Unlock your potential

2021

Annual report

Empowering
Communities to Progress.

UniCredit Bank Banja Luka

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Message from the President of the Bank Management Board

> Listening to the needs of our clients, at the beginning of the year we set clear goals to be a real partner to the local communities in which we operate, and to support our clients on the road to recovery from the pandemic.

GORDAN PEHAR
PRESIDENT OF THE BANK MANAGEMENT BOARD

Dear clients, shareholders and partners,
dear colleagues,

Another pandemic year is behind us, which was full of challenges for each of us, both professionally and personally. The pandemic has partly changed the way we live and work, shown that change is constant, which accompanies us throughout life and business, but also confirmed how quickly we, as individuals, society and as an organization, can change and be leaders in change. UniCredit Bank Banja Luka, as part of UniCredit, a strong pan-European banking group, managed to strengthen its leading position in the local market this year as well.

Listening to the needs of our clients, at the beginning of the year we set clear goals to be a real partner to the local communities in which we operate, and to support our clients on the road to recovery from the pandemic. Unlike last year, when the focus was on maintaining business continuity, this year our clients are facing new challenges of finding ways and opportunities to increase the level of business activities and achieve growth.

Our role as one of the leading banks in the local market is very important in this process. Through partnerships with institutions such as the Republika Srpska Guarantee Fund, the European Bank for Reconstruction and Development and the European Investment Bank, UniCredit Bank Banja Luka continued to support the local economy and clients by providing the funds needed for business recovery and development through credit lines. In addition, this year we are recognized as a leading investor, and we have provided support to institutional investment projects important for the entire economy. We believe in the future of the local market, and we continue to work to improve conditions for investors in order to encourage new investments together.

When we talk about the achievements we, as the Bank, have achieved during the previous year, I can say that I am extremely proud of our entire team, and that this was an extremely successful year in terms of commercial activities and key financial indicators.

In 2021, the bank made a profit of BAM 25.3 million, and with assets of BAM 1.68 billion and capital of 256.6 million KM, we can say that we have managed to reaffirm the position of a systemically strong and important financial institution in the domestic market.

We maintain the long-term stability and sustainability of the Bank through a strong capital position (adequacy rate 22.7%), loan portfolio with a low share of bad loans (1.7%) and high coverage of bad loans by provisions (90.7%), as well as a well-balanced balance sheet and an adequate level of liquidity at all times. Excellent results during 2021 are based on the increased volume of new placements to private individuals, which exceeded 2020 by 138%, as well as the record volume of new placements from 2019. In business with legal entities, we continue to grow strongly, and we placed 89% more than the previous year, supporting our clients on the road to recovery from the effects of the pandemic. Thanks to that, we achieved a significant growth of market shares in loans of over 60 bps, only compared to the end of the previous year. We have also remained consistent in implementing controls at all levels, which, in addition to the above growth, is a prerequisite for long-term sustainability.

Also, the growth of customer deposits (+ 11.5% y/y) is also a confirmation of the continuously growing clients' trust in the Bank. The total number of active customers in the financial year 2021 is 126.8 thousand, while the number of active users of mobile banking increased by 22.6% y/y, which shows that customers are increasingly recognizing the benefits of digital banking services.

The leading position in the field of innovative and complex products is confirmed by the recognition for the best mobile banking application on the market, the Golden BAM Plaque for the second year in a row.

By developing new products in accordance with the real needs of customers, we remain focused on digitalization and improvement of our digital channels in order to facilitate the business of clients with the bank, and effectively respond to their ever-changing needs. Today, UniCredit strives to become the right bank for Europe's future, with a special focus on digital transformation, working to continuously improve services and user experience, making transactions faster and easier.
Our new strategic plan "UniCredit Unlocked", which was presented by the UniCredit Group at the end of the year, is aimed at empowering communities, the transition to a sustainable economy, while creating a better and more inclusive society.
Thus, during 2021, we remained committed to banking activities with social impact, and the spread of financial literacy. The Bank has established cooperation with high schools, and donated equipment to equip cabinets, while Bank volunteers helped students to expand their knowledge of finance and banking through a series of online lectures. Also, the bank's volunteers participated in a mentoring program for young people with sustainable business ideas, and we instilled the roots of financial literacy in the youngest, through socializing and playing with preschool children.
As a Bank, we have shown a high degree of empathy towards vulnerable categories of society, such as children and young people. Through the project "Support to Childhood" together with the UniCredit Foundation, we have supported five projects of non-profit organizations aimed at improving the quality of life of its members and beneficiaries. Support for children and their healthy growing up was also provided by our employees, who donated funds for four organizations through the initiative "Joint Donation Program". In cooperation with our partners, we supported the association "Together we are one", and through the "Circle of Support" campaign we influenced the raising of awareness about the importance of early prevention in the treatment of breast cancer.

This year, UniCredit Bank Banja Luka has once again shown its commitment to responsible business in accordance with the principles of environmental, social and corporate governance (ESG). We supported the transition to a green economy by participating in dialogues with key representatives of the economy, financial institutions, academia and international organizations on raising environmental awareness and investing in renewable energy sources, and providing more green credit lines to individuals and legal entities. Through ecological actions, which we carry out, we show how important a clean environment is for us, but also human responsibility towards the ecosystem.

Through various activities in continuity, we work to improve the quality of life of our employees, respect diversity and promote equality. By providing different types of support to some of the most important moments in the lives of employees, the Bank has also been monitoring and ensuring for years that comparable employee salaries do not differ in gender structure, thus providing equal opportunities for men and women.

We believe that a good team can achieve all the results. During the year, we further strengthened our management team with internal resources and this was largely the result of the extraordinary success we achieved during the year. I am extremely proud that at UniCredit we have people full of potential, empowered to take responsibility and respond to customer needs in the best way. New young leaders are conquering the market and that makes me very happy, because they have the courage, strength and energy to take responsibility for key processes, both in our Bank and in the entire market. We believe that quality education is a condition for individual and joint development, so our employees spent more than 4,500 hours last year on internal and external trainings and mandatory trainings.
Our ambition is to be the most desirable place to work in our segment, to continuously develop internal staff and fairly reward individual contributions and work.

Finally, it is important to remember the lessons we have learned since the beginning of the pandemic, and that is that the health and safety of our employees and clients come first. Together, we have managed to overcome the first wave of the crisis, and turn to further development and progress. We will continue to empower each other in order to intensify the business of economic entities and accelerate growth. That is why I believe that after all the challenges we have encountered as a society and economy in the previous period, we will emerge with a new view of the world around us. Along the way, UniCredit Bank Banja Luka will continue to be a leader in the local market and a trusted partner for our clients and the community.

With respect,

GORDAN PEHAR,
PRESIDENT OF THE BANK MANAGEMENT BOARD

Fine-tuning the skills of tomorrow: through RenewAcad, UniCredit Bank Romania helped over a thousand miners to retrain as specialists in wind energy and electricity distribution – thereby supporting the transition.

Our Clients
Wind Power Energy
Romania

Curious to know more? Check out the entire story (and others) on annualreport.unicredit.eu/en

About UniCredit Group

UniCredit is a successful pan-European commercial banking group, with a unique range of services in Italy, Germany, Central and Eastern Europe. Through its network of local banks, UniCredit is available to over 15 million customers worldwide every day.

UniCredit offers local excellence and international reach in 4 regions, in 13 key markets in Europe in which it operates (Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Serbia, Slovakia and Slovenia) striving to turn the current challenges we face into opportunities.

Our core values and purpose

UniCredit Unlocked is a new strategic plan of UniCredit aimed at unlocking the potential within the Group to get out of the restructuring period in the era of purpose, growth and value creation. Our new purpose is to empower communities to progress, delivering best-in-class services to all our stakeholders, and unlocking the potential of all our clients, communities and employees across Europe.

Clients are at the heart of everything we do, so moving into a new era of growth means keeping the focus on them, those for whom we exist. We support our clients in their daily activities by understanding the expectations they have of UniCredit, using the resources of the entire Group to develop and offer the best products in all markets.

In the long run, we want to become a truly digital bank. Digitalization and our commitment to ESG principles enable us to deliver excellence to all our stakeholders and help create a sustainable future for all our clients, communities and employees.

United within a common culture and encouraging each other, we put the values of integrity, ownership and care at the heart of decision-making and everything we do to work together as one team to be a true partner to our clients and communities.

In this way, UniCredit will become a bank for Europe's future - a bank that provides services to all stakeholders and is able to unleash the potential of people, businesses and communities across Europe, and empower them to progress.

T24 Strategic Plan

The recovery of the Bank's operations in 2021 is the result of the Bank's successful adaptation to the challenges posed by the Covid-19 virus pandemic to society as a whole. The new model and digitalization of business have enabled the full use of various channels and the improvement of the customer experience of our clients through the development of digital channels (Mbank - mobile banking, Eba - internet banking, Contact Centre).

Taking into account the strong result of the Bank in 2021, the recovery of macroeconomic indicators, market stabilization, starting from the second half of 2021, and positive expectations, the existing and new strategic plan "T24" for the period from 2022 to 2024 was revised and adopted. With the "T24" strategy, the Bank will deliver growing returns to shareholders while growing business and maintaining capital strength.

The new strategic plan optimizes the Bank's operations today and builds a clear long-term program for the future with purpose, growth and value creation for all our partners and stakeholders, following the following strategic imperatives and financial ambitions:

Growth and development of our customer network, through changes in our business model and the way our people work:

- Quality growth based on working with existing and new clients;
- Development of the best products and services, independently or in cooperation with external partners;
- Growth of "capital-light" business (with lower capital requirements), through a focus on products and services with added value for customers;
- Effective cost management while further enabling investment;
- Responsible risk management.

Transformation of our technologies through digitalization and the use of unique information platforms ("Digital & Data") and the incorporation of the principle of sustainability in everything we do:

- Centralized management in the domain where we create added value with it;
- Internal empowerment of people within a clearly defined framework of risk and behaviour;
- Redesign of the operational model;
- A new way of focusing on clients;
- Lead by example, strive for the same high standards that we ask of those with whom we do business;
- Equip ourselves with tools to support our clients and communities

Achieving financial results through three interconnected levers:

- Responsible cost and risk management;
- Capital management: generating organic capital through increased profitability, optimal capital allocation and active portfolio management;
- Realization of net income, which brings profitability above the cost of capital, driven by the growth of fee income and the return of market share.

The Bank is part of the pan-European UniCredit network, united by a common purpose through strengthening the role of all employees in achieving progress, investing in digital business, bringing the client back into focus, a new way of working for our employees, and a targeted capital model in which, as in all other aspects of business, the principle of sustainability is fully embedded.

On our way we follow the basic principles of the UniCredit Group Strategy

We optimize today: customers, people and organization

We build for the future, putting our clients at the heart of everything we do and following a strategy of harmonized service model and customer segmentation, process simplification and a common organizational structure. We use our technology platforms and data and strengthen our principles to provide our customers with the best products and services. We develop corporate and individual solutions, which serve all our customers, using advantages of operating within a large banking group and a comprehensive offer of best-in-class products for all our customers.
The role of our employees in business will be further strengthened within well-defined guidelines for behaviour and risk assessment and assumption, in order to advance and take responsibility for decision-making, take advantage of talent development opportunities and thus contribute to regaining market share.
This includes uniting behind one ambition and a common goal: empowering communities to progress.

We are building for the future: the benefits of digitalization and information platforms ("Digital & Data")

Digitalization is at the heart of our strategy and our ultimate ambition to be a truly digital bank is driven through four key projects at the Bank level: user experience, new digital offer, electronic payment and cyber security.

We are building for the future: Sustainability

The principle of sustainability will be built into our corporate culture. We will demand the same level of responsibility and achievement of the same standards that we expect from our clients, and we will invest and support the communities within which we operate, through:

- reduction of harmful gas emissions;
- the use of renewable energy in our premises and the cessation of the use of disposable plastic items;
- further development of social responsibility and contribution to philanthropic initiatives and education of young people;
- commitment to meeting our global policies, which cover issues of environmental, social and managerial responsibility in business (ESG policy).

Financial ambition: UNICREDIT UNLOCKED

Using our potential gives us the opportunity to increase our financial ambitions.
Macro assumptions exclude unexpected materially unfavourable developments such as the COVID-19 pandemic, a situation we are closely monitoring.
Our financial ambition is based on six pillars, which will ensure sustainable efficiency and profitable growth through:

- optimization: improving operational and capital efficiency,
- investments: cash investments in "Digital & Data", targeted growth initiatives including ESG,
- growth: growth in net income, fees and net profit;
- return: return on equity (RoTE),
- strength: stable capital parameters, NPE ratio,
- distribution of results: in line with organic capital formation from net profit and development of risk weighted assets.

The strategic plan refers to more than the near future. It is about laying the foundations of the Bank for its long-term success and stability after 2024.

Macroeconomic Environment in 2021

The year 2021 will surely be remembered as a year full of challenges, marked by a historic effort to save lives and restart the economy. The pandemic remained a major global problem beyond 2020, despite the start of vaccine application. An additional aggravating circumstance are the new variants of the virus, which developed during 2021, which led to additional pressure on the health and economic system of the countries. Strict measures in the form of new closures and intensified epidemiological measures have been reintroduced in many countries.

Although after 2020 it seemed that the global economic outlook would improve and largely recover, as time went on it became increasingly clear that 2021 would retain the status of a year of extremely high risk and uncertainty. Significant corrections in the expected GDP and other macroeconomic indicators, which have changed significantly with each new forecast cycle, also tell us how great the uncertainty has been since the beginning of the year.

The pandemic has greatly affected the supply chain, as evidenced by product shortages, delivery times, transport availability and costs. Excessive exposure to individual suppliers or certain geographical areas has proven to be a particular challenge for many organizations. The economy quickly reopened as more and more restrictions were lifted. People started traveling and going to restaurants again, shopping more, spending some of the money they could not spend during quarantine. People were compensating for the consumption of goods and services, which they postponed during the pandemic. But not everything went the same way. It is difficult for companies to keep up with the rapidly growing demand, because they are rebuilding logistics chains, which were hit hard by the pandemic. Challenges such as the lack of transport containers mean that transporting goods has become more difficult and expensive. The longer such difficulties last, the more likely it is that firms will pass these costs on to their customers in the form of higher prices. Oil, gas and electricity prices have risen worldwide. Along with growing demand, this has caused prices to rise rapidly. Although the normalization of the inflation rate is expected during 2022, it is possible that massive disruptions in supply chains will last, but energy prices may continue to rise due to the green transition.

Bosnia and Herzegovina did not have any significant restrictive measures during 2021, although the number of patients was quite high and the vaccination rate was quite low, so there were no new closures like those in 2020, and thus there was no direct negative impact on economic activities.

After a significant correction in the realization of the real gross domestic product for 2020 (a smaller decline than previously announced, from -4.3% to -3.2%), corrections of expectations for 2021 followed. According to the latest expectations, 2021 should end with an annual growth rate of around 5.5%. The recovery was spurred by a sharp acceleration in exports of goods and services, as well as personal consumption. At the same time, a slight slowdown is expected next year, both due to the lack of a base effect and due to further uncertainty in the area of internal and external economic influences, as well as political tensions in the country.

For Bosnia and Herzegovina, foreign trade as one of the key drivers of GDP growth in 2021 recorded double-digit annual growth rates on both imports and exports (27.9% and 35.7%, respectively), which reflects the recovery and increased demand of major foreign trade partners, but also the direct impact of rising prices.

The retail trade index in 2021 rose with double-digit annual growth rates (18.1 %), indicating a return to consumerism after a period of reduced consumption, but consumption is expected to remain strong in 2022.

The increase in prices in Bosnia and Herzegovina reached 6.4% on an annual basis, with the largest increase in prices recorded in transport, as the sector most directly affected by rising oil prices, followed by rent, electricity and food. Average prices are expected to rise (CPI Aug) in 2022 as a result of a very high growth carry-over from 2021 to 2022, while a gradual slowdown in inflation is expected during 2022 (CPI eop).

During the pandemic in 2020, the unemployment rate deteriorated, which was stopped in 2021 (32.6 %). However, it will take a long time for Bosnia and Herzegovina to regain the positive trend in the labour market. Social issues, in terms of significant emigration of labour from BiH, are visible and affect the overall labour market.

In Bosnia and Herzegovina, the economic recovery in 2021 has been overshadowed by political turmoil. Three major political issues have arisen: the appointment of a new High Representative, the dispute over changes to the penal code by the outgoing High Representative, and a lack of consensus to change the election law. State institutions have been under blockade since 27 July 2021 Also, in December 2021, the RS National Assembly held an extraordinary session at which the main topic was the withdrawal of entity competencies from the level of the state of Bosnia and Herzegovina to the RS entity (judicial institutions, indirect taxation, defence). All this has created quite a lot of political disagreement in the country. However, political problems so far have not prevented a strong economic recovery in BiH, nor problems in financing institutions.

IMF financing plays a vital role in catalysing international financial assistance to Bosnia and Herzegovina, and it is very important to maintain its presence through the new arrangement (above 4% of GDP), but no new arrangement was agreed in 2021 In April 2020, the IMF approved the last loan to BiH in the amount of about 330 million euros, intended to help fight the coronavirus. Also, in August 2021, the IMF paid about 305 million euros to the account of the Central Bank of BiH, as part of the aid package in the fight against the COVID-19 pandemic to IMF member countries in proportion to their existing quotas in the Fund and IMF membership.

Bosnia and Herzegovina's fiscal position remains sustainable, and is rated better than countries with the same sovereign rating, as confirmed by international rating agencies in their September 2021 assessment. International rating agency Moody's has affirmed Bosnia and Herzegovina's "B3" credit rating with a stable outlook. Also, the international rating agency Standard & Poor's confirmed the credit rating of Bosnia and Herzegovina, "B" with a stable outlook.

Expectations

Projected economic growth rates for 2022 are expected to be lower than in 2021, as a result of the base effect, but also of the still high uncertainties in the global environment. However, the main expectations for Bosnia and Herzegovina are that foreign trade will continue to record good growth rates, as well as that personal consumption will continue to strengthen and thus contribute to the further recovery of economic indicators. The main risks stem from the unstable political environment in the country, the fact that 2022 is an election year, but also the still uncertain movement of inflation rates and solutions to problems in supply chains.

Banking Sector in 2021

In 2021, the banking sector of Bosnia and Herzegovina achieved a positive financial result, maintained a satisfactory level of capital adequacy of banks, and increased the volume of loans and deposits.

As a continuation of the process of bank consolidation, the number of banks on the market decreased by 1, as a result of the merger of two smaller banks from 01.12.2021 Also, in 2021, the supervisory and regulatory framework in the banking sector of Bosnia and Herzegovina was harmonized with the European Union. With this initiative, BiH and Northern Macedonia are added to the list of "equivalent third countries" in terms of supervisory and regulatory arrangements for credit institutions in those countries. Equivalence in the segments of supervision and regulatory framework for the banking system is of particular importance in other assessments and potential long-term impacts on BiH status, rating, risk weights for calculating capital requirements to cover banking risks, interest rates, investment security, etc.

For the period I-IX 2021, revenues of the banking sector increased compared to the same period last year by 8%, mainly driven by a significant increase in net non-interest income (15.5%), with a positive trend on the interest income side of the sector (2.2%). Although operating expenses also recorded annual growth (4.8%), the efficiency of the sector has improved due to stronger revenue growth, and the cost / income ratio has been reduced to 62.4%.

Impairment costs achieved the largest improvement, with an annual reduction of over 63% for the period I-IX 2021 The share of non-performing loans in total decreased to 5.5% in September 2021.

The volume of loans to the banking sector in November 2021 compared to the end of 2020 increased by 3.6%, with the growth of loans to private individuals amounted to 5.5% and the increase in loans to legal entities compared to the end of 2020 was 1.7%. Low growth rates of corporate loans indicate still weak economic activities and investments in the country, especially when there is a significant increase in accumulated corporate deposits.

According to the decision of the CBBH, from 1 January 1 2022, the rate of compensation for the excess of required reserves will be -0.75%. This measure is planned to support the currency board and encourage banks to more actively use significant funds in reserve accounts with the Central Bank to support the country's economic system.

Customer deposits in the banking sector of Bosnia and Herzegovina in November 2021 increased compared to the end of 2020 by 10.3%. The growth rate of deposits of private individuals was 5.7%, while that of legal entities was 16.1%. The structure of deposits is on the side of transaction deposits, while term deposits decreased.

Expectations

Given the macroeconomic projections, which predict the continuation of positive trends in 2022, the growth of credit volume is expected to continue, but still in a rather uncertain situation in the global environment. Deposit growth rates show a significant accumulation of the corporate side as a result of backlog of investments, which should be significantly reduced in the coming years when investment activities resume.

Business Overview

UniCredit Bank a.d. Banja Luka (hereinafter: the “Bank”) is a licensed commercial bank with a registered office in Banja Luka, Bosnia and Herzegovina.

As the legal successor of the first bank built in this area “Privilegovana Zemaljska Banka za BIH - BRANCH Banja Luka“ (“Privileged Land Bank for BiH - Branch Office of Banja Luka”) founded in 1910, UniCredit Bank a.d. Banja Luka has had the longest tradition of banking operations in Bosnia and Herzegovina in its foundations. In its 110-year history, the Bank went through several different transformations and operated successfully in different legal and organisational forms.

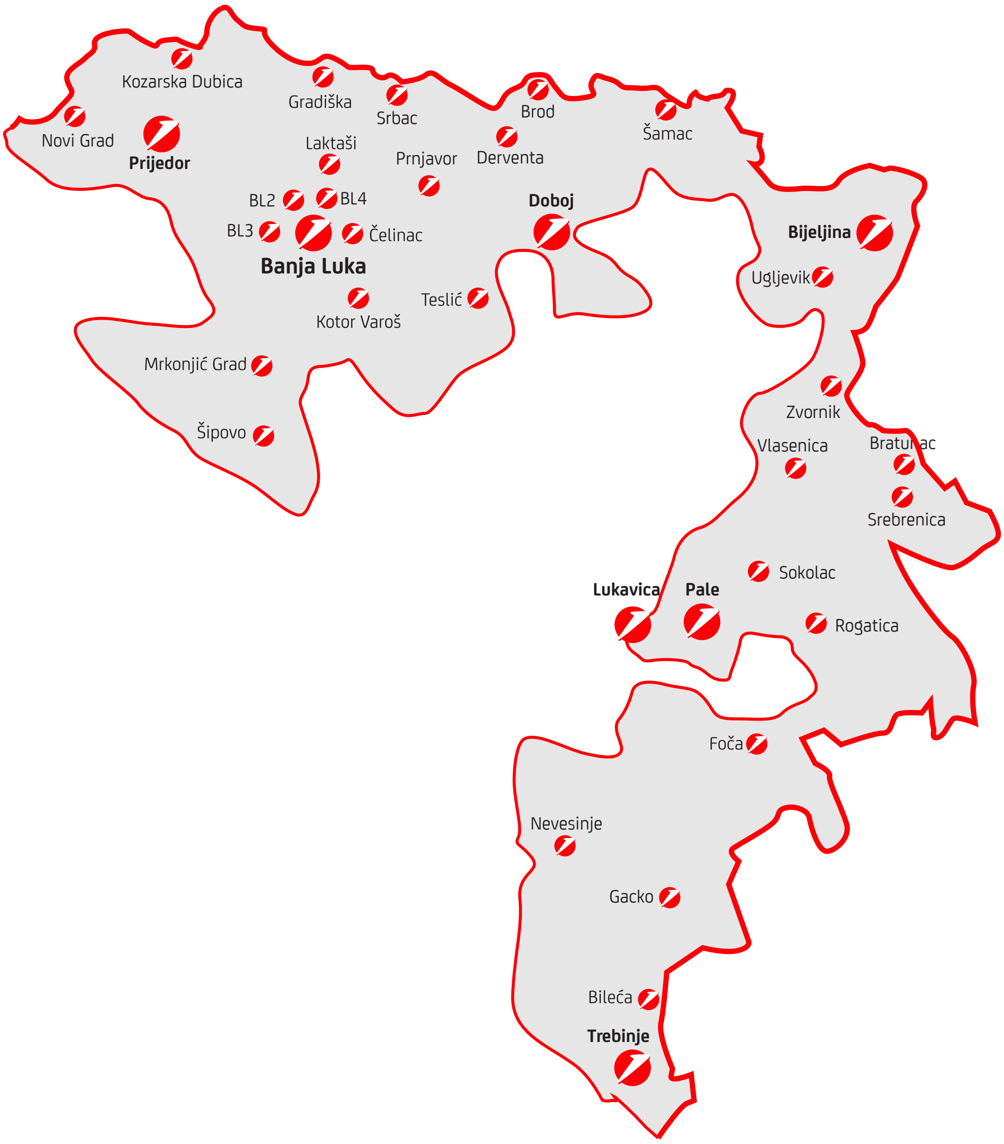
The Bank provides a full range of financial services to companies and private individuals in the Republika Srpska, one of the two entities in Bosnia and Herzegovina. The set of banking services provided by the Bank includes all types of operations with private individuals, small and medium sized companies, corporate and investment banking, business with financial institutions and public sector, as well as international operations.

The Bank actively participates in the implementation of new development projects in the banking sector, and contributes through its engagement to the promotion of corporate responsibility related to compliance and operational risks, as well as the implementation of the highest reporting standards and sharing the know-how gained from the rich experience and affiliation to the UniCredit Group.

By using the best practices of the banks - Legal Entities of the UniCredit Group, while taking into account the specifics and true needs of our clients, we strive to provide our clients with an integrated approach to our products and services through simplified contracting procedures. In this way, besides increasing the work efficiency, we strive to provide the simplicity and ease in dealing with the Bank to the clients.

Constant improvement of our business model and offer of products for individuals and legal entities, long-term and partner relationship with our clients, and the support to the development of our economy, through projects of public and social importance, still remain the main priorities of our business.

The Branch Network Map



Business Segments Overview

Retail Overview

Organization

The Retail segment provides customers with a wide range of products and services, through two business areas – Private and Business Banking. It manages a network of business units and direct distribution channels such as ATMs, mobile and electronic banking.

During 2021, the Bank's business network was divided into four geographically and economically connected regions (Banja Luka-Prijedor, Doboj-Gradiška, Sarajevo-Bijeljina and Trebinje-Foča), with a total of 35 organizational units at the end of 2021.

Retail in its portfolio has more than 126 thousand active customers within the segment of individuals and entrepreneurs.

Retail goals are constantly focused on improving relationships with existing and acquiring new customers, with continuous improvement and development of products and services, but also a clear focus on digital products and further development of alternative channels, accelerating the digital transformation process and synergy in approaching customers together with segment of Corporate and Investment Banking. Retail analyses and improves key processes and adapts to new market conditions, which increasingly indicate the need for accelerated transition of customers from traditional to digital channels, their education about them, but also improving the speed of service and customer satisfaction.

Business activities in 2021

Customers recognize the Bank as a reliable partner and, thanks to this, the Bank recorded a significant increase in the volume of loans and deposits in the Retail segment in 2021.

The volume of loans increased to BAM 558.2 million (+55 million BAM; + 11% compared to December 2020). The market share in loans to private individuals is 18.25% in the Republika Srpska (+ 2bp compared to the end of 2020) at the end of November 2021.

Due to growing customer confidence in the Bank, Retail deposits increased to BAM 638.8 million at the end of 2021 (+ BAM 67 million; + 11.9% compared to December 2020). The market share in retail deposits is 12.8% (+ 10bp compared to the end of 2020) in the Republika Srpska at the end of November 2021.

The development of the Bank's products continued in 2021, primarily in the area of improving the quality of services, as well as through the simplification and acceleration of the process. The focus in 2021 was on increasing the degree of digitalization (mobile and internet banking, ATM, cards). The "End to End" application for approving loans (Consumer finance platform) was improved during the year, and activities were intensified on the implementation of the module for corporate loans, which is based on the same platform (SME tool).

Digitalization and strengthening of direct channels are recognized as key directions of development, in which mobile banking occupies a significant place. Modern technologies give us the opportunity to access our Bank account via mobile phone and perform the desired transactions at any time and from anywhere, so that only banking takes on the characteristics of the global.

During 2021, the Bank was active in promoting the Bank's products through various campaigns, where we highlight:

- Back to school", through which we have prepared for all our customers exceptional benefits from selected retailers, so that the purchase of new school supplies, clothing, footwear or electronic equipment for students was as comfortable as possible;
- Credit campaign in the part of cash as well as housing loans.

Corporate and Investment Banking Segment

Organization

The Corporate and Investment Banking segment does business with large and medium-sized domestic business entities, the public and financial sector, as well as with international clients to whom, in addition to financing products, it also offers products from the global transactional banking and financial markets.

Through business centres East and West, structured according to geographical and economic connections, the Bank covers the entire territory of Republika Srpska and conducts business relations with more than a thousand clients, large and medium in size.

Business activities in 2021

During 2020, the key focus of Corporate and Investment Banking was on constant support to companies affected by the Covid-19 situation, business relationships with stable companies, which were under the low influence of Covid-19 (agriculture, forestry, energy), participation in financing large investment projects in the public and financial sector, more intensive use of credit lines of the RBI, EBRD, EIB and the Guarantee Fund and directing clients to greater use of direct channels.

During 2021, the Bank intensified its work in the area of expanding the range of products of legal entities, and the following were implemented:

- a credit line from EBRD funds to support the competitiveness of small and medium-sized companies and entrepreneurs,
- a credit line from EIB funds from the credit line for small and medium-sized enterprises (SMEs) and medium-sized enterprises affected by the COVID-19 pandemic,
- factoring (domestic, international and vice versa),
- a contract was signed with the Guarantee Fund for loan approval with the guarantee of the Guarantee Fund. The amount of BAM 20 million has been allocated to UniCredit Bank a.d. Banja Luka

There was a significant increase in the share of corporate loans, with the total gross loan amount at the end of 2021 of BAM 515 million (+8%, +36 million BAM compared to the end of 2020), while corporate customer deposits amounted to BAM 599 million BAM (+11%, +60 million BAM compared to the end of 2020). Market share in loans to legal entities is 18.79% in Republika Srpska (+ 118bp compared to the end of 2020) at the end of November 2021, and in terms of deposits market share is 20.76% in Republika Srpska at the end of November 2021.

The stability of the loan portfolio was maintained, while the share of bad loans remained at a significantly lower level compared to the market. Also, throughout the year, the Bank participated in securities auctions and confirmed its high market share in this business segment.

Thus, during 2021, the Bank participated in all significant and large transactions in the private sector in the country, which are related to corporate banking clients, maintaining a dominant position in business relations with the state and public institutions.

The Bank also provided support to domestic companies through renewable energy and energy efficiency projects, as well as small and medium-sized enterprises, in cooperation with international financial institutions (EIB and EBRD).

Through the International Centre, we have become recognizable in the market of Republika Srpska, while using the best practices, knowledge, experience and network of UniCredit Group with the aim of comprehensive support to clients of Corporate and Investment Banking.

In addition to many commercial activities, it is important to point out that in both business segments, Retail and Corporate and Investment Banking, we continued to work intensively on strengthening the quality of human resources as one of the key prerequisites for growth and long-term sustainability and stability of the Bank.

Financial Overview of the Bank

In the reporting period, the Bank operated in compliance with the Law on Banks of the Republika Srpska and decisions stipulated by the Banking Agency of Republika Srpska (hereinafter: BARS), as well as other valid legal regulations and by-laws, and prepared the reports defined by the BARS and other local institutions, as well as reports for the majority owner (managerial and for the needs of preparation of the consolidated statements at the UniCredit Group level).

Financial indicators

In 2021, the Bank confirmed its previous trend of continuous growth and the maintenance of high standards in sense of profitability and efficiency.

Table: Financial Performance Indicators Overview

UniCredit Bank a.d. Banja Luka in thousand BAM	2021	2020	Change
Profit and loss			
Total oprating income	62 401	61 397	1,6%
Total operating expenses	(35 829)	(33 892)	5,7%
Profit before tax	26 798	17 764	50,9%
Profit for the year	25 342	16 178	56,6%
Balance sheet			
Loans and receivables due from customers	1 029 838	935 120	10, 1%
Deposits and borrowings due to customers	1 237 924	1 110 311	11,5%
Total equity and reserves	256 583	254 611	0,8%
Total assets	1 677 075	1 658 006	1,2%
Capital adequacy			
Total risk weighted assets (RWA)	914 858	931 917	(-1,8%)
Own funds (Regulatory capital)	208 341	219 102	(-4,9%)
Capital adequacy ratio (CAR)	22,8%	23,5%	(-0 7)
Business indicators			
Cost income ratio	57,4%	55,2%	2,2pp
Return on equity (ROAE)	9,9%	6,4%	3,5pp
Return on assets (ROAA)	1,5%	1,0%	0,5pp
Customers Loans to deposits ratio	83,2%	84,2%	(-1pp)
Number of emplyees	437	436	1
Number of organizational units	35	36	(-1)

Profit and loss

The realized net profit in 2021 amounts to BAM 25.3 million and is higher by 56.6% than the profit realized in the previous year, mostly due to lower impairment losses for credit risks.

Total operating income in 2021 amounts to BAM 62.4 million, which is 1.6% more than the realized operating income in 2020, as a result of the growth of income from fees and commissions.

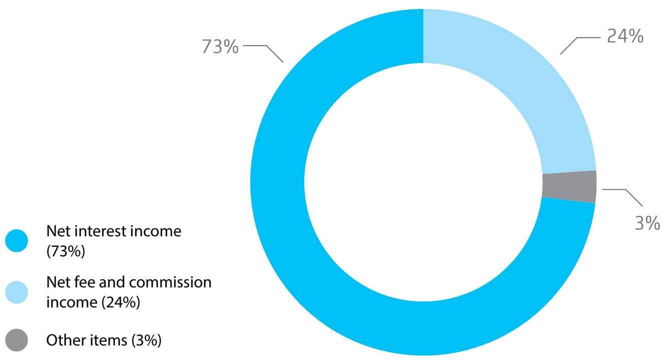
Total operating expenses in 2021 amounted to BAM 35.8 million and recorded a growth of 5.7% compared to the previous year, mainly as a result of rising depreciation costs.

