

(iii) Definition of default

The default of the Bank's exposures is determined on the basis of the regulatory requirements defined in Article 178 of Regulation (EU) 575/2013, EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013, EBA Regulatory Technical Standards on materiality threshold of credit obligations past due under Art.178 EU Regulation 575/2013 and CNB Decision amending the decision implementing Regulation (EU) no. 575/2013 in the valuation of assets and off-balance sheet items and the calculation of regulatory capital and capital requirements.

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

Non-retail portfolio

Staging criteria are selected in line with IFRS 9, and based on risk parameters available in the Bank. By assigning a default status, the client moves to the individual estimate of potential losses (ILLP), thus obtaining the Stage 3 status under IFRS 9 methodology, which at that moment represents an non-performing asset.

The default status, i.e. individual loan loss provision, is granted for all debt placements of the borrower or to a group of debtors who:
- have not paid their liabilities towards the Bank for more than 90 days, taking into account the materiality threshold of EUR 250 and 2,5% until 30 November 2019, and EUR 500 and 1,0% after 30 November 2019 (see bellow for more details) of the value of total contracted loan placements (quantitative criteria)
- or that obligations towards the Bank are most likely not to be settled from the borrowers primary sources of funding (qualitative criterion).

The Bank (or RBI Group) has defined qualitative indicators that are currently being used to identify the likelihood that a client will not be able to settle his liabilities to the Bank (e.g. initiated bankruptcy proceedings, write-off part of the receivables, interest payments, cross-default etc.)

In non-retail segment, the Bank implemented a new default definition for non-retail customers as of 30 November 2019. The major change is the change in the materiality threshold which is used to calculate days past due as one of the default indicators (overdue payment) as explained above.

Instructions for recognition and business relations with the default Non Retail & SE clients specify other details.

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

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

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

Retail portfolio (Private Individuals and Micro)

As a rule, in the Retail segment of business by assigning default status, the client is moved to Stage 3 according to IFRS 9 methodology, which at that moment represents a non-performing asset.

Provisions for loan losses must be granted to all placements of a debtor or group of debtors who:
- are over 90 days late with liability payments towards the Bank considering the materiality threshold of EUR 10 until 30 November 2019, and EUR 100 and 1% of the value of total contracted loan placements from 30 November 2019 (quantitative criteria);
- or are most likely not to settle their liabilities towards the Bank (qualitative criterion).

In its internal procedures, the Bank has defined qualitative criteria for which credit exposure of a client is given a status of high probability of not meeting liabilities towards the Bank (e.g. bankruptcy of the debtor, cross- default, poor restructuring, etc.)

The Bank also implemented the new default definition in the retail segment as of 30 November 2019 by conducting a retrospective calculation of historical daily default data for the past 10 years (5 years for the Micro segment). On the basis of such retrospective calculation, the Bank determined default data as at 30 November 2019 and related detailed information on default events.

The biggest methodological change in the default definition in the retail segment relates to:
1. Change in days past due counter:
   - Materiality threshold of past due amount for the calculation of days past due (DPD) is EUR 100 and 1 % of balance-sheet exposure, instead of the previous EUR 10 and no threshold,
   - the logic of counting of days past due (DPD) has changed, and, rather than considering the actual age of the amount past due, the counter counts how many days the debt exceeds the materiality threshold. This change is reflected in the fact that, when partial payment is made on an obligation, the number of days past due cannot be reduced, that is, the new counter can only be reset to zero when the debt due falls below one of the materiality thresholds (absolute or relative).
2. Introduction of the pulling effect – if a private individual's exposure in default exceeds 20% of this obligor's total exposure, all other exposures of that individual should be also considered defaulted.

3. Change of distressed restructuring rules and introduction of additional unlikeliness to pay indicators, such as significant indebtedness and the loss of sufficient recurring income.
4. Determination of the default status at the client level for the Micro segment.

Furthermore, the rules for fulfilment of the criteria for exiting the status of un-fulfilled obligations are also changed

(iv) Inclusion of forward looking element

During 2021, due to the harmonization of the Decision of the FBIH Banking Agency "Decision on credit risk management and determination of expected credit losses", Article 22 "Allocation of exposure to lower level of credit risk" and "Default definition of Raiffeisenbank International" updated the recovery period for transfer from credit risk level 3 to credit risk level 2 for a period of at least 6 months (previously 3 months) provided that the DPDEBA counter has not exceeded 30 days (previously 10 days) during the observed period. With the mentioned harmonization, the local regulations are completely satisfied.

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

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

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

Adjustment is made using macroeconomic perspectives in the observed period.

The basic scenario with the prescribed addendum are aimed at reflecting the effects of the possibility of realization of alternative macroeconomic scenarios.

(v) Modified financial assets

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

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

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

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

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

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

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

(vi) Expected Credit Loss Measurement

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

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities.

(vii) Loss allowance

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

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2021 Total
Loans and receivables to customers at amortised cost					
Balance at 1 January 2021	14,684	38,171	127,274	13,253	193,393
First time adoption of FBA decision (Note 5)	-	-	-	-	-
Transfer to stage 1	1,340	(1,073)	(267)	-	-
Transfer to stage 2	(12,201)	14,888	(2,687)	-	-
Transfer to stage 3	(2,116)	(3,887)	6,003	-	-
Net change in loss allowance	15,304	(25,226)	27,705	1,134	18,917
Write-offs and other changes*	-	-	(19,069)	-	(19,069)
Balance at 31 December 2021	**17,012**	**22,873**	**138,959**	**14,387**	**193,231**

The significant increase in impairment in stage 2 was mainly due to the application of an "overlay model" for exposures for which the Bank estimated that the impairment calculated by the internal model of expected credit losses did not adequately reflect the increased level of risk and applied a higher amount that was determined to be sufficient.

All amounts are expressed in thousands of BAM	Stage 1	Stage 2	Stage 3	POCI	2020 Total
Loans and receivables to customers at amortised cost					
Balance at 1 January 2020	13,740	15,951	146,906	16,420	193,017
First time adoption of FBA decision (Note 5)	3,020	10,242	6,900	-	20,162
Transfer to stage 1	5,886	(3,405)	(2,481)	-	-
Transfer to stage 2	(1,834)	3,659	(1,825)	-	-
Transfer to stage 3	(428)	(4,321)	4,749	-	-
Net change in loss allowance	(5,700)	16,046	23,247	315	33,908
Write-offs and other changes*	-	-	(50,222)	(3,482)	(53,704)
Balance at 31 December 2020	**14,684**	**38,171**	**127,274**	**13,253**	**193,383**

The significant increase in write-offs compared to the previous year is the result of the implementation of the FBA Decision on credit risk management and the determination of expected credit losses. This also had an impact on the reduction of impairment in stage 3. For details on the write-off accounting policy, see Note 3.11.1.

6.1.4. Concentration of credit risk

The Bank monitors concentrations of credit risk by sector and by geographic location. Geographic concentration in net carrying amounts of credit exposure is as follows:

All amounts are expressed in thousands of BAM	Bosnia and Herzegovina	EU countries	Non-EU countries	Total
31 December 2021				
Accounts with the Central Bank of BiH and other banks	648,751	381,214	18,097	1,048,062
Obligatory reserves at the Central Bank of BiH	416,375	-	-	416,375
Loans and receivables to customers	2,389,685	-	-	2,389,685
Financial assets at fair value through other comprehensive income	356	142	-	498
Debt instruments at amortised cost	31,112	78,903	57,160	167,175
Other financial assets	16,364	7,518	148	24,030
	3,502,643	**467,777**	**75,405**	**4,045,825**
31 December 2020				
Accounts with the Central Bank of BiH and other banks	1,025,355	37,154	6,603	1,069,112
Obligatory reserves at the Central Bank of BiH	409,037	-	-	409,037
Loans and receivables to customers	2,390,437	-	-	2,390,437
Financial assets available for sale	355	201	-	556
Debt instruments at amortised cost	33,604	70,721	18,236	122,561
Other financial assets	78,256	7,745	1	86,002
	3,937,044	**115,821**	**24,840**	**4,077,705**

Economic sector risk concentration in presented in Note 20.

