



Annual Report 2023

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Opening remarks

A series of successful business years was crowned by a record high business result in 2023, which we are very proud of. In addition to good business results, the year was also marked by the Bank's strong resilience to economic challenges that arose as a result of geopolitical turmoil. Good forecasts, as well as the ability to quickly and adequately adapt to new circumstances, remain synonymous with the stability and strength of the domestic banking sector.

Nova banka AD, as the holder of the largest domestic banking group, increased its market share, thereby strengthening and improving its position on the market. For nine years in a row, we received the "Golden BAM" award as the bank with the largest assets with predominantly domestic capital. The Bank remained consistent and focused on the implementation of its strategy, putting the needs of its users first and providing them with continuous financial and advisory support. This approach contributed to the further building and strengthening of our partnerships, resulting in an increase in the number of users in all segments.

In addition to the development of digital sales channels, we remain available through traditional channels, because our approach "digitalization, not dehumanization" focuses on the needs and habits of our users, to whom we continue to offer personal contact. Also, technological improvements in the development of the mobile application and the improvement of the card business confirmed the innovativeness of Nova banka, which, together with its member Atos bank AD, records an increase in user trust from year to year.

During 2023, Nova banka AD significantly increased credit activity in the economy sector, as it is dedicated to the development of the domestic economy and projects that strengthen the competitiveness of domestic companies.

We were the first in our region to establish the Banking Academy, which aims to improve the knowledge and skills of all 679 employees. Continuous learning and adoption of new work principles support our commitment to keep up with the development of new technologies and gradual transformation into a modern digital bank.

Nova banka AD remains a stable support for the economy, a reliable partner for the population and strong support for the entire community.

With respect,

Siniša Adžić
President of the Management Board
Nova banka AD Banja Luka



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Nova banka AD, as the holder of the largest domestic banking group, increased its market share, thereby strengthening and improving its position on the market. For nine years in a row, we received the "Golden BAM" award as the bank with the largest assets with predominantly domestic capital.

About us

Nova banka AD Banja Luka is the largest domestic bank that is recognized on the market as a long-term partner and support for legal entities and citizens, ready to grow together with its clients and their ideas, but also to support those who are just starting out. It has been operating in Bosnia and Herzegovina since 1999. The Bank is 100% domestically owned, and the largest shareholder of the Bank is the renowned company MG MIND DOO. By acting responsibly, it achieves significant results, protecting capital and interests of its clients, effectively managing liquidity and deposits, which represents additional security and stability for the market of the Republic of Srpska and Bosnia and Herzegovina.

As a responsible and strong bank, it decisively responded to last year's challenge of preserving the financial stability of the banking sector, and entered the ownership structure of Sberbank AD Banja Luka. Readiness for any economic scenario, care for employees and dedication to clients' needs resulted in numerous recognitions.

What the Bank starts from, what stands in front of each of its employees, are the vision, mission and, of course, the overall corporate culture, the most important part of which are the values that Nova banka cherishes. These values are: customer care, integrity, employee development, teamwork and long-term partnership.

The Bank offers a wide portfolio of traditional banking services, including various types of loans, documentary business, deposits and savings, payment transactions and

money transfers, foreign exchange operations and the like, but it also performs a large number of primarily non-banking activities such as brokerage operations, custody business, and factoring. Until now, the Bank has mostly based its growth on business operations with corporate and retail clients. In the structure of the Bank's business operations, the dominant place is occupied by products and services related to placements to the corporate and retail clients, as well as payment transaction services. The Bank has made a significant step forward in the introduction of digital applications in business operations with clients, and in the period of the Strategic Plan, it intends to carry out a digital transformation of all processes.

In 2023, the Bank provided its services through 59 branches, at over 2,000 POS terminals for card payments, at 106 ATMs, and through 24/7 availability of electronic and mobile banking.

With 24/7 availability through electronic and mobile banking, in 2023, the Bank provided its services through:

59
branches

2000
POS terminals

106
ATM's

Bank management



Siniša Adžić, President of the Management Board

Siniša Adžić was born in Prijedor on July 19, 1974. He finished elementary school and high school in Prijedor, and earned the title of BSc in Economics at the Faculty of Economics of the University of Banja Luka in 1999. He has exceptional professional experience, nineteen years of work in banking, with a special emphasis on the field of Corporate and Investment Banking. During his rich work experience, he has been continuously improving his professional skills, participating in numerous seminars, educational workshops, etc.

He started his career at the Mira Biscuit Factory from Prijedor, where he spent three years and gained significant experience in understanding the way the BiH market works. He started his banking career at UniCredit Bank DD Mostar in 2004, as the Head of the Branch Office in Prijedor, then as the Director of the Personal and Entrepreneurial Banking Segment. In the period from 2009 to 2017 he was the Executive Director / Member of the Management Board for Corporate and Investment Banking of UniCredit Bank AD Banja Luka, since 2017 he was responsible for retail sales, and since August 2020 he was a member of the Management Board for Corporate and Investment Banking in UniCredit Bank AD. Mr. Adžić took over the position of the President of the Management Board of Nova banka AD Banja Luka in mid-February 2021, with the goal of continuing to work on improving all indicators in the Bank with a special emphasis on employee satisfaction, through improving the processes.



Jasna Zrilić, member of the Management Board

Jasna Zrilić was born on September 19, 1975, in Banja Luka, where she finished primary and secondary school, and at the Faculty of Economics of the University of Banja Luka, she earned the title of BSc in Economics. At the Faculty of Economics of the University of Novi Sad she earned the title of Master Economist for Finance, Banking and Insurance by defending the thesis "Asset and Liability Management Strategy of the Bank". She holds the licenses of a broker and investment manager.

She has been working in Nova banka AD since November 1, 2000, and since 2003 as the Director of the Branch Office for trade in Securities "Broker Nova". Since 2009, she has been appointed Director of the Treasury Division and was responsible for the following processes: asset and liability management, liquidity management, foreign exchange position management, capital management, strategic planning, securities in the Bank's portfolio, correspondent banking, credit lines, and custody and depository operations. From January 2019 to November 2020, she was a member of the Management Board of the Bank responsible for assets, finances, risks, AML/CFT, and compliance. She performed the duties of the President of the Management Board of the Bank from September 2020 until February 2021, and after that she assumed the duties of a member of the Management Board of Nova banka, responsible for assets, finances and risks. She has been a member of the Group for the implementation of the Basel directives related to capital and LCR in Nova banka, as well as a member of the Management Board of the Banja Luka Stock Exchange AD since August 2014.



Nenad Nenadić, member of the Management Board

Nenad Nenadić was born on April 18, 1982, in Bosansko Grahovo. After graduating from the Grammar School in Banja Luka, he earned the title of BSc in Economics at the Faculty of Economics of the University of Banja Luka, majoring in Banking. He started his professional career in 2006 in Hypo Alpe Adria Leasing DOO, and in 2009 he continued his work in UniCredit Bank AD Banja Luka, primarily in the segment of small and medium-sized enterprises, and corporate and investment banking. Since 2016, he has been the Director of the Segment of Domestic Business Entities, Corporate and Investment Banking, and since June 2020, the Acting Director of the Segment of the Public and Financial Sector and International Entities, Corporate and Investment Banking. In March 2021, he was appointed a member of the Management Board of Nova banka AD Banja Luka, thus becoming a superior for Business with legal entities and retail. Commitment to clients, establishing and maintaining business relationships with clients from various fields, both business and geographical areas, are his most pronounced competencies.

Mladen Čulić, member of the Management Board

Mladen Čulić was born on September 24, 1987, in Mrkonjić Grad. He finished Secondary Technical School in Banja Luka and earned the title of Traffic Technician. After completing his basic studies, he enrolled in the Master's studies at the Faculty of Technical Sciences of the University of Novi Sad and earned the title of Master Engineer in Management. He started his professional career in 2011 at Tržnica DOO Banja Luka, where he worked as Deputy General Manager until 2019. At the beginning of 2019, he continues his work engagement in Nova banka at the position of Assistant to the President of the Management Board, within the Cabinet of the President of the Management Board. At the beginning of 2023, he was appointed as a member of the Management Board of the Bank, and the Directorate for Operations is in the matrix of his responsibilities. Unconditional commitment to work, high level of communication and focus on teamwork and cooperation are his key competencies.