The share of operating expenses in total operating income increased from 55.2% to 57.4%, which is a negative trend, caused by higher growth in total operating expenses than growth in operating income.

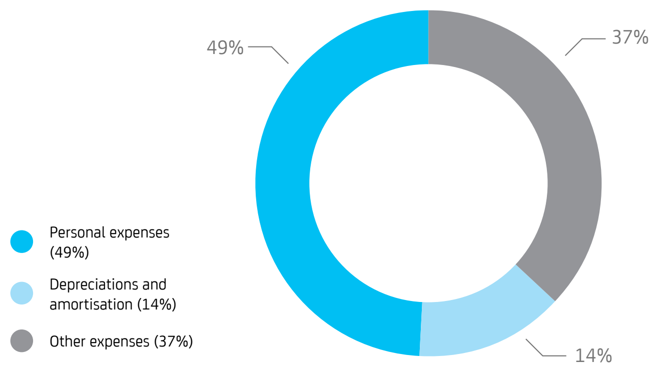
The increase in operating expenses resulted in a decrease in profit before impairment and provisions by BAM 1 million compared to last year.

Chart: Operating income and operating expenses structure

Operating income



Operating expenses



Net interest income amounted to BAM 45.5 million, which is 0.9% less than in the same period last year, and accounts for 73% of the Bank's total operating income. The decline in net interest income compared to the previous year is the result of lower interest income, which was accompanied by an increase in interest expenses.

Net income from fees and commissions amounts to BAM 14.8 million, which is 7.6% more than in the same period last year, and accounts for 24% of total operating income. The increase in fees is mainly the result of higher fees for the approval of guarantees, fees based on payment transactions, and based on the purchase and sale of currency.
Other income items include net gains from trading and exchange rate differences on the translation of monetary assets and liabilities in the amount of BAM 2.1 million, dividend income and equity participation in the amount of BAM 4 thousand and together account for 3% of the Bank's total operating income.

Total operating expenses amount to BAM 35.8 million, which is 5.7% more than in the same period last year. Employee costs amount to BAM 17.7 million and increase by 4% compared to the previous year, and account for 49% of total operating costs. Other administrative expenses with BAM 13 million participate with 37% in the total operating costs, while the depreciation costs of tangible and intangible assets amount to BAM 5.1 million and account for 14% of the total operating costs.

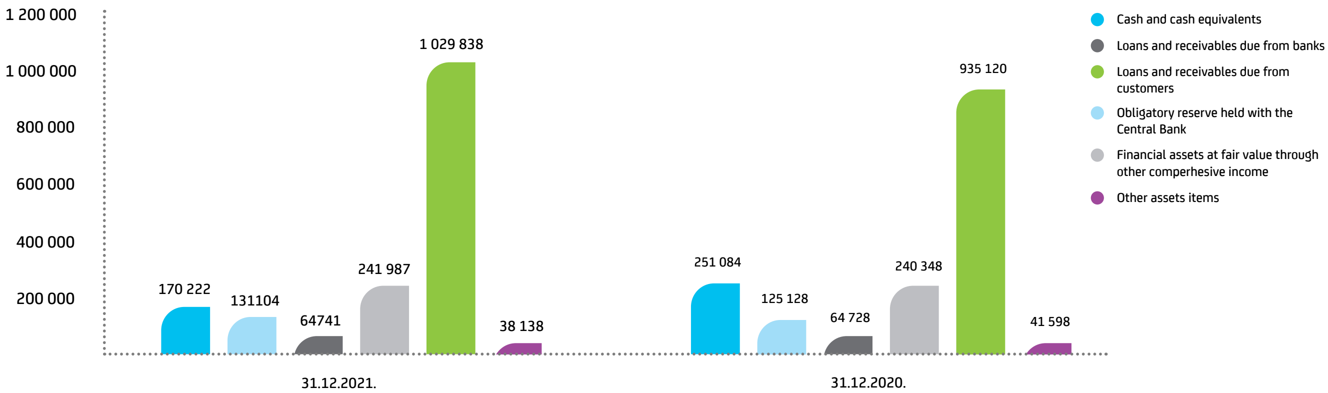
The recorded increase in total operating expenses compared to the previous year is mostly the result of an increase in depreciation costs.

Balance Sheet

Assets

At the end of 2021, the total assets of the Bank reached the amount of BAM 1.7 billion and it was at approximately the same level as in the previous year.

Chart: Bank Assets structure



In the structure of the Bank's assets, the most significant share of 61.4% has loans and receivables from customers amounting to BAM 1,029.8 million and recording an increase of 10.1% compared to the end of the previous year. Loans and receivables from banks amount to BAM 64.7 million, and together with the required reserve with the Central Bank of BiH in the amount of BAM 131 million, cash and cash equivalents in the amount of BAM 170 million make up 21.8% of the Bank's total assets.

Financial assets at fair value through other total results participate with 14.4% in the total assets of the Bank. It amounts to BAM 242 million, which is 0.7% more than at the end of the previous year, and it consists of investments in securities issued by the Government of Republika Srpska.

Other assets include tangible and intangible assets, deferred tax assets and other assets.

In the structure of the most significant asset items - loans and receivables from customers, loans to legal entities account for 54%, and loans to individuals 46%. Net loans to legal entities as at 31 December 2021 amounted to BAM 555 million, while net loans to individuals amounted to BAM 474.8 million.

Gross loans to legal entities increased by 9.7%, while gross loans to private individuals increased by 8.8% compared to the end of the previous year.

Liabilities

In the structure of the Bank's liabilities, the most significant share belongs to deposits and loans from customers (74%). Total deposits and loans from customers amounted to BAM 1,237.9 million and increased by BAM 127.6 million or 11.5% compared to the end of the previous year.

Deposits and loans from banks amount to BAM 155 million, which is BAM 104.5 million or 40.3% less than at the end of the previous year.

Total deposits and borrowings due to banks and customers as at 31 December 2021 amounted to BAM 1,392.9 million (31 December 2020: BAM 1,369.8 million), which is BAM 23.1 million or 1.7 % more than at the end of the previous year.

In the structure of deposits and loans due to customers, deposits and loans due to legal entities account for 56%, while deposits due to private individuals account for 44%.

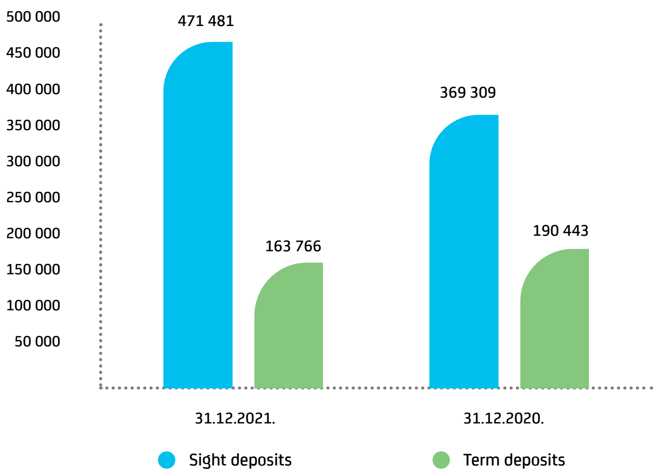
Deposits of legal entities, which include deposits of entrepreneurs, amounted to BAM 635.2 million at the end of 2021, which is BAM 75.5 million or 13.5% more than at the end of the previous year. Demand deposits of legal entities account for 74.2%, while term deposits account for 25.8% of total corporate deposits.

Deposits of private individuals amounted to BAM 546.3 million, which is BAM 51 million or 10.3% more compared to the previous year. Demand deposits of individuals account for 63.9%, while term deposits account for 36.1% of total deposits of private individuals.

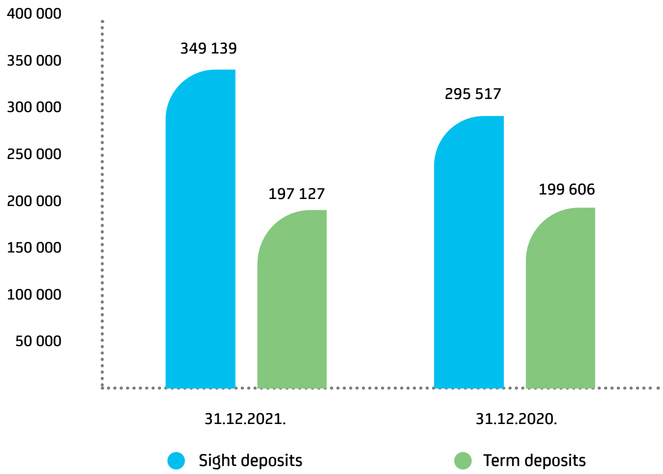
The ratio of loans and customer deposits decreased from 84.2% to 83.2% as a result of a larger increase in customer deposits and lower increase in loans to customers in 2021 compared to 2020

Chart: Structure of legal entities and private individuals' deposits

Deposits from legal entities



Deposits from individuals

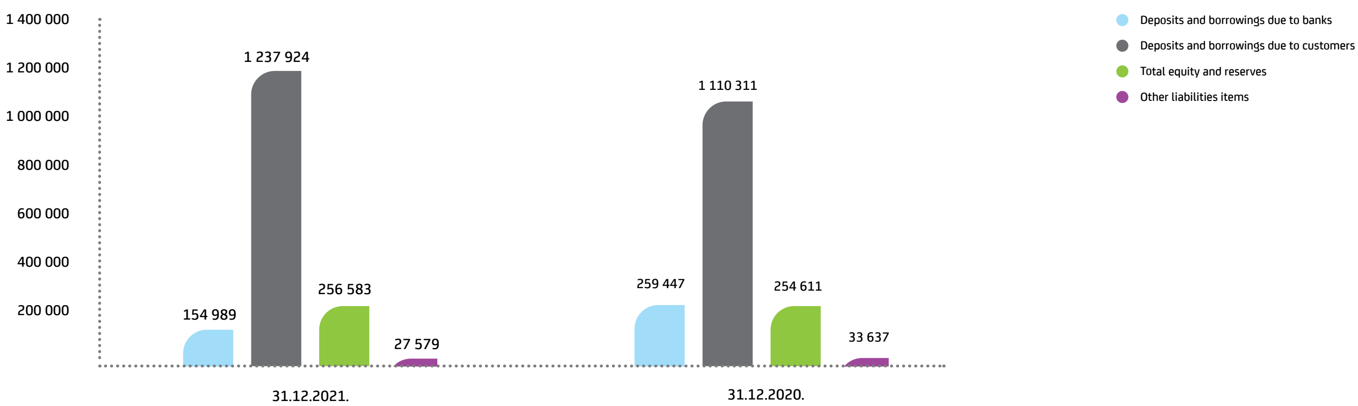


Capital and reserves

At the end of 2021, the Bank's capital and reserves amounted to BAM 256.6 million, which is BAM 2 million more than at the end of the previous year. The net capital increase of BAM 2 million is mostly the result of the total profit in 2021 in the amount of BAM 25.3 million, net loss from changes in the fair value of financial assets through other total results in the amount of BAM 6.3 million, net loss from provisions for credit risks on financial assets at fair value through other total result in the amount of BAM 2.1 million, and payment of dividends to shareholders in the amount of BAM 14.8 million.

Capital adequacy as at 31.12.2021 is 22.8% (31.12.2020 23.5%), which is significantly above the regulatory minimum of 12%.

Chart: Bank Liabilities structure



Management and Organisational structure

In accordance with the RS Law on Banks and the Articles of Association of the Bank, the governance bodies of the Bank are: Shareholders' Assembly, Supervisory Board and Management Board. The Bank also has the Audit Committee, and other committees in accordance with regulations.

Shareholders' Meeting of the Bank

The Shareholders' Assembly of the Bank consists of its shareholders. The Shareholders' Meeting is chaired and the decisions are signed by the Chairman of the Shareholders' Meeting, who is elected by the present shareholders at the beginning of each meeting.

As of 31 December 2021, the Bank had 60 shareholders in total, out of whom/which UniCredit S.p.A, Milan had the largest share with 99.44% of the participation in the total equity of the Bank.

As at 31 December 2021, the Bank's share capital amounted to BAM 97,055 thousand and it consisted of 138,650 ordinary "B" class shares with nominal value of BAM 700.00 per share

According to the ownership structure of the shareholders, the private capital participates with 99.96%, and the cooperative with 0.04% in the total capital of the Bank, and by origin of the capital 99.5% is composed of the foreign capital, and 0.50% of the domestic capital.

The ordinary "B" class shares are entitled to one vote in the Shareholders' Meeting of the Bank. Owners of ordinary shares are entitled to manage the Bank, have the right to participate in profit and other rights defined by the Articles of Association, the legal and other regulations.

Supervisory Board

The Supervisory Board manages the Bank's operations and the work of Management Board, determines the proposal for the Bank's business policy and strategy, the business plan and submits them to the Shareholders' Assembly for the final approval and adopts the general acts, and has the other competencies specified in the Law on Banks of the Republika Srpska and the Articles of Association of the Bank.
The Supervisory Board has a President and four members elected by the shareholders at the Shareholders' Assembly of the Bank for a period of four years.

In 2021, the Supervisory Board of the Bank was composed of:

Pasquale Giamboi	President	UniCredit S.p.A.
Daniel Svoboda	Deputy President	UniCredit S.p.A.
Margherita Giulia Cerqui	Member	UniCredit S.p.A.
Vedran Stanetić	Member from 09.04.2021	Independent Member
Zoran Vasiljević	Member	Independent Member

Management Board

The Management Board organises the work, manages the operations and represents the Bank. The Management Board is appointed by the Supervisory Board, with a prior approval of the Banking Agency of the Republic of Srpska.

The Management Board members of the Bank in 2021 were:

Gordan Pehar	President of the Management Board
Jasminka Bajić	Board member for Finance Management
Dragana Janjić	Board member for Risk Management
Gordan Pehar	temporary takeover of the position of a member of the Management Board of the Bank for Corporate and Investment Banking and Retail from 19.12.2020 to 28.02.2021
Željko Kišić	Board member for Corporate and Investment Banking and Retail from 01.03.2021
Tsvetelin Petyov Minchev	Board member for GBS until 28.02.2021
Roland Viskupič	Board member for GBS from 01.03.2021
Anita Grabner	Board member for Human Resources since 01.04.2021

Audit Committee

The Audit Committee is responsible for supervision over the implementation of internal audit, and engagement of an external auditing company, which will conduct the audit of financial statements, and has the other responsibilities as defined by the Law on Banks of Republic of Srpska and the Articles of Association of the Bank.

The Audit Committee consists of three members who are appointed by the Supervisory Board for a period of four years.

Members of the Audit Committee of the Bank in 2021 were:

Jelena Poljašević	President	Independent Member
Ante Križan	Member	Zagrebačka banka d.d., Zagreb.
Antonija Matošin	Member until 25.10.2021	Zagrebačka banka d.d., Zagreb.
Graziana Mazzone	Member from 26.10.2021	UniCredit SpA

Employees

In 2021 also, work continued in new circumstances, which included working from home, as well as changing the regime of work in branches. The safety and health of employees and clients were our number one priority, and we continued to implement measures and activities to minimize the risk to human health. We constantly monitored the epidemiological situation, generally in the Bank, and planned additional measures and activities accordingly.

Regardless of the challenging situation during the year, we are aware that our further development and success depends on the quality and commitment of our employees, and we continued to work on improving their knowledge and competencies, as well as improving the working conditions for all employees. Through development activities, we pay a special attention to the training of sales staff, managers and employees with high potential, identified as talents.

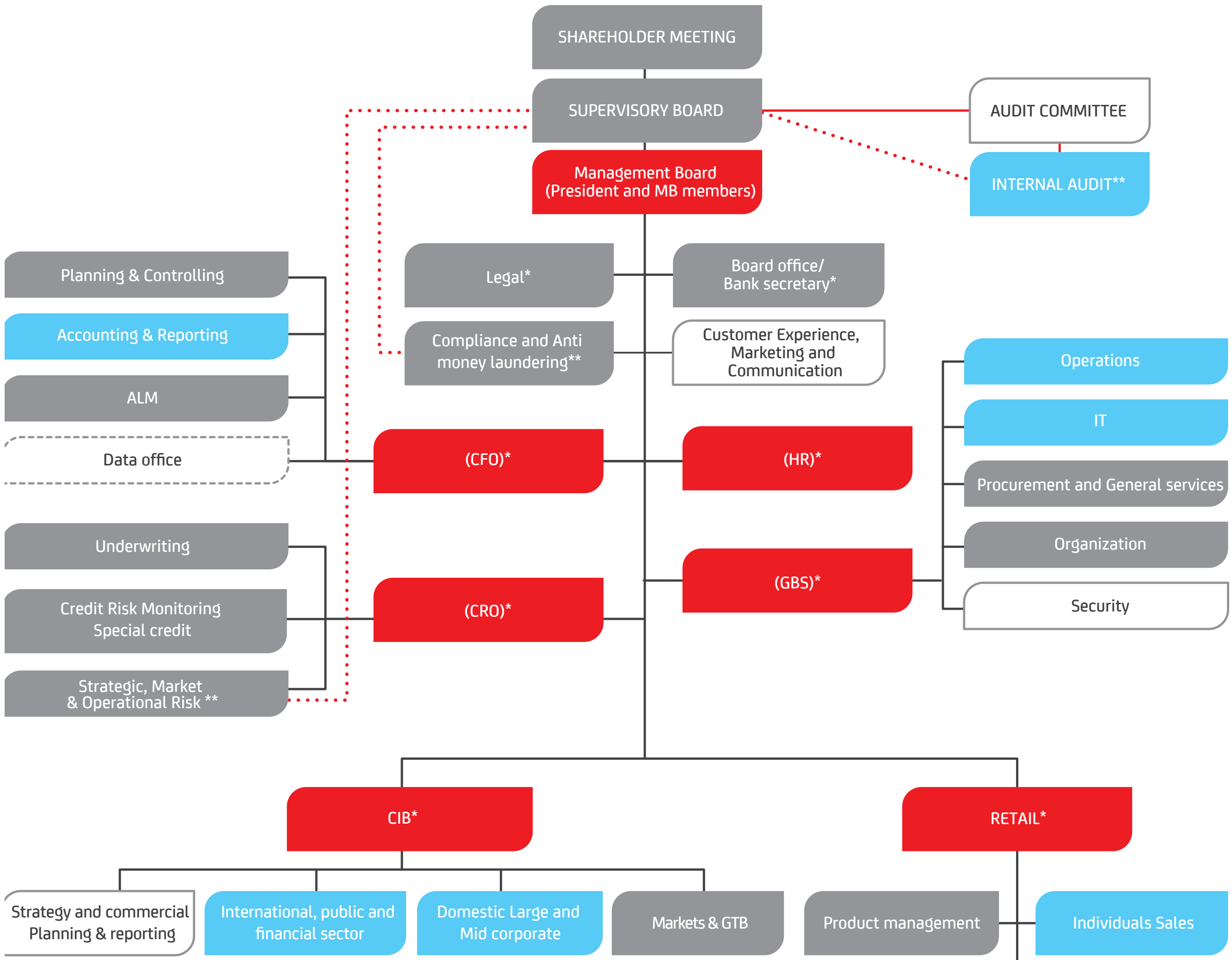
Bearing in mind that the specific situation caused by the pandemic continued during 2021, most development activities were held online, through various applications and platforms. Only in the last quarter of the year, in compliance with all epidemiological measures, some live trainings were held, primarily for sales workers, in direct contact with clients. The feedback from the workers is such that they in any case prefer this way of holding trainings and that they are satisfied with the trainings held.

Due to the exceptional importance of introducing new employees and newly appointed managers to the business, during 2021 we continued to implement the introduction of the so-called on boarding for these two groups of employees. In accordance with the needs and dynamics within the Bank during 2021, we had over 40 newly employed workers, and a number of colleagues were appointed to management positions within the Bank. The Bank regularly works on succession planning for all managerial positions, development of potential candidates, which allows us to fill managerial positions in the event of changes without major difficulties.

Through continuous communication channels, we continuously surveyed employees for suggestions for activities on various topics, including opinions and suggestions related to working from home.

During the year, few online meetings where all employees participated were held, at which various current topics, results and the like were presented.

Organisational structure of the Bank as at 31 December 2021



** Areas under responsibiliy of President(CEO)/ MB members in accordance with the relevant decisions*

*** According to the local banking regulations Control functions: Internal Audit,Compliance&AML and Risk management report directly to the Supervisory Board*

Lending a voice to the voiceless: We believe in equal opportunities, UniCredit Bank Slovenia's long-standing collaboration with charity ZPM Ljubljana Moste-Polje has led to improved outcomes for children for well over a decade.

Our Clients
Zveza Prijateljev Mladine (ZPM)
Ljubljana Mo'ste – Polje
Slovenia

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Responsibility for the financial statements

The Management Board is responsible for ensuring that financial statements are prepared for each financial period in accordance with the accounting regulations applicable to banks in Republika Srpska, which give a true and fair view of the state of affairs and results of UniCredit Bank a.d. Banja Luka for that period (hereinafter: the Management Board and the Bank).

After making enquiries, the Management Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management Board continues to adopt the going concern basis in preparing the financial statements.

In preparing those financial statements, the responsibilities of the Management Board include ensuring that:

- suitable accounting policies are selected and then applied consistently;
- judgements and estimates are reasonable and prudent;
- applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Management Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with the Accounting and Auditing Law of Republika Srpska. Moreover, the Management Board is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Management Board

President of the Board	Member of the Board
Gordan Pehar	Jasminka Bajić

UniCredit Bank a.d. Banja Luka
Marije Bursać 7
78000 Banja Luka
Bosna i Hercegovina

January 26, 2022

Independent Auditor's Report

To the Shareholders of UniCredit Bank a.d. Banja Luka

Deloitte.

Deloitte d.o.o. Banja Luka
Braće Mažar i majke Marije 58 i 60
78000 Banja Luka
Republika Srpska
Bosna i Hercegovina
Tel: +387 (0)51 223 500
Faks: +387 (0)51 224 990
www.deloitte.com

Opinion

We have audited the financial statements of UniCredit Bank a.d. Banja Luka (hereinafter: the "Bank"), which comprise the statement of profit and loss and other comprehensive income, the statement of financial position as at December 31, 2021, the statement of changes in equity and the statement of cash flows for the year then ended, including a summary of significant accounting policies and other notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 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 Republika Srpska.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA) and the Law on Accounting and Audit of Republika Srpska. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the requirements of IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a solid basis for our opinion.

Key Audit Matters

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

Key Audit Matters (Continued)

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

In its financial statements for the year ended December 31, 2021, the Bank presented loans to and receivables from customers in the amount of BAM 1,029,838 thousand and total expected credit losses in the amount of BAM 43,387 thousand.

Key audit matter	How the matter was addressed in our audit
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 realization period on individually assessed credit-impaired exposures. 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 Republika Srpska as a key audit matter in our audit of the financial statements for the year ended December 31, 2021. Management has provided further information in notes 2.7- Financial instruments - Measurement and classification, 2.8 - Financial instruments - Impairment, 14 - Net losses/recoveries from allowances for credit losses, 21 - Loans and receivables from customers measured at amortized cost, and 34.1 - Credit risk.	In order to address the risks associated with loss allowances for expected credit losses on loans 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 loans: • 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 Republika Srpska; • 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 credit 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.

Responsibilities of the Management Board and the Supervisory Board for the Financial Statements

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the statutory accounting regulations applicable to banks in Republika Srpska, and for such internal controls as Management Board determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Board 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 Responsibility for the Audit of the Financial Statements

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements (Continued)

From the matters communicated to those in charge of governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe those matters in our auditors' report unless an applicable law or a regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because 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

Deloitte d.o.o. Sarajevo – Podružnica Banja Luka
Braće Mažar i majke Marije 58 i 60
Banja Luka, Bosna i Hercegovina
February 14, 2022

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Financial Statements

Statement of Profit or Loss and Other Comprehensive Income

	Note	Year Ended December 31 2021 BAM '000	2020 BAM '000
Interest income and similar income	6	54,594	54,873
Interest expenses and similar expenses	7	(9,054)	(8,923)
Net interest income		**45,540**	**45,950**
Fees and commission income	8	18,888	17,210
Fees and commission expenses	9	(4,109)	(3,474)
Net fee and commission income		**14,779**	**13,736**
Dividend and profit-sharing income	10	4	4
Net foreign exchange gains / (losses) upon translation of financial assets and liabilities	11	2,078	1,707
Total operating income		**62,401**	**61,397**
Personnel expenses	12	(17,680)	(17,007)
Tangible assets depreciation charge	22	(2,436)	(2,538)
Intangible assets amortisation charge	23	(2,681)	(1,702)
Other administrative expenses	13	(13,032)	(12,645)
Total operating expenses		**(35,829)**	**(33,892)**
Profit before impairment and provisions		**26,572**	**27,505**
Net impairment (losses) / recoveries per credit risks	14	**(2,002)**	**(11,614)**
- Financial assets at amortised cost		(4,149)	(11,123)
- Financial assets at fair value through other comprehensive income		2,147	(491)
Provisions for risks and expenses	15	**(965)**	**966**
-Provisions for credit risks and guarantees		(969)	917
- Long-term provisions for employees		4	49
Other operating income and expenses	15.b	1,437	948
	15.a	1,756	(41)
Profit before tax		**26,798**	**17,764**
Income tax	16	(1,863)	(1,478)
Gains from deferred taxes		466	171
Losses from deferred taxes		(59)	(279)
Profit after tax		25,342	16,178
Profit for the year		**25,342**	**16,178**

Statement of Profit or Loss and Other Comprehensive Income (CONTINUED)

	Note	Year Ended December 31 2021 BAM '000	2020 BAM '000
Profit for the year		**25,342**	**16,178**
Other comprehensive income, net of income tax			
Items that may subsequently be re-classified to profit or loss:			
• Effects of tangible and intangible assets revaluation		(336)	193
• Net (losses) / gains in value of financial assets at fair value through other comprehensive income		(6,327)	(39)
• Net (losses) / gains in provisions for credit risks of financial assets at fair value through other comprehensive income		(2,147)	491
• Net (loss) / gain of the period recognised directly in capital		220	104
Total comprehensive income for the year		**16,752**	**16,927**
Earnings per share		**BAM**	**BAM**
Earnings per share	31	**182,78**	**116,68**
Diluted earnings per share	31	**182,78**	**116,68**

These financial statements were approved by the Bank's Management on January 26, 2022.

Signed on behalf of UniCredit Bank a.d. Banja Luka by:

President of the Management Board	**Member of the Management Board**
Gordan Pehar	Jasminka Bajić

Financial Statements for the Year Ended December 31, 2021

Statement of Financial Position As of

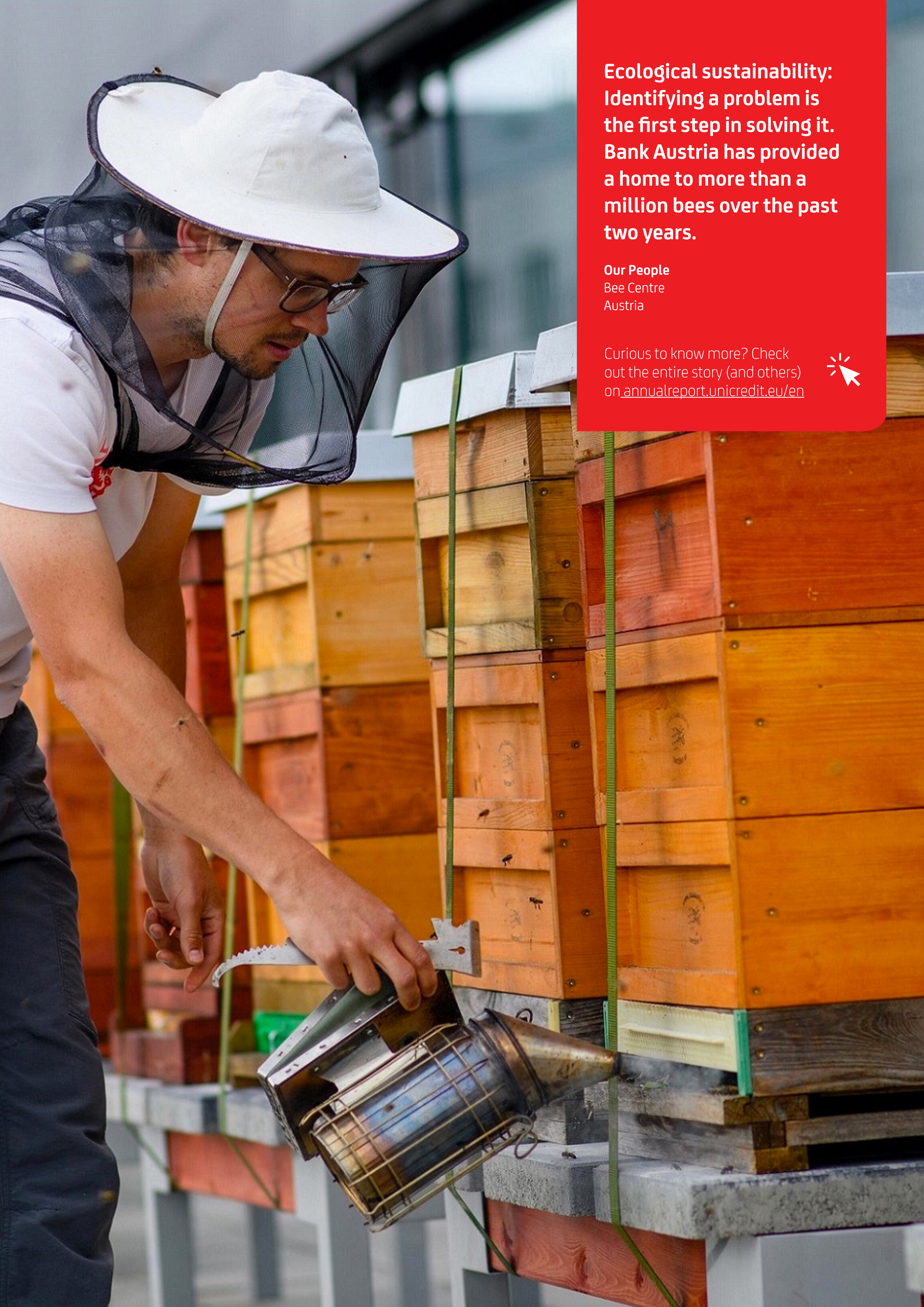
	Note	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Assets			
Cash and cash equivalents	17	170,222	251,084
Financial assets at fair value through profit or loss		-	-
Financial assets at fair value through other comprehensive income	18	241,987	240,348
Financial assets at amortised cost		**1,225,683**	**1,124,976**
- Obligatory reserve held with the Central Bank	19	131,104	125,128
- Loans and receivables due from banks	20	64,741	64,728
- Loans and receivables due from customers	21	1,029,838	935,120
Tangible assets	22	21,871	23,725
Intangible assets	23	11,799	11,551
Current tax assets - pre-paid income tax	27	-	1,089
Deferred tax assets	27	569	160
Other assets	24	4,944	5,073
Total assets		**1,677,075**	**1,658,006**
Liabilities			
Financial liabilities at amortised cost		**1,394,690**	**1,372,164**
- Deposits and borrowings due to banks	25	154,989	259,447
- Deposits and borrowings due to customers	26	1,237,924	1,110,311
- Lease liabilities	26a	1,777	2,406
Tax liabilities		**931**	**557**
- Current tax liabilities	27	385	-
- Deferred tax liabilities	27	546	557
Other liabilities	28	19,340	26,109
Provisions for risks and expenses	29	**5,531**	**4,565**
- Provisions for credit risk on commitments and financial guarantees issued		3,682	2,713
- Long-term provisions for employees		363	366
- Provisions for litigations		1,486	1,486
Total liabilities		**1,420,492**	**1,403,395**
Equity and reserves			
Share capital	30	97,055	97,055
Share premium		373	373
Legal reserves		9,706	9,706
Capital reserves		43,001	42,897
Regulatory reserves for credit losses		(5,076)	(5,076)
Fair value reserves		(3,677)	5,133
Retained earnings		89,859	88,345
Net profit for the year		25,342	16,178
Total equity and reserves		**256,583**	**254,611**
Total liabilities, equity and reserves		**1,677,075**	**1,658,006**

Statement of Changes in Equity

	Share capital BAM '000	Share premium BAM '000	Legal reserves BAM '000	Capital reserves BAM '000	Regulatory reserves for credit losses BAM '000	Fair value reserves BAM '000	Retained earnings BAM '000	Net profit for the year BAM '000	Total BAM '000
Balance as at January 1, 2020	**97,055**	**373**	**9,706**	**42,846**	**-**	**4,488**	**60,746**	**29,581**	**244,795**
Correction of beginning balances on Jan 1, 2020 (Note 2.1)	-	-	-	-	**(5,076)**	-	**(2,035)**	-	**(7,111)**
Profit distribution	-	-	-	51	-	-	29,530	(29,581)	-
Net profit for the year	-	-	-	-	-	-	-	16,178	**16,178**
Other comprehensive income									
Net gain / (loss) from changes in fair value of financial assets through other comprehensive income	-	-	-	-	-	(39)	-	-	(39)
Net gain / (loss) from provisions for credit risks on financial assets at fair value through other comprehensive income	-	-	-	-	-	491	-	-	491
Net gain / (loss) for the period recognised directly in equity	-	-	-	-	-	-	104	-	104
Effects of tangible assets revaluation - property (Notes 22 and 27)	-	-	-	-	-	193	-	-	193
Total other comprehensive income	-	-	-	-	-	645	104	-	749
Balance as at December 31, 2020	**97,055**	**373**	**9,706**	**42,897**	**(5,076)**	**5,133**	**88,345**	**16,178**	**254,611**
Profit distribution	-	-	-	-	-	-	16,178	(16,178)	-
Dividend payment (Note 31)	-	-	-	-	-	-	(14,780)	-	(14,780)
Transfer to reserves	-	-	-	104	-	-	(104)	-	-
Net profit for the year	-	-	-	-	-	-	-	25,342	25,342
Other comprehensive income									
Net gain / (loss) from changes in fair value of financial assets through other comprehensive income	-	-	-	-	-	(6,327)	-	-	(6,327)
Net gain / (loss) from provisions for credit risks on financial assets at fair value through other comprehensive income (Note 18)	-	-	-	-	-	(2,147)	-	-	(2,147)
Net gain / (loss) for the period recognised directly in equity	-	-	-	-	-	-	220	-	220
Effects of tangible assets revaluation - property (Notes 22 and 27)	-	-	-	-	-	(336)	-	-	(336)
Total other comprehensive income	-	-	-	-	-	(8,810)	220	-	(8,590)
Balance as at December 31, 2021	**97,055**	**373**	**9,706**	**43,001**	**(5,076)**	**(3,677)**	**89,859**	**25,342**	**256,583**

Statement of Cash Flows

	Year Ended December 31 2021 BAM '000	2020 BAM '000
Cash flows from operating activities		
Interest income and similar income	54,594	54,873
Interest expenses and similar expenses	(9,054)	(8,923)
Fee and commission income	18,888	17,210
Fee and commission expenses	(4,109)	(3,474)
Dividend and profit-sharing income	4	4
Net gains (losses) from trading and exchange rate differences on the translation of monetary assets and liabilities	2,078	1,707
Administrative operating expenses	(30,712)	(29,652)
Other inflows / (outflows)	3,193	907
1. Net cash generated by operating activities	**34,882**	**32,652**
Changes in operating assets and liabilities		
Changes in financial assets at amortised cost		
Obligatory reserve held with the Central Bank	(5,976)	2,111
Loans and receivables due from banks	(13)	(19,488)
Loans and receivables due from customers	(102,896)	80,882
Changes in financial liabilities at amortised cost		
Deposits and borrowings due to banks	(104,458)	(94,410)
Deposits and borrowings due to customers	127,613	74,646
Lease liabilities	(629)	(670)
Other assets	(774)	478
Other liabilities	(6,769)	746
2. Net changes in operating assets and liabilities	**(93,902)**	**44,295**
3. Net cash generated by operating activities before tax (1+2)	**(59,020)**	**76,947**
4. Income tax	(389)	(2,786)
5. Net cash generated by operating activities (3+4)	**(59,409)**	**74,161**
Cash flows from investing activities		
Tangible assets	(1,357)	(1,442)
Intangible assets	(3,705)	(2,722)
Financial assets at fair value through other comprehensive income	(1,639)	(21,460)
Dividend payment	(14,752)	-
6. Net cash used in investing activities	**(21,453)**	**(25,624)**
7. Net (decrease) / increase in cash (5+6)	**(80,862)**	**48,537**
8. Cash and cash equivalents at the beginning of year	**251,084**	**202,547**
9. Cash and cash equivalents at the end of year (7+8)	**170,222**	**251,084**



Ecological sustainability: Identifying a problem is the first step in solving it. Bank Austria has provided a home to more than a million bees over the past two years.