6.2. Liquidity risk management

Liquidity risk is the potential exposure of the Bank to obtain the funds required by the Bank to settle its obligations under financial instruments.

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

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

The Bank maintains liquidity in accordance with the regulations of the Banking Agency governing liquidity risk and group and internal acts for maintaining the liquidity reserve.

Special attention is paid to liquidity measures prescribed by regulatory requirements:

- Liquidity coverage ratio (LCR) monitored on a daily basis and reported to the regulator on a monthly basis, and represents the ratio of liquidity coverage in the stress period of 30 days
- Maturity matching of financial assets and financial liabilities
- LCR and maturity matching of financial assets and financial liabilities were maintained at levels above regulatory and internally defined limits (internally defined limits are: LCR above 120%).

Regulatory limits for maturity matching of financial assets and financial liabilities:

- Maturity matching of the remaining maturity to the agreed maturities of assets and liabilities, in such a way that the Bank:
- engages at least 65% of sources of funds with a maturity of up to 30 days in placements (asset instruments) with a maturity of up to 30 days;
- engages at least 60% of sources of funds with a maturity of up to 90 days in placements (asset instruments) with a maturity of up to 90 days;
- engages at least 55% of sources of funds with a maturity of up to 180 days in placements (asset instruments) with a maturity of up to 180 days.

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Protective layer of liquidity	1,385,715	1,279,305
Net cash outflows	516,842	337,513
Liquidity coverage ratio (LCR)	**268.11%**	**379%**

Faced with greater market fluctuations and uncertainty caused by the COVID-19 pandemic; In March 2020, the Bank declared the first stage of the liquidity crisis and the Contingency Committee held daily meetings with close monitoring of outflows (deposits, cash), including deposit movements, activation of moratorium on loans, movements in the market value of liquid assets and the availability of additional liquidity through repo and other money market transactions, as well as simulations / estimates of liquidity positions according to group and local standards. As an additional precautionary mechanism, additional daily reporting of the Agency in the movement of liquidity indicators and daily movement of customer deposits by segments was introduced in March. With the completion of the first "lockdown" and market stabilisation, the conditions were created for the abolition of the first stage of the liquidity crisis, and reporting to the regulator was reduced to a monthly level.

Negative developments were not significant and the Bank managed to maintain a high level of liquidity during the crisis period without significant outflows of deposits and negative impact on both regulatory and internal liquidity indicators.

Maturity analysis

The following tables show the remaining contractual maturities of the Bank's assets and liabilities as at 31 December 2021 and 31 December 2020, except for financial assets at fair value through other comprehensive income which have been classified in accordance with their secondary liquidity characteristic as maturing within one month and obligatory reserves which, although not short-term depends on the liabilities on which it is calculated, have been classified in the maturity period within one month.

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2021						
Assets	1,703,885	9,453	-	-	-	1,713,338
Cash and cash equivalents	416,375	-	-	-	-	
Obligatory reserves at the Central Bank of BiH	416,375					
Loans and receivables to customers	222,959	123,585	520,899	1,029,847	492,395	2,389,685
Financial assets at fair value through other comprehensive income	498	-	-	-	-	498
Debt instruments at amortised cost	-	-	6,935	149,401	10,839	167,175
Other financial assets	24,030	-	-	-	-	24,030
Total financial assets	**2,367,747**	**133,038**	**527,834**	**1,179,248**	**503,234**	**4,711,101**
Liabilities						
Due to banks and other financial institutions	2,956	7,403	22,993	58,494	2,656	94,502
Deposits from customers	3,070,874	167,571	282,911	519,483	31,170	4,072,009
Subordinated debt	-	-	-	61,804	-	61,804
Lease liabilities	232	436	1,852	4,615	1,008	8,143
Other financial liabilities	4,085	13,778	30			17,893
Total financial liabilities	**3,078,147**	**189,188**	**307,786**	**644,396**	**34,834**	**4,254,351**

All amounts are expressed in thousands of BAM	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31 December 2020						
Assets						
Cash and cash equivalents	1,682,173	7,955	-	-	-	1,690,128
Obligatory reserves at the Central Bank of BiH	409,037	-	-	-	-	409,037
Loans and receivables to customers	195,186	151,755	541,248	1,025,193	477,055	2,390,437
Financial assets at fair value through other comprehensive income	556	-	-	-	-	556
Debt instruments at amortised cost	-	3,989	14,588	103,984	-	122,561
Other financial assets	86,002	-	-	-	-	86,002
Total financial assets	**2,286,952**	**163,699**	**555,836**	**1,129,177**	**477,055**	**4,612,719**
Liabilities						
Due to banks and other financial institutions	26,421	7,411	19,182	84,831	13,268	151,113
Deposits from customers	2,837,465	97,824	316,628	649,635	53,578	3,955,130
Subordinated debt	-	-	-	61,804	-	61,804
Lease liabilities	287	493	2,139	5,580	1,581	10,080
Other financial liabilities	68,019	6,504	-	-	-	74,523
Total financial liabilities	**2,932,192**	**112,232**	**337,949**	**801,850**	**68,427**	**4,252,650**

The following table details the Bank's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which Bank may have the liability to make the payment. Tabel includes the payment of interest and principal:

Maturity for non-derivative financial liabilities

All amounts are expressed in thousands of BAM	Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
31 December 2021							
Due to banks and other financial institutions	94.502	3,031	7,554	23,510	61,338	2,882	98,316
Deposits from customers	4,072,009	3,070,873	171,082	293,442	528,611	31,811	4,095,820
Subordinated debt	61,804	-	1,132	3,374	75,086	-	79,592
Lease liabilities	8,143	232	436	1,852	4,615	1,008	8,143
Other financial liabilities	17,893	4,105	13,978	31	-	-	18,114
		3,078,241	**194,182**	**322,209**	**669,650**	**35,701**	**4,299,983**

All amounts are expressed in thousands of BAM	Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
31 December 2020							
Due to banks and other financial institutions	151,113	26,493	7,499	20,337	88,185	13,499	156,013
Deposits from customers	3,955,130	2,837,508	97,961	318,664	677,861	58,335	3,990,329
Subordinated debt	61,804	-	1,132	3,374	75,086	-	79,592
Lease liabilities	10,080	320	562	2,317	5,896	1,635	10,730
Other financial liabilities	74,523	68,319	6,574	-	-	-	74,893
		2,932,640	**113,728**	**344,692**	**847,028**	**73,469**	**4,311,557**

The Bank's liquidity reserves are presented in table in Note 18.

6.3. Market risk

Market risks are defined as risks of possible losses due to changes in market prices of trading and banking book positions. Market risk estimates are based on changes in currency exchange rates, interest rates, credit spreads, the cost of equity and goods and other market parameters.

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

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

Bank is exposed to financial results of foreign exchange, change of interest rates, and change of securities prices in its portfolio.

6.3.1. Foreign exchange risk

Foreign exchange risk is the risk that changes in currency exchange rates affecting the Bank`s portfolio exists to the extent that assets and liabilities in one currency are not matched in value or maturity. Given that local currency KM is pegged to EUR foreign exchange risk is limited.

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

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

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

All amounts are expressed in thousands of BAM	KM	EUR*	USD	Other currencies	Total
As at 31 December 2021					
ASSETS					
Cash and cash equivalents	1,234,525	307,903	93,283	77,627	1,713,338
Obligatory reserves at the Central Bank of BiH	416,375	-	-	-	416,375
Loans and receivables to customers	1,074,901	1,314,784	-	-	2,389,685
Financial assets at fair value through other comprehensive income	355	142	-	-	498
Financial assets at amortised cost	11,378	131,873	23,924	-	167,175
Other financial assets	15,952	7,012	399	667	24,030
	2,753,487	**1,761,714**	**117,606**	**78,294**	**4,711,101**
LIABILITIES					
Due to banks and other financial institutions	1,339	93,163	-	-	94,502
Due to customers	2,640,313	1,239,034	115,048	77,614	4,072,009
Subordinated debt	-	61,804	-	-	61,804
Lease liabilities	8,143	-	-	-	8,143
Other financial liabilities	14,372	1,114	1,980	427	17,893
	2,649,795	**1,394,001**	**115,048**	**77,614**	**4,236,458**

* The Bank has a number of agreements governed by a foreign currency clause. Tha KM value of principal in such agreements is determined by the movement in foreign exchange rates. The principal balance of the related exposure is included in the table above in the column "EURO".