Boris Dragić, member of the Management Board

Boris Dragić was born on January 4, 1976, in Prijedor, where he finished primary and secondary school. He earned the title of BSc in Economics at the Faculty of Economics of the University of Banja Luka. He started his professional career in the construction and woodworking company Termont kompani DOO Laktaši, in the position of accountant. After that, he built up his work experience and competences in economic affairs in several other companies, before moving to the banking sector in 2008. He spent most of his time at UniCredit Bank AD Banja Luka, primarily in the sales segment, in management positions as: director of the Segment of medium-sized enterprises, director of the Segment of large enterprises, and director of the Segment of the public and financial sector and international clients. The last experience in the mentioned bank was in the position of Director of Compliance AML/CFT. In March 2021, he started working in Nova banka AD Banja Luka at the position of Assistant to the President of the Management Board, within the Cabinet of the President of the Management Board. In the middle of 2021, he will move to the position of Director of the Sector for Risk Management and Control. At the beginning of 2023, he was appointed as a member of the Management Board of the Bank, and the Directorate for Risk Management is in the matrix of his responsibilities. During his work experience, he underwent a large number of educations and trainings, related to the professional field but also to the field of personal growth and development.





Bank profile

A vision

Our vision is to be part of the largest domestic banking group that operates simply, safely and responsibly, to be a reliable partner and the Bank of first choice for our users and employees.

The mission

We are a strong and reliable domestic bank, ready to grow together with our users and their ideas, but also to support those who are just starting out. We direct our business in a simple, accessible and responsible way, so that care for people and economic progress are woven into our corporate values, and our activities confirm that we are a socially responsible partner of the community.

Corporate values of the Bank

Nova banka's corporate values do not only include business success. They are not just a suggestion of behavior, but primordial beliefs from which Nova banka's competitive strength derives. Once established, corporate values must be firm and unwavering. Therefore, the Bank singled out the five most important ones, on which it bases all its activities, from creating strategies to making decisions.

Customer care



For Nova banka, customer care is in the first place. The goal of this value is to build long-term good relationships through daily business. For this reason, it is important for the Bank to continuously learn about users, recognize and understand their needs, and create a unique offer in accordance with the collected knowledge. For the Bank, each user is a person he cares for and protects.

Integrity



Moral values and legal duties are very important. It is necessary to approach the business ethically and professionally. Relationships are built on mutual trust, respecting other people's opinions and attitudes. Agreements are respected, and a given word is kept.

Employee development



All employees of Nova banka are the key to its successful business, therefore it invests in the development of teams and individual development of employees, with the aim of acquiring new knowledge, understanding work tasks, and strengthening team spirit, communication skills and motivation. Nova Bank pays special attention to the organization of education, with a special emphasis on the internal transfer of knowledge.

Team work



"A team is not a group of people who work together. The team is a group of people who believe in each other," said Simon Sinek, and this sentence reflects one of Nova banka's fundamental values. The goal of this value is the formation of quality teams, among whose members there is respect, good communication, information sharing and good interpersonal relations.

Long-term partnership



Nova Bank strives to establish mutually beneficial, caring relationships based on trust and the desire for mutual success by providing superior customer experience and service. Trust is the foundation of every good relationship.

Macroeconomic environment

In the conditions of emphasized geopolitical risks and the deterioration of the global economic environment, in the third quarter of 2023, stagnation of economic growth was recorded in the EU and the eurozone. In September 2023, the lowest annual rates of price growth since December 2021 were recorded. More favorable price developments influenced the ECB's decision to halt further increases in key interest rates. According to the level of public debt and budget deficit, most countries of the eurozone are in a fiscal imbalance, and the growth of yield to maturity rates on the bond market further worsens their fiscal position. The prices of energy products on the world market in the third quarter were at a significantly lower level compared to the same period of the previous year due to the diversification of supply sources and weaker demand.

After the significant shocks that marked the first half of 2023, the stagnation of economic growth in the third quarter is directly related to the deterioration of the global economic environment, in conditions of growing geopolitical risks, primarily uncertainty regarding the war in Ukraine and the Middle East. According to the latest indicators, there was no significant change in economic activity in the eurozone and the EU on a quarterly and annual level. Some of the factors that marked these developments are the decrease in foreign demand for eurozone products, the strong slowdown in trade and the tightening of financial conditions, which affected the overall level of investment activity and consumption. After the temporary positive effects of the opening of the eurozone economy, in the third quarter of 2023, the effect of the reduction in the volume of industrial activity, the weakening of the service sector, but also the effects of the application of restrictive monetary policy measures are visible. Although the last increase in reference interest rates in September 2023 stabilized the trajectory of inflation, which affected the recovery of real household income, at the end of the third quarter of 2023, the first signs of weakening of the labor market were noticeable. At the same time, the unfavorable conditions of credit supply and the reduction of the fiscal stimulus in the economy, in order to avoid the strengthening of medium-term inflationary pressures and to increase the productivity of the economy, further burdened the economic activity. In the third quarter of 2023, most EU countries recorded negligible growth rates, and as many as eight countries saw a decline in economic activity.

According to the latest forecasts, a significant slowdown in annual real GDP growth in the EU and the eurozone is expected by the end of 2023 to 0.6%, which represents a downward revision of 0.2 pp compared to the summer round of macroeconomic projections. In 2024 and 2025, a gradual recovery is expected in the EU, with GDP rates of 1.3% and 1.7%, respectively. Although the short-term forecasts have been revised downwards, it is expected that the fall in the inflation rate, the growth of real income and the strengthening of the labor market will ultimately contribute to the growth of the economy and affect the recovery of domestic and foreign demand. Negative risks for real economic activity are related to the potential increase in food and energy prices due to geopolitical tensions and extreme weather conditions, the weakening of demand in conditions of strong transmission of monetary policy, the growth of inflationary expectations and the growth of wages and profit margins. In the following period, the focus remains on the reform of the economic management framework, which includes policies aimed at improving the supply capacity of the eurozone, as one of the key factors that can influence the reduction of price pressure in the medium term.

Source: RS Ministry of Finance

INDICATORS	2019.	2020.	2021.	2022.	2023.P	2024.F	2025.F	2026.F
Nominal GDP of the RS (in million BAM)	11.251	11.132	12.502	14.537	15.474	16.558	17.468	18.438
Real GDP growth rate of the RS (in %)	2,5	-2,5	6,9	3,9	1,5	3,0	3,2	3,5
GDP per capita (in BAM)	9.848	9.795	11.080	12.977	13.831	14.873	15.772	16.735
Export growth rate (%)	1,5	-13,9	23,7	4,1	1,9	5,5	6,2	6,5
Import growth rate (%)	-2,4	-3,8	6,2	0,3	2,0	4,5	4,6	4,8
Unemployment rate (%)			14,3	11,2	9,4	9,1	8,8	8,5
Average net salary in BAM	906	956	1.004	1.144	1.272	1.405	1.457	1.507

Movement of macroeconomic indicators for the period 2019 - 2022, estimate for 2023 and projections for 2024 - 2026

Based on the movement of macroeconomic indicators in the previous period and in the period January-September 2023, of economic activities in the Republic of Srpska and surrounding countries, estimates and projections of the movement of macroeconomic indicators of the Republic of Srpska for the period 2023-2026 were made.

Inflationary pressures continued in 2023, with the gradual weakening of said pressures starting already in the second part of the year. In the period January-September 2023, compared to the same period of the previous year, prices are on average higher by 8.3%.

Global economic trends, that is, trends in the environment significantly affect economic trends in the Republic of Srpska. Thus, through trade shocks and price pressures, the consequences of complex political and economic circumstances, as well as the tightening of monetary policies at the global level, are reflected. According to the estimates of international financial institutions, globally weaker growth is expected compared to previous projections. Although inflationary pressures are expected to decrease, the expected inflation rates still exceed the desired limits. It is reasonable to expect that the influence of external circumstances will be significant in the coming period as well. In addition, developments in the domestic economy certainly depend on the internal policies that will be implemented, as well as on the available capacities in the country. In this context, the complication of external and/or internal circumstances can have negative effects on the economy of the Republic of Srpska.



Banking sector in Bosnia and Herzegovina

There are 21 commercial banks operating on the market of Bosnia and Herzegovina, 13 with headquarters in the Federation of Bosnia and Herzegovina and 8 with headquarters in the Republic of Srpska. Although banks are very different from each other when it comes to their internal structure and the origin of capital, they are mostly uniform when it comes to the offer of credit and deposit products, since the products are defined based on the needs of clients.

If the offers of Nova banka's direct and indirect competitors are compared, it can be noted that all banks try to adapt as quickly as possible to the challenges of the environment by modifying the parameters of existing products or introducing new ones.

The financial result of the banking sector of Bosnia and Herzegovina is positive and the net profit is higher by 209.3 million BAM or 41.8% compared to 2022. In 2023, all banks reported a positive financial result.