Our People
Bee Centre
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Notes to the Financial Statements

1. THE REPORTING ENTITY

UniCredit Bank a.d. Banja Luka is a shareholding company registered in the Republika Srpska for performance of payment transactions, credit and deposit and other banking operations in the country and abroad in accordance with the regulations of the Republika Srpska and Bosnia and Herzegovina.

History of the Bank is related to the beginning of the past century, i.e. to 1910 and establishment of the Monetary Institute which subsequently developed into the "Banka za trgovinu i obrt". In the following 60 years, numerous transformations and changes of names under which the Bank operated were made: in 1956, the "Sreska Komunalna Banka", in 1961, the "Komunalna Banka", and in 1966, the "Kreditna Banka". By the reform of the banking system in 1971, the "Kreditna Banka" was merged by the "Privredna Banka Sarajevo" as its branch, and in 1976 it obtained a high degree of autonomy and was registered as the "Osnovna Banka". Under the Decision of the Founder Assembly in December 1989, the Bank was spun off from the "Privredna Banka Sarajevo" system into an independent bank, under the name of "Banjalučka Banka d.d. Banja Luka". From June 1998, it continued its operations as a shareholding company under the name of "Banjalučka Banka a.d. Banja Luka".

In accordance with regulations on privatisation of state-owned capital in the Republika Srpska, in October 2000, the Bank's shares held by state-owned enterprises were transferred to the management of the RS Ministry of Finance until the completion of the state-owned capital privatisation process.

In early 2002, the Government of the Republika Srpska sold the state-owned shares of the Bank to the company "Verano Motors" d.o.o. Belgrade. The first Shareholders' Meeting of the private Bank adopted a decision on the change of the name from "Banjalučka Banka" into "Nova Banjalučka Banka a.d. Banja Luka".

Since the end of 2002, the Bank's shares have been quoted on the Banja Luka Stock Exchange. At the end of 2005, having purchased a package of shares (83.3% equity interest) at the Stock Exchange, the Bank Austria Kreditanstalt AG Vienna became the majority owner of the Bank, which also at the end of the same year became a member of UniCredit Group and changed its name to UniCredit Bank Austria AG.

With the change in the ownership structure after the entry of Bank Austria as the majority shareholder, the Bank became a member of HVB Group, and after the change in the ownership structure of the Bank Austria, whose majority owner became UniCredit Bank S.p.A. Milan, the Bank became a member of UniCredit Group. In 2008, the name "Nova Banjalučka Banka a.d. Banja Luka" was changed, hence since June 1, 2008, the Bank has been operating under the name of "UniCredit Bank a.d. Banja Luka".

During 2016, ownership of all banks in Central-Eastern Europe was transferred from UniCredit Bank Austria AG, as the Sub-holding, to UniCredit S.p.A. - Holding, Italy, at the level of UniCredit Group.
UniCredit S.p.A. Italy is the Bank's majority shareholder with 99.442% equity shares at the end of 2021

As at December 31, 2021, the Bank consisted of the Head Office in Banja Luka (with the registered address at no. 7, Marije Bursać Street), and 35 branch offices (December 31, 2020: 36 branch offices).

As at December 31, 2021, the Bank had 437 employees (December 31, 2020: 436 employees).

The tax identification number of the Bank is 4400958880009, and its VAT code is 400958880009.

2. BASIS OF THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Statement of Compliance

The financial statements of the Bank have been prepared in accordance with the legal accounting regulations applicable to banks in the Republika Srpska ("RS"), which are based on the Law on Accounting and Auditing of the RS, the Law on Banks of the RS and bylaws of the RS Banking Agency adopted in accordance with the stated laws.

The RS Law on Accounting and Auditing prescribes the preparation of financial statements in accordance with the International Financial Reporting Standards ("IFRS").

The Law on Banks of the RS prescribes the preparation of annual financial reports in accordance with the previously mentioned Law on Accounting and Auditing of the RS, this law, and bylaws adopted on the basis of both laws.

2. BASIS OF THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (CONTINUED)

2.1. Statement of Compliance (continued)

The Banking Agency of the RS has adopted a Decision on Credit Risk Management and Determination of Expected Credit Losses (the "Decision"), which applies from 1 January 2020 and which has resulted in certain differences arising from the calculation of expected credit losses (ECL) due to the application of minimal rates prescribed by the Decision, which are not required by the standard: "Financial instruments" ("IFRS 9"). The decision also has an impact on the valuation of non-financial assets arising from credit operations (acquired tangible assets the valuation of which is within the scope of other relevant IAS and IFRS).

2.2. General Preparation Criteria

These financial statements have been prepared on the historical cost basis, except for financial assets and liabilities that are measured and stated at fair value. Transactions are recorded on the day of their occurrence.

Fair value is the price that would be received to sell or paid to transfer a liability in a regular transaction between market participants at the measurement date, whether that price was directly observable or estimated using another valuation technique. In estimating the fair value of assets or liabilities, the Bank considers the characteristics of assets or liabilities when market participants would take these characteristics into account when determining the price of assets or liabilities at the measurement date.
The fair value of an asset or liability is measured using the assumptions that market participants would apply when defining the price of the asset or liability, assuming that market participants are acting in their economic interest. The principles for measuring fair value are described in Note 3.10.g).

The annual financial statements include:
- Statement of Profit or Loss and Other Comprehensive Income (Income Statement),
- Statement of Financial Position (Balance Sheet),
- Statement of Changes in Equity,
- Statement of Cash Flows (compiled using the direct method), and
- Notes to the financial statements.

The accompanying financial statements have been prepared on a going concern basis, since the Bank's governing bodies did not identify any symptoms in the capital and financial structures or any economic effects that could indicate uncertainty regarding the ability of the Bank to continue to operate profitably in a foreseeable future.

The adopted measurement criteria are in line with this assumption and the principles of accrual accounting, the relevance and significance of the accounting information, and prevalence of the economic substance over the legal form. Compliance with these criteria has not changed since the previous years, except for the changes described below, which relate to the introduction of new standards and interpretations, as well as implementation of the local Decision on credit risk management and determination of expected credit losses.

According to IFRS, the management has to make judgments, estimates and assumptions that affect the application of accounting principles and the amounts of assets and liabilities, reported income and expenses, as well as the disclosure of contingent assets and liabilities. Estimates and related assumptions are based on the historical experience and other factors that are considered reasonable under the given circumstances and have been used to estimate the carrying amount of assets and liabilities that are not readily available from other sources.

Estimates and assumptions are reviewed regularly. All changes arising from these revisions are recognised in the period in which the revision is made, if the change relates only to that period. If the change relates to both the present and future periods, it is recognised accordingly for both present and future periods.

Changes in the presentation of financial statements

Aiming to better present compliance with IFRS and IAS, in 2021 the Bank re-classified a number of items, that have no effect on the total result or the capital of the Bank. Re-classification resulted in changes in the Statement of financial position of the Bank:
- Bank's assets held in nostro accounts with other banks and the amount of assets above obligatory reserve held with the BiH Central Bank were, along with accompanying provisions, re-classified from line item „Loans and receivables due from banks" (note 20) to line item „Cash and cash equivalents" (note 17);
- provision for means above obligatory reserve held with the BiH Central Bank were re-classified from line item „Obligatory reserve held with the Central Bank" (note 19) to line item „Cash and cash equivalents" (note 17).

2. BASIS OF THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (continued)

Changes in the presentation of financial statements (Continued)

The change in re-classification was made with the aim to increase transparency and provide more relevant information, which helps to improve comparability of reports.

Due to the change, overview of comparable reporting period and reporting date had to be adjusted, as presented in the table below. Appropriate adjustments were also made in segment report for 2020, as well as all related note analytics.

ITEM	BEFORE RE-CLASSIFICATION (1) 31.12.2020	AFTER RE-CLASSIFICATION (2) 31.12.2020	RE-CLASSIFIED AMOUNT (NET) (2) - (1) 31.12.2020
17. Cash and cash equivalents	164,663	251,084	86,421
19. Obligatory reserve held with the Central Bank	124,797	125,128	331
20. Loans and receivables due from banks	151,480	64,728	(86,752)

2.3. Functional Currency and Presentation Currency

These financial statements are stated in convertible marks (hereinafter: "BAM"), BAM being the Bank's functional currency. The data in tables and explanations are presented in thousands of convertible marks (BAM '000), unless otherwise stated.

The Central Bank of Bosnia and Herzegovina (hereinafter: the "Central Bank") implements the policy on FX rate in line with the principle of the Currency Board, according to which BAM is pegged to EUR at the rate of BAM 1 = EUR 0.51129, which was used for 2021 and 2020.

The official exchange rate, applied for the translation of balance sheet items as at 31 December 2021 and 31 December 2020 for the following significant currencies, was:

	December 31, 2021	December 31, 2020
USD	**1,725631**	**1,592566**
CHF	**1,887320**	**1,801446**
EUR	**1,955830**	**1,955830**

2.4. Subsidiaries, Joint Ventures and Associates

As of the reporting date, the Bank did not have:

- subsidiaries, i.e. entities, including structured entities, over which it has direct or indirect control,
- joint arrangements with other entities, which in accordance with the IFRS 11 include joint control, joint operations and joint ventures, or
- associates.

2.5. 2.5. Impact and Application of New and Revised IFRS

Initial application of the new and amendments to the existing standards that came into effect

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) came into force in 2021:

- 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),

2. BASIS OF THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (continued)

2.5. Impact and Application of New and Revised IFRS (continued)

Initial application of the new and amendments to the existing standards that came into effect (continued)

- 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).

Reform of reference interest rates - Phase 2 - IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
In August 2020, the IASB announced the Reform of Reference Interest Rates - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, concluding its work in response to the reform of the IBOR. The amendments provide temporary relief to address the effects of financial reporting when the interbank offered rate (IBOR) is replaced by an alternative near risk-free interest rate (RFR). In particular, the amendments provide for a practical exception when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, in order to require an adjustment to the effective interest rate, equivalent to market interest rate movements. The amendments also introduce facilities for terminating hedging relationships, including a temporary exemption from the need to meet a separately identifiable requirement when an RFR instrument is designated for a hedging risk component.

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.

New Standards and Amendments to the Existing Standards in Issue, but not yet Effective

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:

During 2021, the document „Amendments to IFRS3 Business Combinations; IAS16 Property, Plant and Equipment; IAS37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020" (EU Regulation 2021/1080) applicable to reporting starting from 1 January 2022 was endorsed by the European Commission.

During 2021 the IASB issued the following accounting standards whose application is subject to completion of the endorsement process by the competent bodies of the European Commission, which is still ongoing:

- IFRS17 Insurance Contracts (May 2017) including Amendments to IFRS17 (June 2020);
- Amendments to IAS1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (January 2020 and July 2020 respectively);
- Amendments to IAS1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (February 2021);
- Amendments to IAS8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (February 2021);
- Amendments to IAS12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (May 2021).

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 financial statements of the Bank in the period of initial application.

2.6. Impact of Covid-19 pandemic

The Covid-19 pandemic that developed in early 2020 and has triggered a global health crisis and caused a major impact on the global economy due to massive locking measures, travel restrictions, trade and other measures, is still present. In terms of macroeconomic and geopolitical risks, the Covid-19 pandemic has shifted its focus around the world towards global and national efforts and measures to address this crisis. This has had an impact on accelerating the mass digitization of financial institutions and moving towards a new operational model with more remote / network channels for customer service.

2. BASIS OF THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (continued)

2.6. Impact of Covid-19 pandemic (Continued)

The prospects for the normalisation of the economies in relation to future duration of the pandemic remain uncertain, as do the magnitudes of the economic downturn.

The global economic downturn may be further affected by potential new rounds of general blockades that some countries could cause around the world, with the risk of further slowing the expected recovery.

From the outset, UniCredit has introduced preventive measures to deal with the Covid-19 emergency, including tightening risk monitoring, which it has been applying continuously and still continues to proactively manage situation developments in all dimensions of its risk profile.

Shortly after the outbreak of the Covid-19 pandemic in late March 2020, the RS Banking Agency issued a Decision on interim measures to alleviate the negative economic consequences caused by Covid-19 pandemic related to:
- granting benefits to the bank's clients who are directly or indirectly affected by the negative effects,
- special rules related to credit risk management, which the bank applies in case it approves special measures to the client, and
- measures aimed at preserving the bank's capital.

In accordance with the aforementioned Decision, the Bank adopted a Program of interim measures, based upon which it has, in the period from April 2020 to 30 Jun 2021, granted its clients, directly or indirectly affected by the effects of "Covid-19", prescribed reliefs in order to overcome difficulties in regular credit settlement. Based on the stated BARS regulation, the clients of the banks in the Republic of Srpska may use approved interim measures by 31 March 2022 the latest.

The most common measure is a temporary moratorium on loan repayment for a period of 3 to 6 months with the possibility of extension, and other measures are: grace period, extension of the repayment period, etc.
More detailed information on the effects of the Covid-19 pandemic on the Bank's operations is provided in chapter: Risk Management.

DESCRIPTION	Total approved special measures		Expired special measures		Active special measures	
Year ended December 31, 2021	No of loans	Gross loan amount	No of loans	Gross loan amount	No of loans	Gross loan amount
Total corporate loans	**47**	**125,996**	**46**	**120,228**	**1**	**5,768**
A - Agriculture, forestry and fishing	-	-	-	-	-	-
B - Mines and quarries	1	289	1	289	-	-
C - Processing industry	15	10,727	15	10,727	-	-
D - Production and distribution of electricity, gas, steam and air conditioning	2	2,812	2	2,812	-	-
E - Water supply; sewage, waste management and restoration (remediation) of environment	-	-	-	-	-	-
F - Construction	3	15,660	3	15,660	-	-
G - Wholesale and retail trade; servicing motor vehicles and motorcycles	8	7,347	8	7,347	-	-
H - Transport and warehousing	2	81	2	81	-	-
I - Accommodation, food; hotels and hospitality	2	5,787	1	19	1	5,768
J - Information and communications	-	-	-	-	-	-
K - Financial services and insurance services	2	1,423	2	1,423	-	-
L - Real estate	1	343	1	343	-	-
M - Expert, scientific and technical business activities	-	-	-	-	-	-
N - Administrative and auxiliary services	-	-	-	-	-	-
O - Public administration and defence; obligatory social insurance	5	56,778	5	56,778	-	-
P - Education	-	-	-	-	-	-
Q - Health care and social work	6	24,749	6	24,749	-	-
R - Art, entertainment and recreation	-	-	-	-	-	-
S - Other services	-	-	-	-	-	-
T - Household activities as employers; household activities producing various goods and performing services for own use	-	-	-	-	-	-
U - Business of exterritorial organisations and bodies	-	-	-	-	-	-
Total retail loans	**501**	**14,110**	**501**	**14,110**	**-**	**-**
General consumption	416	9,188	416	9,188	-	-
Housing construction	83	4,871	83	4,871	-	-
Business activities (entrepreneurs)	2	51	2	51	-	-
Total loans	**548**	**140,106**	**547**	**134,338**	**1**	**5,768**

2. BASIS OF THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (continued)

2.6. Impact of Covid-19 pandemic (Continued)

DESCRIPTION	Total approved special measures		Expired special measures		Active special measures	
Year ended December 31, 2020	**No of loans**	**Gross loan amount**	**No of loans**	**Gross loan amount**	**No of loans**	**Gross loan amount**
Total corporate loans	**66**	**163 871**	**55**	**130 724**	**11**	**33 147**
A - Agriculture, forestry and fishing	1	486			1	486
B - Mines and quarries	1	363	1	363		-
C - Processing industry	23	22 140	20	16 335	3	5 805
D - Production and distribution of electricity, gas, steam and air conditioning	3	5 223	3	5 223		-
E - Water supply; sewage, waste management and restoration (remediation) of environment	-	-				-
F - Construction	5	18 528	5	18 528		-
G - Wholesale and retail trade; servicing motor vehicles and motorcycles	12	11 366	10	10 458	2	908
H - Transport and warehousing	3	212	3	212		-
I - Accommodation, food; hotels and hospitality	2	5 817			2	5 817
J - Information and communications	-	-				-
K - Financial services and insurance services	2	6 994	2	6 994		-
L - Real estate	1	502	1	502		-
M - Expert, scientific and technical business activities	-	-				-
N - Administrative and auxiliary services	-	-				-
O - Public administration and defence; obligatory social insurance	5	64 929	5	64 929		-
P - Education	1	25	1	25		-
Q - Health care and social work	7	27 286	4	7 155	3	20 131
R - Art, entertainment and recreation	-	-				-
S - Other services	-	-				-
T - Household activities as employers; household activities producing various goods and performing services for own use	-	-				-
U - Business of exterritorial organisations and bodies	-	-				-
Total retail loans	**620**	**18 580**	**600**	**17 969**	**20**	**611**
General consumption	533	13 125	513	12 514	20	611
Housing construction	85	5 404	85	5 404	-	-
Business activities (entrepreneurs)	2	51	2	51	-	-
Ukupni krediti	**686**	**182 451**	**655**	**148 693**	**31**	**33 758**

Of a total of 666 clients' requests for approval of one of the special measures since the beginning of the Covid-19 pandemic for a total gross loan amount of BAM 170,384 thousand, the Bank approved 548 requests (82.3%) in a gross loan amount of BAM 140,106 thousand (82.2%).

Data in the previous paragraph excludes the loans that were subject to special measures during 2020 and 2021, which are fully repaid and are not included in the Bank's loan portfolio as of 31 December 2021

As of 31 December 2021, there was only one active measure for a single corporate client, for a gross loan amount of BAM 5,768 thousand, which expires by the end of the first quarter of 2022, whilst special measures that were approved for the remaining 547 clients for a gross loan amount of BAM 134,338 thousand all expired by the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described hereunder have been consistently applied to all the years included in these financial statements.

3.1. Interest Income and Expenses

Interest income represents the accrued interest whose base for calculation is the facility expressed in the balance sheet assets. Interest income can also be negative in the case that the Bank pays interest on facility given to the other party, and then it is recognised as interest expense.
Interest expenses represent the accrued interest whose base for calculation of liabilities is expressed in balance sheet liabilities. Interest expense can also be positive in the case that the other party pays the Bank interest on the given deposit, and then it is recognised as interest income.
Interest income is recognised in the profit and loss depending on the fact whether the calculation of interest is performed on performing exposures – credit risk stage 1 and 2 (PE), or on non-performing exposures – credit risk stage 3 (NPE), where default interest is charged on collection.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Interest Income and Expenses (Continued)

Recognition of interest income in the profit and loss is performed using the effective interest rate.
The effective interest rate is the rate, by which the net present value of the future expected net inflows/ outflows is equalised with the net carrying amount of financial assets/liabilities. Net book value of financial assets/liabilities is equal to the amount of inflows/outflows based on financial assets/liabilities, decreased by all fees and inflows/outflows on the basis of the asset/liabilities.
One-time collected/paid fees on the occasion of approval/taking of loans, i.e. issuance of securities, are considered as interest income/expense and are recognised in Profit and Loss Account on the time basis in the period of loan collection/repayment.
Collected income from commission fees for credit protection insurance (CPI) are recognised as interest income if they meet the conditions required for them to be an integral part of the effective interest rate, i.e. if the commission fee is included in the calculation of the nominal interest rate, resulting in the loans without CPI having a higher nominal interest rate than the loans with CPI. The difference between these nominal rates is collected in form of a commission fee, and, as such, represents an integral part of the effective interest rate of the loan.

Matured and not matured, yet uncollected, interest on performing exposures is also subject to provisioning (impairment allowance) with provisions accruing in the same way as for the principal, to which the interest receivables are related.

For non-performing exposures the Bank will:
- suspend matured yet uncollected interest,
- further calculation after interest suspension continues and is booked within off-balance sheet items, and
- interest income is recognised in the profit or loss statement upon collection.

Interest income and expenses recognised and stated in the statement of profit or loss include:
- interest on financial assets and financial liabilities that are measured at amortised cost calculated using the effective interest method, and
- interest on financial assets at fair value through other comprehensive income calculated using the effective interest method.

3.2. Fee and Commission Income and Expenses

Fees and commissions, which are a constituent part of the effective interest rate applicable to financial assets and financial liabilities, are included in interest income and expenses.
Other fee and commission income, which mainly comprise fees related to credit card transactions, guarantees, loans, domestic and foreign payment transactions and other services and are recognised in the statement of profit or loss upon performance of the relevant service.
Other fee and commission expenses, primarily service and transaction fees, are recognised as expenses upon receipt of the service.

3.3. Net Trading Gains and Losses and Foreign Exchange Gains and Losses on Translation of Financial Assets and Liabilities

Net trading gains and losses and foreign exchange gains and losses arising on translation of monetary assets and liabilities include unrealised and realised trading and net foreign exchange (FX) gains and losses on derivative financial instruments, and gains and losses arising on translation of monetary assets and liabilities.

3.4. Foreign Currencies

Transactions in foreign currencies are translated into BAM at the exchange rate prevailing at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into BAM at the foreign exchange rate effective at that date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss, except in the case of FX gains and losses arising on non-monetary financial assets at fair value through other comprehensive income, which are recognised within equity. Non-monetary assets and liabilities denominated in foreign currencies measured at amortised cost are translated into BAM using the exchange rate effective at the date of the transaction and are not retranslated at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Specific Instruments

Cash and Cash Equivalents

Cash and cash equivalents include: cash in domestic and foreign currencies, checks sent to payment, cash deposited on the account with the Central Bank in excess of the amount of the obligatory reserve and cash in nostro accounts held with other banks.

Financial Guarantees and Loan Commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are initially recognised at their fair value, which is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of its amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable).

Loan commitments are firm commitments to approve loans under pre-specified terms and conditions.

3.6. Tangible Assets

Tangible assets recognised according to IAS 16 – „Property, Plant and Equipment" – include the following items:
- land;
- buildings;
- furniture and fixtures;
- plant and machinery;
- other machinery and equipment.

Tangible assets are classified in the following categories:
- tangible assets used for the Bank's own business activities;
- tangible assets held as investment – for earning rental income (investment property);
- inventories of materials;
- assets acquired in collateral foreclosure.

Tangible assets used for own business purposes

Tangible assets used for own business purposes are held for use in production or supply of goods or services or for administrative purposes and are expected to be used longer than one year.

The item of "property, plant and equipment" includes assets that the Bank uses as a lessee in a lease contract (right of use), or leases out under operating lease, as well as leasehold improvements connected with assets that can be individually identified. Leasehold improvements are usually performed in order to adjust the leased space to the expected use.

Assets held as investment property are covered by IAS 40, i.e., those are held to earn rental income and / or for capital appreciation.

Property, plant and equipment are initially recognised at cost including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transport costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent expenditures are added to the carrying amount or recognised as a separate asset only when it is probable that there will be future economic benefits in excess of those initially foreseen and the cost can be reliably measured. Other expenses borne at a later time (e.g. normal maintenance costs) are recognised as incurred within the profit and loss items:
- other administrative expenses, if they refer to assets used for own business; or
- other operating income/expenses, if they refer to property held as investment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6. Tangible Assets (Continued)

After initial recognition, tangible assets are measured as follows:
- buildings and land used for the Bank's own business are measured using the revaluation model;
- tangible assets used in business, other than buildings and land, are measured using the cost model;
- buildings and land held as investment (investment property) are measured at fair value.

The revaluation model requires that tangible assets are stated in the balance sheet at a value that is not significantly different from the fair value. Revaluation is performed by independent external appraisers via a "desktop" or an "on-site" assessment, based on asset relevance.

Positive changes in the fair value are recognised within the other comprehensive income, under the item of tangible assets, and are accumulated within the revaluation reserves unless the said changes offset previous negative changes recognised in the profit and loss under item of other operative income and expenses.

Negative changes in the fair value are recognised under other operating income and expenses, unless they offset the previous positive changes recognized in the other comprehensive income, under the item tangible assets and accumulated within the revaluation reserves.

The cost model requires that the gross carrying value be amortised through the asset's lifetime.
Tangible assets measured using both the revaluation model and the cost model are subject to straight-line depreciation during their useful lives for those if they have definite lifetimes.

Depreciation rates used for tangible assets are set out below:

	2021	2020
Buildings	2,0% - 5,0%	2,0% - 5,0%
Electronic systems	12,5% - 25,0%	12,5% - 25,0%
Office furniture and equipment	12,5% - 20,0%	12,5% - 20,0%
Other	12,5% - 25,0%	12,5% - 25,0%
Leasehold improvements	20,0%	20,0%

Depreciation is calculated monthly and is recognised under the line item of "tangible assets' depreciation charge".

Items with indefinite useful lives are not depreciated.

Land and buildings are recognised separately, even if acquired together. Land is not depreciated since it usually has an indefinite useful life. Buildings have a finite useful life and are therefore subject to depreciation.

The estimate of the useful life of an asset is reviewed at least at each accounting period-end based, inter alia, the terms of the asset's use, maintenance conditions and expected obsolescence, and, if expectations differ from the previous estimates, the depreciation amount for the current and subsequent financial years is adjusted accordingly.

If there is clear evidence that an asset measured according to the cost model has been impaired, the carrying amount of the asset is compared to its recoverable value, which is equal to the greater of its fair value less costs to sell and its value in use, i.e. the present value of the future cash flows expected to be generated from the asset. Any value adjustment is recognised in the profit and loss item of the net value write-down of the property, plant and equipment.

If the value of a previously impaired asset is recovered, its increased carrying amount cannot exceed the net carrying amount it would have had if no impairment losses had been recognised in the previous period.

In accordance with regulations of the regulators of the Republika Srpska banking sector, revaluation reserves from changes in the value of tangible assets cannot be included in the calculation of the regulatory capital.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Tangible Assets (Continued)

De-recognition

Items of property, plant and equipment are derecognised in case of disposal or when no future economic benefits are expected from an asset's use or future sale, while any difference between the sale proceeds or the recoverable amount and its carrying value is recognised within gains/(losses) on tangible assets.

For tangible assets measured at revalued amounts, any gain on the sale, including the amounts accumulated in the revaluation reserves, is reclassified to the equity reserves, with no impact on the profit and loss.

3.7. Tangible Assets Acquired by Collateral Foreclosure

Tangible assets acquired by collateral foreclosure (property and equipment) in order to prevent losses from the crediting operations are recognised when the relevant court adopts a ruling on foreclosure and transfer or an equivalent document, and this becomes effective, or on the date when the property is acquired in an out-of-court settlement.

In case the Bank has no intention of using the using the acquired property for own business purposes, such property is initially recognised at the lower of the following two values:

- the net carrying value of the Bank's receivables secured by collateral; in case the booked expected credit losses equal the value of the receivable, the Bank books the acquired property at a technical value of BAM 1; or
- the estimated fair value provided by an independent appraiser, net of the costs of sale. Costs of sale are such costs that are directly attributable to the sale, such as the cost of notary, taxes, court fees, etc.

If the Bank doesn't sell the acquired assets within three years from the date of their initial recognition, it is obliged to reduce their value to BAM 1.

During 2021, the Bank reduced the value of a part of the acquired assets, that have met the prescribed conditions, from BAM 557 thousand to a technical value of BAM 1 per individual asset.

3.8. Intangible Assets

Intangible assets are measured at cost less accumulated amortisation and impairment. Cost includes all costs directly attributable to the acquisition of the assets.

Intangible assets, with the exception of intangible assets in progress, are amortised on a straight-line basis over their estimated useful lives. Useful life is reviewed and adjusted, if necessary, at each reporting date.

Amortisation rates used for intangible assets are set out below:

	2021	2020
Intangible assets – software and licences	20,0% - 25,0%	20,0% - 25,0%

3.9. Right-of-use Assets

Right-of-use assets in the lessee are recognised in accordance with IFRS 16, which is effective from January 1, 2019, while the lessor accounting has remained unchanged.

Leases in which the Bank is the lessee are recognized as assets, which represent the right to use the subject property and at the same time the obligation for future payments of agreed leases.

According to IFRS 16, a lease is defined as a contract that conveys the right to use an asset for a defined period of time in exchange for consideration. The right of use of an asset is recognised if the following conditions are cumulatively met:

- assets, which are the object of a lease, can be explicitly identified,
- during a lease all essential economic benefits from using an asset can be realised,
- assets can be managed, i.e. the user may decide in which way and for what purpose the asset will be used for during the entire lease duration.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Right-of-use Assets (Continued)

The Bank applies IFRS 16 requirements to long-term leases (duration over a year) and large value leases (over BAM 10 thousand annually).

These assets are initially measured on the basis of the cash flows from the lease. After initial recognition, the right-of-use is measured based on the rules applicable to assets measured under IAS 16 by applying the cost model, less accumulated depreciation and any accumulated impairment losses.

On the date of first application of IFRS 16, January 1, 2019, the Bank recognized the right-of-use tangible assets in the amount of BAM 3,077 thousand, which relates to lease agreements for business premises and lease obligations in the same amount, and the value of this property as of 31 December 2021 is BAM 1,718 thousand.

As of December 31, 2021, the Bank held 23 lease contract, accounted for in accordance with IFRS 16, with the following durations:

	Expires in						
	2022.	2023.	2024.	2025.	2026.	2028.	TOTAL
Number of lease contracts	6	5	5	1	3	3	23

3.10. Classification and Measurement

In accordance with IFRS 9, classification of assets and liabilities is based on the business model and characteristics of the contractual cash flows.

Analysis of the business models has been performed by mapping the Bank's business areas and by allocating a specific business model to each of them.

In this regard, a "hold-to-collect" or "hold-to-collect and sell" business models have been allocated to the business areas comprising the Bank's portfolio in accordance with the intention of holding and expected sales of financial instruments.

For the classification of financial assets into the new categories stipulated by IFRS 9, the analysis of the business models was complemented by the analysis of the contractual cash flows ("SPPI Test").

In accordance with IFRS 9, the classification of assets and liabilities is based on the business model and characteristics of contractual cash flows.

The analysis of the business model is conducted by mapping the Bank's business areas and allocating a specific business model to each of them.

In this sense, the business areas that make up the Bank's portfolio are assigned business models "hold for collection" or "hold for collection and sale", in accordance with the intentions of holding and the expected turnover of financial instruments.