All amounts are expressed in thousands of BAM	KM	EUR*	USD	Other currencies	Total
As at 31 December 2020					
ASSETS					
Cash and cash equivalents	1,147,000	344,823	110,995	87,310	1,690,128
Obligatory reserves at the Central Bank of BiH	409,037	-	-	-	409,037
Loans and receivables to customers	1,308,845	1,081,592	-	-	2,390,437
Financial assets at fair value through other comprehensive income	355	201	-	-	556
Financial assets at amortised cost	14,266	90,619	17,676	-	122,561
Other financial assets	19,814	66,176	7	5	86,002
	2,899,317	**1,583,411**	**128,678**	**87,315**	**4,698,721**
LIABILITIES					
Due to banks and other financial institutions	22,806	128,224	-	83	151,113
Due to customers	2,352,588	1,390,910	125,534	86,098	3,955,130
Subordinated debt	-	61,804	-	-	61,804
Lease liabilities	10,080	-	-	-	10,080
Other financial liabilities	69,472	448	965	3,638	74,523
	2,454,946	**1,581,386**	**126,499**	**89,819**	**4,252,650**

* The Bank has a number of agreements governed by a foreign currency clause (EUR). Tha KM value of principal in such agreements is determined by the movement in foreign exchange rates. The principal balance of the related exposure is included in the table above in the column "EURO".

The following table outlines five greatest Values-at-Risk (VaR) recorded as at 31 December 2021 and their values as at 31 December 2020. VaR is a calculation based on 99% reliability statistical model and under presumption that portfolio is constant during 1 day.

All amounts are expressed in thousands of BAM			VaR
Currency	**31 December 2021**	**Currency**	**31 December 2020**
USD	<1	USD	<1
NOK	<1	NOK	<1
SEK	<1	CZK	<1
CZK	<1	CAD	<1
RSD	<1	HRK	<1

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

All amounts are expressed in thousands of BAM	USD effect		NOK effect	
	2021.	**2020.**	**2021.**	**2020.**
Profit or loss	(74)	(142)	2	1

6.3.2. Interest rate risk

Interest rate risk reflects the possibility of loss of profit and/or erosion of capital due to a change in interest rates. It relates to all products and balances that are sensitive to changes in interest rates. This risk comprises two components: income component and investment component.

The income component arises from a lack of harmonization between the active and passive interest rates of the Bank (interest on placements is fixed, interest for liabilities is variable, and vice versa).

The investment component is a consequence of the inverted relationship between price and interest rate fluctuations of securities. The Bank strives to protect itself from interest rate risk by harmonizing the type of interest rate (fixed, floating and variable), currency, related interest rate and the date of interest rate change for all products for which it concludes contracts (which are sensitive to interest rate changes). Any incongruity among the abovementioned elements results in exposure of the Bank to interest rate risk.

6.3.2.1. BPV interest rate sensitivity analysis

For positions of interest rate risk, on daily basis, sensitivity analysis is made for one base point during parallel movement of yield curve (Basis point value, 1 BPV), which gives values of gains and losses of portfolio for a particular day.

In the table below, changes of present value of portfolio with interest rate growth for 1 base point as at 31 December 2021 and 31 December 2020 are presented, expressed in thousands of KM for following currencies: KM, EUR and USD, while for other currencies changes of present values are immaterial.

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Currency		
KM	(55)	(71)
EUR	(37)	37
USD	(4)	(2,7)
Total BPV	**(96)**	**(36,7)**

In the instance of a change (increase) of interest rates by 1 Basis Points (parallel movement of yield curve for +0.01%), the effects on the present value of Bank's portfolio as at 31 December 2021 would be the following:
- for KM – present value of portfolio decrease in the amount of KM 55 thousand, incurring loss
- for EUR – present value of portfolio increase in the amount of KM 37 thousand, incurring profit
- for USD – present value of portfolio increase in the amount of KM 4 thousand, incurring profit.

In the instance of a change of yield curve by 50 Basis, effects on present value of portfolio for 31 December 2021 and 31 December 2020 are shown in the table below for currencies with material exposure:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Currency		
KM	(2,889)	(1,597)
EUR	(1,917)	1,848
USD	(209)	(132)
Total BPV	**(5,015)**	**119**

In the instance of a change (increase) of interest rates by 50 Basis Points (parallel movement of yield curve for 0.05%), the Bank would realize:
- for KM – present value of portfolio decrease in the amount of KM 2,889 thousand as at 31 December 2021.
- for EUR – present value of portfolio increased in the amount of KM 1,917 thousand as at 31 December 2021.
- for USD – present value of portfolio decrease in the amount of KM 209 thousand as at 31 December 2021.

6.4. Capital risk management

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

Through its management reporting the Bank also regularly monitors capital movements, capital adequacy ratios as well as all changes in methodology which will have an impact on its capital.

During 2019, the Bank has been in compliance with all regulatory capital requirements and according to the local regulations in line with Basel III methodology had a capital adequacy ratio of 18.43%.

The regulatory capital of the Bank consists of Tier 1 and Tier 2 capital. The Tier 1 capital consists of Common equity CET 1 capital and Additional Tier 1 capital AT 1. The Tier 1 capital of the Bank (fully equal to Common equity Tier 1) consists of issued share capital, share premium, retained earnings and other reserves formed from profit after taxation on the basis of the decision of the Bank's General Assembly, net revaluation reserves based on changes in fair value of assets (accumulated comprehensive income), reduced for intangible assets and deferred tax assets.

Tier 2 capital consists of subordinated debt, general credit risk adjustments for credit losses, calculated as 1.25% of the risk-weighted exposure amount, minus the missing loan loss provisions for credit losses under regulatory requirements (please see Note 3.20).

The minimum capital requirements are as follows:
- Common Equity Tier 1 capital ratio 6.75%
- Tier 1 capital ratio 9%
- Total capital ratio 12%

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

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

The Bank's capital adequacy ratio of the Bank, as at 31 December 2021 and 31 December 2020 is above the prescribed limit of 12%. Following table presents the structure of equity and capital requirements of the Bank on 31 December 2021 and 31 December 2020:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Common equity Tier 1 (CET 1)		
Issued share capital – ordinary shares	247,167	247,167
Share premium	4,473	4,473
Retained earnings and other statutory reserves	245,323	221,121
Accumulated comprehensive income	268	325
Common Equity Tier 1 – regulatory asjustments:		
Intangible assets	(16,266)	(14,882)
Deferred tax assets	(213)	(53)
Significant incestments in financial sector entities	(13,575)	(15,199)
Common equity Tier 1 (CET 1)	**468,407**	**442,953**
Additional Tier 1 equity (AT 1)	**-**	**-**
TOTAL TIER 1 EQUITY	**468,407**	**442,953**
Tier 2 Capital (T2)		
Subordinated debt	37,076	49,423
General credit risk adjustments for credit losses	-	-
Missing loan losses provisions	-	-
TOTAL TIER 2 CAPITAL (T 2)	**37,076**	**49,423**
TOTAL REGULATORY CAPITAL (unaudited)	**505,483**	**492,376**
Risk weighted exposure amounts (unaudited)	**2,742,206**	**2,668,388**
Common Equity Tier 1 capital ratio	**17.08%**	**16.60%**
Tier 1 capital ratio	**17.08%**	**16.60%**
Total capital ratio	**18.43%**	**18.45%**

In December 2021, the Bank paid a dividend in the amount of KM 76,141 (75% of retained earnings for 2019 and 2020).