Total loans of the banking sector of Bosnia and Herzegovina are higher by 1,226.6 million BAM or 5.5% compared to the end of 2022 and amount to 23,532.5 million BAM. The largest share in total loans of 49.85% is held by retail loans, which amount to 11,731.23 million BAM, and loans granted to private enterprises and companies, which make up 40.95% of total loans. The largest increase in loans was recorded for loans granted to private enterprises and companies by 705.6 million BAM or 7.25% and for retail loans by 784.2 million BAM or 8.61%.

Deposits of the banking sector of Bosnia and Herzegovina recorded an increase of 1,601.0 million BAM or 5.33% compared to the end of 2022. Retail deposits make up 52.1% of total deposits and are higher by 1,643.9 million BAM or 11.09%. Deposits of private enterprises and companies, which have the second largest share in total deposits (22.3%), have an increase of 755.8 million BAM or 11.98%. Deposits of the government and government institutions fell the most (accounting for 12.6% of total deposits) and are lower by 251.2 million BAM or 5.95%, deposits of public and state enterprises (accounting for 6.5% of total deposits) and are lower by 160.5 million BAM or 7.22%.

Based on data as of December 31, 2023, among banks operating in the Republic of Srpska, Nova banka is in the first place in terms of assets, loans, deposits and capital.

BANK	31.12.2023.						
	assets	equity	equity/ assets %	loans	deposits	number of employees	assets per employee
Nova banka ad Banja Luka	2.871,1	309,5	10,78	1.733,9	2.207,9	679	4.228
NLB Banka ad Banja Luka	2.046,5	213,2	10,42	1.122,3	1.645,0	512	3.997
UniCredit Bank ad Banja Luka	1.275,9	247,3	19,38	724,1	938,2	386	3.305
Atos Bank ad Banja Luka	1.213,7	176,2	14,52	772,8	920,8	388	3.128
Addiko Bank ad Banja Luka	1.012,7	174,7	17,25	681,8	805,2	365	2.775
MF banka ad Banja Luka	788,5	98,8	12,53	601,8	574,4	334	2.361
Banka Poštanska štedionica ad Banja Luka	493,1	56,1	11,38	244,2	382,1	153	3.223
Naša banka ad Banja Luka	329,1	30,2	9,18	175,7	266,5	204	1.613
UKUPNO	10.030,6	1.306,1		6.056,5	7.740,1	3.021	
% Nove banke	28,62	23,70		28,63	28,53	22,48	

The most significant financial and regulatory business indicators

Statement of financial position (Balance Sheet)

	2023.	2022.	Ind 23/22
			(in 000 BAM)
Cash and funds held with the Central Bank	630.364	776.095	81
Financial assets	499.015	414.238	120
Placements to other banks	608	645	94
Investments in subsidiaries	11.007	11.007	100
Loans and receivables due from customers	1.653.125	1.545.617	107
Tangible and intangible assets	43.926	44.913	98
Assets acquired in lieu of debt collection	110	545	20
Other assets	32.929	22.897	144
Total assets	2.871.084	2.815.957	102
Deposits	2.207.878	2.207.816	100
Credit lines	276.087	279.277	99
Subordinated debt	37.600	37.600	100
Other liabilities	39.997	37.310	107
Equity	309.522	253.954	122
Total liabilities and equity	2.871.084	2.815.957	102
Off-balance	494.844	444.778	111

The level of net assets as of December 31, 2023, was realized in the amount of 2,871,084 thousand BAM and was 2% higher than the realization for 2022. Assets grew due to higher investment in financial assets and loans compared to the previous year.

Cash resources amounted to 630,364 thousand BAM and were 19% less than the previous year.

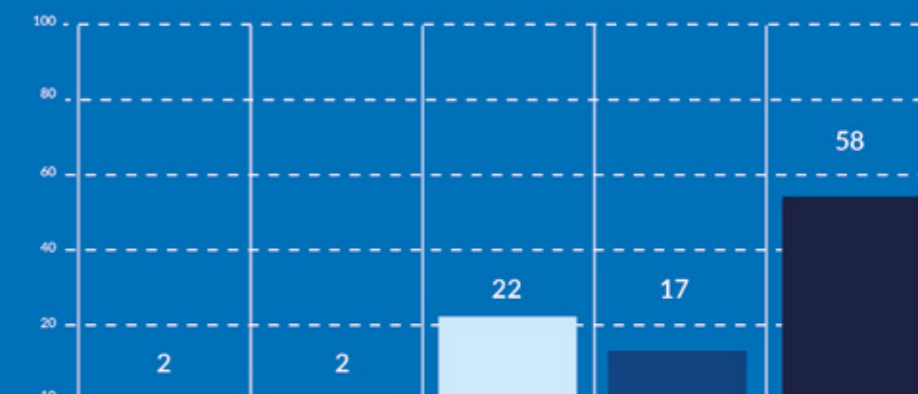
Financial assets include assets valued at amortized cost, at fair value through the income statement and at fair value through other comprehensive income. This item was realized 20% more than the realization of the previous year: realized 499,015 thousand BAM (2022: 414,238 thousand BAM) due to investment in government bonds.

Loans and receivables due from customers (net) were realized by 7% more compared to the previous year: realization as of December 31, 2023, was 1,653,125 thousand BAM (2022: 1,545,617 thousand BAM).

The level of fixed assets was realized in the amount of 43,926 thousand BAM (2022: 44,913 thousand BAM). The lower achievement in 2023 was conditioned by the Bank's lower need for investments and acquisition of fixed assets.

The level of the net value of acquired tangible assets as of December 31, 2023, was achieved at a lower level than the previous year: 110 thousand BAM (2022: 545 thousand BAM). These assets were depreciated based on their age, that is, the date of reduction to technical value in accordance with the Decision on credit risk management and determination of expected credit losses.

- Cash and funds held with the Central Bank
- Financial assets
- Loans and receivables due from customers
- Tangible and intangible assets
- Other assets



Structure of asset items for 2023

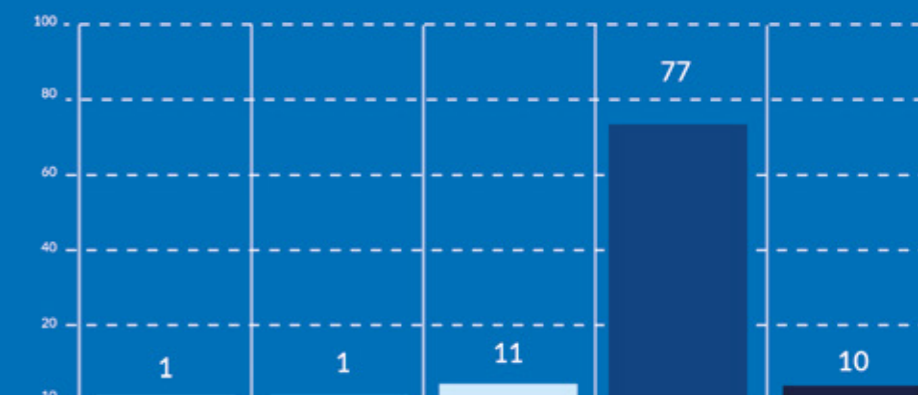
Deposits are at the same level as in 2022, and by segment the situation as of December 31, 2023, was as follows:

- Public sector 656,057 thousand BAM or 10% less than the achievement in 2022,
- Large clients 137,858 thousand BAM or 26% less than the achievement in 2022
- SME clients 257,144 thousand BAM or 14% less than the achievement in 2022.
- Population 1,151,307 thousand BAM or 18% more than the achievement in 2022 (with a note that 52.15% of the Bank's deposits are deposits of the retail segment)
- Banks 5,513 thousand BAM or 60% less than the achievement in 2022.

Liabilities per credit lines amounted to 276,087 thousand BAM (2022: 279,277 thousand BAM), that is, 1% less than the achievement in 2022. This position depends on the client's demand for loans from other sources (Investment-Development Bank (IRB) credit lines).

The off-balance sheet is also higher than the realization for 2023 and amounts to 494,844 thousand BAM (2022: 444,778 thousand BAM) due to the growth of payable and performance guarantees.