In this regard, the Bank has established processes to analyse the portfolio of debt securities and loans by which it assesses whether the features of their contractual cash flows allow their measurement at amortised cost ("hold-to-collect" portfolio) or at fair value through other comprehensive income ("hold-to-collect and sell" portfolio").

The analysis is performed both by contract and by defining specific clusters based on the features of transactions and using a specific tool developed by the Group (SPPI Tool) in order to analyse the features of the contracts against IFRS 9 requirements, or by using external data providers.

In applying the above rules, the financial assets and liabilities of the Bank are classified as follows.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Classification and Measurement (continued)

a) Financial Assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if:

- it is acquired or generated principally for the purpose of selling or repurchasing it in the near term;
- it is part of the portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term;
- it is held for profit making;
- it is a derivative contract not defined by hedge accounting, including derivatives with a positive fair value embedded in financial liabilities other than those that are measured at fair value through profit or loss.

Like other financial instruments, financial assets held for trading are initially measured at fair value at settlement date, which is usually equal to the amount paid, excluding transaction costs and income, which are recognised in profit and loss account, if they can be directly attributed to financial assets. Trading book derivatives are recognised at the trading date.

After initial recognition, these financial assets are measured at fair value through profit and loss account.
A gain or loss arising from the sale or repurchase or change in the fair value of a financial asset held for trading is recognised in the profit and loss account under the item of "net gains on trading and foreign exchange gains on the translation of monetary assets and liabilities", including gains or losses from financial derivatives related to financial assets and/or financial liabilities designated at fair value or other financial assets that are mandatorily held at fair value.

If the fair value of a financial instrument falls below zero, which can be the case with derivative contracts, it is recognised on "financial liabilities held for trading" item.

These assets are measured similarly to the "financial assets at fair value through profit or loss" but gains and losses, whether realised or unrealised, are recognised within the item of "gains (losses) on financial assets/liabilities at fair value through profit and loss".

b) Financial Assets at Fair Value through Other Comprehensive Income

Financial assets are classified at fair value through other comprehensive income if:

- they reflect the business model "hold-to-collect and sell";
- their cash flows are solely payments of principal and interest.

This category includes debt instruments (bonds and treasury bills) and equity instruments.

Upon initial recognition, on settlement date, financial assets are measured at fair value, which is usually equal to the consideration paid plus transaction costs and income that can be attributed directly to the instrument.

After initial recognition, interest accrued on interest-bearing instruments is recorded in the profit and loss account under the criterion of amortised cost within the item of "interest income and similar income".
Gains and losses arising from changes in fair value are recognised in the statement of comprehensive income and reported in equity within the "fair value reserve" item.

In case of disposal, accumulated gains and losses are recorded other comprehensive income.

In accordance with the provisions of IFRS 9, impairment losses on equity instruments are not recognised in the profit or loss statement. Only dividends are recognised in the profit or loss statement under the item "income from dividends and similar income".

c) Financial Assets at Amortised Cost

Financial assets are classified at amortised cost if:

- their business model is holding for collection, and
- their cash flows are solely for payment of principal and interest.

Upon initial recognition, on settlement date, financial assets at amortised cost are measured at fair value, which is usually equal to the consideration paid plus transaction costs and income that can be attributed directly to the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Classification and Measurement (continued)

c) Financial Assets at Amortised Cost (continued)

After initial recognition at fair value, these assets are measured at amortised cost that requires interest recognition on an accrual basis using the effective interest method during the life of the loan. Such interest is recognised within the item of “interest income and similar income”. The carrying value of a financial asset at amortised cost is adjusted to take into account the impairment allowances/write-offs arising from the measurement process.

Impairment losses are recorded in the profit and loss under the “net impairment losses/recoveries on loans relating to the financial assets at amortised cost”.

In case of disposal, accumulated gains and losses are recorded in the profit and loss under the “gains (losses) on disposal and redemption of financial assets at amortised cost”.

Amounts arising from adjusting the carrying amount of financial assets, gross cumulative write-offs, made to reflect changes in contractual cash flows that do not lead to discontinuation of accounting recognition, are recognised in profit and loss as gains/losses on contractual changes, yet such a line item does not include the effect of contractual change in the amount of expected loss recognised under the item “net impairment losses/recoveries on loans” that relate to the item: “financial assets at amortised cost”.

d) Financial Liabilities Measured at Amortised Cost

Financial liabilities measured at amortised cost include financial instruments (other than those held for trading or those that are designated at fair value) that represent different forms of financing by third parties. These financial liabilities are recognised at the settlement date initially at fair value that is usually received, less any transaction costs that can be directly attributed to the financial liability. Thereafter, these instruments are measured at amortised cost using the effective interest method. Such interest is recognised within the item of “interest expenses and similar expenses”.

e) Financial Liabilities Held for Trading

Financial liabilities held for trading include derivatives not designated as hedging instruments.

These liabilities are measured at fair value upon initial recognition and for the duration of the transaction.
A gain or loss arising from the sale or repurchase or change in the fair value of a financial liability held for trading is recognised in the profit and loss account under the item of “net gains (losses) on trading and foreign exchange gains/losses on the translation of monetary assets and liabilities”.

f) Qualitative information on Fair Value

Fair value disclosures are made in accordance with the requirements of IFRS 13. 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 in the principal at the measurement date (i.e., the exit price). For financial instruments that are quoted in active markets, fair value is determined on the basis of official prices in the principal market the Bank operates in and has access to (Mark to Market).

A financial instrument is considered to be quoted on an active market if quoted prices are easily and regularly available from pricing services, distributors, brokers, pricing agencies or regulatory agencies, and these prices represent real and regular market transactions at the “arm’s length” principle. If the published price quotation on an active market does not exist for a financial instrument as a whole, but for active markets for its components, fair value can be determined on the basis of relevant market prices for the component parts.

g) Fair Value Measurement Principles

Fair values of financial assets and financial liabilities traded in active markets are based on the quoted market prices. For all other financial instruments, the Bank determines fair values using fair value assessment (valuation) techniques.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Classification and Measurement (continued)

g) Fair Value Measurement Principles (continued)

Valuation techniques for fair value involve models of cash flow discounting to their net present value, comparison to similar instruments with identifiable market prices and other valuation techniques. Assumptions and inputs used in valuation techniques include risk-free and reference interest rates, credit margins, prices of shares and bonds, FX rates, prices of indices and other variables and their correlations. The objective of the valuation techniques is to compute the fair value that best reflects the price of a financial instrument as at the reporting date, i.e. the price that would be determined by other market participants under the normal market conditions.

When calculating fair value, the Bank takes into account fair value hierarchy rules prescribed by IFRS 13, which reflect the significance of inputs used in the valuation process. Each instrument is assessed individually in detail. Levels of the fair value hierarchy are determined based on the lowest level of inputs relevant for determining the fair value of an instrument.

h) Fair Value Assessment Models

Financial instruments carried at fair value are grouped in three levels of the fair value hierarchy under IFRS 13, as follows:

- Level 1 – instruments that are measured by means of active market quoted prices. These are instruments the fair value of which can be determined directly based on prices quoted in active liquid markets;
- Level 2 – instruments that are measured by means of valuation techniques using available market inputs. These are instruments the fair value of which is determined by comparison to similar instruments traded in active markets, or where all inputs used in the measurement techniques are available in the market;
- Level 3 – instruments that are measured by means of valuation techniques using market data that is not available on the active market. These are instruments the fair value of which cannot be determined directly using available market information, and where somewhat different valuation techniques are used for the calculation of value.

i) Debt Securities

Debt securities are measured through a two-phase process dependent on the liquidity of the relevant market. Liquid instruments in active markets are measured at market value (Mark to Market) and are therefore classified into Level 1 of the fair value hierarchy. Instruments not traded in active markets are measured using models that make the most use of the relevant and available parameters, and the least use of the inputs unobservable in the market. Given the aforesaid, depending on the significance of unobservable inputs, bonds are classified in an appropriate level.

j) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle, on a net principle, or realise the asset and settle the liability simultaneously.

Income and expenses are presented in the net amount only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as the Bank's trading activities.

3.11. Impairment

a) General

Loans and debt securities classified as financial assets at amortised cost, financial assets at fair value through other comprehensive income and relevant off-balance sheet exposures are tested for impairment in accordance with IFRS 9.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Impairment (continued)

a) General (continued)

For such purposes, these instruments are classified into Stage 1, Stage 2, or Stage 3 according to their absolute or relative credit quality compared to the initial payment.
Specifically:

- Stage 1: includes (i) newly approved or acquired credit exposures, (ii) exposures for which credit risk has not significantly increased since initial recognition, (iii) exposures with low credit risk;
- Stage 2: includes credit exposures that have a significant credit risk increase since initial recognition;
- Stage 3: includes impaired credit exposures.

For exposures in Stage 1, the loss allowance for expected credit losses is equal to the expected credit loss that is calculated over a time horizon of up to one year.

For exposures in Stage 2, the loss allowance for expected credit losses is equal to the expected credit loss that is calculated over a time horizon corresponding to the entire lifetime of the exposure.

For exposures in Stage 3, the loss allowance is calculated on a collective basis or on an individual basis, depending on the client's characteristics.

By the Decision on Credit Risk Management and Determination of Expected Credit Losses (hereinafter the Decision), BARS prescribed minimum rates of expected credit losses at the level of the transaction depending on the level of credit risk.

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

The Bank is obliged to determine and record the expected credit losses in the amount of 5% of the exposure for the exposures allocated to Level 2.

The Bank shall determine, and record expected credit losses for exposures allocated to Level 3 at least in the amounts defined in Table 1 or Table 2.

Table 1

Secured exposure	
Days overdue	**Min ECL**
≤ 180	15%
181-270	25%
271-365	40%
366-730	60%
731-1460	80%
> 1460	100%

[1]Exposures to the Central Bank of BiH, Exposures to the Council of Ministers of BiH, the Government of the RS, the Government of the FBIH, the Government of the Brčko District

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Impairment (continued)

a) General (continued)

Table 2

Unsecured exposure	
Days overdue	**Min ECL**
≤ 180	15%
181-270	45%
271-365	75%
366-456	85%
> 456	100%

In order to meet the requirements of the standards, the Group has developed specific models for calculating the expected loss on the basis of PD, LGD and EAD parameters used for regulatory purposes and adjusted to ensure consistency with the accounting regulations.

In this context, forward-looking information is included through the elaboration of specific scenarios.

The stage allocation model is the key aspect of the new accounting model required for expected credit loss calculation, whose aim is transfer of credit exposures from Stage 1 to Stage 2. Stage 3 includes exposures in default.

IFRS 9 guidelines are extensive in terms of principles of assessing material increases in credit risk. However, the Standard does not precisely define the term "material", so it is at the banks' discretion to define materiality in credit risk increase.

Qualitative criteria that the Bank uses in recognition of significant credit risk increase are:

- Forbearance status classification - results in an exposure automatically classified in Stage 2 for a period of 24 months (from the date of classification);
- 30 days past due - if a transaction reaches 30 dpd, it should be classified as Stage 2;
- 30+ days past due during the past 12 months;
- Restructuring status - all performing exposures transferred to the remit of the Special Credit Unit are automatically classified as Stage 2 (PSC 651);
- Watch list classification (Watch list; PSC 600 and 601);
- Manual adjustments - customers with recognised increasing credit risk but not classified using the main qualitative criteria;
- Criteria that the Bank follows in comprising the list of contracts / clients for manual stage adjustments are:
    - the client has not fulfilled their obligation of registering a mortgage in housing loans within defined deadlines;
    - employees of a client-legal entity with recognised increasing credit risk;
    - other - individual cases of recognised increasing credit risk.

When it comes to financial assets consisting of securities, the Bank classified them in Stage 1 in accordance with local regulations, prescribing that all placements to central governments should be classified as Stage 1, whereas in accordance the Group's approach, in reports for the Group, the Bank classified them to Stage 2, since the securities are classified as non-investment grade securities.

The impairment calculated for impaired (default status) assets includes forward-looking adjustments and multiple scenarios applicable to this class of assets.

The definition of default is aligned with the principles embedded in the Definition of Default Guidelines issued by European Banking Authority (EBA), where the aggregate borrower exposure is classified as a default exposure if only one of the transactions is in the default status (the so called "debtor approach").

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Impairment (continued)

b) Parameters and risk definitions used for impairment calculation

As mentioned above, specific models have been developed for calculating the expected loss based on PD, LGD and EAD parameters and the effective interest rate:

- PD (Probability of Default), represents the likelihood of the occurrence of a credit exposure default event over a given time horizon;
- LGD (Loss Given Default), represents the percentage of estimated loss, and thus the expected recovery rate, at the date of the occurrence of credit exposure default;
- EAD (Exposure at Default) represents the measurement of exposure at the time of credit exposure non-payment;
- Effective interest rate is a discount rate that expresses the time value of money.

Furthermore, specific adjustments have been developed on probability of default (PD), loss given default (LGD) and exposure at default (EAD) parameters used in the expected credit loss (ECL) calculation. The new model has been developed for allocation of unimpaired assets to the so-called Stages, at a transaction level, between Stage 1 and Stage 2.

The main difference between the two Stages refers to the time horizon for which the expected credit loss is expected to be calculated. In fact, for Stage 1 transactions a one-year expected credit loss is applied, while a "lifetime" expected credit loss applies to Stage 2 transactions.

Basic adjustments made to the credit parameters are the following:

- inclusion of the "point-in-time" approach in the parameters' calculation, instead of the "through-the-cycle" adjustment (TTC),
- inclusion of forward-looking information (FLI), and
- credit parameters calculation considering the period of assets' duration.

As for what concerns the lifetime PDs, the TTC PD curves, obtained by fitting the observed cumulative default rates, have been further calibrated to reflect a point in time and forward-looking expectation about the portfolio default rates.

Recovery rate embedded in the TTC LGD has been adjusted to reflect the most recent recovery rate trend as well as expectation about a future trend and discounted at the effective interest rate or its best approximation.

The lifetime EAD has been obtained by extending the 1Y managerial model, including expectation about future drawing levels.

The expected credit loss derived from such adjusted parameters takes into consideration macroeconomic forecasts applying multiple scenarios so to offset the partial non linearity naturally embedded in the correlation between macroeconomic changes and the key components of expected loss. In this sense the Bank has developed a so called "overlay factor" that should be directly applied on expected loss. The same scenario is used in other risk relevant processes (EBA stress test and ICAAP). In those processes the Bank provides the necessary information in the required scope and regulated format.

The methodology for calculating allowances for expected credit losses must be in line with group and local standards and approved by the Bank's Management Board. The analysis and testing of the methodology of parameters is regularly performed by the Bank and the internal validation function is responsible for it.

c) Definition of Default

The default definition is key for determining expected credit losses. The definition of default is used to measure the amount of expected credit losses and to determine whether the loss is based on a 12-month or a lifetime expected credit loss.

All exposures classified as default exposures are regarded as having objective evidence of impairment. According to the Basel III Standard, exposures are in the default status when one or both of the following conditions are met:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Impairment (continued)

c) Definition of Default (continued)

1. they are over 90 days past due in liability settlement,
2. the Bank considers it is certain that the customer will be unable to settle at least one of its credit liabilities in full without the Bank resorting to the collection measures (Unlikeliness to pay).

For legal entities and private individuals' exposures, the Bank determines the default status at the debtor level taking into account all the debtor's exposures. Counting of the number of days past due in liability settlement commences when liabilities matured at the individual borrower level exceed the materiality threshold defined. Materiality threshold for legal entities equals the liabilities matured in the amount of 1% of the total exposure of the client and BAM 1,000. Materiality threshold for individuals equals the liabilities matured in the amount of 1% of the total exposure of the client and BAM 200.

d) Significant credit risk increase

The Bank monitors all financial assets subject to impairment request to estimate whether there has been a significant increase in credit risk from initial recognition. If there is a significant increase in credit risk, the Bank measures the loss based on a lifetime rather than a 12-month expected credit loss.

When assessing whether a credit risk on a financial instrument has significantly increased since its initial recognition, the Bank compares the risk of default arising on the financial instrument at the reporting date based on the remaining maturity of the instrument, with the risk of default foreseen for the remaining maturity as of the reporting date when the financial instrument was recognised for the first time. In making this assessment, the Bank also considers quantitative and qualitative information that is reasonable and evident, including historical experience and forward-looking information (FLI), available without undue expense or effort, based on the Bank's historical experience and expert credit assessments, including FLI.

e) Purchased or originated credit impaired assets (POCI)

POCI financial asset is a financial asset that is credit impaired upon origination. The Standard and the local regulator stipulate different rules for such items in terms of their valuation rules, recognition of loss allowances for expected credit losses.

POCI assets include:
- loans and debt securities purchased when they were already of impaired credit value larger than 5% of its net accounting value, unless the seller is selling financial assets in cases that are not connected with credit risk,
- purchased financial assets or refinanced exposure (partial or full) that was classified as credit risk Stage 3 in a different bank,
- loans disbursed to customers with already impaired credit value; additionally, new financing is significant in relation to the total customer exposure,
- exposures that are classified as credit risk Stage 3, and for which a significant modification has been performed in accordance with Manual for classification and recognition of financial assets.

Regarding the determination of new significant financing, the relative and absolute thresholds are applied. New financing is significant if the following criteria are met:
- it is at least 20% of total exposure in default of the borrower's liabilities or ≥ BAM 100,000.

While determining POCI status of assets, the Bank is obliged to consider exposure on a single exposure level, not on a client level.

The Bank determines expected credit loss for POCI assets on an individual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Impairment (continued)

f) Write-offs

The Bank performs write-offs of bad exposures when the exposure is entirely due and when expected credit loss has been classified as 100% of gross accounting value. The Bank defines two types of write-offs: accounting and permanent write-off.

Accounting write-off is a transfer of balance sheet exposure to off-balance, during which the Bank keeps the right to perform measures of payment collection from debtors. The Bank performs accounting write-offs of balance sheet exposures that is in non-performing status i.e. bad exposures classified as credit risk Stage 3, two years after the later of the two events; expected loss has been booked at 100% of gross accounting value and the exposure was classified as entirely due.

Debt acquittal is a write-off of balance sheet exposure that leads to termination of recognition of entire exposure or its part in general ledger of the Bank (balance and off balance). In case there is any kind of sign that a certain amount will be collected from the client, the Bank will not perform permanent write-off of exposure. Permanent write-off is performed only in case when the Bank terminates all attempts at collecting the receivable from the client.

g) De-recognition of financial assets

In the event of significant changes to the terms and conditions, the Bank ceases to recognise financial assets such as a credit to a client when the contractual terms have been changed to such extent that the contract becomes a new loan, where the difference is recognised in the gain or loss of de-recognition but to the extent that impairment losses have not already been recorded. The newly recognised credit is classified as Stage 1 for ECL measurement purposes, unless new credit is POCI.

When assessing the de-recognition of a loan to a client, the Bank shall, inter alia, consider the following factors: change in the currency of the loan, introduction of equity interest provisions, change of the other contracting party, or in the event that the amendment results in the instrument no longer meeting the SPPI test criteria.

If the change in the terms does not lead to a change in cash flows, the de-recognition will not take place. Based on the change in cash flows discounted by the original EIR, the Bank records the gain or loss on the change, to the extent that the impairment loss is not already recorded.

In the event that there are no significant changes to the terms, financial asset (or its part or part of a group of similar financial assets) is derecognised when the right to receive cash flows from the financial asset expires or when virtually all of the risks and rewards associated with the ownership or control over property were transferred.

3.12. Presentation of Expected Credit Losses in the Statement of Financial Position

Expected credit losses are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: impairment allowance or impairment, as deduction from the gross carrying value of the asset;
- for debt instruments measured at fair value through other comprehensive income: not recognised as impairment, but as item of fair value reserves within equity,
- for liabilities under undrawn loans and contracts on financial sureties (guaranties, letters of credit and other guarantees): as provisions for risks and expenses within liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Presentation of Expected Credit Losses in the Statement of Financial Position (continued)

a. The difference between the ECL in accordance with the BARS decision and the ECL according to the internal IFRS 9 methodology

The following table shows the differences in impairment and provisions (ECL) in accordance with the RS Banking Agency (BARS) Decision and in accordance with the internal IFRS 9 methodology on the reporting date:

	ECL according to BARS December 31, 2021 BAM '000	ECL according to IFRS 9 December 31, 2021 BAM '000	Difference December 31, 2021 BAM '000
Impairment			
1. Cash and cash equivalent	189	146	43
2. Financial assets at amortised cost	**43,755**	**41,764**	**1,991**
Obligatory reserve held with the Central Bank	208	208	-
Loans and receivables due from banks	160	126	50
Loans and receivables due from customers	43,387	41,430	1,957
3. Other assets	**519**	**519**	**-**
4. Provisions for credit risk on commitments and financial guarantees issued	**3,682**	**3,402**	**280**
TOTAL (1+2+3+4)	**48,145**	**45,831**	**2,314**
5. Other financial assets at fair value through other comprehensive income	377	2,448	(2,071)
TOTAL (1+2+3+4+5)	**48,522**	**48,279**	**243**

	ECL according to BARS December 31, 2021 BAM '000	ECL according to IFRS 9 December 31, 2021 BAM '000	Difference December 31, 2021 BAM '000
Impairment			
1. Cash and cash equivalent	**-**	**-**	**-**
2. Financial assets at amortised cost	**47,465**	**44,903**	**2,562**
Obligatory reserve held with the Central Bank	316	646	(330)
Loans and receivables due from banks	174	214	(40)
Loans and receivables due from customers	46,975	44,043	2,932
3. Other assets	**495**	**495**	**-**
4. Provisions for credit risk on commitments and financial guarantees issued	**2,713**	**2,386**	**327**
TOTAL (1+2+3+4)	**50,673**	**47,784**	**2,889**
5. Other financial assets at fair value through other comprehensive income	2,523	2,523	-
TOTAL (1+2+3+4+5)	**53,196**	**50,307**	**2,889**

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

4.1. Provisions for Risks and Expenses

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, if 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 for unidentified losses on off-balance-sheet credit risk exposures in accordance with regulations.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.1. Provisions for Risks and Expenses (continued)

Provisions for liabilities and charges are maintained at the level that the Bank's management considers sufficient for absorption of future losses. The management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of different transactions, as well as other relevant facts. Provisions are released only for such expenditure in respect of which provisions were recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

4.2. Equity

Share capital comprises common stock (ordinary) shares and is stated in BAM at nominal value.

Reserves from profit were formed through the distribution of the net profits from prior years, and include legal reserves and capital reserves.
According to the Companies Act, upon distribution of profit as per the annual accounts, shareholding companies in the Republika Srpska are required to allocate a minimum of 5% of their annual profit to reserves from profit until the amount of such reserves reaches a level of 10% of the company's shareholding capital.

Share premium represents the accumulated positive difference between the nominal value of the issued shares and the paid-in amount.

Fair value reserves generated based on the fair value calculation include changes in fair value of tangible assets and reserves for credit risks of financial assets at fair value through other comprehensive income, net of deferred tax.

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

Retained earnings or accumulated profit include retained and unallocated earnings that can be distributed in the ensuing period.

4.3. Commitments and Given Guarantees

In the regular course of business, the Bank enters into contingent financial commitments, which are recorded off-balance sheet and primarily comprise guarantees, letters of credit, undrawn frame loan facilities and credit card loans. Such financial commitments are recorded in the Bank's statement of financial position if and when they become payable.

4.4. Managed Funds for and on Behalf of Third Parties (Consignment)

The Bank manages funds for and on behalf of third parties. These funds do not constitute part of the Bank's assets, and, therefore, they are excluded from the statement of financial position. The Bank receives fee income for providing these services and does not bear any credit risk.

4.5. Segment Reporting

An operating segment represents portion of assets, liabilities and business activities (products and services) subject to risks and benefits different from those in other operating segments. A geographic segment generates products or services within a specific economic environment that are subject to risks and benefits different from those operating in other economic environments.

The Bank has identified three main segments: Corporate and Investment Banking, Retail and Other.
Basic information per segment is based on the internal reporting structure of operating segments. Segment results are measured by applying an internal funding price (Note 5).

4.6. Employee Benefits

Employee Salaries

Gross salary costs are recorded in the statement of profit or loss in the period when incurred. Gross salaries include net employee salaries/wages, personal income tax and payroll, i.e. social insurance contributions calculated as the prescribed percentage rates applicable to the gross salary amount. The aforesaid contributions are paid by the Bank to the mandatory social insurance funds.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.6. Employee Benefits (continued)

Employee Salaries (continued)

Employee commuting allowances, meal allowances, annual leave allowance and other benefits to employees are paid in accordance with the local legislation. These costs are recognised in the statement of profit or loss in the period when incurred.

Long-term provisions for employees

The Bank pays out jubilee awards to its employees in accordance with the regulations of the Republika Srpska. Jubilee awards are paid out in the amount of one average salary paid by the Bank in the month preceding the payment for the completion of 20 years of service, or two average salaries paid by the Bank for the completion of 30 years of service with the Bank.

In accordance with internal regulations on salaries, the Bank pays retirement benefits to employees upon retirement in the amount of three average monthly net salaries of the vesting employee.

Calculation of long-term provisions for employee benefits (severance payments and jubilee awards) is performed annually by a certified actuary using the projected unit credit method. The projected unit credit method takes into consideration each year of service with the Bank, where the sum of all the particular units is the final liability which is measured individually for each unit. Liabilities are measured at present values of estimated future cash flows discounted at an econometrically modelled interest rate, which is more adequate in the existing market conditions than the interest rate on Government long-term debt securities.

4.7. Dividend Income

Dividend income is recognised in the statement of profit or loss when the Bank's right to receive dividends has been established.

4.8. Earnings per Share

Earnings per share are calculated by dividing the profit or loss for the current period by the weighted average number of ordinary shares outstanding during the period.

4.9. Leases

Leases where the Bank as a lessee assumes substantially all the risks and rewards of ownership are classified as finance leases. At the reporting date, the Bank had no finance leases.

All other leases are classified as operating leases, and, if they are short-term leases and leases of small value, they are recognised as lease expense, while the leases with terms of over one year and with underlying assets of higher value will be recognised as tangible assets.

4.10. Income Tax

Income tax is based on the taxable profit for the year and comprises current and deferred taxes.

Current Income Tax

Current income tax is the amount calculated by applying the prescribed tax rate of 10% to the taxable income determined in the income tax return, which represents the amount of the profit before tax adjusted for the effects of income and expense adjustments and any adjustments to the tax payable for prior years, in accordance with the tax legislation of the Republika Srpska.

Deferred Tax

Deferred tax is recognised taking into account the temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for tax calculation purposes. Deferred taxes are not recognised on temporary differences at initial recognition of assets and liabilities in a transaction other than a business combination and which does not affect accounting or taxable profit.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

4.10. Income Tax (continued)

Deferred Tax (continued)

The amount of deferred tax asset or liability is recognised using the tax rate that is expected to be applied to taxable profit for the period in which realisation or settlement of the carrying values of the assets or liabilities is expected, based on the tax rates applicable at the reporting date.

Measurement of deferred tax liabilities and assets reflects the tax effects that would result from the manner in which the Bank expects, at the reporting date, to recover or settle the net carrying values of these assets and liabilities.

Deferred tax assets and liabilities are offset only if they relate to the same tax jurisdiction and if there is a legal right to offset current tax assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as long-term assets and/or liabilities in the statement of financial position.

Deferred tax assets are recognised only to the extent that it is probable that they could be utilised as a tax relief. At each reporting date, the Bank reassesses unrecognised contingent deferred tax assets and tests the carrying values of the recognised deferred tax assets for impairment and is reduced to the extent that it is no more likely that the recognised tax assets can be utilised.

4.11. Regulatory Requirements

The Banking Agency of the Republika Srpska (BARS) is authorised to perform regulatory inspection of the Banks' operations and can request adjustments to the carrying values of assets and liabilities in accordance with the relevant regulations.

After the new RS Banking Law came into effect in early 2017, BARS adopted a series of bylaws aimed to harmonise the regulatory framework for banking operations in the Republika Srpska with the regulatory framework of the European Union, which, inter alia, refer to capital management, risk management (currency risk, interest risk, large exposures), etc.

In 2019, BARS adopted a Decision on Credit Risk Management and Determination of Expected Credit Losses, applied from 1 January 2020, which has resulted in certain differences arising from the calculation of value adjustments and provisions for credit losses compared with IFRS 9, as explained in item 2.1.

Based upon BARS Instruction on the implementation of certain provision of the Decision on calculation of bank capital dated in 2020, as of the end of 2021, ECL for exposures with credit risk level 1 are completely excluded from the calculation of Tier 2 capital, so, on this basis, own funds (regulatory capital) of the Bank are by BAM 9.8 million lower than in 2020 (Note 34.6).

During 2021, ABRS adopted a new Decision on liquidity risk management which, in addition to the minimum requirements for managing this risk, prescribes quantitative requirements related to the Liquidity Coverage Ratio (LCR) and the provision of Net Stable Funding Ratio (NSFR).

4.12. Litigations

The Bank performs an individual assessment of all court cases and makes provisions according to the assessment. The assessment is performed by a special Commission of three members, two of whom are employees of the Bank's Legal Affairs, and one is from the Human Resources. Heads of the Legal Affairs, Human Resources, Accounting and Reporting and Payment Systems and Account Administration verify proposals for provisions after the assessment, and the decision on creating the provisions is made by the Bank's Management Board.

5. SEGMENT REPORTING

Segments recognised for the purposes of segment reporting in accordance with UniCredit Group methodology comprise of the following:

- “Retail”: private individuals, entrepreneurs, micro and small companies;
- “Corporate and Investment Banking” (CIB): large and medium-sized companies and public sector;
- “Other”: capital and reserves, Assets and Liability Management, other centralised services and other assets and liabilities not associated with other segments.

Segment reports were prepared in accordance with internal Bank’s management reports and additionally reconciled with the financial statements within these notes.

When measuring operating results, internal funding prices are applied based on specific prices of products and services reflecting currencies and maturities in accordance with the methodology of the Group.

Since the Bank operates mainly in the Republika Srpska, Bosnia and Herzegovina, secondary (geographical) segments are not presented.

Statement of profit or loss and other comprehensive income by segment

Year ended December 31, 2021	Corporate and Investment Banking	Retail	Other	Total by segment reports	Adjustments	Total by financial statements
	BAM ‘000	BAM ‘000	BAM ‘000	BAM ‘000	BAM ‘000	BAM ‘000
Net interest income	**12,699**	**28,129**	**4,672**	**45,500**	**40**	**45,540**
Net fee and commission income	**4,204**	**10,816**	**(241)**	**14,779**	**-**	**14,779**
Dividend and profit sharing income	-	-	4	4	-	4
Net foreign gains / (losses) on translation of financial assets and liabilities	1,381	709	(12)	2,078	-	2,078
Total operating income	**18,283**	**39,654**	**4,423**	**62,360**	**41**	**62,401**
Personnel expenses	(1,751)	(6,513)	(9,442)	(17,707)	27	(17,680)
Tangible assets depreciation costs	(211)	(1,263)	(763)	(2,237)	(199)	(2,436)
Intangible assets amortisation costs	(225)	(1,305)	(1,150)	(2,681)	(0)	(2,681)
Other administrative expenses	(1,197)	(5,844)	(3,632)	(10,674)	(2,358)	(13,032)
Indirect and other allocated expenses	(4,059)	(10,518)	14,577	-	-	-
Total operating expenses	**(7,444)**	**(25,443)**	**(411)**	**(33,298)**	**(2,531)**	**(35,829)**
Profit before impairment and provisions	**10,840**	**14,211**	**4,012**	**29,063**	**(2,491)**	**26,572**
Net loan impairment losses/recoveries	**(1,930)**	**(4,519)**	**383**	**(6,065)**	**4,063**	**(2,002)**
- Financial assets at amortised cost	(1,930)	(4,519)	383	(6,065)	1,916	(4,149)
- Financial assets at fair value through other comprehensive income	-	-	-	-	2,147	2,147
Provisions for risks and expenses	**(1,246)**	**(1,284)**	**4**	**(2,527)**	**1,562**	**(965)**
- Provisions for credit risk on commitments and financial guarantees given	(1,246)	(1,284)	4	(2,527)	1,558	(969)
- Long-term provisions for employees	-	-	-	-	4	4
Other operating income and expenses	83	1,328	-	1,411	26	1,437
Gains/losses on the sales of tangible assets	1,210	1	620	1,831	(75)	1,756
Profit before tax	**8,956**	**9,738**	**5,019**	**23,713**	**3,085**	**26,798**
Income tax expense	(779)	(474)	(314)	(1,566)	110	(1,456)
Profit for the year	**8,178**	**9,264**	**4,705**	**22,147**	**3,195**	**25,342**
Statement of other comprehensive income						
Profit for the year	**8,178**	**9,264**	**4,705**	**22,147**	**3,195**	**25,342**
Other comprehensive income, net of income taxes						
Items that can be subsequently reclassified to gains or losses:						
- (Loss) / gains on financial assets at fair value through other comprehensive income	-	-	(8,590)	(8,590)	-	(8,590)
Total comprehensive income for the year	**8,178**	**9,264**	**(3,885)**	**13,557**	**3,195**	**16,752**

5. SEGMENT REPORTING (Continued)

Statement of profit or loss and other comprehensive income by segment (Continued)

Year ended December 31, 2021	Corporate and Investment Banking BAM '000	Retail BAM '000	Other BAM '000	Total by segment reports BAM '000	Adjustments BAM '000	Total by financial statements BAM '000
Net interest income	**13,900**	**27,162**	**4,890**	**45,952**	**(2)**	**45,950**
Net fee and commission income	**3,634**	**10,788**	**(690)**	**13,732**	**4**	**13,736**
Dividend and profit sharing income	-	-	4	4	-	4
Net foreign gains / (losses) on translation of financial assets and liabilities	1,133	574	-	1,707	-	1,707
Total operating income	**18,667**	**38,524**	**4,204**	**61,395**	**2**	**61,397**
Personnel expenses	(1,216)	(6,676)	(9,115)	(17,007)	-	(17,007)
Tangible assets depreciation costs	(188)	(1,402)	(741)	(2,331)	(207)	(2,538)
Intangible assets amortisation costs	(127)	(874)	(701)	(1,702)	-	(1,702)
Other administrative expenses	(1,200)	(5,684)	(3,776)	(10,660)	(1,985)	(12,645)
Indirect and other allocated expenses	(3,806)	(9,844)	13,650	-	-	
Total operating expenses	**(6,537)**	**(24,480)**	**(683)**	**(31,700)**	**(2,192)**	**(33,892)**
Profit before impairment and provisions	**12,130**	**14,044**	**3,521**	**29,695**	**(2,190)**	**27,505**
Net loan impairment (losses) / recoveries	**(2,860)**	**(8,885)**	**(259)**	**(12,004)**	**390**	**(11,614)**
- Financial assets at amortised cost	(2,860)	(8,885)	(259)	(12,004)	881	(11,123)
- Financial assets at fair value through other comprehensive income	-	-	-	-	(491)	(491)
Provisions for risks and expenses	**(1,048)**	**(1,143)**	**49**	**(2,142)**	**3,108**	**966**
- Provisions for credit risk on commitments and financial guarantees given	(1,048)	(1,143)	-	(2,191)	3,108	917
- Long-term provisions for employees	-	-	49	49	-	49
Other operating income and expenses	176	884	(62)	998	(50)	948
Gains / (losses) on the sales of tangible assets	-	-	(532)	(532)	491	(41)
Profit before tax	**8,398**	**4,900**	**2,717**	**16,015**	**1,749**	**17,764**
Income tax expense	(761)	(444)	(246)	(1,451)	(135)	(1,586)
Profit for the year	**7,637**	**4,456**	**2,471**	**14,564**	**1,614**	**16,178**
Statement of other comprehensive income						
Profit for the year	**7,637**	**4,456**	**2,471**	**14,564**	**1,614**	**16,178**
Other comprehensive income, net of income taxes						
Items that can be subsequently reclassified to gains or losses:						
- (Losses) / gains on financial assets at fair value through other comprehensive income	-	-	749	749	-	749
Total comprehensive income for the year	**7,637**	**4,456**	**3,220**	**15,313**	**1,614**	**16,927**

Income and results per segment presented in the tables above (for the years ended December 31st, 2021 and 2020) represent income generated from products sold and services rendered to customers within these segments.