The Bank is obligated to ensure and maintain financial leverage rate as an additional security and simple capital hedge, in the amount of at least 6%.

The Bank's financial leverage ratio is the ratio of the amount of the Tier 1 capital to the total risk weighted exposure of the Bank as at the reporting date, presented as a percentage, and as at 31 December 2021 it is significantly above the stated minimum, amounting to 9.17%

7. Fair value of financial instruments

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

7.1. Valuation models

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

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

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

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

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

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

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

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

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2021					
Financial assets at fair value through other comprehensive income	21				
Equity securities issued by non-resident legal entities		465	-	33	498
Loans to customers	20	-	-	19,196	19,196
Total		**465**	**-**	**19,229**	**19,694**

All amounts are expressed in thousands of BAM	Note	Level 1	Level 2	Level 3	Total
31 December 2020					
Financial assets at fair value through other comprehensive income	21				
Equity securities issued by non-resident legal entities		523	-	33	556
Loans to customers	20	-	-	10,629	10,629
Total		**523**	**-**	**10,662**	**11,185**

7.3. Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

All amounts are expressed in thousands of BAM	Level 1	Level 2	Level 3	Total fair value	Carrying value
31 December 2021					
Assets					
Cash and cash equivalents	-	-	1,713,338	1,713,338	1,713,338
Obligatory reserves with the Central Bank of BiH	-	-	416,375	416,375	416,375
Loans and receivables from customers	-	-	2,389,685	2,389,685	2,389,685
Debt instruments at amortized cost	-	-	167,175	167,175	167,175
Total	**-**	**-**	**4,686,573**	**4,686,573**	**4,686,573**
Liabilities					
Due to banks and other financial institutions	-	-	94,502	94,502	94,502
Deposits from customers	-	-	4,072,009	4,072,009	4,072,009
Subordinated debt	-	-	61,084	61,084	61,084
Lease liabilities	-	-	8,143	8,143	8,143
Total	**-**	**-**	**4,235,738**	**4,235,738**	**4,235,738**

All amounts are expressed in thousands of BAM	Level 1	Level 2	Level 3	Total fair value	Carrying value
31 December 2020					
Assets					
Cash and cash equivalents	-	-	1,690,128	1,690,128	1,690,128
Obligatory reserves with the Central Bank of BiH	-	-	409,037	409,037	409,037
Loans and receivables from customers	-	-	2,390,437	2,390,437	2,390,437
Debt instruments at amortized cost	123,388	2,766	-	126,154	122,561
Total	**123,388**	**2,766**	**4,489,602**	**4,615,756**	**4,612,163**
Liabilities					
Due to banks and other financial institutions	-	-	151,113	151,113	151,113
Deposits from customers	-		3,955,130	3,955,130	3,955,130
Subordinated debt	-	-	61,804	61,804	61,804
Lease liabilities	-	-	10,080	10,080	10,080
Total	**-**	**-**	**4,178,127**	**4,178,127**	**4,178,127**

In estimating the fair value of the Bank's financial instruments and in assigning the instruments to the relevant level of fair value hierarchy, the following methods, assumptions and limitations described below were applied by the Bank in accordance with the Group:

Cash and cash equivalents

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

Loans and receivables from customers

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

Amounts due for deposits from customers

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

Amounts due to banks and other financial institutions

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

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

Lease liabilities

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

8. Interest income

All amounts are expressed in thousands of BAM	2021	2020
Interest income calculated using the effective interest rate method		
Investments in securities at amortized cost		
Loans and receivables:		
- Retail clients	107,070	109,608
- Corporate clients	28,537	31,242
- Banks	41	438
Other interest income	569	613
Modifications	3	-
	138,371	**144,665**

9. Interest expense

All amounts are expressed in thousands of BAM	2021	2020
Retail clients	6,218	7,966
Corporate clients	7,825	6,980
Foreign banks	7,103	7,144
Interest for leasing contracts	182	227
Modifications	15	-
Other	2,072	2,415
	23,415	**24,732**

10. Fee and commision income

All amounts are expressed in thousands of BAM	2021	2020
Main service lines:		
Credit card business	37,930	30,356
Payment transactions	27,686	24,798
Account maintenance for residents	11,785	10,464
FX transactions	9,103	7,359
Accout maintenance for non-residents	3,051	2,074
Other	12,285	9,706
Income from fees and commissions from contract with customers	**101,840**	**84,757**
Financial guarantee contracts and loan commitments	6,027	6,302
	107,867	**91,059**

11. Fee and commission expense

All amounts are expressed in thousands of BAM	2021	2020
Credit card operations	20,977	17,191
Central Bank services	1,933	2,013
Guarantees fee	983	1,237
S.W.I.F.T. services	760	570
Correspondent accounts	625	678
SMS services	418	543
Domestic payment transactions	39	36
Other	805	391
	26,540	**22,659**

12. Net gain from foreign currency trading

All amounts are expressed in thousands of BAM	2021	2020
Positive exchange rate differences from FX transactions, net	17,271	13,875
Exchange rate differences on the basis of settlement with the Central Bank of BiH, net	(106)	(144)
	17,165	**13,731**

13. Net (Loss) from other financial instruments at fair value through profit and loss

All amounts are expressed in thousands of BAM	2021	2020
Net change in fair value of loans measured at fair value (*Note 20*)	113	220
Fair value adjustment of bonds at fair value through profit or loss	-	8
	(113)	**(228)**

14. Other operating income

All amounts are expressed in thousands of BAM	2021	2020
Dividend income	3,037	3,362
Release of accrued expenses from the previous year	1,830	648
Lease income	1,448	1,445
Revenue from written-off liabilities	28	1,282
Petty cash surplus	25	276
Gain from disposal of assets	1	-
Other income	1,723	1,254
	8,092	**8,267**

15. Administrative expenses

All amounts are expressed in thousands of BAM	2021	2020
Gross salaries	38,040	37,959
Other employee expenses	12,057	11,464
Maintenance cost	10,480	9,280
Savings and debt insurance premiums	10,389	9,372
Services	5,386	6,239
Advisory services	4,400	4,169
Property insurance premiums	3,405	2,827
Costs of representation and marketing	3,371	3,739
Telecommunications	3,236	3,186
Supervisory fee – FBA	2,997	2,863
Cost of energy	1,662	1,756
Material costs	1,144	1,523
Lease (*Note 39*)	1,245	1,149
Taxes and administrative expenses	621	659
Costs of professional services	521	426
Donations	276	229
Education	255	567
Utilities	235	206
Transportation expenses	157	80
Last instalment cost – gratis	110	130
Loss from sale of tangible assets and investment properties	78	41
(Release) / cost of provisions for other employee benefits under IAS 19, net (*Note 34*)	(590)	460
Release of provisions for legal proceedings (*Note 34*)	(1,703)	(1,699)
Other administrative expenses	4,412	3,310
	102,184	**99,935**

16. Impairment losses, net

The charge to income statement in respect of impairment losses is analysed as follows:

All amounts are expressed in thousands of BAM	2021	2020
Impairment of loans and receivables to customers (*Note 20*)	18,917	33,908
Impairment of property (*Notes 27 and 28*)	12,769	-
Impairment – investments in subsidiaries (*Note 25*)	1,623	-
Impairment of other assets and receivables (*Note 26*)	953	4,951
(Release)/Impairment of financial assets at amortized cost (*Note 23*)	214	216
(Release) of allowance for loans and receivables from banks (*Note 18*)	(32)	(227)
(Release)/Impairment from off-balance exposures (*Note 34*)	(7,204)	7,535
	27,240	**46,383**

17. Income tax

Total tax recognized in the income statement and other comprehensive income can be shown as follows:

All amounts are expressed in thousands of BAM	2021	2020
Current income tax	7,842	4,206
Deferred tax expense	239	517
	8,081	**4,723**

Reconciliation of effective tax rate may be presented as follows:

All amounts are expressed in thousands of BAM	2021	2020
Profit before income tax	**77,665**	**49,344**
Income tax at a rate of 10%	7,767	4,934
Capital (losses)/gains	-	(763)
Effects of unrecognized expenditures	1,687	3,604
Effects of non-taxable revenue	(1,373)	(3,052)
Income tax	**8,081**	**4,723**
Effective tax rate	**10.41%**	**9.57%**

The Bank calculates its income tax liability at the rate of 10% in accordance with the regulations adopted by the tax authorities in Bosnia and Herzegovina.