- Subordinated debt
- Other liabilities
- Equity
- Deposits
- Credit lines



Structure of liabilities and equity items for 2023

Statement of comprehensive income (Income statement)

(in 000 BAM)

	2023.	2022.	Ind 23/22
Net interest income	89.715	71.055	126
Net income from fees and exchange rate differences	41.473	34.407	121
Other operating income	8.631	8.936	97
Operating and other expenses	(61.429)	(54.643)	112
Impairment of assets acquired through the collection of receivables	(7)	(2.509)	0
Net expense of impairments and provisions for expected credit losses	(17.535)	(12.751)	138
Profit before taxes	60.848	44.495	137
Income tax expenses	(5.320)	(3.412)	156
Profit for the year	55.528	41.083	135
Other gains and losses for the year	39	(2.438)	-2
Total comprehensive income for the year	55.567	38.645	144

The income statement followed the growth in the balance sheet, and the income in the income statement was significantly higher compared to the achievement in 2022.

Net interest income was realized in the amount of 89,715 thousand BAM and was 26% higher compared to 2022 (71,055 thousand BAM).

Net income from fees and exchange rate differences grew by 21% compared to the previous year and amounted to 41,473 thousand BAM (2022: 34,407 thousand BAM). All business processes increased profitability compared to the achievement in 2023: income from off-balance sheet operations grew by 16% in line with the growth of guarantees, revenues from internal payment transactions fees grew by 11%, income from payment cards grew by 23%, income from foreign exchange operations grew by 24% compared to the achievement in 2022. Fees grew due to the growth in the number of transactions and the volume of turnover.

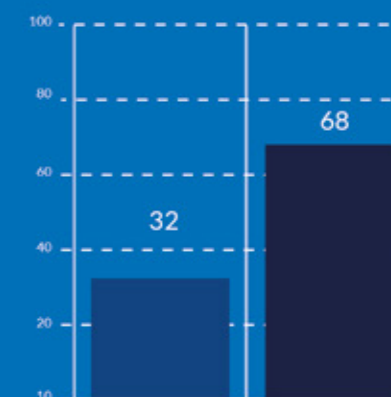
Net income from financial transactions was 24% higher than the realization for 2022: it was 131,188 thousand BAM for 2023, that is, 105,462 thousand BAM for 2022. The Bank achieved a higher net income from financial transactions in the amount of 25,726 thousand BAM, compared to the same period last year.

Other operating income were realized in the amount of 8,631 thousand BAM, i.e. by 3% less compared to the realization in 2022. This year, the positive impact of the securities assessment amounted to 2,771 thousand BAM (same period last year: 41 thousand BAM). A significant effect was achieved from the sale of tangible assets, i.e. 2,261 thousand BAM (same period last year: 3,531 thousand BAM) as well as income from early term deposits which in 2023 amounted to 1,021 thousand BAM, which was a growth in the amount of 23% (2022: 828 thousand BAM).

Operating and other expenses were realized in the amount of 61,429 thousand BAM, i.e. 12% more compared to 2022 (54,643 thousand BAM).

The net profit for 2023 was 55,528 thousand BAM and was 35% higher than the previous year. For 2022 the Bank achieved a net profit in the amount of 41,083 thousand BAM.

- Net interest income
- Net income from fees and exchange rate differences



Structure of net income from financial transactions for 2023

Key Performance Indicators (KPI)

(in 000 BAM)

	2023.	2022.	Ind 23/22
Cost Income Ratio CIR (operating expenses)	43,94%	49,96%	88
Operating and other expenses/Total income	31,82%	34,86%	91
ROE (return on equity)	19,66%	17,70%	111
ROA (return on assets)	2,01%	1,55%	130
Share of capital in total assets	10,78%	9,00%	120
Net loans as % of total assets	57,58%	54,80%	105
Regulatory capital ratio (min 12%) + minimum capital conservation buffer (min 14.5%)	20,19%	18,42%	110
Tier 1 ratio (min 9%)	18,54%	16,28%	114
Common equity tier 1 ratio + capital conservation buffer (min 11.5%)	18,54%	16,28%	114
Financial leverage ratio	9,66%	7,95%	122
Cash-to-deposit ratio	28,57%	35,18%	81

During 2023, the Bank reduced its Cost-to-Income (C/I) ratio by 12%, which was influenced by the growth of income from financial transactions.

The achieved higher profit for 2023 also affected the growth of ROE and ROA, from 17.70% to 19.66% for ROE, that is, from 1.55% to 2.01% for ROA.

The share of net loans in total assets grew by 5%. Thus, for 2023 the share was 57.58%, while for 2022 it was 54.80%.

The Tier 1 ratio is 18.54% (2022: 16.28%), and the Regulatory capital ratio is 20.19% (2022: 18.42%). The higher ratios in 2023 were achieved due to the increased net profit achieved in 2023.

The financial leverage ratio was achieved at the level of 9.66% (2022: 7.95%).

Quantitative realization of business strategy

Retail banking

In the part of retail banking, during 2023, work was continuously done on simplifying the organization, products and processes, with a focus on increasing client satisfaction and user experience. Given that we are here for our clients, client satisfaction is one of the key goals and the foundation for further growth and development. It is important to know how much client satisfaction is related to any change, in order to have guidelines for further development, to see what is important to the user, what they see as the greatest benefit and what are the disadvantages. In this light, increasing the quality of service to clients is our investment - priority number one, and we have focused the key strategic goals of the Retail Banking Division on:

- Business network optimization;
- Achieving business results in terms of key indicators (volume of loans, deposits, interest and non-interest income, market share through continuous growth in the number of clients);
- Digital transformation of network operations.

Business network optimization

Bearing in mind that the modern operations of the banking sector are slowly entering the sphere of easier and more practical banking operations, during 2023 a new organization of the Retail and branch network management sector was implemented. The goal of the new organization is to optimize the business network, with a focus on increasing efficiency and flexibility in business operations, and preparing for digital transformation.

The new organizational structure of the Retail and branch network management sector has eight Regions, the Department for business with independent entrepreneurs and the Early collection department. There are 58 branches in the Regions. Five regions are located in the Republic of Srpska and three regions in the Federation of Bosnia and Herzegovina.

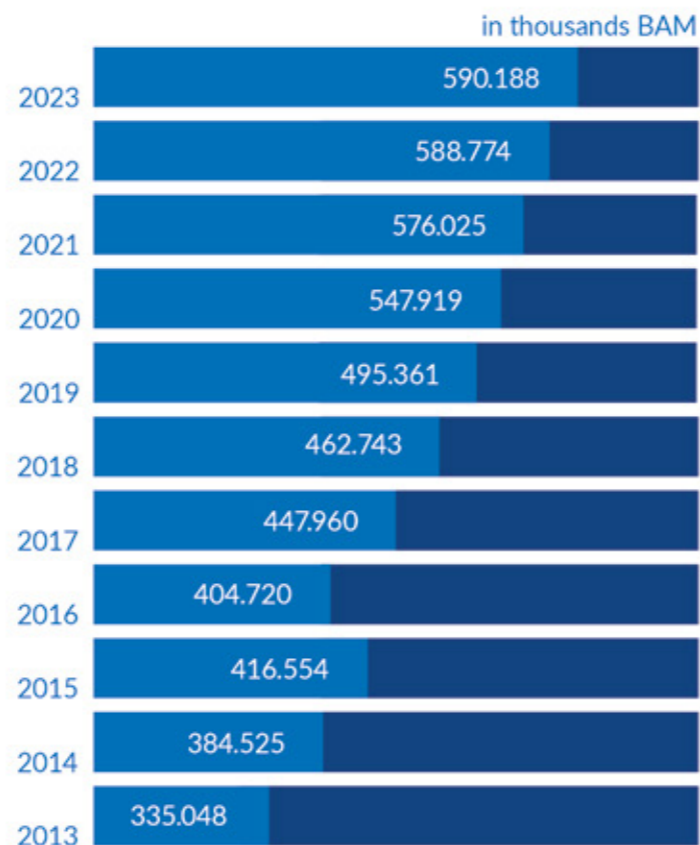
The regions in Republic of Srpska are: Banja Luka region (12 branches); Krajina region (9 branches); Doboj region (9 branches); Bijeljina region (11 branches); East Sarajevo region (8 branches).

The regions in the Federation of Bosnia and Herzegovina are: West Federation region (3 branches), East Federation region (4 branches), Sarajevo Federation region (3 branches).

Retail loans

The balance of the retail placement portfolio with overdue loans as of December 31, 2023, is 597.5 million BAM and is stable compared to the same period in 2022 (slight growth trend +0.5%), when it amounted to 595.1 million BAM.

Of the total investment portfolio, 98.8% relates to placements to clients who are regular in repaying their obligations.