Segment profit represents the profit of each segment with included all allocated costs and revenues. The aforesaid is the criterion used for reporting to the managers in charge of key decision making for the purpose of allocating adequate resources to the segments and analysis of their results. The Bank's revenues from its core services are disclosed in detail in Notes 6 and 8 to the financial statements.

5. SEGMENT REPORTING (Continued)

Statement of financial position by segment

December 31, 2021	Corporate and Investment Banking BAM '000	Retail BAM '000	Other BAM '000	Total by segment reports BAM '000	Adjustments BAM '000	Total by financial statements BAM '000
Assets						
Cash and cash equivalents	-	-	170,265	170,265	(43)	170,222
Financial assets at fair value through other comprehensive income	-	-	241,987	241,987	-	241,987
Financial assets at amortised cost	503,469	528,325	195,880	1,227,674	(1,991)	1,225,683
- Obligatory reserve with the Central Bank	-	-	131,104	131,104	-	131,104
- Loans and receivables due from banks	-	-	64,776	64,776	(35)	64,741
- Loans and receivables due from customers	503,469	528,325		1,031,794	(1,956)	1,029,838
Tangible assets	-	-	21,217	21,217	654	21,871
Intangible assets	-	-	11,799	11,799	-	11,799
Current tax assets - pre-paid income tax	-	-	-	-	-	-
Deferred tax assets	-	-	593	593	(24)	569
Other assets	-	-	5,597	5,597	(653)	4,944
Total assets	**503,469**	**528,325**	**647,339**	**1,679,133**	**(2,058)**	**1,677,075**
Liabilities						
Financial liabilities at amortised cost	599,131	638,793	154,989	1,392,913	1,777	1,394,690
- Deposits and borrowings due to banks	-	-	154,989	154,989	-	154,989
- Deposits and borrowings due to customers	599,131	638,793	-	1,237,924	-	1,237,924
- Lease liabilities	-	-	-	-	1,777	1,777
Tax liabilities	-	-	931	931	-	931
- Current tax liabilities	-	-	385	385	-	385
- Deferred tax liabilities	-	-	546	546	-	546
Other liabilities	-	-	21,311	21,311	(1,971)	19,340
Provisions for liabilities and costs	-	-	5,057	5,057	474	5,531
- Provisions for credit risks and guarantees	-	-	3,402	3,402	280	3,682
- Long-term provisions for employees	-	-	169	169	194	363
- Provisions for litigations	-	-	1,486	1,486	-	1,486
Total liabilities	**599,131**	**638,793**	**182,287**	**1,420,211**	**281**	**1,420,492**
Equity and reserves						
Share capital	-	-	97,055	97,055	-	97,055
Share premium	-	-	373	373	-	373
Legal reserves	-	-	9,706	9,706	-	9,706
Capital reserves	-	-	43,001	43,001	-	43,001
Regulatory reserves for credit losses	-	-	(5,076)	(5,076)	-	(5,076)
Fair value reserves	-	-	(1,605)	(1,605)	(2,072)	(3,677)
Retained earnings	-	-	93,321	93,321	(3,462)	89,859
Net profit for the year	8,178	9,264	4,705	22,147	3,195	25,342
Total equity and reserves	**8,178**	**9,264**	**241,480**	**258,922**	**(2,339)**	**256,583**
Total liabilities, equity and reserves	**607,308**	**648,057**	**423,767**	**1,679,133**	**(2,058)**	**1,677,075**

Accounting policies of the reporting segments are identical to the Bank's accounting policies, and the differences presented in the "Adjustments" column refer to differences arising from the Decision on Credit Risk Management and Determining Expected Credit Losses, as explained in Note 2.1. compared to the requirements of the IFRS.

5. SEGMENT REPORTING (Continued)

Statement of financial position by segment (Continued)

December 31, 2020	Corporate and Investment Banking	Retail	Other	Total by segment reports	Adjustments	Total by financial statements
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Assets						
Cash and cash equivalents	-	-	251,140	251,140	(56)	251,084
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	240,348	240,348	-	240,348
Financial assets at amortised cost	465,562	472,490	189,868	1,127,920	(2,944)	1,124,976
- Obligatory reserve with the Central Bank	-	-	125,128	125,128	-	125,128
- Loans and receivables due from banks	-	-	64,740	64,740	(12)	64,728
- Loans and receivables due from customers	465,562	472,490	-	938,052	(2,932)	935,120
Tangible assets	-	-	22,883	22,883	842	23,725
Intangible assets	-	-	11,551	11,551	-	11,551
Current tax assets	-	-	1,089	1,089	-	1,089
Deferred tax assets	-	-	294	294	(134)	160
Other assets	-	-	5,916	5,916	(843)	5,073
Total assets	**465,562**	**472,490**	**723,089**	**1,661,141**	**(3,135)**	**1,658,006**
Liabilities						
Financial liabilities at amortised cost	539,414	570,897	259,447	1,369,758	2,406	1,372,164
- Deposits and borrowings due to banks	-	-	259,447	259,447	-	259,447
- Deposits and borrowings due to customers	539,414	570,897	-	1,110,311	-	1,110,311
- Lease liabilities	-	-	-	-	2,406	2,406
Tax liabilities	-	-	557	557	-	557
- Current tax liabilities	-	-	273	273	(273)	-
- Deferred tax liabilities	-	-	284	284	273	557
Other liabilities	-	-	28,709	28,709	(2,600)	26,109
Provisions for liabilities and costs	-	-	4,045	4,045	520	4,565
- Provisions for credit risks and guarantees	-	-	2,386	2,386	327	2,713
- Long-term provisions for employees	-	-	173	173	193	366
- Provisions for litigations	-	-	1,486	1,486	-	1,486
Total liabilities	**539,414**	**570,897**	**292,757**	**1,403,068**	**327**	**1,403,395**
Equity and reserves						
Share capital	-	-	97,055	97,055	-	97,055
Share premium	-	-	373	373	-	373
Legal reserves	-	-	9,706	9,706	-	9,706
Capital reserves	-	-	42,897	42,897	-	42,897
Regulatory reserves for credit losses	-	-	-	-	(5,076)	(5,076)
Fair value reserves	-	-	5,133	5,133	-	5,133
Retained earnings	-	-	88,345	88,345	-	88,345
Net profit for the year	7,637	4,456	2,471	14,564	1,614	16,178
Total equity and reserves	**7,637**	**4,456**	**245,980**	**258,073**	**(3,462)**	**254,611**
Total liabilities, equity and reserves	**547,051**	**575,353**	**538,737**	**1,661,141**	**(3,135)**	**1,658,006**

6. INTEREST INCOME AND SIMILAR INCOME

a) Breakdown by type of financial asset

	Debt securities 2021 BAM '000	Loans 2021 BAM '000	Total 2021 BAM '000	Total 2020 BAM '000
1. Financial assets at fair value through other comprehensive income	8,657	-	8,657	7,736
2. Financial assets at amortised cost	-	45,937	45,937	47,137
- Loans and receivables due from banks	-	223	223	348
- Loans and receivables due from customers	-	45,714	45,714	46,789
Total	**8,657**	**45,937**	**54,594**	**54,873**
Of which: interest income on non-performing portfolio	-	664	664	526

b) Breakdown by sectors

	2021 BAM '000	Year ended December 31, 2020 BAM '000
Private individuals	27,904	28,533
Companies and entrepreneurs	10,010	9,856
Banks	223	348
Public sector	16,457	16,136
	54,594	**54,873**

7. INTEREST EXPENSES AND SIMILAR EXPENSES

a) Breakdown by type of financial liabilities

	Debt securities 2021 BAM '000	Loans 2021 BAM '000	Total 2021 BAM '000	Total 2020 BAM '000
Financial liabilities at amortised cost				
- Deposits and borrowings due to banks	2,647	317	2,964	2,691
- Deposits and borrowings due to customers	5,392	698	6,090	6,232
Total	**8,039**	**1,015**	**9,054**	**8,923**

b) Breakdown by sectors

	2021 BAM '000	Year ended December 31, 2020 BAM '000
Private individuals	3,069	3,144
Companies and entrepreneurs	1,884	1,574
Banks	2,964	2,691
Public sector	282	243
Other organisations	855	1,271
Total	**9,054**	**8,923**

8. FEE AND COMMISSION INCOME

	2021 BAM '000	Year ended December 31, 2020 BAM '000
Domestic payment transactions	7,389	6,976
Card operations	3,200	2,745
Payment of foreign pensions and remittances of individuals	1,941	1,854
Foreign payment transactions	2,076	1,732
Issuance of guarantees and other sureties	1,618	1,397
Foreign exchange spot trading gains and cash operations	1,241	1,031
Loan origination fees	1,032	847
Other fees and commissions	391	628
	18,888	**17,210**

9. FEE AND COMMISSION EXPENSES

	2021 BAM '000	Year ended December 31, 2020 BAM '000
Card operations	2,613	2,185
Domestic payment transactions	735	631
Foreign payment transactions	204	198
Loan origination / processing fees	194	128
Cash operations	14	28
Other fees and commissions	349	304
	4,109	**3,474**

10. DIVIDEND AND PROFIT-SHARING INCOME

	2021 BAM '000	Year ended December 31, 2020 BAM '000
Dividend income	4	4
	4	**4**

11. FOREIGN EXCHANGE GAINS UPON TRANSLATION OF MONETARY ASSETS AND LIABILITIES

	2021 BAM '000	Year ended December 31, 2020 BAM '000
Net foreign exchange gains upon translation of monetary assets and liabilities	2,078	1,707
	2,078	**1,707**

12. PERSONNEL EXPENSES

	Year ended December 31, 2021 BAM '000	2020 BAM '000
Fixed payments - gross salaries	14,257	13,874
Other personnel costs	1,802	1,625
Variable payments - bonuses	1,365	854
Severance pays and retirement benefits	63	482
Other costs (service contracts)	193	172
Total personnel expenses	**17,680**	**17,007**

Personnel expenses include contributions for pension and disability insurance paid in 2021 in the amount of BAM 3,311 thousand (2020: BAM 3,399 thousand).

13. OTHER ADMINISTRATIVE EXPENSES

	Year ended December 31, 2021 BAM '000	2020 BAM '000
Information & communication technology expenses	4,291	4,281
Sundry operating expenses	3,296	2,916
Real estate expenses	1,029	1,176
Consulting & professional services	1,639	1,567
Security and cash management	1,089	1,120
Advertising & marketing expenses	340	374
Back office expenses	606	545
Other personnel expenses	199	223
Indirect taxes and contributions	280	266
Loans collection	263	177
	13,032	**12,645**

14. NET IMPAIRMENT LOSSES / REVERSAL GAINS AND LOSS ALLOWANCES FOR CREDIT RISK

	Year ended December 31, 2021 BAM '000	2020 BAM '000
Financial assets at fair value through other comprehensive income	(2,147)	491
Loans and receivables due from banks	(373)	277
Loans and receivables due from customers (Note 21)	4,496	10,897
Other assets	26	(51)
	2,002	**11,614**

15. PROVISIONS FOR RISKS AND EXPENSES

	Year ended December 31, 2021 BAM '000	2020 BAM '000
Provisions for credit risk per commitments and guarantees	969	(917)
Long-term provisions for employees	(4)	(49)
	965	**(966)**

15.a GAINS/LOSSES FROM PROPERTY AND EQUIPMENT

	Year ended December 31,	
	2021 BAM '000	**2020 BAM '000**
Gains / (Losses) from change in value of real estate used in business, held at fair value	(4)	(65)
Gains / (Losses) from change in value of SMI (reduction in value and reduction to technical value)	(557)	-
Gains / (Losses) from sale of equipment held at amortised cost	21	2
Gains / (Losses) from sale of SMI	2 296	22
	1,756	**(41)**

15.b OTHER OPERATING INCOME AND EXPENSES

	Year ended December 31,	
	2021 BAM '000	**2020 BAM '000**
Income from collection of accounting write-offs of receivables in accordance with BARS decision		
- principal	1,434	935
- interest and fees	40	51
- enforced collection and other expenses	(19)	(16)
Other income / (expenses)	(18)	(22)
	1,437	**948**

16. INCOME TAX

Income tax charged to the statement of profit or loss comprises current and deferred taxes.

a) Income tax expense recognised within the statement of profit or loss

	Year ended December 31,	
	2021 **BAM '000**	**2020** **BAM '000**
Current income tax expense	1,863	1,478
Deferred income tax (Note 27)	(407)	108
Total	**1,456**	**1,586**

b) Reconciliation of the income tax expenses

	Year ended December 31,	
	2021 **BAM '000**	**2020** **BAM '000**
Profit before tax	**26,798**	**17,764**
Income tax at the rate of 10%	2,680	1,776
Decrease of income tax for tax-exempt income	(847)	(820)
Increase of income tax for impairment losses on loans and other assets which are not deductible for tax purposes	25	417
Increase of income tax for other expenses not deductible for tax purposes	5	105
Gain / (loss) on deferred tax	(407)	108
Income tax expense	**1,456**	**1,586**
Average effective income tax rate	**5,43%**	**8,93%**

The effective tax regulations stipulate expenses and income recognised for the purpose of taxable income calculation, as well as the amount of impairment losses on loans deductible for tax purposes to the maximum amount that is prescribed by the Banking Agency of the Republika Srpska for credit risk levels 2 and 3.

17. CASH AND CASH EQUIVALENTS

	Year ended December 31,	
	2021 **BAM '000**	**2020** **BAM '000**
Cash in the local currency	102,495	120,205
Funds held with the Central Bank - gyro account	67,727	130,879
Cash in foreign currencies	-	-
	170,222	**251,084**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

a) Financial assets at fair value through other comprehensive income by type

	Year ended December 31,	
	2021 BAM '000	2020 BAM '000
Equity securities		
Other domestic companies	236	240
Foreign companies	8	8
	244	**248**
Quoted	-	-
Unquoted	244	248
	244	**248**
Debt securities		
Bonds of the Republic of Srpska	241,743	240,100
	241,743	**240,100**
Quoted	241,743	240,100
Unquoted	-	-
	241,743	**240,100**
Total financial assets at fair value through other comprehensive income	**241,987**	**240,348**

b) Breakdown of the financial assets at fair value through other comprehensive income by level of fair value

	Level 1 BAM '000	Level 2 BAM '000	Level 3 BAM '000	Total BAM '000
December 31, 2021				
Equity securities	-	-	244	244
Bonds of the Republic of Srpska	-	241,743	.-	241,743
Total	**-**	**241,743**	**244**	**241,987**
December 31, 2020				
Equity securities	-	-	248	248
Bonds of the Republic of Srpska	-	240,100	-	240,100
Total	**-**	**240,100**	**248**	**240,348**

Even though the bonds of the Republika Srpska are listed on the Stock Exchange, based on the information on trading volumes they do now qualify for Level 1 hierarchy, but are rather classified into hierarchy Level 2, in fair value hierarchy.

c) External rating of debt securities

As for the external rating of debt securities, the external credit rating of the state of Bosnia and Herzegovina was applied. Based on their analysis from August of 2021, the Agency for Credit Rating Standard & Poor's confirmed the sovereign credit rating for Bosnia and Herzegovina as "B with Stable Outlook". In August of 2021, Moody's Investors Service confirmed the sovereign credit rating for Bosnia and Herzegovina as "B 3 / Stable Outlook".

Debt securities are classified into exposures allocated to credit risk level 1 and expected credit losses are determined accordingly.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

c) External rating of debt securities (continued)

Debt instruments at fair value through other comprehensive income (FVOCI)

		December 31, 2021			December 31, 2020
Gross exposure	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Internal valuation level					
Performing					
Low risk	241,743	-	-	241,743	240,100
Medium risk	-	-	-	-	-
High risk	-	-	-	.-	-
Non-performing					
Default exposure	-	-	-	-	-
Total	**241,743**	**-**	**-**	**241,743**	**240,100**

Gross exposure movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Gross book value on January 1, 2021	**240,100**	**-**	**-**	**240,100**
New funding	48,838	-	-	48,838
Assets no longer recognised (excluding write-offs)	-	-	-	-
Changes in fair value	(6,315)	-	-	(6,315)
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Repaid assets	(39,985)	-	-	(39,985)
Amounts written-off	-	-	-	-
Other changes	(895)	-	-	(895)
On December 31, 2021	**241,743**	**-**	**-**	**241,743**

Loss allowance movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Loss allowance due to ECL on January 1, 2021	**2,524**	**-**	**-**	**2,524**
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Impairment (Note 18)	(2,147)	-	-	(2,147)
On December 31, 2021	**377**	**-**	**-**	**377**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

c) External rating of debt securities (continued)

Debt instruments at fair value through other comprehensive income (FVOCI) (Continued)

Gross exposure movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Gross book value on January 1, 2020	**218,646**	**-**	**-**	**218,646**
New funding	36,141	-	-	36,141
Assets no longer recognised (excluding write-offs)	-	-	-	-
Changes in fair value	(32)	-	-	(32)
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Repaid assets	(14,507)	-	-	(14,507)
Amounts written-off	-	-	-	-
Other changes	(148)	-	-	(148)
On December 31, 2020	**240,100**	**-**	**-**	**240,100**
Loss allowance movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Loss allowance due to ECL on January 1, 2021	**2,033**	**-**	**-**	**2,033**
Effects of the first application of the BARS Decision on January 1, 2020	-	-	-	-
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Impairment (Note 18)	491	-	-	491
On December 31, 2020	**2,524**	**-**	**-**	**2,524**

19. OBLIGATORY RESERVE WITH THE CENTRAL BANK

	December 31, 2021 BAM '000	**December 31, 2020 BAM '000**
Obligatory reserve with the Central Bank in domestic currency	131,312	125,444
Cash impairment	(208)	(316)
	131,104	**125,128**

The Central Bank of Bosnia and Herzegovina (the "Central Bank") has prescribed a method for calculating and maintaining obligatory reserves, as well as the amount and manner of payment of fees for the amount of obligatory reserve and on the amount of funds in excess of the obligatory reserve held on the account with the Central Bank.

The basis for the calculation of the obligatory reserve is the average amount of deposits and borrowed funds in BAM, in BAM with a foreign currency clause, and foreign currencies (denominated in BAM, at the exchange rate of the Central Bank effective over the calculation period). The basis for calculation of the obligatory reserve excludes deposits placed with the Bank by domestic banks and domestic banks in bankruptcy.
Obligatory reserve rate of 10% is applied to the above said basis amount.

On the amount of obligatory reserve funds the Central Bank has charged a fee of 0% until 31 May 2021, however, since 1 Jun 2021, it has started to charge a fee on the amount of obligatory reserve funds in local currency with a foreign currency clause and in foreign currencies, at the rate applied by the European Central Bank on deposits of commercial banks (Deposit Facility Rate) of 0.6%, whilst no fee is charged on obligatory reserve funds in BAM.

The Central Bank calculated the fee on the amount of funds in excess of the obligatory reserve at the rate applied by the European Central Bank on deposits of commercial banks (Deposit Facility Rate).
The rate of this fee throughout 2021 equated to: 0.5%.

19. OBLIGATORY RESERVE WITH THE CENTRAL BANK (Continued)

	December 31, 2021				December 31, 2020
Gross exposure	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Internal valuation level					
Performing					
Low risk	131,312	-	-	131,312	125,444
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Non-performing					
Default exposure	-	-	-	-	-
Total	**131,312**	**-**	**-**	**131,312**	**125,444**

Gross exposure movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Gross book value on January 1, 2021	**125,444**	**-**	**-**	**125,444**
New funding	3,553,795	-	-	3,553,795
Assets no longer recognised (excluding write-offs)	-	-	-	-
Changes in fair value	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Repaid assets	(3,547,927)	-	-	(3,547,927)
Amounts written-off	-	-	-	-
Other changes	-	-	-	-
On December 31, 2021	**131,312**	**-**	**-**	**131,312**

Loss allowance movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Loss allowance due to ECL on January 1, 2021	**316**	**-**	**-**	**316**
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Impairment (Note 19)	(108)	-	-	(108)
On December 31, 2021	**208**	**-**	**-**	**208**

19. OBLIGATORY RESERVE WITH THE CENTRAL BANK (Continued)

Gross exposure movements	Level 1	Level 2	Level 3	Total
Gross book value on January 1, 2020	**127,484**	**-**	**-**	**127,484**
New funding	2,971,482	-	-	2,971,482
Assets no longer recognised (excluding write-offs)	-	-	-	-
Changes in fair value	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-		-	-
Repaid assets	(2,973,522)	-	-	(2,973,522)
Amounts written-off	-	-	-	-
Other changes	-	-	-	-
On December 31, 2020	**125,444**	**-**	**-**	**125,444**

Loss allowance movements	Level 1	Level 2	Level 3	Total
Loss allowance due to ECL on January 1, 2020	**468**	**-**	**-**	**468**
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Impairment (Note 19)	(152)	-	-	(152)
On December 31, 2020	**316**	**-**	**-**	**316**

20. LOANS AND RECEIVABLES DUE FROM BANKS

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Loans to foreign banks	48,896	48,896
Loans to domestic banks	16,005	16,006
Impairment allowance of placements to banks	(160)	(174)
	64,741	**64,728**

Of loans and receivables due from banks totalling BAM 64,741 thousand as of December 31, 2021, the amount of BAM 16,000 thousand relates to loans and receivables due from related banks (December 31, 2020: BAM 16,000 thousand).

	December 31, 2021				December 31, 2020
Gross exposure	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Internal valuation level					
Performing					
Low risk	64,901	-	-	64,901	64,902
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Non-performing					
Default exposure	-	-	-	-	-
Total	**64,901**	**-**	**-**	**64,901**	**64,902**

20. LOANS AND RECEIVABLES DUE FROM BANKS (Continued)

Gross exposure movements	Level 1	Level 2	Level 3	Total
Gross book value on January 1, 2021	**64,902**	**-**	**-**	**64,902**
New funding	5,078,878	-	-	5,078,878
Assets no longer recognised (excluding write-offs)	-	-	-	-
Changes in fair value	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Repaid assets	(5,078,879)	-	-	(5,078,879)
Amounts written-off	-	-	-	-
Other changes	-	-	-	-
On December 31, 2021	**64,901**	**-**	**-**	**64,901**

Loss allowance movements	Level 1	Level 2	Level 3	Total
Loss allowance due to ECL on January 1, 2021	**174**	**-**	**-**	**174**
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Impairment (Note 20)	(14)	-	-	(14)
On December 31, 2021	**160**	**-**	**-**	**160**

Gross exposure movements	Level 1	Level 2	Level 3	Total
Gross book value on January 1, 2020	**45,343**	**-**	**-**	**45,343**
New funding	2,356,954	-	-	2,356,954
Assets no longer recognised (excluding write-offs)	-	-	-	-
Changes in fair value	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Repaid assets	(2,337,395)	-	-	(2,337,395)
Amounts written-off	-	-	-	-
Other changes	-	-	-	-
On December 31, 2020	**64,902**	**-**	**-**	**64,902**

Loss allowance movements	Level 1	Level 2	Level 3	Total
Loss allowance due to ECL on January 1, 2021	**133**	**-**	**-**	**133**
Effects of the first application of the BARS Decision on January 1, 2020	50	-	-	50
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	-	-	-	-
Transfers to Level 2	-	-	-	-
Transfers to Level 3	-	-	-	-
Re-classification effects	(108)	-	-	(108)
Impairment (Note 20)	99	-	-	99
On December 31, 2020	**174**	**-**	**-**	**174**

21. LOANS AND RECEIVABLES DUE FROM CLIENTS

a) Breakdown by product

	December 31, 2021	December 31, 2021
	BAM '000	BAM '000
Corporate customers		
- in BAM	365,385	294,108
- in foreign currencies	14,030	25,411
- with a foreign currency clause	190,033	199,378
Total gross	**569,448**	**518,897**
Impairment allowance of loans	(14,459)	(18,263)
	554,989	**500,634**
Retail customers		
- in BAM	333,573	250,585
- in foreign currencies	-	-
- with a foreign currency clause	170,204	212,613
Total gross	**503,777**	**463,198**
Impairment allowance of loans	(28,928)	(28,712)
	474,849	**434,486**
Total gross loans	**1,073,225**	**982,095**
Total net loans	**1,029,838**	**935,120**

b) Movements on impairment allowance of loans and interest

	Loans Corporate BAM '000	Loans Retail BAM '000	Interest Corporate BAM '000	Interest Retail BAM '000	Total BAM '000
Balance at January 1, 2020	**13,200**	**21,461**	**101**	**237**	**73,327**
First implementation of BARS decision	3,199	1,149	6	1	**4,355**
Net losses/(recoveries) recognized in the statement of profit or loss (Note 14)	2,601	8,231	107	(42)	**10,897**
Accounting write-offs	(973)	(2,383)	-	-	**(3,356)**
Permanent write-offs and rounding	1	(23)	21	81	**80**
Balance at December 31, 2020	**18,028**	**28,435**	**235**	**277**	**46,975**
Net losses/(recoveries) recognized in the statement of profit or loss (Note 14)	1,267	3,279	(42)	(8)	4,496
Accounting write-offs	(3,942)	(3,000)	(48)	(51)	(7,041)
Permanent write-offs and rounding	(1,057)	(61)	18	57	(1,043)
Balance at December 31, 2021	**14,296**	**28,653**	**163**	**275**	**43,387**

21. LOANS AND RECEIVABLES DUE FROM CLIENTS (Continued)

Loans and receivables due from clients at amortised cost

a) Legal entities

	December 31, 2021				December 31, 2020
Gross exposure	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Internal valuation level					
Performing	**519,311**	**48,651**	**-**	**567,962**	**512,228**
Low risk	519,311			519,311	429,272
Medium risk	-	48,651	-	48,651	82,956
High risk	-	-	-	-	-
Non-performing	**-**	**-**	**1,486**	**1,486**	**6,669**
Default exposure	-	-	1,486	1,486	6,669
Total	**519,311**	**48,651**	**1,486**	**569,448**	**518,897**

Gross exposure movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Gross book value on January 1, 2021	**429,273**	**82,956**	**6,668**	**518,897**
New funding	193,770	26,123	93	219,986
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	19,896	(19,896)	-	-
Transfers to Level 2	(3,519)	3,776	(257)	-
Transfers to Level 3	(101)	-	101	-
Repaid assets	(120,008)	(44,308)	(1,889)	(166,205)
Amounts written-off	-	-	(3,230)	(3,230)
Other changes	-	-	-	-
On December 31, 2021	**519,311**	**48,651**	**1,486**	**569,448**

Loss allowance movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Loss allowance due to ECL on January 1, 2021	**2,255**	**9,596**	**6,412**	**18,263**
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	55	(55)	-	-
Transfers to Level 2	(177)	306	(129)	-
Transfers to Level 3	(101)	-	101	-
Impairment (Note 21)	1,330	(209)	(1,695)	(574)
Amounts written-off	-	-	(3,230)	(3,230)
On December 31, 2021	**3,362**	**9,638**	**1,459**	**14,459**

21. LOANS AND RECEIVABLES DUE FROM CLIENTS (Continued)

Loans and receivables due from clients at amortised cost (Continued)

a) Legal entities (Continued)

Gross exposure movements				
	Level 1	Level 2	Level 3	Total
Gross book value on January 1, 2020	**477,811**	**70,823**	**7,968**	**556,602**
New funding	119,982	44,390	-	164,372
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	8,458	(8,458)	-	-
Transfers to Level 2	(22,650)	22,650	-	-
Transfers to Level 3	-	(81)	81	-
Repaid assets	(154,328)	(46,368)	(430)	(201,126)
Amounts written-off	-	-	(951)	(951)
Other changes	-	-	-	-
On December 31, 2020	**429,273**	**82,956**	**6,668**	**518,897**

Loss allowance movements				
	Level 1	Level 2	Level 3	Total
Loss allowance due to ECL on January 1, 2020	**570**	**4,783**	**7,948**	**13,301**
Effects of the first application of the BARS Decision on January 1, 2020	1,358	1,845	-	3,203
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	34	(34)	-	-
Transfers to Level 2	(2,880)	2,880	-	-
Transfers to Level 3	-	(81)	81	-
Impairment (Note 21)	3,173	203	(666)	2,710
Amounts written-off	**-**	**-**	**(951)**	**(951)**
On December 31, 2020	**2,255**	**9,596**	**6,412**	**18,263**

b) Retail customers - private individuals

Gross exposure	December 31, 2021				December 31, 2020
	Level 1	Level 2	Level 3	Total	Total
Gross exposure					
Internal valuation level	**448,440**	**38,297**	**-**	**486,737**	**445,062**
Performing	448,440	-	-	448,440	402,498
Low risk	-	38,297	-	38,297	42,564
Medium risk	-	-	-	-	-
High risk	**-**	**-**	**17,040**	**17,040**	**18,136**
Non-performing	-	-	17,040	17,040	18,136
Default exposure	**448,440**	**38,297**	**17,040**	**503,777**	**463,198**
Total					

Gross exposure movements				
	Level 1	Level 2	Level 3	Total
Gross book value on January 1, 2021	**402,498**	**42,564**	**18,136**	**463,198**
New funding	164,127	13,483	571	178,181
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	12,529	(12,525)	(4)	-
Transfers to Level 2	(8,855)	10,295	(1,440)	-
Transfers to Level 3	(2,675)	(2,805)	5,480	-
Repaid assets	(119,184)	(12,715)	(752)	(132,651)
Amounts written-off	-	-	(4,951)	(4,951)
Other changes	-	-	-	-
On December 31, 2021	**448,440**	**38,297**	**17,040**	**503,777**

21. LOANS AND RECEIVABLES DUE FROM CLIENTS (Continued)

Loans and receivables due from clients at amortised cost (Continued)

b) Retail customers - private individuals (Continued)

Loss allowance movements	Level 1	Level 2	Level 3	Total
Loss allowance due to ECL on January 1, 2021	**7,131**	**5,142**	**16,439**	**28,712**
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	255	(255)	-	-
Transfers to Level 2	(996)	1,099	(103)	-
Transfers to Level 3	(1,985)	(2,282)	4,267	-
Impairment (Note 21)	4,160	1,324	(317)	5,167
Amounts written-off	-	-	(4,951)	(4,951)
On December 31, 2021	**8,565**	**5,028**	**15,335**	**28,928**

Loans and receivables from clients at amortised costs analysed by industry are presented in the following table:

Gross exposure movements	Level 1	Level 2	Level 3	Total
Gross book value on January 1, 2020	**442,245**	**46,015**	**16,255**	**504,515**
New funding	69,206	5,294	-	74,500
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	11,795	(11,794)	(1)	-
Transfers to Level 2	(16,240)	17,322	(1,082)	-
Transfers to Level 3	(9,408)	(3,659)	7,126	(5,941)
Repaid assets	(95,100)	(10,614)	(1,781)	(107,495)
Amounts written-off	-	-	(2,381)	(2,381)
Other changes	-	-	-	-
On December 31, 2020	**402,498**	**42,564**	**18,136**	**463,198**

Loss allowance movements	Level 1	Level 2	Level 3	Total
Loss allowance due to ECL on January 1, 2020	**3,744**	**4,384**	**13,570**	**21,698**
Effects of the first application of the BARS Decision on January 1, 2020	430	469	250	1,149
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	248	(248)		-
Transfers to Level 2	(1,920)	2,013	(93)	-
Transfers to Level 3	(2,926)	(3,187)	6,113	-
Impairment (Note 21)	7,555	1,711	(1,020)	8,246
Amounts written-off	-	-	(2,381)	(2,381)
On December 31, 2020	**7,131**	**5,142**	**16,439**	**28,712**

22. TANGIBLE ASSETS

Tangible assets comprise:

	December 31, 2021 '000 KM	December 31, 2020 '000 KM
Property used for own business purposes	**21,505**	**22,802**
- Land and buildings	15,101	14,338
- Equipment and other assets	2,419	3,026
- Investment in progress	1,613	2,233
- Leasehold improvements	654	843
- Assets with right of usage	1,718	2,362
Property acquired in process of receivable collection - held for sale	**366**	**923**
Total tangible assets	**21,871**	**23,725**

Changes in property used for own business purposes are provided in the table below:

	Land and buildings '000 KM	Equipment and other assets '000 KM	Assets in progress '000 KM	Leasehold improvements '000 KM	Assets with right of usage '000 KM	Total tangible assets '000 KM
Cost						
Balance at January 1, 2020	**28,591**	**18,120**	**1,359**	**3,126**	**3,679**	**54,875**
Fair value estimate	251	-	-	-	-	251
Additions		-	1,442	-	-	1,442
Transfers	5	563	(568)	-	-	-
Sales, write-offs and rounding	(321)	(388)	-	(148)	(58)	(915)
Balance at December 31, 2020	**28,526**	**18,295**	**2,233**	**2,978**	**3,621**	**55,653**
Balance at January 1, 2021	**28,526**	**18,295**	**2,233**	**2,978**	**3,621**	**55,653**
Fair value estimate	(115)	-	-	-	-	(115)
Additions	-	-	1,922	10	-	1,932
Transfers	2,073	466	(2,539)	-	-	-
Sales, write-offs and rounding	(1,892)	(419)	(3)	-	-	(2,314)
Balance at December 31, 2021	**28,592**	**18,342**	**1,613**	**2,988**	**3,621**	**55,156**
Accumulated depreciation						
Balance at January 1, 2020	**13.836**	**14,494**	**-**	**2,076**	**627**	**31,033**
Charge for the year	519	1,163	-	207	649	2,538
Sales, write-offs and rounding	(167)	(388)	-	(148)	(17)	(720)
Balance at December 31, 2020	**14,188**	**15,269**	**-**	**2,135**	**1,259**	**32,851**
Balance at January 1, 2021	**14,188**	**15,269**	**-**	**2,135**	**1,259**	**32,851**
Charge for the year	520	1,073	-	199	644	2,436
Sales, write-offs and rounding	(1,217)	(419)	-	-	-	(1,636)
Balance at December 31, 2021	**13,491**	**15,923**	**-**	**2,334**	**1,903**	**33,651**
Net book value:						
Balance at December 31, 2020	**14,338**	**3,026**	**2,233**	**843**	**2,362**	**22,802**
Balance at December 31, 2021	**15,101**	**2,419**	**1,613**	**654**	**1,718**	**21,505**

22. TANGIBLE ASSETS (Continued)

The carrying value of non-depreciable land within the class of land and buildings amounted to BAM 3,202 thousand (2020: BAM 3,308 thousand).