Unrecognized expenditures are including unrecognized expenditures for representation, provisions for risks and liabilities and expenditures for impairmend of receivables.

Non-taxable revenues are including revenues for share capital, release of provisions for risks and liabilities which were previously recognized as tax unrecognized expenditures.

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

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Balance at the beginning of period	**53**	**107**
Increase in / (released) deferred tax assets	160	(54)
Balance at the end of the period	**213**	**53**

The Bank recognized deferred tax assets on the basis of temporary differences arising from the presentation of unreported deferred income / expenses, which are accrued in the long run, as well as on the basis of accelerated depreciation, ie the difference in depreciation cost between the full tax rate and accrued lower depreciation rates.

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

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Balance at the beginning of period	**977**	**514**
Recognized deferred tax liabilities	399	463
Balance at the end of the period	**1,376**	**977**

18. Cash and cash equivalents

Current account in domestic currency at CBBH	31 December 2021	31 December 2020
Cash in hand in local currency	639,250	607,019
Loans and receivables to banks (MM placements)	587,513	540,997
Cash in hand in foreign currency	353,192	419,061
Accounts with other banks in foreign currency	78,866	81,065
Less: impairment	56,256	43,757
Manje: umanjenje vrijednosti	(1,739)	(1,771)
	1,713,338	**1,690,128**

The interest rate on MM placements in EUR was from -0.98% to -0.00% per annum during 2021, or from -1.00% to -0.44% per annum during 2020. Interest rate on MM placements in USD ranged from -0.15% to 0.1% per annum during 2021, or from 0.5% to 2.5% per annum during 2020. The interest rate on placements in other currencies ranged from -1.15% to 1.14% per annum during 2021 or from -1.70% to 1.85% per annum during 2020.

Changes in provisions for expected losses may be presented as follows:

All amounts are expressed in thousands of BAM	2021	2020
As at 1 January	**1,771**	**84**
Effects of the first time adoption of the FBA Decision (*Note 5*)	-	1,913
Net changes through profit or loss (*Note 16*)	(32)	(227)
Exchange rate differences	-	1
Balance at the end of the period	**1,739**	**1,771**

19. Obligatory reserves at the Central Bank of Bosnia and Herzegovina

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Obligatory reserve	416,375	409,037
	416,375	**409,037**

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

From 1 July 2016, a single interest rate of 10% of total short-term and long-term deposits and borrowed funds is applied.

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

20. Loans and receivables to customers

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Loans and receivables to customers at amortized cost	2,568,861	2,573,191
Less impairment and effects of modifications	(198,372)	(193,383)
	2,370,489	**2,379,808**
Loans and receivables to customers at fair value	19,594	10,914
Fair value adjustment	(398)	(285)
	19,196	**10,629**
	2,389,685	**2,390,437**

Changes in the impairment of the loans granted at amortized cost can be shown as follows:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Balance at the beginning of the period	**193,383**	**193,017**
Effects of the first time adoption of the FBA Decision (*Note 5*)	-	20,162
Net changes through profit and loss (*Note 16*)	18,917	33,908
Write-offs and other changes (*Note 6.1.3. vii.*)	(19,069)	(53,704)
Balance at the end of the period	**193,231**	**193,383**

The fair value changes of loans that are measured at fair value can be shown as follows:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Balance at 1 January	**285**	**54**
Effects of the first time adoption of the FBA Decision (*Note 5*)	-	11
Net change in fair value through profit and loss (*Note 13*)	113	220
Balance at the end of the period	**398**	**285**

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

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Short-term loans:		
Short-term loans in domestic currency	510,709	532,085
Short-term loans in foreign currency (including currency exchange clause)	5,903	82
	516,612	**532,167**
Long term loans:		
Long-term loans in domestic currency	762,963	874,522
Long-term loans in foreign currency (including currency exchange clause)	1,308,880	1,177,416
	2,071,843	**2,051,938**
Total loans before impairment	**2,588,455**	**2,584,105**
Less impairment	(193,629)	(193,668)
Less: effects of modifications	(5,141)	-
	2,389,685	**2,390,437**

Short-term loans were approved for a period of 30 to 365 days. The majority of short-term domestic currency loans are granted to working capital clients. Long-term loans are mostly granted to individuals for housing and vehicle purchases.

Economic sector risk concentration in the gross amount of loans and receivables is as follows:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Trade	1,668,371	1,593,518
Agriculture, forestry, mining and energy	470,438	495,437
Transport, telecommunications and communications	241,542	270,186
Services, finances, sports, tourism	44,941	80,618
Construction industry	24,588	52,900
Administrative and other public institutions	72,044	29,868
Other	29,695	28,300
Ostalo	36,836	33,278
	2,588,455	**2,584,105**

Interest rates on loans as at 31 December 2021 and 31 December 2020 may be presented as follows:

All amounts are expressed in thousands of BAM	31 December 2021		31 December 2020	
		Annual interest rate		Annual interest rate
Domestic currency				
Corporate	920.085	1.55%-18.00%	990,527	1.55%-18.00%
Retail	1,668,370	1.89%-18.00%	1,593,518	2.00%-18.00%
Foreign currency				
Corporate	-		60	2,35%-8,15%
Retail	-	-	-	-
	2,588,455		**2,584,105**	

In line with intenal policy on interest rates, in the table above, loans with foreign currency caluse are presented under domestic currency.

21. Financial assets at fair value through other comprehensive income

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Equity securities quoted:		
S.W.I.F.T. Belgium	201	182
Sarajevo Stock Exchange	322	322
Equity securities not quoted:		
Securities' Register of the Federation of BiH	32	32
Velprom d.d. Sanski Most	1	1
	498	**556**

Movements in the fair value of these assets were as follows:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Balance at the beginning of the year	**556**	**545**
(Loss) Gain from fair value changes	(57)	11 498
Balance at the end of the year	**498**	**556**

22. Financial assets at fair value through profit and loss

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Government bonds	-	-
	-	**-**

Government bonds

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Romania	-	-
	-	**-**

Changes in bonds at fair value through profit and loss were as follows:

Balance as at the beginning of the year	2021	2020
Change during the year, net	**-**	**6,966**
Interest income (*Note 13*)	-	(7,185)
Balance at the end of the year	-	219
Stanje na kraju godine	**-**	**-**

Government bonds of the Romania measured at fair value matured in September 2020.

23. Debt instruments at amortized cost

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Government bonds	121,077	116,474
Corporate bonds	47,407	7,182
	168,484	**123,656**
Less: impairment	**(1,309)**	**(1,095)**
	167,175	**122,561**

Changes in impairment of financial assets measured at amortized cost can be shown as follows:

All amounts are expressed in thousands of BAM	2021	2020
Balance as at the beginning of the year	**1,095**	**416**
Effects of the first time adoption of the FBA Decision (*Note 5*)	-	463
Increase in impairment allowance (*Note 16*)	214	216
Balance at the end of the year	**1,309**	**1,095**

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Government and similar bonds:		
France	31,919	33,293
Republika Srpska, BIH	28,109	28,749
Republic of Serbia	21,958	-
North Macedonia	19,192	18,245
Austria	15,665	15,687
Government of Sarajevo Canton	1,755	1,754
Federation of Bosnia and Herzegovina, BIH	1,248	3,095
Poland	-	7,301
Corporate bonds:		
NIBC Bank	23,460	-
International Finance Corporation	8,213	-
KFW	7,859	7,290
European Bank for Reconstruction and Development	7,797	7,147
	167,175	**122,561**