Movement in the placement level from 2013 to 2023 (without overdue placements)

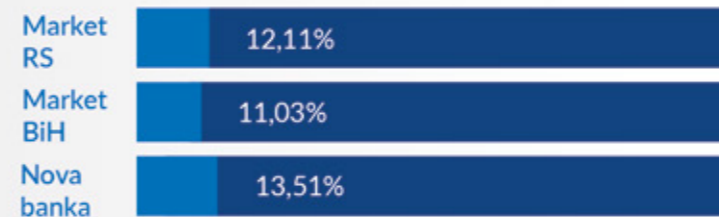
In 2023, 145 million BAM of new loans were placed, that is, 6,306 loan sub-accounts. The Bank maintained a positive trend in the part of placement of housing loans from the funds of Investment-Development Bank of the RS (IRB RS), and placed 20.5 million BAM (23% more than in 2022) of loans to all groups of users, or 33% of the total housing loans placed from IRB RS funds.

In terms of market share, the Bank maintained a stable market share, both on the territory of the Republic of Srpska (20.4%) and at the level of Bosnia and Herzegovina (5.3%).

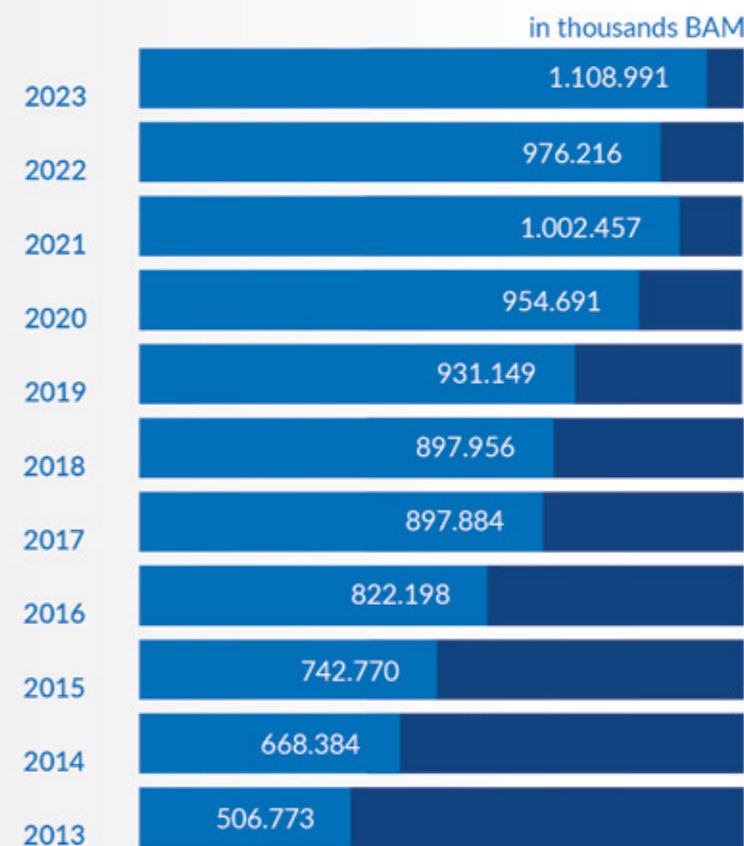
Retail deposits

Nova banka with 1,109 million BAM of retail deposits, a market share in the Republic of Srpska of 25.00%, that is, at the level of BiH of 6.9%, shows a leadership position in the market of the Republic of Srpska, and a high degree of trust of the citizens of Bosnia and Herzegovina.

The confirmation of the trust of our clients is also shown by the trend of higher growth compared to the market, both in the Republic of Srpska and in the entire Bosnia and Herzegovina.



Nova banka's deposit growth trend compared to the market growth trend



Trend in the level of deposits from 2012 to 2023

Nova banka offers its clients a wide range of savings products, which are adapted primarily to the requirements and needs of the clients. Savings in the Bank enables the preservation of the value of invested funds while achieving a certain yield (interest).

The term period is chosen by the client as well as the currency in which the savings deposit will be expressed. Interest is paid depending on the client's wishes, in advance, that is, immediately for the entire term, monthly, quarterly, semi-annually, annually or at the end of the term.

Digital transformation of network operations

The digital transformation of network operations as a market trend represents the primary goal of future network operations. In light of the above, during 2023, a significant increase in users of the Smart Nova application (mobile banking) was recorded, and the number of users increased by 59% compared to 2022, while the number of transactions initiated through the Smart Nova application increased by 37%.

The Bank is continuously working on improving the Smart Nova application, with a focus on speed and simplicity.

Quality of service

Nowadays, quality of service is undoubtedly the most important category in the banking sector. The needs of users of financial services are changing dynamically, which is why the Bank focused on developing long-term business relationships with its users, in order to justify their trust and develop partnership relations. In addition to all that, there is also great competition on the banking market, and very often the quality of service is the Bank's comparative advantage.

Providing high-quality products and services enables the Bank to achieve basic business goals, such as customer satisfaction, market share growth, attracting new customers and profitability.

The ability to provide a high-quality service that will meet or exceed the needs and expectations of the client in banking is the basis for building a competitive advantage. The quality of the service should not only satisfy but also exceed the user's expectations, and the Bank makes a constant effort to improve the process of providing the service.

The Bank directs a special focus on qualitative and quantitative types of benefits, which can be achieved by improving quality. As for the qualitative benefits, surely the quality of products and services contributes to user satisfaction and vice versa. In addition, the satisfaction of service users greatly affects the Bank's business results, image, as well as gaining new users through recommendations. As for the quantitative advantage of services, they contribute to increasing profits. In addition, satisfied users of banking services share their experience with an average of six to eight other people, while dissatisfied clients can inform more than ten other people.

Bearing in mind that one of our basic postulates is "customer care", during 2023 we conducted satisfaction surveys of our loyal users. The results of the research showed the high quality of service that users receive in branches from employees, and the quality of the product was shown to be a key factor in retaining existing users.

The Bank will continue to focus special attention on establishing and measuring the quality of products, as well as the services that employees provide to clients. As before, our goal is to retain existing clients and attract new

ones, because only in this way will the Bank be able to grow and maintain its leading role in the market.

Corporate banking

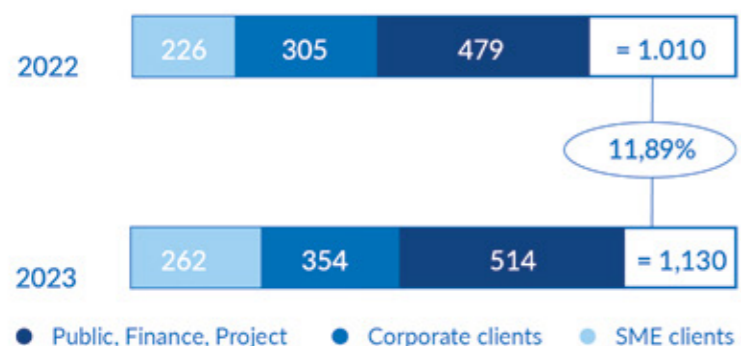
The domain of the Directorate of Corporate banking includes business operations with large corporate users, the public sector, public enterprises, as well as business operations with small and medium-sized enterprises.

More significant business activities of the Directorate are aimed at preserving stable market growth and development, through constant improvement of business cooperation and support in business operations with users. Clients' trust in the Bank's security is best demonstrated by the Bank's position on the market, where it ranks first in the Republic of Srpska.

In 2023, the Bank continued to expand its client base of legal entities, with noticeable growth in all sectors within the Directorate. A similar trend was achieved when it comes to the number of transaction accounts. The significant increase in the client base in the observed year is the result of continuous adaptation to the needs of clients and acquisition activities on the market.

During 2023, the Bank placed 631 million BAM of loans to legal entities, which is 14% more than in 2022. As for the share of non-performing loans, the same percentage as in 2022 has been maintained, amounting to 4.9%.

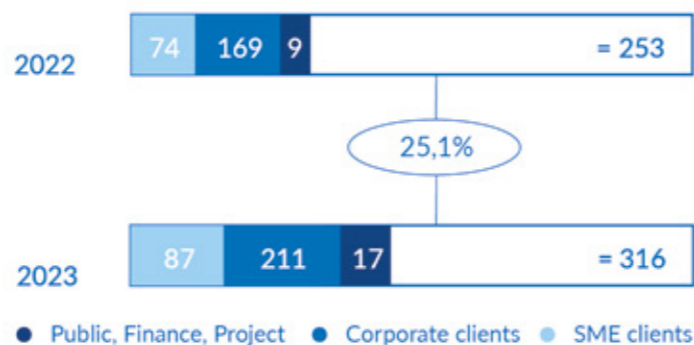
In the Republic of Srpska, the Bank achieved an increase in the market share of corporate loans compared to 2022 by 2.14 pp, i.e. from 34.6% in 2022 to 36.8% in 2023, while being in the first place when it comes to the total loans. Also, the market share in corporate loans increased at the level of Bosnia and Herzegovina, from 8.7% to 9.5%.