Assets in progress in the amount of BAM 1,613 thousand as of December 31, 2021 (December 31, 2020: BAM 2,233 thousand) relate to real estate reconstruction and equipment not yet placed into use.

The positive effects of the revaluation of the Bank's real estate are recorded within the revaluation reserves in the capital and from Dec 31, 2021: BAM 2,469 thousand gross (2020: BAM 2,843 thousand), i.e. BAM 2,22 thousand net of taxes (2020: BAM 2,559 thousand), and deferred tax liability amounts to BAM 247 thousand (2020: BAM 284 thousand).
Negative effects of the revaluation are recorded as an impairment loss in the income statement and during 2021 this expense was recorded in the amount of BAM 4 thousand (2020: BAM 65 thousand).

As at December 31, 2021 the Bank has registered one pledge in favour of the pledgee of the Government of Republika Srpska on the basis of the loan "IFAD 449 BA PROJECT_IFAD 772-BA". Liabilities under this loan amounted to BAM 206 thousand as of December 31, 2021 (December 31, 2020: BAM 244 thousand).

Except for the above pledge the Bank had no other mortgages assigned on property and equipment as at December 31, 2021.

Property acquired in the process of loan collection

Property acquired in the process of loan collection comprises real estate and equipment. The manner of valuation of this property is described in point 3.7.

	December 31, 2021 '000 KM	December 31, 2020 '000 KM
Real estate	**366**	**923**

23. INTANGIBLE ASSETS

	Software '000 KM	Other '000 KM	Investments in progress '000 KM	Total intangible assets '000 KM
Cost				
Balance as at January 1, 2020	**22,517**	**5,527**	**5,658**	**33,702**
Additions	-	-	2,722	**2,722**
Transfers	3,932	678	(4,610)	**-**
Sales, write-offs and rounding	(2,906)	(4,682)	-	**(7,588)**
Balance at December 31, 2020	**23,543**	**1,523**	**3,770**	**28,836**
Balance at January 1, 2021	**23,543**	**1,523**	**3,770**	**28,836**
Additions	-	-	2,929	**2,929**
Transfers	2,250	410	(2,660)	**-**
Sales, write-offs and rounding	-	-	-	**-**
Balance at December 31, 2021	**25,793**	**1,933**	**4,039**	**31,765**
Accumulated amortisation				
Balance as at January 1, 2020	**18,091**	**5,081**	**-**	**23,172**
Charge for the year	1,388	314	-	**1,702**
Sales, write-offs and rounding	(2,906)	(4,683)	-	**(7,589)**
Balance at December 31, 2020	**16,573**	**712**	**-**	**17,285**
Balance at January 1, 2021	**16,573**	**712**	**-**	**17,285**
Charge for the year	2,164	517	-	2,681
Sales, write-offs and rounding	-	-	-	-
Balance at December 31, 2021	**18,737**	**1,229**	**-**	**19,966**
Net book value:				
Balance at December 31, 2020	**6,970**	**811**	**3,770**	**11,551**
Balance at December 31, 2021	**7,056**	**704**	**4,039**	**11,799**

Intangible assets - investments in progress amounting to BAM 4,039 thousand as of December 31, 2021 (December 31, 2020: BAM 3,770 thousand) relate to the software and other intangible assets not yet placed into use.

As at December 31, 2021, the Bank had no internally generated intangible assets.

24. OTHER ASSETS

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Fee receivables in the local currency	146	132
Receivables for employee salaries	491	1,283
Receivables from card operations	3,305	2,508
Receivables per cheque payments	-	-
Receivables from operating activities	318	297
Receivables from sale of NPEs	52	-
Other receivables	1,151	1,348
	5,463	5,568
Impairment allowance	(519)	(495)
Total other assets	**4,944**	**5,073**

Movements of impairment allowance for other assets

	Total BAM '000
Balance as at January 1, 2020	**1,022**
First application of BARS decision	4
Net losses / (recoveries) recognised in the statement of profit or loss (Note 14)	(51)
Accounting write-offs	(438)
Write-offs, transfers and rounding	(42)
Balance at December 31, 2020	**495**
Net losses / (recoveries) recognised in the statement of profit or loss (Note 14)	26
Accounting write-offs	-
Write-offs, transfers and rounding	(2)
Balance at December 31, 2021	**519**

25. DEPOSITS AND BORROWINGS DUE TO BANKS

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Demand deposits		
- in BAM	14	13
- in foreign currencies	132	-
	146	**13**
Term deposits		
- in BAM	16,678	16,309
- in foreign currencies	116,372	208,577
	133,050	**224,886**
Total deposits	**133,196**	**224,899**
Borrowings		
- in foreign currencies	21,793	34,548
Total borrowings	**21,793**	**34,548**
Total deposits and borrowings due to banks	**154,989**	**259,447**

Deposits and borrowings due to banks include the amount of BAM 133,064 thousand (December 31, 2020: BAM 224,899 thousand), which pertains to the deposits and borrowings due to related parties.

26. DEPOSITS AND BORROWINGS DUE TO CUSTOMERS

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
LEGAL ENTITIES (CORPORATE CUSTOMERS) AND ENTREPRENEURS		
Demand deposits		
- in BAM	380,909	309,237
- in foreign currencies	90,572	60,072
	471,481	**369,309**
Term deposits		
- in BAM	49,042	33,526
- with a foreign currency clause	99,900	139,240
- in foreign currencies	14,824	17,677
	163,766	**190,443**
Total deposits due to legal entities and entrepreneurs	**635,247**	**559,752**
RETAIL CUSTOMERS - PRIVATE INDIVIDUALS		
Demand deposits		
- in BAM	230,846	196,209
- with a foreign currency clause	103	67
- in foreign currencies	118,190	99,241
	349,139	295,517
Term deposits		
- in BAM	84,527	77,271
- with a foreign currency clause	63	39
- in foreign currencies	112,537	122,296
	197,127	199,606
Total deposits due to private individuals	**546,266**	**495,123**
TOTAL DEPOSITS	**1,181,513**	**1,054,875**
Borrowings due to customers		
- in BAM	-	-
- with a foreign currency clause	56,411	55,436
- in foreign currencies	-	-
Total borrowings due to customers	**56,411**	**55,436**
Total deposits and borrowings due to customers	**1,237,924**	**1,110,311**

26. a) LEASE LIABILITIES

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Lease liabilities to legal entities	815	1,048
Lease liabilities to private individuals	962	1,358
Total lease liabilities	**1,777**	**2,406**

27. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities, net of tax

Deferred taxes are calculated for temporary differences according to the balance sheet liability method using the legally prescribed income tax rate of 10% (2020: 10%).

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Deferred tax assets		
Deferred tax assets from re-allocation of CPI fees from previous years	127	160
Deferred tax assets from differences in methods of depreciation calculation and depreciation rates	-	-
Deferred tax assets from different tax treatment of ECL for ST1 loans	442	-
	569	**160**
Deferred tax liabilities		
Deferred tax liabilities from differences in methods of depreciation calculation and depreciation rates	299	273
Deferred tax liabilities based on change of real estate fair value	247	284
	546	**557**
Deferred tax assets / liabilities - net	**23**	**(397)**

Movements of deferred taxes

	Deferred tax assets BAM '000	Deferred tax liabilities BAM '000
Balance at January 1, 2020	**6**	**263**
Gain / (Loss) on the decrease in deferred tax assets in respect of the differences in the depreciation method and different depreciation rates in the profit or loss	(6)	273
Gain / (loss) from increase in deferred tax assets in respect of allocation of CPI fees from previous years	160	-
Increase / (decrease) in deferred tax assets/liabilities in respect of changes in fair value	-	21
Balance at December 31, 2020	**160**	**557**
Balance at January 1, 2021	**160**	**557**
Loss / (Gain) from decrease (increase) in deferred tax assets and liabilities in respect of the differences in the depreciation method and different depreciation rates in the profit or loss	-	26
Loss / (Gain) from decrease (increase) in deferred tax assets and liabilities in respect of allocation of CPI fees from previous years	(33)	-
Gain / (loss) from decrease (increase) in deferred tax assets and liabilities arising from differences in fair value of property	-	(24)
Decrease / (increase) in deferred tax assets and liabilities from changes in fair value of property	-	(13)
Gain / (loss) from increase (decrease) in deferred tax assets and liabilities arising from different tax treatment of ECL for ST1 loans	442	-
Balance at December 31, 2021	**569**	**546**

In accordance with effective tax regulations and BARS Decision on Credit Risk Management and Determination of Expected Credit Losses effective as of January 1, 2020, the Bank calculated and booked in 2021 gain from deferred tax assets related to ECL for ST1 loans not recognised as a deductible in tax returns in the amount of BAM 442 thousand.

28. OTHER LIABILITIES

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Exiting business relationship	4,565	6,128
Liabilities to employees	4,955	4,374
Liabilities to suppliers	2,700	3,847
Liabilities per litigation	124	2,972
Liabilities for realisation of payment orders in the country	1,386	2,131
Accruals and deferred income	313	1,489
Liabilities from card operations	1,876	1,243
Liabilities for insured unpaid deposits	-	1,038
Liabilities for non-nominated deposits	657	657
VAT payable	284	530
Advances received for foreclosure of assets - NPLs	110	35
Other liabilities	2,370	1,665
	19,340	**26,109**

29. PROVISIONS FOR LIABILITIES AND EXPENSES

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Provisions for credit risk on commitments and financial guarantees given	3,682	2,713
Long-term provisions for employees	363	366
Provisions for litigations	1,486	1,486
	5,531	**4,565**

Movements of provisions for risks and expenses

	Long-term provisions for employees BAM '000	Litigations BAM '000	Contingent liabilities and guaranties BAM '000	Total BAM '000
Balance as at January 1, 2020	**415**	**1,857**	**2,959**	**5,231**
First implementation of BARS decision	-	-	671	671
Net gain / (loss) recognised in the statement of profit or loss (Note 15)	(49)	-	(917)	(966)
Provisions released during the period and transfers	-	(371)	-	(371)
Balance as at December 31, 2020	**366**	**1,486**	**2,713**	**4,565**
Net gain / (loss) recognised in the statement of profit or loss (Note 15)	-	-	969	969
Provisions released during the period and transfers	(3)	-	-	(3)
Balance as at December 31, 2021	**363**	**1,486**	**3,682**	**5,531**

At the reporting date, there were 29 legal suits instigated against the Bank, 18 of which included damage claims filed. The litigation with property claims also includes the lawsuit initiated against the Bank on July 2019 by "Bitminer Factory" d.o.o. Gradiška (hereinafter: "Bitminer"). Bitminer filed a lawsuit before the District Commercial Court in Banja Luka claiming damages for termination of its current bank accounts by the Bank, alleged that termination of the accounts obstructed its initial coin offering (ICO) relating to a start-up renewable-energy-powered cryptocurrency mining project in Bosnia and Hercegovina.

29. PROVISIONS FOR LIABILITIES AND EXPENSES (continued)

On 30 December 2021, the first instance court adopted most of Bitminer's claims and ordered the Bank to pay damages in the amount of BAM 256.3 million (approximately EUR 131.2 million). The first instance court decision is not final, binding or enforceable, because the Bank filed an appeal in January 2022 with the Higher Commercial Court in Banja Luka.
According to the Decision of the Bank's Management Board, at the proposal of the Commission for risk assessment of liabilities for litigations against the Bank, for the suits that the Bank believes could be lost or significant costs may be incurred thereon, provisions were formed in the total amount of BAM 1,486 thousand, of which BAM 273 thousand relates to provisions for other legal suits and BAM 1,213 thousand relates to old savings in foreign currencies (2020: a total amount of BAM 1,486 thousand, of which BAM 1,419 thousand relates to provisions for other legal suits and BAM 67 thousand relates to old savings in foreign currencies).
Based on the assessment of the probability of the outcome of the litigation, and since requirements prescribed by IAS 37 have not been met, no provision for the litigation on Bitminer's lawsuit was made (Notes 15 and 29).

30. SHARE CAPITAL

	Ordinary shares BAM '000
Balance as at January 1, 2020	**97,055**
Changes	-
Balance as at December 31, 2020	**97,055**
Changes	-
Balance as at December 31, 2020	**97,055**
Nominal value per share (BAM)	700
Share count	138,650

	% of equity interest
UniCredit S.p.A. Italija	**99,4439%**
Minority shareholders	0,5561%
	100,00%

As at December 31, 2021, members of the Bank's Supervisory Board, Audit Committee and Management Board were not in possession of any shares of the Bank.

All the Bank's shares were quoted on Banja Luka Stock Exchange. In 2021, the price per share on the last trading day amounted to BAM 1,910,00 (December 31, 2020: BAM 1,462,50).

31. EARNINGS PER SHARE

	2021	2020
Total number of shares	138,650	138,650
Weighted average number of shares outstanding	138,650	138,650
Total result (profit) in BAM '000	**25,342**	**16,178**
Earnings per share in BAM	**182,78**	**116,68**

In Q4 2021 the Bank paid dividend to the shareholders in the amount of BAM 14,780 thousand from the net profit realised in 2019. A total of 61 shareholders were entitled to dividend payment, and dividend per share amounted to BAM 106,60.

32. COMMITMENTS AND GIVEN FINANCIAL GUARANTEES

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Payment guarantees:		
- in BAM	14,403	14,090
- in foreign currencies	21,594	16,373
Performance guarantees:		
- in BAM	47,611	59,907
- in foreign currencies	35,202	16,829
Contingent liabilities for undrawn loans and guarantees:		
- in BAM	116,175	131,558
- in foreign currencies	-	50
Letters of credit in foreign currencies	4,075	2,229
Total	**239,060**	**241,036**

As at December 31, 2021, provisions for credit risk on commitments and financial guarantees issued amounted to BAM 3,682 thousand (December 31, 2020: BAM 2,713 thousand). Movements on these provisions are presented in Note 29.

Gross exposure

	December 31, 2021				December 31, 2020
Gross exposure	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Internal valuation level					
Performing	223,518	15,466	-	238,984	240,949
Low risk	223,518	-	-	223,518	221,841
Medium risk	-	15,466	-	15,466	19,108
High risk	-	-	-	-	-
Non-performing	-	-	76	76	87
Default exposure	-	-	76	76	87
Total	**223,518**	**15,466**	**76**	**239,060**	**241,036**

Gross exposure movements	**Level 1**	**Level 2**	**Level 3**	**Total**
Gross book value on January 1, 2021	**221,841**	**19,108**	**87**	**241,036**
New funding	131,175	11,270	-	142,445
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	1,718	(1,717)	(1)	-
Transfers to Level 2	(1,255)	1,265	(10)	-
Transfers to Level 3	(50)	(13)	63	-
Repaid assets	(129,911)	(14,447)	(63)	(144,421)
Amounts written-off	-	-	-	-
Other changes	-	-	-	-
On December 31, 2021	**223,518**	**15,466**	**76**	**239,060**

32. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Loss allowance movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Loss allowance due to ECL on January 1, 2021	**579**	**2 105**	**29**	**2,713**
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	8	(8)	-	-
Transfers to Level 2	(37)	39	(2)	-
Transfers to Level 3	(41)	(10)	51	-
Impairment	289	699	(19)	969
Amounts written-off	-	-	-	-
On December 31, 2021	**798**	**2,825**	**59**	**3,682**

Gross exposure movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Gross book value on January 1, 2020	**184,594**	**36,533**	**51**	**221,178**
New funding	115,087	12,076	50	127,213
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	15,163	(15,163)	-	-
Transfers to Level 2	(2,251)	2,265	(14)	-
Transfers to Level 3	(18)	(14)	32	-
Repaid assets	(90,734)	(16,589)	(32)	(107,355)
Amounts written-off	-	-	-	-
Other changes	-	-	-	-
On December 31, 2020	**221,841**	**19,108**	**87**	**241,036**

Loss allowance movements				
	Level 1	**Level 2**	**Level 3**	**Total**
Loss allowance due to ECL on January 1, 2020	**103**	**2,834**	**22**	**2,959**
Effects of the first application of the BARS Decision on January 1, 2020	292	379	-	671
Assets no longer recognised (excluding write-offs)	-	-	-	-
Transfers to Level 1	43	(43)	-	-
Transfers to Level 2	(135)	135	-	-
Transfers to Level 3	(10)	(5)	15	-
Impairment	286	(1,195)	(8)	(917)
Amounts written-off	-	-	-	-
On December 31, 2020	**579**	**2,105**	**29**	**2,713**

33. TRANSACTIONS WITH RELATED PARTIES

In compliance with International Accounting Standard (IAS) 24, parties related to the Bank and the Bank's key management members are as follows:

MRS 24.19	Name	Description
MRS 24.19 (a),(b)	Parent company and entities with joint control or significant impact on the Bank	UniCredit S.p.A. Italy
MRS 24.19 (c)	Subsidiaries and other entities within the same Group	Related banks and other legal entities within UniCredit Group
MRS 24.19 (c), (e)	Associates and joint ventures	The Bank did not have associates or joint ventures in 2021
MRS 24.19 (f)	Key management of the institution or its parent entity	Members of the Supervisory Board and Management Board; members of the Supervisory Board and Management Board of the parent entity, key Bank management personnel and persons related to the specified members
MRS 24.19 (g)	Other related parties	The Bank did not have other related parties in 2021

33. TRANSACTIONS WITH RELATED PARTIES (Continued)

Balances of assets and liabilities arising from transactions performed with members of UniCredit Group were as follows:

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Assets		
Foreign currency demand deposits		
- UniCredit Bank Austria AG Vienna, Austria	7,529	2,759
- UniCredit Bank Srbija a.d. Belgrade, Serbia	3,381	3,414
- Zagrebačka banka d.d. Zagreb, Croatia	425	443
- UniCredit Bank AG Munich, Germany	2,729	1,148
- UniCredit S.p.A. Milan, Italy	17,160	12,256
- UniCredit Bank d.d. Mostar, BiH	2	2
- UniCredit Bank d.d. Ljubljana, Slovenia	7	-
	31,233	**20,022**
Term deposits		
- UniCredit Bank d.d. Mostar, BiH	16,000	16,000
	16,000	**16,000**
Other receivables		
- UniCredit Bank AG Munich, Germany	28	397
- UniCredit S.p.A. Milan, Italy	310	669
- UniCredit Bank d.d. Mostar, BiH	6	6
- UniCredit Services GmbH Austria	101	92
- UniCredit Bank Srbija a.d. Belgrade, Serbia	61	71
	506	**1,235**
Total assets	**47,739**	**37,257**
Liabilities		
Sight deposits		
- UniCredit Bank Austria AG Vienna, Austria	14	13
	14	**13**
Received term deposits		
- UniCredit Bank d.d. Mostar, BiH	16,678	16,309
- UniCredit S.p.A. Milan, Italy	116,372	208,577
	133,050	**224,886**
Other liabilities		
- UniCredit Bank d.d. Mostar, BiH	12	10
- UniCredit S.p.A Milan, Italy	74	35
- UniCredit Services GmbH Austria	88	1,748
- Zagrebačka banka d.d. Zagreb, Croatia	169	149
- UniCredit Bank Srbija a.d. Beograd, Serbia	28	-
- UniCredit Bank Czech Republic and Slovakia	165	-
- UniCredit Bulbank AD Sofia, Bulgaria	7	44
	543	**1,986**
Total liabilities	**133,607**	**226,885**
Liabilities, net	**(85,868)**	**(189,628)**

33. TRANSACTIONS WITH RELATED PARTIES (Continued)

Income and expenses from related party transactions were as follows

	Year ended December 31	
	2021	2020
	BAM '000	BAM '000
Items included in the statement of comprehensive income		
Interest income		
- UniCredit Bank Austria AG Vienna, Austria	-	-
- UniCredit Bank d.d. Mostar, BiH	210	252
- Zagrebačka banka d.d. Zagreb, Croatia	-	1
- UniCredit S.p.A. Milan, Italy	11	84
Total interest income	**221**	**337**
Fee and commission income		
- UniCredit Bank Austria AG Vienna, Austria	2	2
- UniCredit Bank Moscow AO, Russia	56	38
- UniCredit S.p.A. Milan, Italy	1	3
- UniCredit Bank AG Munich, Germany	5	-
- UniCredit Banka d.d. Ljubljana, Slovenia	-	-
Total fee and commission income	**64**	**43**
Interest expenses		
- UniCredit Bank d.d. Mostar, BiH	401	404
- UniCredit Bank Austria AG Vienna, Austria	35	-
- Zagrebačka banka d.d. Zagreb, Croatia	2	-
- UniCredit Bank AG Munich, Germany	5	-
- UniCredit S.p.A. Milan, Italy	624	913
Total interest expenses	**1,067**	**1,317**
Fee and commission expenses		
- UniCredit Bank Austria AG Vienna, Austria	21	7
- UniCredit Bank Srbija a.d. Belgrade, Serbia	-	8
- UniCredit S.p.A. Milan, Italy	58	59
- Zagrebačka banka d.d. Zagreb, Croatia	280	259
- UniCredit Bank AG Munich, Germany	7	4
- UniCredit Services S.C.p.A Milan, Italy	4	6
Total fee and commission expenses	**370**	**343**
Operating expenses		
- UniCredit Services GmbH Austria	1,355	1,337
- UniCredit Bank d.d. Mostar, BiH	337	315
- Zagrebačka banka d.d. Zagreb, Croatia	64	21
- UniCredit S.p.A. Milan, Italy	231	215
Total operating expenses	**1,987**	**1,888**
Expenses, net	**(3,139)**	**(3,168)**

33. TRANSACTIONS WITH RELATED PARTIES (Continued)

Salaries and remunerations paid to the members of the Bank's Supervisory Board, Management Board, and other key management personnel are presented below:

	Year ended December 31	
	2021	2020
	BAM '000	BAM '000
Supervisory Board	74	70
	74	**70**
Management Board		
Short-term remuneration		
Gross salaries disbursed in the current year for the current year	1,334	954
Bonuses disbursed in the current year for the previous year - gross	149	187
Long-term remuneration		
Insurance policies paid in the current year - gross	40	28
Disbursements in the current year for prior years - gross	215	166
Total Management Board	**1,738**	**1,335**
Other key management personnel		
Short-term remuneration		
Gross salaries disbursed in the current year for the current year	643	717
Bonuses disbursed in the current year for the previous year - gross	64	120
Long-term remuneration		
Insurance policies paid in the current year - gross	10	15
Disbursements in the current year for prior years - gross	-	-
Total other key management personnel	**717**	**852**

The Supervisory Board consisted of 4 members during the first three months of 2021, and it has been comprised of 5 members since April, 2 of which are employed within the Group, 1 is a former employee of the Group and 2 are independent members. The remunerations were paid only to those members that are not employed with the Group. Members of the Supervisory Board do not exercise the right to a variable remuneration in accordance with the Remuneration Policy.

During 2021 the Bank's Management Board consisted of 5 members until March 31, 2021, and of 6 members from April 1, 2021 onwards (on December 31, 2020: 5 members). Amount in score of long-term remunerations to Board members, for gross salaries during the current year based on earlier periods does not include pay-outs to former Board members.

During the first three months of 2021, other key management personnel comprised of 7 Bank employees, and in April, the director of Human Resources was appointed as a member of the Management Board of the Bank, so other key management personnel counted 6 Bank employees.
In 2020, other key management personnel comprised of 8 employees of the Bank, which is 2 more than in 2021 (there was a change in categorisation of the member of the Management Board responsible for Human Resources and a position of a director for Client experience management, marketing and communication remained vacant.

The amount of salaries and remuneration disbursed to the members of the Management Board and key management includes the amount of BAM 399 thousand (2020: BAM 378 thousand) of contributions for pension and disability insurance with the prescribed amounts of contributions, payable to the mandatory pension funds in the Republic of Srpska at the prescribed rates.

Within the regular transactions, transactions with related parties are performed under fair market terms, which are deemed to be arm's length transactions, and our estimate is that the Bank bears no tax risk in respect of transfer prices.

33. TRANSACTIONS WITH RELATED PARTIES (Continued)

Loans and deposits, and income and expenses per loans and deposits of the members of the Bank's Supervisory Board, Management Board and other key management personnel and their related parties were as follows:

	2021 BAM '000	2020 BAM '000
Supervisory Board:		
- Loans as at December 31	-	10
- Interest income for the year	-	1
- Deposits as at December 31	14	101
- Interest expense for the year	-	1
Management Board:		
- Loans as at December 31	3	55
- Interest income for the year	-	2
- Deposits as at December 31	601	782
- Interest expense for the year	1	1
Other key management:		
- Loans as at December 31	120	231
- Interest income for the year	6	9
- Deposits as at December 31	591	657
- Interest expense for the year	1	1
Total key management		
- Loans as at December 31	**123**	**296**
- Interest income for the year	**6**	**12**
- Deposits as at December 31	**1,206**	**1,540**
- Interest expense for the year	**2**	**3**

34. RISK MANAGEMENT

The Bank's management of risks assumed in operating activities is conducted through a system of strategies, policies, programs, work procedures and defined limits, which are continuously upgraded in accordance with changes in legislation, changes in business activities based on market trends and development of new products, as well as through the adoption of risk management standards of Group. The Group has in place a comprehensive risk management system based on defined risk appetite, risk strategies and operating policies and procedures and set risk limits.

The Supervisory Board and Management Board of the Bank prescribe overall risk management principles and adopt risk strategies covering this area. The Risk Management Board considers, and reports to the Supervisory Board, on the strategy implementation, adequacy and manner of implementation of the adopted policies and other risk management procedures, as well as adequacy and reliability of the overall risk management system.

In accordance with the Group's policies, the Bank has implemented a standard approach to credit risk according to the Basel III Accord, through an IT platform, which is aligned with the requirements of these standards.

Risk management is within the competence of the Chief Risk Officer, who is a member of the Management Board, and is organised into the following organisational units:

- Underwriting,
- Credit Risk Monitoring and Special Credit Management, and
- Strategic, Market and Operational Risk Management.

34. RISK MANAGEMENT (Continued)

There are two departments within Credit Risk Monitoring and Special Placements Management: Corporate Special Credit Management and Retail Special Credit Management. Within Strategic, Market and Operational Risk Management, there are also two departments: Credit Risk Control and Basel II and Market and Operational Risk Management. The function of collateral management, policies and procedures is the function that operates within the Strategic, Market and Operational Risk Management.

The most significant types of risks the Bank is exposed to are:
- credit risk,
- market risk and
- operational risk.

34.1. Credit Risk

The Bank is exposed to credit risk, which can be defined as a possibility that a borrower may fail to perform the obligations defined in the respective loan agreements, resulting in a financial loss for the Bank. Assumption of credit risk is managed in accordance with the specific rules and principles defined by the Group and the local regulator for areas of credit strategies, policies, modelling, risk concentration, collateral management, new product introduction, monitoring and reporting. Credit risk exposure is managed in accordance with the Bank's strategies and policies in force, as well as other internal bylaws prescribed by the Supervisory Board and the Management Board. Credit risk strategies define the main strategic goals, and determine the limits of credit risk assumption within business operations with all customer segments.

General principles and rules of credit risk management have been established by the Group through a General crediting policy, which the Bank applies in its business operations in accordance with the requirements of the local regulator, Group standards and best practices.

a) Credit Risk Measurement

The following factors are taken into account in credit risk measurement: risk of loss resulting from insolvency of the borrower and risk of loss resulting from a change in the customer risk rating. Factors that are also taken into account are overall credit risk exposure including the balance sheet and off-balance-sheet items of the Bank and the quality and value of collaterals.

Credit risk is measured at the level of individual borrower/transaction and at the level of the total portfolio.
With the support of the Group, the Bank is developing and establishing both a system of credit risk measurement on the portfolio basis applying the Basel III basic parameters of credit risk for calculation of expected loss from the loan portfolio, and the calculation of the internal capital requirements to cover potential losses due to the credit risk on the basis of calculation of loan value at risk (VaR). As the measure of economic/internal capital, loan VaR is also the basic input for defining crediting strategies, analysis of credit limits and risk concentration.

The established system of reporting analyses the main triggers and components of credit risk and their dynamics in order to undertake corrective activities if necessary and on time. Reports contain the information about changes in the size and quality of the loan portfolio at the customer segment level and for the Bank.

b) Risk Control Policies

The Bank manages, limits and controls credit risk concentrations, wherever such risk concentrations have been identified, particularly with regard to specific clients and/or groups of clients, and industry sectors.

The Bank sets the credit risk level, which it assumes by setting limits for the amount of risk accepted in relation to one borrower or group of borrowers, or industry segments. Such risks are monitored on a regular quarterly basis via a report to the Credit Committee of the Bank on credit risk concentration per industry and compliance with the adopted industry strategy.

Additionally, through regular monthly Report for the Credit Committee, the Risk Management reports to the Credit Committee on defined limits on the Bank level.
The Credit Committee, Management Board and the Supervisory Board of the Bank are regularly informed of all significant changes in the value and quality of the portfolio.

Credit risk is also managed through the regular analysis of the ability of borrowers and potential borrowers to settle liabilities for principal repayment and interest payment and change in credit limits where necessary.

34. RISK MANAGEMENT (Continued)

34.1. Credit Risk (Continued)

b) Risk Control Policies (Continued)

In order to minimise the risks from lending activities, the Bank has set up a system with policies for definition, assessment and treatment of collaterals serving as security for collection of receivables, where it demands acceptable collaterals for collection of its receivables. Acceptable collateral is a pledge over an asset which has a known active market and stable price, whose value is satisfactory relative to the Bank's receivables and which is sufficient to protect the Bank from possible loss of principal, interest, fees and collection costs.

34.1.1. Maximum exposure to credit risk for on and off-balance sheet items

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Balance sheet assets		
Cash and cash equivalents (Note 17)	67,727	130,879
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income (Note 18)	241,987	240,348
Financial assets at amortized cost	1,225,683	1,124,976
- Obligatory reserve with the Central Bank (Note 19)	131,104	125,128
- Loans and receivables due from banks (Note 20)	64,741	64,728
- Loans and receivables due from customers (Note 21)	1,029,838	935,120
Other assets (Note 24)	4,944	5,073
Total balance sheet items exposed to credit risk	**1,540,341**	**1,501,276**
Off-balance sheet items		
Guarantees and other sureties	122,885	109,428
Approved overdraft, framework loans and guarantees	116,175	131,608
Total off-balance-sheet exposure to credit risk	**239,060**	**241,036**
Balance as at December 31	**1,779,401**	**1,742,312**

The Bank obtains collaterals securitising loans and receivables in the form of cash deposits, guarantees, mortgages assigned over real estate, and other forms of security over the assets and guarantees. Initial appraisals of the value of collaterals, or real estate, are performed already upon loan approval, i.e. they are an integral part of the process of customer loan request approval.