24. Investments in subsidiaries

Subsidiary	Industry	% of share	31 December 2021	31 December 2020
All amounts are expressed in thousands of BAM				
Raiffeisen Leasing d.o.o. Sarajevo	Leasing	100%	10,051	10,051
Raiffeisen Invest društvo za upravljanje fondovima d.d. Sarajevo	Fund management company	100%	946	946
Raiffeisen Capital a.d. Banja Luka	Agent for securities trading Financial advisory services	100%	53	53
			11,050	**11,050**

Financial information about the Bank's subsidiaries for period from 1 January 2021 to 31 December 2021 was as follows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit for the period
Raiffeisen Invest d.d. Sarajevo	5,003	671	4,770	4,296	2,035
Raiffeisen Capital a.d. Banja Luka	381	355	317	158	43
Raiffeisen Leasing d.o.o. Sarajevo	113,420	11,450	12,942	11,106	1,518

25. Investments in associates and joint ventures

Associate	Industry	% Share	31 December 2021	31 December 2020
All amounts are expressed in thousands of BAM				
Raiffeisen Assistance d.o.o. Sarajevo	Insurance brokerage	50.00%	2	2
Joint venture				
ESP BH d.o.o. Sarajevo	Informational and other services	45.00%	3,825	3,825
Impairment of investments			(1,623)	
			2,204	**3,827**

Changes in impairment of investments in associates cost can be shown as follows:

All amounts are expressed in thousands of BAM	2021	2020
Balance as at the beginning of the year	-	-
Decrease (*Note 16*)	1,623	-
Balance at the end of the year	**1,623**	-

Financial information about the Bank's associate for the year ended 31 December 2021 was as fo llows:

All amounts are expressed in thousands of BAM	Total assets	Registered capital	Total equity	Revenue	Profit / (loss) for the period
Raiffeisen Assistance d.o.o. Sarajevo	6,383	4	6,301	2,662	1,834
ESP BH d.o.o. Sarajevo	8,802	8,500	8,347	-	(153)

26. Other assets and receivables

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Receivables from credit card operations	12,860	10,212
Receivables from spot and arbitrage FX transactions	4,634	64,051
Fee receivables	3,444	2,788
Other deferrals	2,471	2,353
Prepaid expenses	1,100	1,415
Prepaid other taxes	8	8
Other advances paid	5	3
Other assets	11,840	16,671
	36,362	**97,501**
Less: impairment	(8,159)	(7,379)
	28,203	**90,122**

Changes in allowance for impairment losses on other assets and receivables are summarized as follows:

All amounts are expressed in thousands of BAM	2021	2020
Balance as at the beginning of the year	**7,379**	**4,915**
Effects of the first time adoption of the FBA Decision (*Note 5*)	-	825
Increase in allowance for impairment (*Note 16*)	953	4,951
Write-offs	(173)	(3,312)
Balance at the end of the year	**8,159**	**7,379**

27. Investment property

All amounts are expressed in thousands of BAM	
COST	
Balance at 1 January 2020	**35,350**
Additions	-
Balance at 31 December 2020	**35,350**
Impairment (Note 16)	(747)
Balance at 31 December 2021	**34,603**
ACCUMULATED DEPRECIATION	
Balance at 1 January 2020	**4,694**
Depreciation	705
Balance at 31 December 2020	**5,399**
Depreciation	705
Impairment (Note 16)	(144)
Balance at 31 December 2021	**5,960**
NET BOOK VALUE	
Balance at 31 December 2020	**29,951**
Balance at 31 December 2021	**28,643**

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

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Buildings	30,613	31,684
	30,613	**31,684**

The fair value of investment properties at 31 December 2021 for was performed by the internal appraisers employed by the Bank who have appropriate qualifications and recent experience in estimating assets at fair value at relevant locations.

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

28. Property and equipment

All amounts are expressed in thousands of BAM	Buildings and Land	Vehicles	Office equipment	Assets in the course of constrution	Total
COST					
At 1 January 2020	**100,708**	**1,003**	**55,564**	**3,728**	**161,003**
Additions	-	-	-	6,240	6,240
Transfer to use	48	-	4,706	(4,754)	-
Write offs and disposals	-	(39)	(1,771)	(236)	(2,046)
At 31 December 2020	**100,756**	**964**	**58,499**	**4,978**	**165,197**
Additions	-	-	-	2,170	2,170
Transfer to use	94	-	4,381	(4,475)	-
Write offs and disposals	-	-	(1,887)	-	(1,887)
Impairment (*Note 16*)	(13,710)	-	-	-	(13,710)
At 31 December 2021	**87,140**	**964**	**60,993**	**2,673**	**151,770**
ACCUMULATED DEPRECIATION					
At 1 January 2020	**14,571**	**623**	**40,365**	**-**	**55,559**
Charge for the year	1,882	127	3,974	-	5,983
Write offs and disposals	-	(32)	(1,725)	-	(1,757)
At 31 December 2020	**16,453**	**718**	**42,614**	**-**	**59,785**
Charge for the year	1,799	102	4,374	-	6,275
Write offs and disposals	-	-	(1,773)	-	(1,773)
Impairment (*Note 16*)	(2,594)	-	-	-	(2,594)
At 31 December 2021	**15,658**	**820**	**45,215**	**-**	**61,693**
Net book value:				-	
Balance at 31 December 2020	**84,303**	**246**	**15,885**	**4,978**	**105,412**
Balance at 31 December 2021	**71,483**	**144**	**15,811**	**2,673**	**90,077**

As at 31 December 2021, net carrying amount of properties does not differ significantly from their fair values.

29. Right-of-use assets

All amounts are expressed in thousands of BAM	Buildings	Vehicles	ATM	Total
COST				
Balance as at 1 January 2020	**12,823**	**1,565**	**-**	**14,388**
Increase (new lease contracts)	3,052	-	2,194	5,246
Decrease (premature contract termination)	(3,672)	-	-	(3,672)
Balance as at 31 December 2020	**12,203**	**1,565**	**2,194**	**15,962**
Increase (new lease contracts)	5,263	1,384	296	6,943
Decrease (premature contract termination)	(6,454)	(2,303)	(190)	(8,947)
Balance as at 31 December 2021	**11,012**	**646**	**2,300**	**13,958**
ACCUMULATED DEPRECIATION				
Balance as at 1 January 2020	**2,793**	**380**	**-**	**3,173**
Depreciation	3,025	442	473	3,940
Decrease (premature contract termination)	(1,334)	-	-	(1,334)
Balance as at 31 December 2020	**4,484**	**822**	**473**	**5,779**
Depreciation	2,427	396	502	3,325
Decrease (premature contract termination)	(2,261)	(839)	(44)	(3,144)
Balance as at 31 December 2021	**4,650**	**379**	**931**	**5,960**
NET BOOK VALUE				
Balance as at 31 December 2020	**7,719**	**743**	**1,721**	**10,183**
Balance as at 31 December 2021	**6,362**	**267**	**1,369**	**7,998**

30. Intangible assets

All amounts are expressed in thousands of BAM	Leasehold improve-ments	Other intangible assets	Assets in the course of construction	Total
COST				
Balance at 1 January 2020	**6,445**	**34,379**	**4,851**	**45,675**
Additions	-	-	6,390	6,390
Transfer to use	907	3,650	(4,557)	-
Disposals	(341)	-	(704)	(1,045)
Balance at 31 December 2020	**7,011**	**38,029**	**5,980**	**51,020**
Additions	-	-	4,429	4,429
Transfer to use	231	5,504	(5,735)	-
Disposals	(7)	(20)	-	(27)
Balance at 31 December 2021	**7,235**	**43,513**	**4,674**	**55,422**
ACCUMULATE AMORTIZATION				
Balance at 1 January 2020	**2,926**	**26,039**	**-**	**28,965**
Charge for the year	930	2,883	-	3,813
Disposals	(342)	-	-	(342)
Balance at 31 December 2020	**3,514**	**28,922**	**-**	**32,436**
Charge for the year	1,101	2,932	-	4,033
Disposals	(7)	(6)	-	(13)
Balance at 31 December 2021	**4,608**	**31,848**	**-**	**36,456**
NET BOOK VALUE				
Balance at 31 December 2020	**3,497**	**9,107**	**5,980**	**18,584**
Balance at 31 December 2021	**2,627**	**11,665**	**4,674**	**18,966**

31. Due to other banks and financial institutions

a) Borrowings from banks and other financial institutions

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Long-term borrowings:		
Long-term borrowings from foreign banks and financial institutions	92,497	126,787
Less: Current portion of long-term borrowings	(31,392)	(28,449)
	61,105	**98,338**
Short-term borrowings:		
Add: Current portion of long-term borrowings	31,392	28,449
	92,497	**126,787**

Long-term borrowings from foreign banks and non-banking financial institutions are obtained from supranational and development banks.