Comparison of loans December 2023/December 2022

The Bank is recognized by clients as a reliable partner in the efficient execution of their requests, which also shows a significant growth in the part of guarantees. The Bank ended 2023 with 316 million BAM of corporate guarantees, which is 25% more compared to the end of 2022.

It also achieved a significant increase in market share in corporate guarantees from 39.6% in 2022 to 43.3% in 2023.



Comparison of guarantees December 2023/December 2022

Following modern trends, the Bank continued with the process of improving the so-called alternative channels and the increase in the number of their users, which resulted in an increase in sales of other Bank products (transaction accounts, foreign currency accounts, e-banking, business cards). One of the indicators of a positive trend is the increase in the volume of transactions by 24.8%.

Development of corporate products

During 2023, by taking care of its users and respecting the current regulations that apply to business with legal entities, the Bank offered a wide range of traditional banking products and services defined in the Product Catalog (loans, purchase of receivables/factoring, guarantees, letters of credit, framework placements, deposits, payment transactions), as well as products and services of direct sales channels (electronic and mobile banking, cards, POS, internet POS).

The Bank is constantly working on improving processes, products and services, as well as improving the knowledge of sales and operational staff.

When it comes to the loan process, the Bank worked on improvements during 2023, through the simplification of documentation and increasing the degree of automation of business processes, aiming to reduce processing and payment times and increase the degree of competitiveness and client satisfaction.

When it comes to the loan activity, loans from the Investment-Development Bank of the Republic of Srpska (IRB RS), which are highly sought after by clients due to favorable interest rates and long repayment terms, still make up a significant part of the loan portfolio.

In addition to standard credit products, the Bank offers loans for project financing as a specific type of financial support, where the use of funds is adjusted to the needs of building residential, business, residential-business, infrastructure or industrial projects, while on the other hand, the repayment is adjusted to the market placement of the financed objects. As the Bank is completely oriented toward its users and in order to provide professional support to users in the field of project financing, the organizational structure was changed and a department was established, which deals exclusively with the mentioned type of financing.

The Bank has retained its recognizability in the activity of business with guarantees, as well as in the activity of providing domestic and international payment transactions services, which contributed significantly to the Bank's income.

In 2023, a new product, Free Savings for legal entities, was introduced, with the aim of increasing the base of term deposits. Free savings allows users to easily dispose of their own funds, and users have no restrictions regarding payments or withdrawals during the duration of the contract, which provides them with much greater flexibility compared to classic term deposits with the achievement of a certain interest.

The Bank is constantly focused on the development of digital services and products, so in addition to implementing activities to improve the existing Smart Nova web and mobile banking, the Bank worked on the introduction of a new B2B channel that enables the automated exchange of data between the Bank's business systems and users, all with the aim of facilitating business and raising efficiency in work on both sides.

The Bank invested significant efforts in expanding the network of POS terminals, increasing the sales of POS products and monitoring network activity and product profitability. In the future, the development of the network and POS as a product is planned. In this business segment, the Internet POS service, i.e. online payments (e-commerce), is particularly noteworthy, which makes the Bank unique in the entire banking sector. It is planned to continue the development of the e-commerce platform for online payments, increase its application, as well as further development and improvements. The e-commerce platform offers the most up-to-date functionalities, and users can make easy and safe purchases through their website.

In 2023, a new organizational unit was formed within the Directorate of Corporate banking - Segment for Strategic Sales Management and Reporting for Legal Entities. In accordance with the Bank's strategy, special focus will be placed on strategic sales management, which will aim to use the internal potential of users, recognize their needs, and create campaigns for different types of products.

Products

The focus of the Bank's development during 2023, as well as in the following period, is certainly digital transformation. The goal of digital transformation is the optimization and digitization of internal processes, as well as the further development of digital solutions, with constant innovation and improvement of the user experience through a simpler and more personalized service.

Given that the Bank has opted for the process of digital transformation of all processes and products, in this sense the existing products and services have been analyzed in detail and structured in a way that they are easily understandable and simply presented to employees as well as users. The goal is to automate all processes and products as much as possible, to tag contractual documentation, and to have all processes and flows integrated into the Bank's IS (E2E process optimization). In the light of digital transformation, work is continuously being done on the transformation of the contact center

(ePoslovnica), the expansion of the network of ATMs, POS terminals, the expansion of the use of mobile banking, the implementation of analytical (aCRM) and operational CRM (oCRM).

Through the transformation of the contact center, it is planned to provide consultation, information, application for products and services, and payment without going to a traditional branch office. In addition to building and expanding new distribution channels for products and services, the Bank will continue to use existing networks and channels for the distribution of its products.

With the aim of maximum use of the base of existing users and the acquisition of new ones, the Bank worked intensively during 2023 on the CRM implementation project, which aims to improve and provide support to the sales staff in order to increase efficiency and productivity in sales.

In the area of products, during 2023, we were particularly recognizable through the campaign organized under the name "Royal Savings", where we provided the possibility of an additional benefit through an increase of the interest rate for users who apply through the Bank's website. The application process is quick and simple, and after only one minute the user receives a message via Viber or SMS (if the user does not use Viber or does not have internet access) about the success of the application. We gave users flexibility, and the possibility to choose their own term period, currency and method of interest payment. The interest payment is adapted to the wishes of the user, and different payment methods are possible (in advance, i.e. immediately for the entire term period, monthly, quarterly, semi-annually, annually or at the end of the term). The trust of our users was shown through the recorded significant growth of deposits, especially in the part of long-term deposits.

KRALJEVSKA ŠTEDNJA
tamo gdje vlada poštenje

Kamatna stopa do 3,5%

NOVA BANKA

During the first quarter of 2023, we continued to improve the credit process, with a special focus on automation and simplification. We have implemented process performance management for all stages of the loan process, that is, measuring the time from the first contact to approval (TTY), as well as from the first contact to placement of funds (TTY). At the center of the process, we put user experience and satisfaction with the process of our users, who, as our partners, go through together with us.

During 2023, the Bank continued to monitor market trends, and worked on the implementation of new opportunities in the field of card payments, the production of which is planned for 2024:

- **Implementation of the possibility of dividing into installments via mobile banking** for credit card users. Bearing in mind the current development of the possibility of dividing into installments on the market, which is aimed at expanding the range of offers to end users in terms of increasing the possibility of dividing transactions into installments, the Bank will upgrade the existing possibility of dividing into installments. Therefore, the existing functionality, which was related to the possibility of dividing exclusively at the POS terminals of merchants with whom the Bank has a contract, is being expanded in such a way that the user regardless of whether he/she made a transaction at a merchant with whom the Bank has a contract or not, and whether the transaction was performed on the Internet, he/she can divide the transaction into installments themselves through mobile and electronic banking. The new functionality was created in such a way that the user determines the required number of installments for the division, thus managing his/her monthly budget and needs more efficiently.
- **Implementation of Google Pay™** represents the implementation of a digital wallet for Mastercard card users, which enables fast and secure transactions via mobile phones and smart watches. With availability in more than 60 countries around the world, it plays a major role in the competitiveness of the market (there are currently more than 150 million users).

In a time of rapid changes and constant development of technologies, an organizational culture that encourages innovation is necessary with the ultimate goal of improving relations with users and raising the user experience to a higher level, thus creating the prerequisites for a long-term sustainable business relationship.

Designing attractive and competitive products and digital solutions, maximally adapted to the needs of users, will be our focus in the future as well.



Asset management

Liquidity management

The main role of the ALM department is to plan and manage the Bank's assets and liabilities in order to achieve adequate/optimal liquidity and profitability, in accordance with the defined risk exposure tolerance (interest rate risk and liquidity risk).