Revaluations are performed in accordance with the principles and rules of the collateral management system.

For properties to be recognized as collateral, they need to be regularly monitored and their values revised as follows: housing properties once in three years and business properties once a year. More frequent monitoring and reassessment is necessary in case of significant changes in market conditions.

For the purpose of alignment with the Group's techniques for credit risk mitigation, the Bank has implemented functional automatic monitoring of the expired insurance policies for real estate and introduced adjusting factors in cases of currency mismatch of collaterals and loans. The adjusting factors are not applied if the collateral is an item of property or movable assets with the value stated in EUR/BAM currency during the effectiveness of the Currency Board regime.

34. RISK MANAGEMENT (Continued)

34.1. Credit risk (Continued)

34.1.1. Maximum exposure to credit risk for on and off-balance sheet items (Continued)

December 31, 2021	Maximum credit risk exposure	Allocated value of obtained collateral instruments					
		Deposits	Received guarantees	Mortgages	Other	Total collateral	Net exposure
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Balance sheet assets							
Cash and cash equivalents	67,727	-	-	-	-	-	67,727
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets through other comprehensive income	241,987	-	-	-	-	-	241,987
Financial assets at amortized cost	1,225,683	18,761	113,956	219,701	20,393	372,812	852,871
- Obligatory reserve with the CBBiH	131,104	-	-	-	-	-	131,104
- Loans and receivables from banks	64,741	-	-	-	-	-	64,741
- Loans and receivables from customers	1,029,838	18,761	113,956	219,701	20,393	372,812	657,026
Other assets	4,944	-	-	-	-	-	4,944
Total balance sheet assets exposed to credit risk	**1,540,341**	**18,761**	**113,956**	**219,701**	**20,393**	**372,812**	**1,167,529**
Off-balance sheet assets							
Guarantees and other warranties	122,885	2,215	1,313	18,167	5,881	27,576	95,309
Overdrafts, framework loans and guarantees	116,175	469	8,639	13,378	874	23,360	92,815
Total off-balance sheet assets exposed to credit risk	**239,060**	**2,684**	**9,952**	**31,545**	**6,755**	**50,936**	**188,124**
Balance as at December 31	**1,779,401**	**21,445**	**123,909**	**251,246**	**27,148**	**423,748**	**1,355,653**

December 31, 2020	Maximum credit risk exposure	Alocirana vrijednost primljenih instrumenata osiguranja					
		Deposits	Received guarantees	Mortgages	Other	Total collateral	Net exposure
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Balance sheet assets							
Cash and cash equivalents	130,879	-	-	-	-	-	130,879
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Financial assets through other comprehensive income	240,348	-	-	-	-	-	240,348
Financial assets at amortized cost	1,124,976	21,121	91,020	218,280	15,406	345,827	779,149
- Obligatory reserve with the CBBiH	125,128	-	-	-	-	-	125,128
- Loans and receivables from banks	64,728	-	-	-	-	-	64,728
- Loans and receivables from customers	935,120	21,121	91,020	218,280	15,406	345,827	589,293
Other assets	5,073	-	-	-	-	-	5,073
Total balance sheet assets exposed to credit risk	**1,501,276**	**21,121**	**91,020**	**218,280**	**15,406**	**345,827**	**1,155,449**
Off-balance sheet assets							
Guarantees and other warranties	109,428	4,500	18,340	17,050	3,209	43,099	66,329
Overdrafts, framework loans and guarantees	131,608	469	19,720	14,893	373	35,455	96,153
Total off-balance sheet assets exposed to credit risk	**241,036**	**4,969**	**38,060**	**31,943**	**3,582**	**78,554**	**162,482**
Balance as at December 31	**1,742,312**	**26,090**	**129,080**	**250,223**	**18,988**	**424,381**	**1,317,931**

34. RISK MANAGEMENT (Continued)

34.1. Credit risk (Continued)

34.1.2. Credit risk management and policies for calculating expected credit losses - ECL

Loss allowance for expected credit losses

At each reporting date, the Bank checks the existence of objective evidence of impairment of financial assets, as previously explained in Note 2.7.

For the purpose of credit monitoring and credit risk management, the Bank divides its credit portfolio into the following groups:
- Stages 1 and 2: Performing loans and
- Stage 3: Non-performing loans.

- Financial assets consisting of securities are classified in Level 1 credit risk, in accordance with BARS regulations, which define that all placements to central governments are assigned to Level 1, while in accordance with the group approach, in reports to the Group, the Bank classified them in Level 2, since they do not have an investment grade ("non-investment grade").

For the purpose of determining impairment of loans and receivables, the Bank distinguishes two approaches:
- loans assessed on an individual basis,
- loans assessed on a portfolio basis.

Loans assessed on an individual basis

IIndividually significant loans are assessed on an individual basis in order to determine the existence of objective evidence of impairment. Factors that can influence the ability and readiness of each individual debtor to fulfil their obligations toward the Bank, are as follows:
- failure to settle or a delay in payment of interest or principal;
- failure to comply with the contractual terms and conditions;
- instigation of bankruptcy proceedings;
- any specific information about business difficulties (e.g. reflected in the insufficient liquidity of the borrower);
- significant changes in the customer's market environment; and
- global economic situation.

Detailed overview and description of the UTP terms is defined through the Guidelines on defining default cases.

Loans assessed on a portfolio basis

In order to assess the impairment of loans that are not individually significant, such loans are grouped based on the similar credit risk characteristics. The Bank has segmented the loan portfolio into the risk groups based on the credit rating for legal entities and based on the number of days past due for private individuals and, accordingly, applying credit risk parameters (probability of default, loss given default, amount that the Bank requires in instances of non-performance of obligations) determined by Basel III and in conformity with IFRS requirements and the BARS Decision, it creates loss allowances for loans.

Manual adjustments for clients with significantly increased credit risk

For clients for which a significant increase in credit risk has been identified, i.e. clients classified in Stage 2, in particular cases where it has been determined that calculation based on portfolio does not reflect the identified level of credit risk, the Bank keeps the right of individual assessment of necessary provisions. This is particularly valid for clients identified as Watch List (WL) clients (Performance Status CODE - PSC 600 and 601) and clients classified as Restructuring (PSC 651) which are still in the performing portfolio.
Proposed level of necessary provisions is determined by the Credit risk monitoring and special credit, where the amount of provisions cannot be higher than the minimum defined amount of provisions for non-performing exposures for which the provision calculation is determined on an individual basis. Approval of the provision level is in the Bank's Credit board competence.

If, in accordance with the internal methodology, the determined amount of expected credit losses is higher than those arising from the provisions defined by the Decision, the Bank is obliged to apply the higher amount thus determined.

34. RISK MANAGEMENT (Continued)

34.1. Credit risk (Continued)

34.1.2. Credit risk management and policies for calculating expected credit losses - ECL (Continued)

Breakdown of the loan portfolio according to the above listed categories is provided below:

Financial assets at amortised cost - Loans and receivables due from customers	**December 31, 2021 BAM '000**			**December 31, 2020 BAM '000**		
	Loans	**Loss allowance**	**%**	**Loans**	**Loss allowance**	**%**
Stage 1 and 2						
- Legal entities' loans	567,962	13,000	2,3%	512,229	11,851	2,3%
- Private individuals' loans	486,737	13,593	2,8%	445,062	12,273	2,8%
	1,054,699	**26,593**	**2,5%**	**957,291**	**24,124**	**2,5%**
Stage 3						
- Legal entities' loans	1,486	1,459	98,2%	6,668	6,412	96,2%
- Private individuals' loans	17,040	15,335	90,0%	18,136	16,439	90,6%
	18,526	**16,794**	**90,7%**	**24,804**	**22,851**	**92,1%**
Total loans	**1,073,225**	**43,387**	**4,0%**	**982,095**	**46,975**	**4,8%**

Loss allowance coverage of the non-performing portfolio amounts to 90,7% (2020: 92,1%).

The table below presents the breakdown of gross and net loans and receivables due from customers:

Financial assets at amortised cost - Loans and receivables due from customers Legal entities - corporate customers	**December 31, 2021 BAM '000**	**December 31, 2020 BAM '000**
Legal entities - corporate customers		
Stage 1 and 2: Performing undue loans	567,134	509,843
Stage 1 and 2: Performing due loans	828	2,386
Stage 3: Non-performing loans	1,486	6,668
Gross exposure (Stage 1, 2 and 3)	**569,448**	**518,897**
Impairment (Stage 1, 2 and 3)	(14,459)	(18,263)
Net exposure (Stage 1, 2 and 3)	**554,989**	**500,634**
Private individuals - retail customers		
Stage 1 and 2: Performing undue loans	486,206	444,650
Stage 1 and 2: Performing due loans	531	412
Stage 3: Non-performing loans	17,040	18,136
Gross exposure (Stage 1, 2 and 3)	**503,777**	**463,198**
Impairment (Stage 1, 2 and 3)	(28,928)	(28,712)
Net exposure (Stage 1, 2 and 3)	**474,849**	**434,486**
Total gross exposure (corporate and retail)	**1,073,225**	**982,095**
Stage 1 and 2: Performing loans - impairment	(26,593)	(24,124)
Stage 3: Non-performing loans - impairment	(16,794)	(22,851)
Net exposure (corporate and retail)	**1,029,838**	**935,120**

34. RISK MANAGEMENT (Continued)

34.1. Credit Risk (Continued)

34.1.2. Credit risk management and policies for calculating expected credit losses - ECL (Continued)

a) Stages 1 and 2: Performing undue loans

The quality of the portfolio of undue loans to customers can be estimated through the internal standard monitoring system. Loans to customers are regularly monitored and systematically reviewed in order to identify any irregularities or warning signals. These loans are subject to constant monitoring with the aim of taking timely action based on improvement/deterioration of the client risk profile.

Breakdown of gross exposure of undue loans to customers according to the type of loan is as follows:

	Loans to private individuals				Loans to legal entities			
	Consumer loans	Housing loans	Credit card loans and approved account overdrafts	Total	Public and financial sector and international client loans	Domestic corporate client loans	Entrepreneurial loans	Total
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2021								
Stages 1 and 2 Standard monitoring	**326,659**	**135,769**	**23,778**	**486,206**	**351,876**	**161,580**	**53,678**	**567,134**
December 31, 2020								
Stages 1 and 2 Standard monitoring	**292,392**	**127,299**	**24,959**	**444,650**	**326,865**	**146,092**	**36,886**	**509,843**

b) Stages 1 and 2: Performing due loans

The gross amount of loans and receivables due from customers that were past due were as follows:

	Loans to private individuals				Loans to legal entities			
	Consumer loans	Housing loans	Credit card loans and approved account overdrafts	Total	Public and financial sector and international client loans	Domestic corporate client loans	Entrepreneurial loans	Total
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2021								
Matured Stages 1 and 2:								
- up to 30 dpd	80	4	336	420	8	211	309	528
- 30 - 60 dpd	78	-	14	92	-	300	-	300
- 60 - 90 dpd	8	-	11	19	-	-	-	-
- over 90 dpd				-				-
Total	**166**	**4**	**361**	**531**	**8**	**511**	**309**	**828**
Collateral value	-	-	-	-	-	502	172	674
December 31, 2020								
Matured Stages 1 and 2:								
- up to 30 dpd	133	1	206	340	7	1,233	376	1,616
- 30 - 60 dpd	26	-	25	51	-	-	100	100
- 60 - 90 dpd	12	-	9	21	652	18	-	670
- over 90 dpd	-	-	-	-	-	-	-	-
Total	**171**	**1**	**240**	**412**	**659**	**1,251**	**476**	**2,386**
Collateral value	-	-	-	-	-	11	130	141

34. RISK MANAGEMENT (Continued)

34.1. Credit Risk (Continued)

34.1.2. Credit risk management and policies for calculating expected credit losses - ECL (Continued)

c) Stage 3: Non-performing loans

The classification of non-performing loans to customers, together with the allocated value of associated collateral instruments, is as follows:

	Loans to private individuals				Loans to legal entities			
	Consumer loans	**Housing loans**	**Credit card loans and approved account overdrafts**	**Total**	**Public and financial sector and international client loans**	**Domestic corporate client loans**	**Entrepreneur-ial loans**	**Total**
	BAM '000	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
December 31, 2021								
Non-performing loans - Stage 3	13,417	2,679	944	**17,040**	**-**	1,004	482	**1,486**
Collateral value	11	1,852	-	**1,863**	-	-	-	**-**
December 31, 2020								
Non-performing loans - Stage 3	13,797	3,335	1,004	**18,136**	2,122	1,864	2,682	**6,668**
Collateral value	1	2,035	-	**2,036**	-	-	333	**333**

The data shown in the table above is presented in gross amounts.

As at December 31, 2021, assets acquired in lieu of debt collection per loans amounted to BAM 366 thousand (December 31, 2020: BAM 923 thousand).

d) Restructured loans and receivables

During the year, the Bank restructured certain loans to customers in order to improve their ultimate recoverability. Restructuring is mainly performed in response to deterioration or for the prevention of further deterioration of the customer financial situation based on an analysis of the possibility of successful restructuring in order to remove difficulties in the client's operations within a defined time limit and return the client to the performing portfolio.

Restructured loans (exposure per all restructured loans irrespective of whether they belong to the remit of the Business Segments or Special Credit Management) amounted to a total of BAM 3,867 thousand as at December 31, 2021 (December 31, 2020: BAM 5,682 thousand).

Decrease in total amount of exposure to restructured loans is a result of the collection and the accounting write-offs.

	December 31, 2021	**December 31, 2020**
	BAM '000	**BAM '000**
Restructured loans	3,867	5,682
Loan portfolio - gross	1,073,225	982,095
Share of restructured loans in the gross loan portfolio	0,4%	0,6%

34. RISK MANAGEMENT (Continued)

34.1. Credit Risk (Continued)

34.1.2. Credit risk management and policies for calculating expected credit losses - ECL (Continued)

d) Restructured loans and receivables (Continued)

Restructured exposures by level of credit risk are presented in the table below:

	Restructured exposures (credit risk level)					
	Level 1		Level 2		Level 3	
	restructured exposure-gross	loss allowance	restructured exposure-gross	loss allowance	restructured exposure-gross	loss allowance
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2021						
Retail	-	-	841	57	1,178	1,079
Corporate	-	-	645	198	1,203	1,203
Total	**-**	**-**	**1,486**	**255**	**2,381**	**2,282**

	Restructured exposures (credit risk level)					
	Level 1		Level 2		Level 3	
	restructured exposure-gross	loss allowance	restructured exposure-gross	loss allowance	restructured exposure-gross	loss allowance
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2020						
Retail	10	1	725	34	1,471	1,271
Corporate	-	-	197	2	3,279	3,022
Total	**10**	**1**	**922**	**36**	**4,750**	**4,293**

34. RISK MANAGEMENT (Continued)

34.1. Credit Risk (Continued)

34.1.3. Credit risk concentration

a) Geographic concentration of credit risk

Geographic credit risk concentration of the loan portfolio relates entirely to the corporate clients, individuals and other entities located in Bosnia and Herzegovina.

b) Concentration of credit risk by industry

Breakdown of the Bank's loan portfolio as at December 31, 2021 and December 31, 2020 per industry is provided in the table below:

	December 31, 2021	December 31, 2020
	BAM '000	**BAM '000**
Legal entities - corporate customers		
Agriculture, forestry and fishing	7,783	8,255
Mining and quarrying	1,826	959
Manufacturing	106,863	107,269
Electricity, gas, steam and air conditioning supply	8,374	9,180
Water supply and remediation activities	1,563	1,319
Construction	29,953	30,512
Wholesale and retail trade	103,493	80,751
Transporting and storage	28,096	14,207
Accommodation and food service activities	6,310	6,520
Information and communication	44,238	45,295
Financial and insurance activities	14,171	10,043
Real estate activities	364	532
Professional, scientific and technical activities	3,659	2,752
Administrative and support service activities	1	6
Public administration and defence; compulsory social security	181,329	170,359
Education	50	103
Human health and social work activities	31,358	30,800
Arts, entertainment and recreation	13	16
Other services activities	4	19
	569,448	**518,897**
Private individuals - retail customers	503,777	463,198
Total gross loans	**1,073,225**	**982,095**
Impairment	(43,387)	(46,975)
Total net loans	**1,029,838**	**935,120**

The structure of the loan portfolio is regularly monitored by the Risk Management in order to recognise potential events that could have a significant impact on the loan portfolio (usual risk factors) and, if needed, to mitigate the Bank's exposure to certain industry sectors.

34. RISK MANAGEMENT (Continued)

34.1. Credit risk (continued)

34.1.3. Credit risk concentration (continued)

c) Large credit risk exposures

Large credit risk exposures	December 31, 2021	December 31, 2020
	BAM '000	BAM '000
Number of clients with exposure over 10% of eligible capital	6	5
Balance and off-balance credit exposure - gross	294,496	273,679
Loss allowance and provision for off-balance credit exposure	(1,350)	(1,931)
Balance and off-balance credit exposure - net	293,146	271,748

Exposure to the Public Sector (central institutions)	December 31, 2021	December 31, 2020
	BAM '000	BAM '000
Balance and off-balance credit exposure - gross	114,051	76,776
Loss allowance and provision for off-balance credit exposure	(171)	(967)
Balance and off-balance credit exposure - net	113,880	75,809
Balance exposure - Securities	241,743	240,100

34.1.4 Loans with approved moratorium or a different special measure due to Covid-19 effects

	Legal entities			Private individuals			Total		
	Loans in moratorium	ECL		Loans in moratorium	ECL		Loans in moratorium	ECL	
	BAM '000	BAM '000	%	BAM '000	BAM '000	%	BAM '000	BAM '000	%
December 31, 2021									
Level 1	-	-	0,0%	-	-	0,0%	-	-	0,0%
Level 2	5,768	2,307	40,0%	-	-	0,0%	5,768	2,307	40,0%
Level 3	-	-	0,0%	-	-	0,0%	-	-	0,0%
Total	**5,768**	**2,307**	**40,0%**	**-**	**-**	**0,0%**	**5,768**	**2,307**	**40,0%**

	Gross amount of loans as per remaining period until expiration of special measures						
	Up to 3 months	From 3 to 6 months	From 6 to 9 months	From 9 to 12 months	Total	Total gross loans	%
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	
December 31, 2021							
Pravna lica	-	-	5,768	-	**5,768**	**569,448**	**1,0%**
Fizička lica	-	-	-	-	**-**	**503,777**	**0,0%**
Total	-	-	5,768	-	**5,768**	**1,073,225**	**0,5%**

34.2. Liquidity Risk

Liquidity risk represents a risk that the Bank will not be able to settle its financial liabilities fully and without any delay. In this respect, the main target of the Bank, when managing liquidity risk as a central risk inherent in banking operations, is to align its business activities and ensure optimal liquidity in accordance with the minimum standards and limits prescribed by the Banking Agency of the Republika Srpska, BH Central Bank and the Group.

34. RISK MANAGEMENT (Continued)

34.2. Liquidity Risk (Continued)

The Bank has access to various sources of financing, which include different types of deposits of retail and corporate customers, banks (within and out of the Group), and lines of credit. The aforesaid sources enable flexibility of funding sources and limit the dependence on any single source, thus providing a high level of their own sustainability in possible crises.

The Bank has implemented the liquidity policies of the Group, by which methods and procedures of liquidity parameter analysis have been defined which cover managing and control of liquidity risk, both in terms of regular business and in crisis situations. In accordance with the Group guidelines and local regulatory requirements, exposure to the liquidity risk is held at the level at which the Bank is able to fulfil its payment obligations on a regular basis, and in the crisis periods as well.

Regular business involves the usual daily activities for which it is usual for any phase from the Liquidity Policy in crisis situations not to be activated.

The most important activities are aimed at carrying out normal market transactions within the prescribed risk exposure limits in accordance with the defined financing plan, as well as decisions of the competent authorities and operational functions.
These activities are mainly focused on managing short-term and long-term liquidity, managing the execution of the financing plan, regular monitoring and analysis of the results of the testing of the liquidity risk stress resistance as well as the consistent application of the principle of determining internal prices.

Short-term liquidity risk is measured through operational buckets of maturities of up to one year, through net cash flows (inflows/outflows) and through the liquidity coverage ratio (LCR) where the Bank is required to provide an adequate level of liquidity buffer to meet the scenario's liquidity stress test of 30 calendar days.

Short-term liquidity limits the exposures to all currencies as well as the total exposure. Structural liquidity measures seek to ensure an appropriate balance between assets and liabilities in the medium to long term (over a year), in order to ensure structural stability and limit the dependence on short-term and less stable financing.

The short-term liquidity stress testing measures whether the available liquidity reserves can ensure that the Bank endures a hypothetical shortage of short-term funds. The scenarios are based on the concept of maturity buckets of assets and their renewal. The relevant scenarios are defined in order to present possible events with a potentially negative impact on liquidity. Considering the nature of the liquidity stress test, as the tool for assessing different liquidity risks, the combined scenario is acceptable.

The Bank had defined liquidity management in crisis in the Liquidity Management Policy in Emergency Situations, Annex 1 Liquidity management plan for unforeseen cases of disorders in liquidity of UniCredit bank a.d. Banja Luka.

The Bank is required to maintain liquidity within the ranges prescribed by the Banking Agency of the Republika Srpska and the Central Bank of Bosnia and Herzegovina:

- maintenance of the obligatory reserve,
- maintenance of ten-day and daily liquidity,
- maturity matching of financial assets and liabilities,
- liquidity coverage ratio (LCR).

The Bank is obliged to inform the Banking agency of Republika Srpska about Liquidity coverage ratio on a monthly basis.

Year-end liquidity coverage ratio was as follows:

	December 31, 2021	December 31, 2020
Liquidity coverage ratio (LCR) u %	145%	218%

Structural liquidity management aims to ensure the financial stability of the Bank. The main goal is to avoid excessive and unexpected pressures on the financing needs of the short-term liquidity position and to ensure optimal sources of financing and associated costs. This can be achieved by striking a balance between medium- and long-term stable assets, and appropriate stable sources of funding.

34. RISK MANAGEMENT (Continued)

34.2. Liquidity Risk (Continued)

The adjusted NSFR ratio monitors structural liquidity by time baskets over three and over five years.

ADJUSTED NSFR	(in BAM million)			
	December 31, 2021		December 31, 2020	
	>3Y	>5Y	>3Y	>5Y
Items that provide stable sources of funding	348	338	371	346
Items that require stable sources of funding	478	281	473	276
NET STL	619	619	546	546
Items that provide stable sources of funding + NET STL	966	956	917	893
Warning level	122%	122%	124%	124%
Value	**202%**	**340%**	**194%**	**324%**

Items that provide stable sources of funding and net short-term liabilities are sufficient to cover items that require stable sources of funding in the relevant time baskets.

Structural FX Gap monitors maturity adjustment by materially significant currencies (EUR, other) in time baskets over one year.

EUR FX GAP >1Y	(in BAM million)	
	December 31, 2021	December 31, 2020
Liabilities in baskets >1Y	76	123
NET STL	226	208
Receivables in baskets >1Y	313	352
Warning level (max)	(117)	(156)
Value	**(11)**	**(21)**

OTHER FX GAP >1Y	(in BAM million)	
	December 31, 2021	December 31, 2020
Liabilities in baskets >1Y	**-**	**-**
NET STL	19	16
Receivables in baskets >1Y	-	-
Warning level (max)	(20)	(78)
Value	**19**	**16**

Items that provide stable sources of funding and net short-term liabilities in material currencies other than the domestic currency (EUR and other currencies) are sufficient to cover items that require stable sources of funding in time gaps over one year.

The Net Stable Funding Ratio (NSFR) is the ratio of the amount of items providing stable funding sources to the items requiring stable funding sources. It aims to ensure a minimum acceptable level of long-term funding sources for the current level and structure of the Bank's assets, and to limit the possibility of relying on short-term funding sources, especially during periods of stress.

NSFR	(in BAM million)	
	December 31, 2021	December 31, 2020
Items that provide stable sources of funding	824	784
Items that require stable sources of funding	1,161	1,132
Warning level	106%	105%
Limit	102%	102%
Requirement for stable funding source (%)	**141%**	**144%**

34. RISK MANAGEMENT (Continued)

34.2. Liquidity Risk (Continued)

The following tables show the structure of the assets and liabilities at December 31, 2021 and December 31, 2020, which represents a breakdown of assets and liabilities by appropriate maturity buckets, based on the remaining period of agreed maturity, with the following exceptions:

1. current and demand savings accounts and overdrafts per current accounts of legal entities and private individuals are mapped based on their estimated stability;
2. non-performing loans, tangible assets, equity and reserves are also mapped according to the Group's standard rules to the longest maturity term.

	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
December 31, 2021	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets						
Cash and cash equivalents	170,222	-	-	-	-	170,222
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	24,031	6,007	198,019	13,930	241,987
Financial assets at amortised cost						
- Obligatory reserve with the Central Bank	131,104	-	-	-	-	131,104
- Loans and receivables due from banks	48,741	-	-	16,000	-	64,741
- Loans and receivables due from customers	22,910	87,738	210,390	478,054	230,746	1,029,838
Tangible assets	-	-	-	-	21,871	21,871
Intangible assets	-	-	-	-	11,799	11,799
Current tax assets - prepaid income tax	-	-	-	-	-	-
Deferred tax assets	-	-	569	-	-	569
Other assets	-	-	4,944	-	-	4,944
Total assets	**372,977**	**111,769**	**221,910**	**692,073**	**278,346**	**1,677,075**
Liabilities, equity and reserves						
Financial liabilities at amortised cost						
- Deposits and borrowings due to banks	68,993	47,792	8,296	29,908	-	154,989
- Deposits and borrowings due to customers	862,017	43,057	136,354	164,612	31,884	1,237,924
- Lease liabilities	62	157	419	1,075	64	1,777
Current tax liabilities	385	-	-	-	-	385
Deferred tax liabilities	-	-	546	-	-	546
Other liabilities	-	-	19,340	-	-	19,340
Provisions for risks and expenses	-	-	5,531	-	-	5,531
Equity and reserves	-	-	-	-	256,583	256,583
Total liabilities, equity and reserves	**931,457**	**91,006**	**170,486**	**195,595**	**288,531**	**1,677,075**
Liquidity gap	**(558,480)**	**20,763**	**51,424**	**496,478**	**(10,185)**	**-**

34. RISK MANAGEMENT (Continued)

34.2. Liquidity Risk (Continued)

	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
December 31, 2021	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Assets						
Cash and cash equivalents	251,084	-	-	-	-	251,084
Financial assets at fair value through profit or loss	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	9,450	-	29,878	174,691	26,329	240,348
Financial assets at amortised cost						
- Obligatory reserve with the Central Bank	125,128	-	-	-	-	125,128
- Loans and receivables due from banks	48,728	-	-	16,000	-	64,728
- Loans and receivables due from customers	43,024	67,960	174,228	431,860	218,048	935,120
Tangible assets	-	-	-	-	23,725	23,725
Intangible assets	-	-	-	-	11,551	11,551
Current tax assets - prepaid income tax	123	246	720	-	-	1,089
Deferred tax assets	-	-	160	-	-	160
Other assets	-	-	5,073	-	-	5,073
Total assets	**477,537**	**68,206**	**210,059**	**622,551**	**279,653**	**1,658,006**
Liabilities, equity and reserves						
Financial liabilities at amortised cost						
- Deposits and borrowings due to banks	48,009	35,205	9,779	130,817	35,637	259,447
- Deposits and borrowings due to customers	473,485	75,830	304,830	223,599	32,567	1,110,311
- Lease liabilities	53	107	480	1,552	214	2,406
Deferred tax liabilities	-	-	557	-	-	557
Other liabilities	-	-	26,109	-	-	26,109
Provisions for risks and expenses	-	-	4,565	-	-	4,565
Equity and reserves	-	-	-	-	254,611	254,611
Total liabilities, equity and reserves	**521,547**	**111,142**	**346,320**	**355,968**	**323,029**	**1,658,006**
Liquidity gap	**(44,010)**	**(42,935)**	**(136,261)**	**266,583**	**(43,377)**	**-**

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management

Market risks arise from general and specific trends and changes of certain market variables (interest rates, prices of securities, exchange rate changes), which can affect the economic value the portfolio in the trading book and in the banking book of the Bank. The Bank is exposed to market risks mainly because of items and business activities from the banking book of the Bank.

Market risk exposure management includes the activities related to the operations of the Markets and Assets and Liabilities Management function, and it has been organised through a system of internal bylaws and the setting of defined limits and warning signals that are supervised on a daily basis. Market risk measuring is based on the VaR ("Value at Risk") methodology. VaR is the estimated potential overnight loss which occurs in the overall and in particular items of the balance sheet structure in a defined time period, based on numerous assumptions of changes in market conditions with a confidence level of 99%. The Group uses historic volatility simulation as an assessment model based on the last 250 daily return observations. VaR model quality is continuously monitored by back testing. Beside the VaR methodology, the Market Risk Management also uses open FX position limits and base point calculation as a supplement to the set VaR limits.

Factors, which are also of importance for assessment of the market risk impact on the Banks' portfolio, are stress-oriented warning levels and limits and the results are included in regular ALCO / FCRC reports (reports presented to the Assets and Liabilities Management Committee of the Bank (ALCO) which was in early November 2021 incorporated into the newly formed Board for financial and credit risks).

The Bank performs activities on market risk limit review closely cooperating with UniCredit Group. These activities are performed at least annually, and more frequently if necessary in accordance with business changes as a result of changes in legislation, development of business strategy goals as well as targeted risk profile.

The set of documents with rules for operations performed by the Markets and Market Risk Management is made in the form of a Financial Markets Rulebook and Market Risk Strategy. Only the permitted risk holders are enabled to enter into the risk-weighted items.

Overview of the Bank's aggregate VaR position:

	2021	2020
	BAM '000	**BAM '000**
- average for the period	1,136	696
- maximum for the period	3,114	3,638
- minimum for the period	469	2,894

In addition to implementing the Group market risk techniques, methods and measuring models, the Bank is continuously working on the improvement of the business processes and data quality.

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.1. Currency Risk

Currency risk is the risk of a possible occurrence of adverse effects on the Bank's financial result and equity due to volatility in exchange rates. The exposure to foreign currency risk results from credit, deposit and trading activities and is controlled daily, according to legal and internal Group limits for particular currencies, and in total amount for all assets and liabilities denominated in foreign currencies or indexed to a foreign currency.

Currency risk management includes monitoring and control of individual items in foreign currencies and the total foreign exchange position of the Bank. The open position is determined on the basis of all on-balance and off-balance items. Foreign exchange risk limits restrict the maximum amount of open foreign currency position by currency. The Bank continuously monitors foreign exchange risk through the limits prescribed by local regulations and by the Group.

In accordance with the decision of the local regulator, which regulates the minimum standards for managing foreign currency risk, the Bank is required to maintain the relationship between assets and liabilities in each single currency so that its total open foreign currency position at the end of each working day does not exceed 40% of its recognised (regulatory) capital.

The Bank directs its business activities so as to minimize a mismatch between items of assets and liabilities in foreign currencies or with a contracted currency clause, maintaining daily operations within the range of the set limits.

All sensitivities arising from items in or linked to foreign currencies are also covered by the general daily VaR limit, which among other risks, limits the maximum permitted loss of open positions in the foreign currencies.

	2021	2020
Currency risk ratios:		
- as at December 31	2,08%	7,24%
- maximum for the period - month of December	29,60%	32,71%
- minimum for the period - month of December	2,08%	5,15%

With regards to the presence of the Currency Board (regime of the Central Bank of Bosnia and Herzegovina) according to which the rate of the national currency to the euro is fixed, it can be considered that the Bank is not exposed to the currency risk related to EUR/BAM exchange rate.

The Bank protects itself from exposure to the currency risk per foreign currencies other than EUR by managing foreign currency position, within the Markets' strategy, in such a manner that the items opened through operations with customers are closed by opposite transactions, so that the open position of the Bank is reduced to the minimum.

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.1. Currency Risk (Continued)

The analysis of assets and liabilities stated in foreign currency amounts, as at December 31, 2021 and December 31, 2020 is presented in the following table.