Interest rates on whole portfolio of long-term borrowings from banks and other non-banking financial institutions as at 31 December 2021. interest rates were in the range from 0.05% to 2.28% p.a. (fixed rates), and 3M EURIBOR + 1.65% to 6M EURIBOR + 1.80% (variable rates). Interest rates as at 31 December 2020 were in the range from 0,05% to 2,28% annualy (fixed rates) and 6M EURIBOR + 1.65% to 6M EURIBOR + 2.60% (variable rates).

b) Deposits from banks and other financial institutions

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Short-term deposits:		
Short-term deposits from other banks in KM	289	20,183
Short-term deposits from other banks in foreign currencies	605	1,241
	894	**21,424**
Current accounts:		
Current accounts in KM	1,051	2,623
Current accounts in foreign currencies	60	279
	1,111	**2,902**
	2,005	**24,326**

32. Due to customers

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Demand deposits:		
Citizens:		
In KM	1,024,175	936,499
In foreign currencies	564,063	616,206
	1,588,238	**1,552,705**
Legal entities:		
In KM	1,054,192	928,835
In foreign currencies	326,860	293,981
	1,381,052	**1,222,816**
	2,969,290	**2,775,521**
Term deposits:		
Citizens:		
In KM	202,082	210,795
In foreign currencies	585,439	557,317
	787,521	**768,112**
Legal entities:		
In KM	191,558	276,459
In foreign currencies	123,640	135,038
	315,198	**411,497**
	1,102,719	**1,179,609**
	4,072,009	**3,955,130**

During 2021, interest rates were as follows:
- demand deposits in KM – 0.00% p.a. (2020: 0.00% p.a.),
- demand deposits in foreign currencies – 0.00% p.a. (2020: 0.00% p.a.).
- short-term deposits – 0.01% do 0.20% p.a. (2020: from 0.01% to 0.71% p.a.).
- long-term deposits – 0.01% to 0.30% p.a. (2020: from 0.01% to 3.39% p.a.).

33. Subordinated debt

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Commercial banks – related parties	61,804	61,804
	61,804	**61,804**

There is one active borrowing, approved at 27 September 2013, in total amount of KM 61,804 thousand. Maturity date for this borrowing is as of 31 December 2024. The repayment will be one-time, in full amount, as at the defined repayment date.

In case of liquidation or bankruptcy of the Bank the liabilities under the subordinated loan are subordinated to the other liabilities of the Bank.

Subject to the approval of FBA, subordinated debt may be used as additional capital for regulatory purpose.

34. Provisions for liabilities and charges

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Provisions for gurantees and loan commitments	16,096	23,300
Provisions for legal proceedings	2,755	3,345
Provisions for employee benefits	11,332	13,035
	30,183	**39,680**

Provisions for gurantees and loan commitments

In the ordinary course of business, the Bank enters into credit related commitments which are recorded in off- balance sheet accounts and primarily include guarantees, letters of credit and undrawn loans.

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Loan commitments		
Unused approved loans	495,398	482,543
Framework agreements	180,128	213,138
	675,526	**695,681**
Guarantees		
Performance guarantees	196,933	179,623
Payment guarantees	103,799	105,736
Letters of credit	11,986	14,007
	312,718	**299,366**
	988,244	**995,047**

Other, non credit related provisions recorded in off-balance sheet accounts relates to:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Other commtiments		
Forward operations	-	-
Advance guarantees	-	1
Total	**-**	**1**

Promjene u rezervisanju za finansijske garancije i odobrene a neiskorištene kredite:

All amounts are expressed in thousands of BAM	2021	2020
Balance as at the beginning of year	**23,300**	**6,623**
Effects of the first time adoption of the FBA Decision (*Note 5*)	-	142
Increase of provisions (*Note 16*)	(7,204)	7,535
Balance as at the end of the period	**16,096**	**23,300**

Provisions for other employee benefits

Changes in provisions for other employee benefits were as follows:

All amounts are expressed in thousands of BAM	Retirement severance payments	Vacation allowances	Total
Balance as at 1 January 2020	**2,127**	**758**	**2,885**
Reductions resulting from re-measurement or settlement without cost (*Note 15*)	(135)	595	460
Balance as at 31 December 2020	**1,992**	**1,353**	**3,345**
Increase in provisions (*Note 15*)	52	(642)	(590)
Balance as at 31 December 2021	**2,044**	**711**	**2,755**

Provisions for legal proceedings

Movements in provision for legal proceedings were as follows:

All amounts are expressed in thousands of BAM	2021	2020
Balance as at the beginning of year	**13,035**	**14,734**
Decrease in provisions (*Note 15*)	(1,703)	(1,699)
Balance as at the end of the period	**11,332**	**13,035**

35. Lease liabilities

	Currency	Nominal interest rate	Agreed/ expected maturity	Present value as at 31 December 2021	Present value as at 31 December 2020
Lease liability – business premises	KM	2%	2022-2029	6,485	7,658
Lease liability – ATM	KM	2%	2022-2025	1,391	1,718
Lease liability – vehicle	KM	2%	2022-2023	267	704
				8,143	**10,080**

In 2021, the Bank recognized right of use asset and related liabilities for the lease of ATMs that are assessed, due to the contracted value, to meet the recognition criteria in accordance with IFRS 16 "Leases".

36. Other liabilities and payables

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Principal and interest paid upfront	9,909	8,768
Liabilities from credit card operations	8,905	5,556
Liabilities toward suppliers	7,179	6,799
Employee payables	5,386	5,192
Liabilities for other taxes	3,264	3,131
Liabilities to banks from foreign exchange	3,034	4,463
Deferred income	2,615	2,600
Liabilities for dividends towards shareholders	14	14
Liabilities to Central Bank for FX transactions	-	58,675
Other liabilities	5,990	3,568
	46,296	**98,766**

37. Share capital

Capital is made up of 988,668 ordinary shares at nominal value of KM 250. Equity instruments of the Bank are not traded in a public market.

The shareholding structure is as follows:

Dioničari	No. of Shares	'000 BAM	%
Raiffeisen SEE Region Holding GmbH, Vienna, Austria	988,668	247,167	100.00

38. Basic earnings per share

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

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Income attributable to ordinary shareholders	69,584	44,621
Weighted average number of regular shares outstanding	988,668	988,668
	70.38	**45.13**

Diluted earnings per share are not presented as the Bank has not issued dilutive equity instruments.

39. Leases

Leases in which the Bank is the lessee

Lease agreements relate to the business premises in which the Bank operates and vehicles. Individual contracts have different durations and maturities as shown in Note 35.

Right of use assets are presented separately in the statement of financial position and in Note 29. Lease liabilities are presented separately in the statement of financial position and in Note 35.

Amounts shown in the income statement

All amounts are expressed in thousands of BAM	2021	2020
Ugovori o zajmu prema MSFI 16		
Interest on lease agreements (*Note 9*)	182	227
Depreciation of property, plant and equipment (*Note 29*)	3,325	3,940
Lease costs for small value contracts and short-term contracts (*Note 15*)	1,245	1,149
	4,752	**5,316**

Amounts recognized in the statement of cash flows

All amounts are expressed in thousands of BAM	2021	2020
Total lease outflows	3,077	3,815

40. Managed funds

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

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Liabilities		
Government	3,847	3,986
Companies	3,482	3,582
Citizens	38	77
Other	77	77
	7,444	**7,722**
Assets		
Loans to citizens	3,861	4,099
Loans to companies	3,583	3,623
	7,444	**7,722**

The Bank has issued no guarantees related to managed funds. Credit risk stays with the owners of funds.