The key items under the jurisdiction of the ALM department are:

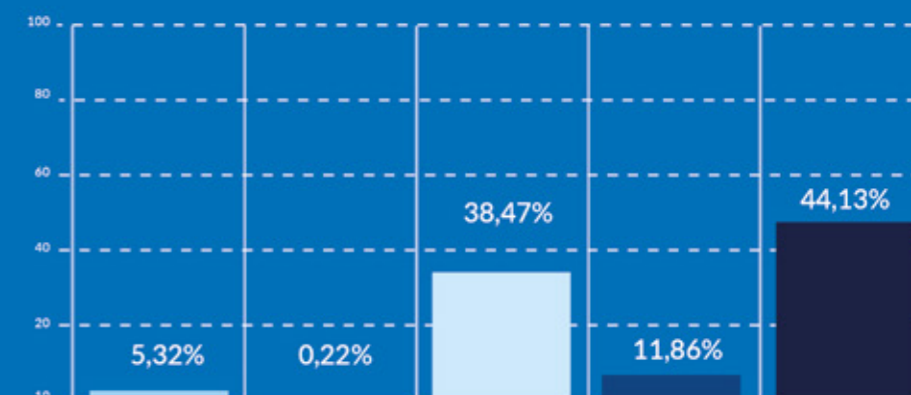
- Planning and management of the Bank's liquid position and funding sources
- Strategic management and planning of deposit potential from the aspect of term structure, concentration, and interest rates
- Defining internal transfer prices in accordance with market conditions by determining the minimum price of credit products and the maximum price of deposit products
- Capital position management.

Liquidity and deposit potential management is based on maintaining optimal liquidity while minimizing costs and maintaining an adequate structure of funds, but also liquid reserves, in order to ensure an adequate level and uninterrupted payment of due obligations in regular and stressful circumstances.

In the funding sources management, the greatest emphasis is on deposits (share as of December 31, 2023 amounts to 87.56% or 2.208 billion BAM). The deposit management policy is based on managing the structure with the aim of reducing concentration, optimal maturity structure, and defining a stable level.

As of December 31, 2023, cash assets amounted to 631 million BAM, consisting of cash (134 million BAM or 21.23%), funds with the CBBiH (434 million BAM or 68.85%), funds with foreign banks (60 million BAM or 9.52%), while observed with securities (498 million BAM), liquid reserves amount to 1.13 billion BAM with the share of cash (11.86%), funds with the CBBiH (38.47%), funds with foreign banks (5.32%) and securities (44.13%).

- Foreign banks
- Giro account
- Funds with the CBBiH
- Cash
- Securities



Structure of liquid reserves as of December 31, 2023

Foreign exchange risk management

Foreign exchange risk represents the possibility of negative effects on the financial result of the Bank due to unfavorable changes in exchange rates. Foreign exchange risk occurs when the Bank has an open foreign exchange position that can lead to a loss due to a change in intercurrency relations, i.e. a change in the price of BAM in relation to other currencies. The Bank's foreign exchange position was managed daily in accordance with the Bank's internal limits as well as the standards and limits determined and prescribed by the regulator.

In 2023, exchange rate differences continued the growth trend, and a total of 15.057 million BAM of exchange rate differences were realized, an increase of 9.12% compared to 2022. Business operations with authorized exchange offices have the largest revenue share at 69.19%. These business operations continued their growth trend during 2023, where this type of income recorded a growth of 12.74% compared to the previous year. In 2023, Nova banka maintained the leading position in terms of turnover and the number of authorized exchange offices.

Capital management

Since capital is a rare economic and strategic resource, capital management is one of the most important components of prudent, efficient and strategic planning and management of the Bank.

The goal of capital management is based on providing and maintaining the optimal volume, structure and sources of capital, in such a way that the Bank is committed to strengthening the Common Equity Tier 1 (CET1), which will enable:

- Fulfillment of regulatory limits
- Fulfillment of limits defined by the Decision on acceptable risk level
- Fulfillment of strategic goals

As of December 31, 2023, the Bank fulfilled the legal ratios, as well as internally defined indicators, and the total recognized capital amounted to 320.5 million BAM, of which the Common Equity Tier 1 is 294 million BAM (91.85%).



Capital ratios as of December 31, 2023

Risk management

Risk management framework and system

The Bank's risk management framework includes:

- risk identification,
- measurement, i.e. risk assessment,
- risk monitoring, analysis and control
- risk reporting.

The Bank's comprehensive, reliable and efficient risk management system includes the following:

- Identifying significant risks to which the Bank is exposed or could be exposed in its business operations.
- Measurement, i.e. risk assessment through established programs, procedures and methods.
- Measures to limit and mitigate risks in a way that will minimize negative impacts on the Bank's business operations and creditworthiness.
- Risk monitoring, analysis and control.
- Establishing an appropriate organization of work for the effective implementation of risk management processes and procedures with clearly defined, transparent and consistent powers and responsibilities within the Bank.
- Appropriate lines for timely and continuous reporting to the Bank's management bodies about risks.
- Providing an information system that enables comprehensive and reliable collection of data necessary for monitoring and analysis of all risks to which the Bank is exposed.
- Conducting stress testing, taking into account assumptions about changes in external and internal factors that may have a significant impact on risks in the Bank's business operations.
- Making plans for dealing with unforeseen or emergency situations in the Bank's business operations, such as the Contingency Liquidity Plan and the Recovery Plan.

Risk management organization

Risk management is organized in such a way that independence in the work is ensured by the division of tasks, responsibilities and duties of employees, which prevents conflicts of interest.

The organizational units responsible for risk management are:

- Risk management and control sector,
- Underwriting sector,
- Restructuring and collection sector.

Risk management and control sector was established as a control function of the Bank's risk management in accordance with the applicable regulations (Decision on the Bank's Management System), and is organized independently of business processes and activities in which risk arises.

In addition to monitoring and reporting on all significant risks, it is responsible for defining and proposing risk management strategies and policies, and is also responsible for overseeing the functioning of risk management methods and procedures.

Underwriting sector is responsible for credit risk assessment in approving placements to legal entities and natural persons, and for monitoring credit risks through control and analysis of credit risk exposure to existing placements of the Bank's clients, in order to minimize credit risk costs.

Restructuring and collection sector is responsible for managing non-performing loans, primarily through restructuring and forced collection procedures, in order to reduce uncollected receivables from clients to minimize losses related to credit risk.

Credit risks

In the ordinary course of business, the Bank is exposed to credit risk, which is defined as the possibility of adverse effects on the financial results and capital of the Bank due to default of a debtor on its obligations to the Bank.

In implementing its credit policy, the Bank adheres to certain principles established by the Bank's business and credit policy and thus protects itself from excessive exposure to credit risk. Through independent separate sectors, the Bank manages credit risk at the level of individual transactions through approval and monitoring within the Underwriting sector, restructuring and collection of non-performing loans within the Restructuring and collection sector, while within the Risk management and control sector it manages credit risk at the level of the Bank's entire portfolio.

The Bank's goal is to approve low-risk placements to the greatest extent possible through the credit policy and credit risk management program, using for risk assessment models.

The Bank continuously assesses and measures the amount of expected credit losses for on-balance and off-balance sheet exposures in accordance with the Methodology for classification and measurement of financial instruments, Methodology for valuation of financial instruments and the Credit risk classification policy, respecting the provisions of the IFRS 9 standard.

Non-credit risks

Market risk is the risk of possible negative effects on the financial result and capital of the Bank due to changes in market prices, and includes:

- Foreign exchange risk, which refers to the risk of changes in foreign exchange rates and changes in the price of gold;
- Position risk, which represents the risk of changes in the price of securities or, in the case of a derivative financial instrument, changes in the price of the respective (underlying) instrument;
- Commodity risk, which represents the risk of changes in the price of goods.

Since the Bank does not have a trading book or positions in commodities, the capital requirement and measuring market risk exposure refers to the measuring foreign exchange risk exposure.

Foreign exchange risk management implies optimizing the foreign exchange structure of assets and liabilities, in a way that allows that fluctuations in exchange rates do not jeopardize business continuity and do not have a significant impact on the Bank's business results.

The Bank regularly monitors and analyzes relevant factors that may affect exchange rate fluctuations, and maintains compliance with regulatory requirements regarding foreign exchange risk management and continuously monitors regulatory regulations related to foreign exchange risk.

In order to prevent possible losses due to unfavorable movements in intercurrency relations on the market, the Bank has introduced internal limits as an additional level of protection.

In addition to the defined limits, the Bank regularly performs stress testing of changes in foreign exchange rates. Stress tests relate to the analysis of the impact of sudden changes in the exchange rates of individual currencies on the value of the foreign exchange portfolio and the Bank's business results.

For the purposes of foreign exchange risk, the Bank calculates the request for additional capital. In accordance with the regulations of the regulator, the Bank calculates the capital requirement for foreign exchange risk if the sum of its total net open foreign exchange position exceeds 2% of its regulatory capital.

Interest rate risk in the banking book represents the risk of the possibility of negative effects on the financial result and capital of the Bank, based on the positions in the banking book, due to changes in interest rates. Increased interest rate risk can pose a significant threat to the Bank's earnings and its core capital, through a decrease in interest income or an increase in interest expenses.