	EUR	EUR - linked items	USD	Other currencies	Total FX	BAM	Total
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2021							
Assets							
Cash and cash equivalents	45,279	-	11,162	15,494	**71,935**	98,287	170,222
Financial assets at fair value through profit or loss	.-	.-	-	-	**-**	-	-
Financial assets at fair value through other comprehensive income	110,523	110,568	-	-	**221,091**	20,896	241,987
Financial assets at amortised cost	**61,518**	**349,203**	**-**	**-**	**410,721**	**814,962**	**1,225,683**
- Obligatory reserve with the Central Bank	-	-	-	-	**-**	131,104	131,104
- Loans and receivables due from banks	48,847	-	-	-	**48,847**	15,894	64,741
- Loans and receivables due from customers	12,671	349,203	-	-	**361,874**	667,964	1,029,838
Tangible assets	-	-	-	-	**-**	21,871	21,871
Intangible assets	-	-	-	-	**-**	11,799	11,799
Current tax assets - prepaid income tax	-	-	-	-	**-**	-	-
Deferred tax assets	-	-	-	-	**-**	569	569
Other assets	310	-	2	1	**313**	4,631	4,944
Total assets	**217,630**	**459,771**	**11,164**	**15,495**	**704,060**	**973,015**	**1,677,075**
Liabilities							
Financial liabilities at amortised cost	**448,419**	**156,474**	**11,049**	**14,952**	**630,894**	**763,796**	**1,394,690**
- Deposits and borrowings due to banks	138,297	-	-	-	**138,297**	16,692	**154,989**
- Deposits and borrowings due to customers	310,122	156,474	11,049	14,952	**492,597**	745,327	**1,237,924**
- Lease liabilities	-	-	-	-	**-**	1,777	**1,777**
- Current tax liabilities	-	-	-	-		385	**385**
Deferred tax liabilities	-	-	-	-	**-**	546	**546**
Other liabilities	3,383	-	116	197	**3,696**	15,644	**19,340**
Provisions for risks and expenses	188	17	-	-	**205**	5,326	**5,531**
Total liabilities	**451,990**	**156,491**	**11,165**	**15,149**	**634,795**	**785,697**	**1,420,492**
Equity and reserves	**-**	**335**	**-**	**-**	**335**	**256,248**	**256,583**
Total liabilities, equity and reserves	**451,990**	**156,826**	**11,165**	**15,149**	**635,130**	**1,041,945**	**1,677,075**
Net foreign currency position	**(234,360)**	**302,945**	**(1)**	**346**	**68,930**	**(68,930)**	**-**

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.1. Currency Risk (Continued)

	EUR	EUR - linked items	USD	Other currencies	Total FX	BAM	Total
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2020							
Assets							
Cash and cash equivalents	70,619	-	9,467	13,466	**93,552**	157,532	251,084
Financial assets at fair value through profit or loss	-	-	-	-	**-**	-	-
Financial assets at fair value through other comprehensive income	66,498	146,286	-	-	**212,784**	27,564	240,348
Financial assets at amortised cost	**71,475**	**397,508**	**-**	**-**	**468,983**	**655,993**	**1,124,976**
- Obligatory reserve with the Central Bank	-	-	-	-	**-**	125,128	125,128
- Loans and receivables due from banks	48,835	-	-	-	**48,835**	15,893	64,728
- Loans and receivables due from customers	22,640	397,508	-	-	**420,148**	514,972	935,120
Tangible assets	-	-	-	-	**-**	23,725	23,725
Intangible assets	-	-	-	-	**-**	11,551	11,551
Current tax assets - prepaid income tax	-	-	-	-		1,089	1,089
Deferred tax assets	-	-	-	-	**-**	160	160
Other assets	400	-	4	3	**407**	4,666	5,073
Total assets	**208,992**	**543,794**	**9,471**	**13,469**	**775,726**	**882,280**	**1,658,006**
Liabilities							
Financial liabilities at amortised cost	**520,280**	**194,782**	**9,399**	**12,732**	**737,193**	**634,971**	**1,372,164**
- Deposits and borrowings due to banks	243,125	-	-	-	**243,125**	16,322	**259,447**
- Deposits and borrowings due to customers	277,155	194,782	9,399	12,732	**494,068**	616,243	**1,110,311**
- Lease liabilities	-	-	-	-	**-**	2,406	**2,406**
- Current tax liabilities							**-**
Deferred tax liabilities	-	-	-	-	**-**	557	**557**
Other liabilities	4,033	-	116	224	**4,373**	21,736	**26,109**
Provisions for risks and expenses	58	-	-	-	**58**	4,507	**4,565**
Total liabilities	**524,371**	**194,782**	**9,515**	**12,956**	**741,624**	**661,771**	**1,403,395**
Equity and reserves	**450**	**-**	**-**	**-**	**450**	**254,161**	**254,611**
Total liabilities, equity and reserves	**524,821**	**194,782**	**9,515**	**12,956**	**742,074**	**915,932**	**1,658,006**
Net foreign currency position	**(315,829)**	**349,012**	**(44)**	**513**	**33,652**	**(33,652)**	**-**

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.2. Interest Rate Risk

The Bank is exposed to a risk from interest rate fluctuations with an impact on the financial position of the Bank and its cash flows. The Bank's business operations are influenced by interest rates changes, to the extent that interest bearing assets and liabilities mature or their interest rates change at different times or in different amounts. Interest rate margins may grow as the result of those fluctuations, however, at the same time they may decrease and cause losses in the event of unexpected fluctuations.

The main sources of interest rate risk are as follows:

- repricing risk resulting from unfavourable changes in the fair value of assets and liabilities during the remaining period until the next interest rate change (items with fixed interest rate are classified according to the remaining maturity);
- risk of change in inclination and shape of the yield curve (yield curve risk);
- risk of different changes in lending and borrowing interest rates (basis risk) of instruments having identical maturities and denominated in identical currencies, where the interest rates are based on different reference rate types (e.g. EURIBOR vs. LIBOR); and
- optionality risk resulting from options, including embedded options in interest sensitive items (e.g. loans with early repayment possibility, deposits with early withdrawal possibility, and alike).

Exposure to the risk of interest rate changes is monitored based on the requirements of the local regulator in accordance with the Group guidelines.

Exposure to the interest rate risk, monitored in accordance with the requirements of the local regulator, is monitored for significant currencies individually and for all other currencies in the aggregate by monitoring the changes in the economic value of the banking book for: items with a fixed interest rate, variable interest rate, total weighted position as well as the impact of interest rate risk on the net interest income.

The methodology used for risk assessment of interest rate changes is based on the gap analysis of time (maturity) differences. Differences between interest-bearing assets and liabilities in different time "buckets" show how two sides of the balance sheet may react differently to the change of interest rates:

- in case of a positive gap difference, the Bank is exposed to a risk of loss in the event that interest rates of given maturities for the relevant currency fall,
- in case of a negative gap difference, the Bank is exposed to a risk of loss in the event that interest rates of the given maturity for the relevant currency grow.

In accordance with the Group's requirements, interest rate risk is measured from the perspective of interest rate change effects on the enterprise value of the Bank (EV metrics) and from the perspective of earnings, i.e. interest rate change effects on the net interest income of the Bank (NII metrics). Additionally, interest rate risk is measured by calculating the change in the net present value of the portfolio in case of a shift in the reference rate curve by 0.01% (1 basis point) and it is limited by BPV limit (basis point value limit) as a sensitivity measure. Interest risk is also monitored through the specified VaR model.

Overview of effect of reference interest rate curve shift by 0.01% (1 bp), over the net present value of the portfolio (BP01):

	(BAM)		**BP01 banking book December 31, 2021**				
	0-3M	**3M-1Y**	**1Y-3Y**	**3Y-10Y**	**>10Y**	**Sum**	**EUR**
TOTAL BP01	(907)	(15,910)	(41,984)	20,276	(11,275)	(49,800)	15,464
Limit		29,337	68,454	107,571	29,337	166,246	78,233
Limit utilisation	**9%**	**54%**	**61%**	**19%**	**38%**	**30%**	**20%**

	(BAM)		**BP01 banking book December 31, 2020**				
	0-3M	**3M-1Y**	**1Y-3Y**	**3Y-10Y**	**>10Y**	**Sum**	**EUR**
TOTAL BP01	574	3,685	48,974	70,476	15,161	137,651	38,346
Limit		48,896	58,675	136,908	39,117	176,025	78,233
Limit utilisation	**6%**	**8%**	**83%**	**51%**	**39%**	**78%**	**49%**

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.2. Interest Rate Risk (Continued)

Stress testing conducted by the Bank for interest rate risk category includes scenarios of various shocks on interest curves. Shocks include change in interest rate level (parallel shifts), curve rotations, change in curve inclination and peaks in specific segments of interest curves.

The review of the Bank's exposure to interest rate risk on December 31, 2021, and December 31, 2020 is shown in the following tables.

a) Period of interest rate changes, interest risk analysis and amounts subject to fixed interest rates

Earnings will also be affected by the maturity structure of the Bank's assets and liabilities:

	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Non-interest bearing	Total	Fixed interest rate
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2020								
Assets								
Cash and cash equivalents	132,472	-	-	-	-	37,750	**170,222**	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	**-**	-
Financial assets at fair value through other comprehensive income	-	33,399	5,990	186,796	13,818	1,984	**241,987**	26,231
Financial assets at amortised cost	**69,383**	**372,982**	**407,473**	**155,623**	**89,118**	**131,104**	**1,225,683**	**554,400**
- Obligatory reserve with the Central Bank	-	-	-	-	-	131,104	**131,104**	-
- Loans and receivables due from banks	48,741	16,000	-	-	-	-	**64,741**	113,771
- Loans and receivables due from customers	20,642	356,982	407,473	155,623	89,118	-	**1,029,838**	440,629
Tangible assets	-	-	-	-	-	21,871	**21,871**	-
Intangible assets	-	-	-	-	-	11,799	**11,799**	-
Current tax assets - pre-paid income tax	-	-	-	-	-	-	**-**	-
Deferred tax assets	-	-	-	-	-	569	**569**	-
Other assets	-	-	-	-	-	4,944	**4,944**	-
Total assets	**201,855**	**406,381**	**413,463**	**342,419**	**102,936**	**210,021**	**1,677,075**	**580,631**
Liabilities								
Financial liabilities at amortised cost	**83,436**	**92,544**	**975,328**	**181,270**	**59,000**	**3,112**	**1,394,690**	**1,369,796**
- Deposits and borrowings due to banks	68,894	47,742	20,540	16,535	-	1,278	**154,989**	131,929
- Deposits and borrowings due to customers	14,542	44,802	954,788	164,735	59,000	57	**1,237,924**	1,237,867
- Lease liabilities	-	-	-	-	-	1,777	**1,777**	-
Current tax liabilities	-	-	-	-	-	385	**385**	-
Deferred tax liabilities	-	-	-	-	-	546	**546**	-
Other liabilities	-	-	-	-	-	19,340	**19,340**	-
Provisions for risks and expenses	-	-	-	-	-	5,531	**5,531**	-
Total liabilities	83,436	92,544	975,328	181,270	59,000	28,914	**1,420,492**	1,369,796
Equity and reserves	**-**	**-**	**-**	**-**	**-**	**256,583**	**256,583**	**-**
Total liabilities, equity and reserves	**83,436**	**92,544**	**975,328**	**181,270**	**59,000**	**285,497**	**1,677,075**	**1,369,796**
Interest rate mismatch	**118,419**	**313,837**	**(561,865)**	**161,149**	**43,936**	**(75,476)**	**-**	**(789,165)**

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.2. Interest Rate Risk (Continued)

a) Period of interest rate changes, interest risk analysis and amounts subject to fixed interest rates (continued)

	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Non-interest bearing	Total	Fixed interest rate
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
December 31, 2020								
Assets								
Cash and cash equivalents	217,300	-	-	-	-	33,784	**251,084**	-
Financial assets at fair value through profit or loss	-	-	-	-	-	-	**-**	-
Financial assets at fair value through other comprehensive income	9,450	-	29,878	174,691	20,160	6,169	**240,348**	240,100
Financial assets at amortised cost	**65,498**	**354,583**	**398,568**	**124,579**	**56,620**	**125,128**	**1,124,976**	**475,058**
- Obligatory reserve with the Central Bank	-	-	-	-	-	125,128	**125,128**	-
- Loans and receivables due from banks	48,695	16,033	-	-	-	-	**64,728**	135,508
- Loans and receivables due from customers	16,803	338,550	398,568	124,579	56,620	-	**935,120**	339,550
Tangible assets	-	-	-	-	-	23,725	**23,725**	-
Intangible assets	-	-	-	-	-	11,551	**11,551**	-
Current tax assets	-	-	-	-	-	1,089	**1,089**	
Deferred tax assets	-	-	-	-	-	160	**160**	-
Other assets	-	-	-	-	-	5,073	**5,073**	-
Total assets	**292,248**	**354,583**	**428,446**	**299,270**	**76,780**	**205,590**	**1,658,006**	**715,158**
Liabilities								
Financial liabilities at amortised cost	**97,584**	**109,989**	**869,788**	**278,678**	**13,719**	**2,406**	**1,372,164**	**1,314,271**
- Deposits and borrowings due to banks	49,593	36,114	120,045	53,695	-	-	**259,447**	225,046
- Deposits and borrowings due to customers	47,991	73,875	749,743	224,983	13,719	-	**1,110,311**	1,089,225
- Lease liabilities	-	-	-	-	-	2,406	**2,406**	-
Deferred tax liabilities	-	-	-	-	-	557	**557**	-
Other liabilities	-	-	-	-	-	26,109	**26,109**	-
Provisions for risks and expenses	-	-	-	-	-	4,565	**4,565**	-
Total liabilities	**97,584**	**109,989**	**869,788**	**278,678**	**13,719**	**33,637**	**1,403,395**	**1,314,271**
Equity and reserves	**-**	**-**	**-**	**-**	**-**	**254,611**	**254,611**	**-**
Total liabilities, equity and reserves	97,584	109,989	869,788	278,678	13,719	288,248	**1,658,006**	1,314,271
Interest rate mismatch	**194,664**	**244,594**	**(441,342)**	**20,592**	**63,061**	**(82,658)**	**-**	**(599,113)**

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.2. Interest Rate Risk (Continued)

a) Period of interest rate changes, interest risk analysis and amounts subject to fixed interest rates (continued)

The estimated future cash flows for the Bank's interest-bearing liabilities and non-interest bearing liabilities as at December 31, 2021 and 2020 are shown in the following table:

	Up to a month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
December 31, 2021	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**	**BAM '000**
Liabilities						
Transaction accounts and deposits of banks	70,172	47,742	20,538	16,535	-	154,987
Transaction accounts and deposits of customers	14,599	44,802	954,788	164,735	59,000	1,237,924
Lease liabilities	1,777	-	-	-	-	1,777
Other liabilities	19,342	.-	-	.-	-	19,342
Total liabilities	**105,890**	**92,544**	**975,326**	**181,270**	**59,000**	**1,414,030**
December 31, 2020						
Transaction accounts and deposits of banks	49,593	36,114	120,045	53,695	-	**259,447**
Transaction accounts and deposits of customers	47,991	73,875	749,743	224,983	13,719	**1,110,311**
Lease liabilities	53	107	480	1,552	214	**2,406**
Other liabilities	26,109	-	-	-	-	**26,109**
Total liabilities	**123,746**	**110,096**	**870,268**	**280,230**	**13,933**	**1,398,273**

b) Effective Interest Rates

The following table presents the effective interest rates for management reporting purposes, calculated as a weighted average of the period: for financial instruments of assets, including interest expense on assets, and financial instruments of liabilities, including interest income on liabilities:

	December 31, 2021	December 31, 2020
	%	**%**
Assets		
Funds in excess of the obligatory reserve held with the Central Bank	(0,51)	(0,51)
Loans and receivables due from banks	(0,16)	(0,03)
Loans and receivables due from customers	4,51	4,57
Financial assets at fair value through other comprehensive income	3,45	3,25
Liabilities		
Deposits due to banks	(0,80)	(0,37)
Deposits due to customers	(0,49)	(0,60)

34.3.3. Risk of Changes in Interest Rate Margin

Within market-risk-measuring techniques, the Bank measures the impact of interest rate margin changes in debt securities with fixed yield. The risk of change in debt securities price due to issuer credit risk change (margin perceived by the market) is measured and limited by CPV limit - basis point credit margin value limit (Credit Spread Point Value). This limit is similar to Basis Point Value (BPV) and limits the risk of change in the net present value of debt securities portfolio if the impact of interest margin change shifts by 0.01% (1 basis point). BPV limits the overall sensitivity of the Bank's items to changes in interest rates and CPV additionally limits investments in debt securities with regard to the volume and duration.

34. RISK MANAGEMENT (Continued)

34.3. Market Risk Management (Continued)

34.3.4. Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is defined as exposure of the Bank's financial position to undesirable changes in the movement of interest rates arising from assets and liabilities in the banking book.

The limitation system in accordance with the Group's rules is defined by classification of limits and warning levels depending on the type of limitation and the time required for corrective action in case of a limitation violation.

The Bank's management and control of interest rate risk in the banking book is based on the analysis of metrics/indicators from two perspectives:

- economic value and
- earnings.

The main restrictions by means of which the Bank monitors exposure to risk from the perspective of the economic value are:

- BP01 sensitivity - overall sensitivity and sensitivity per time (maturity) buckets - is calculated as a change in the present value of interest sensitive items arising from the current shock for 1 basis point at each step along the curve. The sum of all sensitivities per time buckets along the curve is BP01;
- EV supervisory standardised shocks - for regulatory reasons, in addition to BP01 metrics, the Group calculates the sensitivity of the economic value as the worst of 6 SOT scenarios result ("parallel up", "parallel down", "flattening", "steepening", "short rates up" and "short rates down"). The impact of the economic sensitivity is measured in relation to Tier 1 capital.

From the perspective of earnings, the Bank monitors the risk exposure through the following limit:

- sensitivity of the net interest income - the standard sensitivity of the net interest income is calculated based on the scenario of current parallel shocks at rates above the one-year time horizon and assuming a consistent balance and constant margin.

Interest rate risk in the Banking Book indicators	**2021**	**2020**
Economic value sensitivity (EV sensitivity) in %	(4,90%)	(9,04%)
Net interest income sensitivity (NII sensitivity) in %	(0,63%)	(1,58%)
BP01 in EUR	(25,463)	(70,739)

34.4. Operational Risk

The Bank's management and the Group are regularly informed and receive reports on the aforementioned processes and indicators which constitute the operational risk management system, and the operational risk management system is aligned with the standards of the Group and local and international regulations.

Operational risk is a risk of adverse effects on the Bank's financial performance and equity due to omissions made by employees during their work, inadequate internal procedures and processes, inadequate management of the Bank's IT and other systems, as well as a result of externally caused unpredictable events including legal risk.

Losses arising from the following events can be considered as operational risk: internal or external fraud, employee relations and safety at work, customer complaints, fines and penalties for regulatory breaches, damage to material assets of the Bank, system interruptions and system malfunctions, process management.

In accordance with the Group methodology as well as regulations of the RS Banking Agency, the Bank has established and is continuously improving the operational risk management system. The system includes tools and mechanisms for continuous monitoring of damages that the Bank bears due to operational risks and its exposure to operational risks, the assessment of operational risks within processes and products, monitoring of the key risk indicators and defining the ways to avoid, control or transfer operational risks to third parties, as well as a reporting system.

34. RISK MANAGEMENT (Continued)

34.4. Operational Risk (Continued)

For operational risk loss data recording, recording and monitoring of risk indicators, the Bank uses Group's ARGO tool, whereas for reporting process and data analyses related to operational risks, the Bank uses Group's BO Tool (Business Object Tool).

In 2021, a Committee for management of non-financial risks and controls of UniCredit Bank a.d. Banja Luka was formed. The Committee's responsibilities are as follows:

- promotion of annual activities of managerial self-assessment of processes and evaluation of its results, to ensure a systemic approach to evaluation of operational risks and internal controls supervision system;
- supervision of non-financial risks in the Bank, developing threats, as well as the strengths of the internal control system, monitoring key events and incidents, weaknesses and deficiencies;
- definition and prioritising necessary corrective activities, aimed at mitigating spotted weaknesses and deficiencies;
- adoption of resolutions on reputational risks for transactions related to sensitive industries and other cases proposed by the business side (other relevant industries or clients);
- monitoring activities aimed at mitigating risks, effectiveness and implementation plans;
- discussion on relevant risks / findings prepared by the Internal Audit function;
- adoption of resolutions on crisis, proclamation of a crisis situation as a part of business continuity management;
- approval of risk assumption in terms of delays / avoidance / change in corrective measures, which assumes delayed or incomplete mitigation of risks.

Given that the Bank is exposed to operational risks in all its business activities and in order to raise awareness about the concept, significance of and responsibilities in process of operational risk management, the Bank has developed a system of electronic (online) education for all its employees as well as an education system for operational risk monitors through regular monthly meetings.

34.5. Reputation Risk

Taking into account the significance of reputation risk, which is defined as a risk of adverse effects on the Bank's financial performance (result) and equity due to loss of trust in the Bank's integrity triggered by unfavourable public opinion on the Bank's business practices or activities of the members of its bodies, irrespective of whether the grounds for such an opinion does or does not exist, the Bank manages the reputation risk by means of adopted and implemented special policies and procedures governing the area of the reputation risk management and acting with transactions in specific industries (nuclear energy, weapons industry, infrastructure water-dam, electricity production in coal-fired power plants, and mining sector), as well as by ongoing raising of the awareness of its employees of the significance of the reputation risk management using electronic education for staff.

In the area of reputational risk management, the Committee for management of non-financial risks and controls discusses and makes decisions on reputational risk for transactions related to sensitive sectors and other cases proposed by the business side (other relevant sectors or clients) that are assessed as high-risk transactions.

34.6. Capital Management

The Bank's objectives in capital management are:

- compliance with capital requirements set by regulators of banks and capital markets,
- maintenance of the Bank's ability to continue the business operations so that it could ensure return to shareholders and benefits for other stakeholders; and
- maintenance of a strong capital basis to support the development of its business activities.

BARS decisions prescribe the method of calculating capital requirements for credit, market and operational risk, the method of calculating capital, as well as the level of capital rates, which banks are obliged to maintain continuously, including protective layers of capital.

The minimum prescribed rates and ratios that banks must meet at all times are as follows:

- Common Equity Tier 1 Capital Ratio of 6.75%;
- Common Equity Tier 1 Capital of 9%; and
- the regulatory capital adequacy ratio of 12%.

34. RISK MANAGEMENT (Continued)

34.6. Capital Management (Continued)

For each of the above ratios an ongoing maintenance of the capital buffers of 2.5% for the preservation of capital is prescribed.

In addition to the prescribed ratios, requirements are planned (still not prescribed) for other capital buffers, i.e. for the combined capital buffer representing the minimum ratio of the Common Equity Tier 1 Capital increased by the preservation of capital buffer and increased by the following buffers, depending on what is applicable, namely:

- bank-specific countercyclical buffer;
- buffer for a systemically important bank (prescribed in the range from 0% to 2%; it will be prescribed for each bank individually after BARS has ranked the banks according to the systemic importance); and
- buffer for systemic risk;
- In 2021, BARS introduced an additional capital requirement for banks, set as per SREP control, which presents an additional capital buffer for banks; for the Bank it amounts 0.75%.

The amount of regulatory core (T 1) and Common Equity Tier 1 Capital (CET 1), as well as their rates calculated in accordance with the BARS regulations are shown in the following table:

Item	December 31, 2021 BAM '000	December 31, 2020 BAM '000
REGULATORY CAPITAL	**208,341**	**219,102**
CORE CAPITAL	**208,341**	**209,279**
COMMON EQUITY TIER 1 CAPITAL	**208,341**	**209,279**
Equity instruments recognized as regular core capital	**97,428**	**97,428**
Paid-in equity instruments	97,055	97,055
Share issue premiums	373	373
Retained earnings	76,473	68,384
Other comprehensive income	(5,899)	2,575
Other reserves	52,707	52,603
(–) Other intangible assets	(11,799)	(11,551)
(–) Deferred tax assets that are dependent on future profitability and do not arise from temporary differences minus related tax liabilities	(127)	(160)
(–) Deferred tax assets that are dependent on future profitability and do arise from temporary differences minus related tax liabilities	(442)	
SUPPLEMENTARY CAPITAL	**-**	**9,823**
General credit risk provisions in accordance with the standardized approach	-	9,823
Common Equity Tier 1 Capital ratio	22,77%	22,46%
Core capital ratio	22,77%	22,46%
Regulatory capital ratio	22,77%	23,51%

Realised capital ratios as at December 31, 2021 are significantly above the prescribed minimums.

In addition to these rates, the banks are required to provide and maintain a leverage coverage ratio, as an additional security and simple protection, of at least 6%.

The leverage coverage ratio is calculated as the ratio of share capital and total risk exposure of the bank on the reporting date, expressed as a percentage, and as at December 31, 2021, it is significantly above the prescribed minimum and amounts 11,93%.

35. FUNDS MANAGED ON BEHALF AND FOR THE ACCOUNT OF THIRD PARTIES

The Bank manages funds related to transactions for the account and on behalf of third parties; it records these transactions and funds off balance sheet, separated from its own assets. The Bank charges fees for managing funds on behalf of third parties. Income and expenses per these funds are posted as income or expenses of the owner or user.

Investments related to the funds managed on behalf of third parties are presented in the table below:

	December 31, 2021 BAM '000	December 31, 2020 BAM '000
Consignment investments	76	84

36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value represents the amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. It can also be defined as the value at which it is possible to dispose of assets/liabilities, or the appraised value of the neutralisation of the market risk arising from the assets/liabilities in the appropriate time-frame.
Assumptions used in assessing and measuring the fair values of financial instruments are based on application of centralised calculation developed at the Group level, which uses IFRS 13 as a unique source of guidelines to measure the fair value.
Financial instruments are considered as quoted on an active market if the quoted prices are easily and regularly available and if the prices represent actual and regular market transactions under common market terms.

All financial instruments are classified in accordance with classification criteria into three different hierarchy levels of fair values:
- hierarchy level 1: fair value is determined on the basis of prices for identical assets or liabilities available as at the measurement date, i.e. if the financial instruments are present in an active market;
- hierarchy level 2: fair value is determined based on a valuation model for which input data is obtained from an active market when it is not possible to use inputs used in assessment of Hierarchy Level 1;
- hierarchy level 3: fair value is determined based on a valuation model for which input data is not present in an active market, i.e. when more significant adjustments are needed.

In its methodology, when determining hierarchy levels for performing loans and deposits of banks and customers, the Group uses the following additional criteria:
- hierarchy level 2: (risk-free rate, i.e., FV risk-free - adjusted rate for credit spread for the expected and unexpected loss, i.e., FV risk adjusted) / risk-free rate or FV risk-free ≤ 5%;
- hierarchy level 3: (risk-free rate, i.e., FV risk-free - adjusted rate for credit spread for expected and unexpected loss, i.e., FV risk adjusted) / risk-free rate or FV risk-free > 5%.

The Bank classifies non-performing loans (NPL) in accordance with the Group Instructions in such a manner that it equals their carrying and fair values. All assets and liabilities of the Bank are classified into hierarchy level 2 and level 3.

The Bank classifies debt securities into Level 2 and the fair value adjustment is performed in accordance with the centralised calculation of the Group.

The Bank calculates the fair value of bonds in its portfolio on a quarterly basis and adjusts the book value to the calculated fair value. The calculation of fair value takes place in several steps:
- the first step is to calculate local prices, taking into account regulatory regulations,
- in the second step, the Group independently performs independent price calculation (IPV - Independent Price verification),
- in the third, last step, a comparison of local and IPV prices is made and, in case the IPV prices are lower than local ones, an adjustment (FVA - Fair Value Adjustment) is performed.

The calculation of IPV prices is based on the Mark-to-Model. In the fourth quarter of 2021, the Group changed the curve used to calculate IPV prices so that the new curve also takes into account local securities issued on the London Stock Exchange. Due to the application of the new curve, there was a larger, negative amount of FVA, so the effect of the valuation of securities on December 31, 2021 amounted to -6 million BAM.

36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

The table below shows the fair value of financial assets and liabilities at amortized cost, while the fair value of assets at fair value through other comprehensive income is presented in Note 18.b):

	December 31, 2021				December 31, 2020			
	Fair value	Carrying value	Variance		Fair value	Carrying value	Variance	
	BAM '000	BAM '000	BAM '000	%	BAM '000	BAM '000	BAM '000	%
Loans and receivables due from banks	260,882	195,845	(4,270)	(2,18%)	276,658	189,856	86,802	45,72%
Loans and receivables due from customers	1,064,545	1,029,838	34,707	3,37%	971,514	935,120	36,394	3,89%
Total	**1,325,427**	**1,225,683**	**30,437**	**2,48%**	**1,248,172**	**1,124,976**	**123,196**	**10,95%**
Deposits and borrowings due to banks	157,116	154,989	2,128	1,37%	259,940	259,447	493	0,19%
Deposits and borrowings due to customers	1,251,339	1,237,924	13,416	1,08%	1,106,353	1,110,311	(3,958)	(0,36%)
Total	**1,408,455**	**1,392,913**	**15,544**	**1,12%**	**1,366,293**	**1,369,758**	**(3,465)**	**(0,25%)**

Levels of fair value of the Bank's assets and liabilities in accordance with IFRS 13 are presented in the table below:

	December 31, 2021			December 31, 2020		
	Fair value levels			Fair value levels		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000	BAM '000
Loans and receivables due from banks	-	-	260,882	-	-	276,658
Loans and receivables due from customers	-	256,427	808,118	-	265,576	705,938
Total	**-**	**256,427**	**1,069,000**	**-**	**265,576**	**982,596**
Deposits and borrowings due to banks	-	135,282	21,834	-	224,560	35,380
Deposits and borrowings due to customers	-	-	1,251,339	-	-	1,106,353
Total	**-**	**135,282**	**1,273,173**	**-**	**224,560**	**1,141,733**

37. EVENTS AFTER THE REPORTING PERIOD

After the reporting date, there have been no events that would require additional disclosures in or any adjustments to the financial statements (adjusting events) until the date of their issuance.

38. ABBREVIATIONS

BARS - Banking Agency of Republika Srpska
ALCO - Asset - Liability Committee
Bank - UniCredit Bank a.d. Banja Luka
BPV - Basis Point Value
CET 1 - Common Equity Tier 1 Capital ratio
CPV - Credit Spread Point Value
EAD - Exposure at Default
EBA - European Banking Authority
ECL - Expected Credit Loss
EIR - Effective Interest Rate
EU - European Union
EV - Economic value
FLI - Forward Looking Information
FV - Fair value
Group - UniCredit Group
SE - Securities
ICAAP - Internal Capital Adequacy Assessment Process
IFRIC - International Financial Reporting Interpretations Committee
IT - Information Technology
LGD - Loss Given Default
IAS - International Accounting Standards
IFRS - International Financial Reporting Standards
NPL - Non-Performing Loans
PD - Probability of Default
VAT - Value Added Tax
POCI - Purchased or Originated Credit Impaired
PSC - Performance Status Code
RS - Republika Srpska
RWA - Risk Weighted Asset
SMI - Tangible Assets Acquired by Collateral Foreclosure
SPPI - Solely Payments of Principal and Interest
TTC - Through The Cycle
VaR - Value at Risk
WL - Watch List

Caring for our communities: When an earthquake devastated the Croatian region of Banija, the UniCredit Foundation sprang into action and launched a fundraising initiative to support those most affected.

Our People
Earthquake
Croatia

Curious to know more? Check out the entire story (and others!) on annualreport.unicredit.eu/en

Business Network of UniCredit Bank a.d. Banja Luka as at 31.12.2021

BRANCH	Address	City	Phone no:
FREE INFO LINE			080/051-051
BANJALUKA-PRIJEDOR REGION			
BRANCH BANJA LUKA	Marije Bursać 7	Banja Luka	051/243-200
BRANCH BANJA LUKA 2	Jevrejska 50	Banja Luka	051/246-662
BRANCH BANJA LUKA 3	Carice Milice 2	Banja Luka	051/246-645
BRANCH BANJA LUKA 4	Bulevar srpske vojske 8	Banja Luka	051/243-441
BRANCH ČELINAC	Kralja Petra I Karađorđevića 65	Čelinac	051/551-144
BRANCH KOTOR VAROŠ	Cara Dušana 28	Kotor Varoš	051/783-260
BRANCH MRKONJIĆ GRAD	Svetog Save 13	Mrkonjić Grad	050/212-948
BRANCH ŠIPOVO	Prve šipovačke brigada 1	Šipovo	050/371-338
BRANCH PRIJEDOR	Vožda Karađorđa 9	Prijedor	052/240-385
BRANCH NOVI GRAD	Karađorđa Petrovića 33	Novi Grad	052/751-756
BRANCH KOZARSKA DUBICA	Svetosavska 41	Kozarska Dubica	052/416-346
DOBOJ-GRADIŠKA REGION			
BRANCH LAKTAŠI	Karađorđeva 63	Laktaši	051/532-215
BRANCH GRADIŠKA	Vidovdanska bb	Gradiška	051/813-412
BRANCH SRBAC	Mome Vidovića 17	Srbac	051/740-251
BRANCH DOBOJ	Karađorđeva 1	Doboj	053/490-351
BRANCH TESLIĆ	Svetog Save 77	Teslić	053/431-501
BRANCH DERVENTA	Kralja Petra 1 Karađorđevića bb	Derventa	053/312-212
BRANCH ŠAMAC	Svetosavska 9	Šamac	054/490-116
BRANCH BROD	Jovana Raškovića bb	Brod	053/621-491
BRANCH PRNJAVOR	Svetog Save 25	Prnjavor	051/660-295
SARAJEVO-BIJELJINA REGION			
BRANCH BIJELJINA	Patrijarha Pavla 3a	Bijeljina	055/221-285
BRANCH UGLJEVIK	Ulica Ćirila i Metodija bb	Ugljevik	055/771-302
BRANCH ZVORNIK	Karađorđeva bb	Zvornik	056/214-147
BRANCH SREBRENICA	Vase Jovanovića 32	Srebrenica	056/440-269
BRANCH BRATUNAC	Svetog Save bb	Bratunac	056/411-214
BRANCH PALE	Milana Simovića bb	Pale	057/203-022
BRANCH LUKAVICA	Spasovdanska 31	Lukavica	057/318-299
BRANCH SOKOLAC	Cara Lazara bb	Sokolac	057/401 062
BRANCH ROGATICA	Srpski sloge bb	Rogatica	058/420-092
BRANCH VLASENICA	Svetosavska 82	Vlasenica	056/490-176
TREBINJE-FOČA REGION REGION			
BRANCH TREBINJE	Kralja Petra Prvog Oslobodioca br. 22	Trebinje	059/270-625
BRANCH BILEĆA	Kralja Aleksandra 14	Bileća	059/370-066
BRANCH GACKO	Trg Save Vladislavića bb	Gacko	059/471-530
BRANCH NEVESINJE	Nevesinjskih ustanika 27	Nevesinje	059/610-471
BRANCH FOČA	Njegoševa 10	Foča	058/220 972