41. Related-party Transactions

Balances with the related parties can be summarized as follows:

All amounts are expressed in thousands of BAM	31 December 2021	31 December 2020
Receivables		
Loans and receivables to banks		
Raiffeisen Bank International AG, Vienna, Austria	28,000	103,467
Raiffeisen Landensbank Tirol AG, Insbruk, Austria	57,809	53,351
Raiffeisenbank Austria d.d. Zagreb, Croatia	1,136	1,096
Raiffeisenbank a.d. Belgrade, Serbia	11	39
Loans and receivables to customers:		
Raiffeisen Leasing d.o.o. Sarajevo	8,669	4,727
Other receivables:		
Raiffeisen Bank International AG, Vienna, Austria	24	107
ESP BH d.o.o. Sarajevo	319	101
Raiffeisen Invest d.o.o. Sarajevo	100	91
Centralised Raiffeisen International Services & Payments	-	85
Raiffeisen Leasing d.o.o. Sarajevo	6	16
Raiffeisen Assistance d.o.o. Sarajevo	6	6
BLBH Invest GMBH	-	2
DUF AMDS d.o.o. Sarajevo	-	2
Raiffeisenbank Austria d.d. Zagreb, Croatia	-	1
	96,080	**163,091**
Liabilities		
Subordinated debt:		
Raiffeisen Bank International AG, Vienna, Austria	61,804	61,804
Long term loans to banks:		
Raiffeisenbank Bulgaria AD Sofia-loans	6,362	8,313
Bank and customer deposits:		
Raiffeisen Leasing d.o.o. Sarajevo	8,517	12,263
Raiffeisen Assistance d.o.o. Sarajevo	7,337	5,388
Raiffeisen Invest d.o.o. Sarajevo	4,378	3,628
Raiffeisen Bank International AG, Vienna, Austria	812	1,092
Raiffeisen Capital a.d. Banja Luka	1,529	889
Raiffeisenbank Austria d.d. Zagreb, Croatia	104	278
ESP BH d.o.o.	74	221
VoCare d.o.o.	-	137
Hotel Grand d.o.o. Sarajevo	-	35
BLBH Invest GMBH	-	6
Lease liabilities:		
Raiffeisen Leasing d.o.o. Sarajevo	267	704
Other liabilities		
Raiffeisen Bank International AG, Vienna, Austria	3,281	1,779
VoCare d.o.o.	-	276
ESP BH d.o.o.	70	252
Raiffeisen Leasing d.o.o. Sarajevo	85	45
Centralised Raiffeisen International Services & Payments	50	-
Raiffeisen Assistance d.o.o. Sarajevo	4	-
Raiffeisen Capital a.d. Banja Luka	1	-
Raiffeisenbank a.d. Belgrade, Serbia	1	-
	94,676	**97,110**

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

All amounts are expressed in thousands of BAM	2021	2020
Revenue		
Interest income:		
Raiffeisen Landensbank Tirol AG, Insbruk, Austria	131	244
Raiffeisen Leasing d.o.o. Sarajevo	10	41
Raiffeisen Bank International AG, Vienna, Austria	1	1
BLBH Invest GMBH	3	-
Fee income:		
Raiffeisen Invest d.o.o. Sarajevo	1,022	928
Raiffeisen Bank International AG, Vienna, Austria	394	410
Raiffeisen Leasing d.o.o. Sarajevo	22	26
Raiffeisen Assistance d.o.o. Sarajevo	1	23
Raiffeisenbank Austria d.d. Zagreb, Croatia	32	22
DUF AMDS d.o.o. Sarajevo	10	20
BLBH Invest GMBH	6	15
Raiffeisen Capital a.d. Banja Luka	2	2
ESP BH d.o.o.	1	1
VoCare d.o.o.	-	1
Hotel Grand d.o.o. Sarajevo	-	-
Other income:		
Raiffeisen Leasing d.o.o. Sarajevo	1,295	2,292
Raiffeisen Assistance d.o.o. Sarajevo	538	1,325
ESP BH d.o.o.	535	99
Raiffeisen Bank International AG, Vienna, Austria	93	53
Raiffeisen Invest d.o.o. Sarajevo	1,444	30
BLBH Invest GMBH	9	18
Raiffeisen Capital a.d Banja Luka	7	7
New Media Company d.o.o.	1	2
VoCare d.o.o.	43	-
Net FX trading income		
Raiffeisen Leasing d.o.o. Sarajevo	1	-
	5,601	**5,560**

All amounts are expressed in thousands of BAM	2021	2020
Expenses		
Interest expense:		
Raiffeisen Bank International AG, Vienna, Austria	4,846	4,988
Raiffeisen Leasing d.o.o. Sarajevo	89	350
AO Raiffeisen Bank Russia	-	292
Raiffeisen Bank Budapest	-	256
Raiffeisenbank Bulgaria AD Sofija	129	106
Raiffeisen Assistance d.o.o. Sarajevo	44	35
Raiffeisen Invest d.o.o. Sarajevo	27	21
Fee expense:		
Centralised Raiffeisen International Services & Payments	678	479
Raiffeisen Bank International AG, Vienna, Austria	683	473
Raiffeisenbank Austria d.d. Zagreb, Croatia	3	3
Raiffeisenbank a.d. Belgrade, Serbia	1	-
Advisory services:		
Raiffeisen Bank International AG, Vienna, Austria	3,523	3,629
Other administrative expenses:		
Raiffeisen Bank International AG, Vienna, Austrija	2,569	1,797
VoCare d.o.o. BiH	129	1,355
Centralised Raiffeisen International Services & Payments	404	384
Raiffeisen Leasing d.o.o. Sarajevo	200	96
Raiffeisen Assistance d.o.o. Sarajevo	17	14
Hotel Grand d.o.o. Sarajevo	-	3
ESP BH d.o.o.	12	-
Raiffeisenbank a.d. Belgrade, Serbia	2	-
Other expenses		
ESP BH d.o.o. BiH	1,623	-
Net FX trading expense		
Raiffeisen Bank International AG, Vienna, Austria	255	167
	15,234	**14,448**

Fees to the Management and other members of the management:

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

All amounts are expressed in thousands of BAM	2021	2020
Net salaries	888	1.195
Taxes and contributions on salaries	699	939
Taxes and contributions for other benefits	154	442
Other benefits	143	570
	1.884	**3.146**

42. Subsequent events

The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The Bank does not have any direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to immaterial adjustments to the carrying value of certain loans and receivables to customers that as of 31 December 2021 represent 0.45% of total loans and receivables or 0.22% of total Bank's assets.

At this stage, management is constantly working to identify potential risks and assess the impact of day-by- day events on the Bank. In this context, it is the view of the management board that the longer term impact will not have significant effect on the Bank's revenues, risk exposures, credit volumes and activities, cash flows, and profitability. At the date of these financial statements the Bank continues to meet its obligations as they fall due and continues to apply the going concern basis of preparation.

In addition, there were no significant events between the balance sheet date and the date of approval of these financial statements that require disclosure.

43. Approval of the separate financial statements

These financial statements were signed and authorized for issue by the Management on 4 May 2022.

Raiffeisen BANK dd Bosna i Hercegovina 7

President of Management Board
James Daniel Stewart Jr

Management Board
Andreea Achim

Service

Network Units	109
Publication Details	113

Network Units

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Branch Goražde
Titova bb
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Vidovdanska bb
78 400 Gradiška

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Branch Visoko
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Branch Tešanj
Titova 2
74 260 Tešanj

Branch Travnik
Konatur bb
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Branch Tuzla 2
RK Omega – Univerzitetska 16
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