In order to ensure adequate interest rate risk management, the Bank has established a system for identifying, assessing, monitoring and reporting on interest rate risk. In this sense, the Bank analyzes and controls the relationship between changes in the economic value of the banking book and the Bank's regulatory capital, as well as the impact of changes

in interest rates on the Bank's net interest income. The Bank also regularly conducts stress tests, which are an important indicator of the Bank's sensitivity to changes in market interest rates.

When managing liquidity risk, the Bank identifies the sources, scope and structure of liquid assets required to ensure its continuous and stable business operations in accordance with the defined risk appetite.

In order to optimally manage liquidity risk, the Bank maintains an adequate level of liquid reserves, i.e. funds allocated for possible sudden withdrawals of a significant level of concentrated deposits.

The Bank's primary sources of financing are domestic market deposits and partially contracted credit lines, also from the domestic market. The Bank takes into account the concentration of deposits and prescribes maximum levels of deposit concentration with internal limits.

With the Liquidity risk management Strategy and Policy as well as the Contingency liquidity plan, the Bank has, among other things, defined rules and established a system of responsibilities for liquidity risk management.

Monitoring and reporting on liquidity risk is performed on an intraday, daily, weekly, decadal, monthly, quarterly, semi-annual and annual basis, through regulatory and internal reports.

The Bank regularly monitors indicators that may indicate an increase in liquidity risk and conducts regular stress tests on the basis of which it performs the projection of liquidity in normal and stressful circumstances.

Operational risk is the risk of negative effects on the financial results and capital of the Bank due to failures in business processes, human errors, system errors or external factors.

The role of the operational risk management process is to identify, assess, control and reduce the possibility of occurrence and impact of operational risks and losses. The Bank cannot eliminate all operational risks, but through the process of recording and analyzing operational losses, it identifies shortcomings in its processes, products and procedures and, by improving them, reduces the frequency and negative impact of operational losses on the Bank's operations and profitability.

The Bank continuously mitigates operational risk, which implies maintaining the risk at an acceptable level, by establishing measures to minimize operational risk, which include:

- Monitoring of Key Risk Indicators (KRI),
- Monitoring and analyzing operational events,
- Adequate risk assessment of outsourcing,
- Information system risk monitoring,
- Reducing the risk of manipulation of money in circulation to a minimum.

A process of monitoring and reporting on the effects of the implementation of applied measures and techniques to



mitigate operational risk has been established. The reporting system includes reporting on operational risk events by types of events and lines of business, causes and sources of events, significance of events, measures that are intended to be taken or have been taken in order to mitigate and limit the consequences of events and activities entrusted by the Bank to third parties. One of the more significant operational risks is cyber risk.

ICAAP - Internal Capital Adequacy Assessment Process

The Bank's internal capital adequacy assessment has been established as a comprehensive, continuous process of monitoring and managing risks. In addition to including and covering risks according to the standardized approach, it also includes all other risks to which the Bank is exposed. This process is part of business planning, strategy and anticipation of potential stressful events that would affect the sustainability of the business operations and capital of the Bank.

Through the ICAAP process, the Bank continuously identifies relevant and material risks, and defines and, if necessary, reviews its risk appetite, and assesses the level of capital necessary to cover material risks. ICAAP as a process has sublimated and established a balance between the defined risk profile of the Bank, the risk management system and the capital available to the Bank.

The Bank's internal capital adequacy assessment is conducted at least once a year.

ILAAP - Internal Liquidity Adequacy Assessment Process

The Internal Liquidity Adequacy Assessment Process (ILAAP) is an internal liquidity adequacy and funding assessment process conducted by the Bank on an ongoing basis, which is an assessment of strategies, policies, processes and systems to identify, measure, manage and monitor risks affecting the Bank's liquidity.

The Internal Liquidity Adequacy Assessment Process (ILAAP) contributes to the continuity of the Bank's business operations by ensuring liquidity adequacy and includes two important parts related to qualitative elements and quantitative elements of the process.

Qualitative elements of the process relate to management, strategies, policies, procedures, methodologies, processes, measures and constraints used in the Bank to monitor and manage liquidity risk.

Quantitative aspects of ILAAP are directly related to qualitative elements and include regulatory and internally defined minimum management restrictions, exposure measurements, stress test, liquidity ratios and monitoring tools used in the Bank.

The Internal Liquidity Adequacy Assessment Process (ILAAP) is conducted at least once a year.



Human resource management

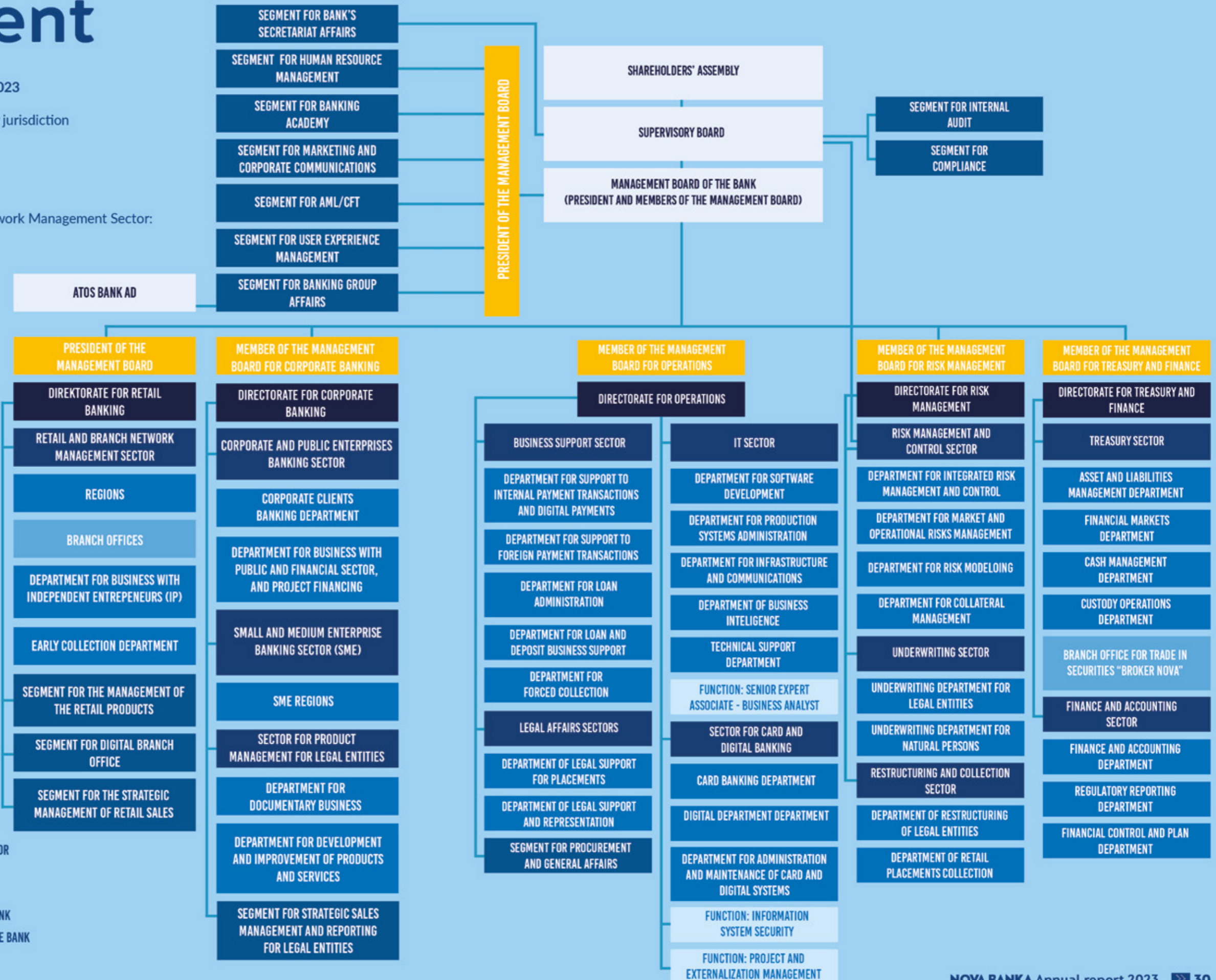
Internal organization of the Bank as of December 31, 2023

5 members of the Management Board who have in their jurisdiction

- 13 Sectors
- 14 Segments
- 3 Functions

The following operate within the Retail and Branch Network Management Sector:

- 8 Regions ----> 59 Branch Offices
- 2 Departments



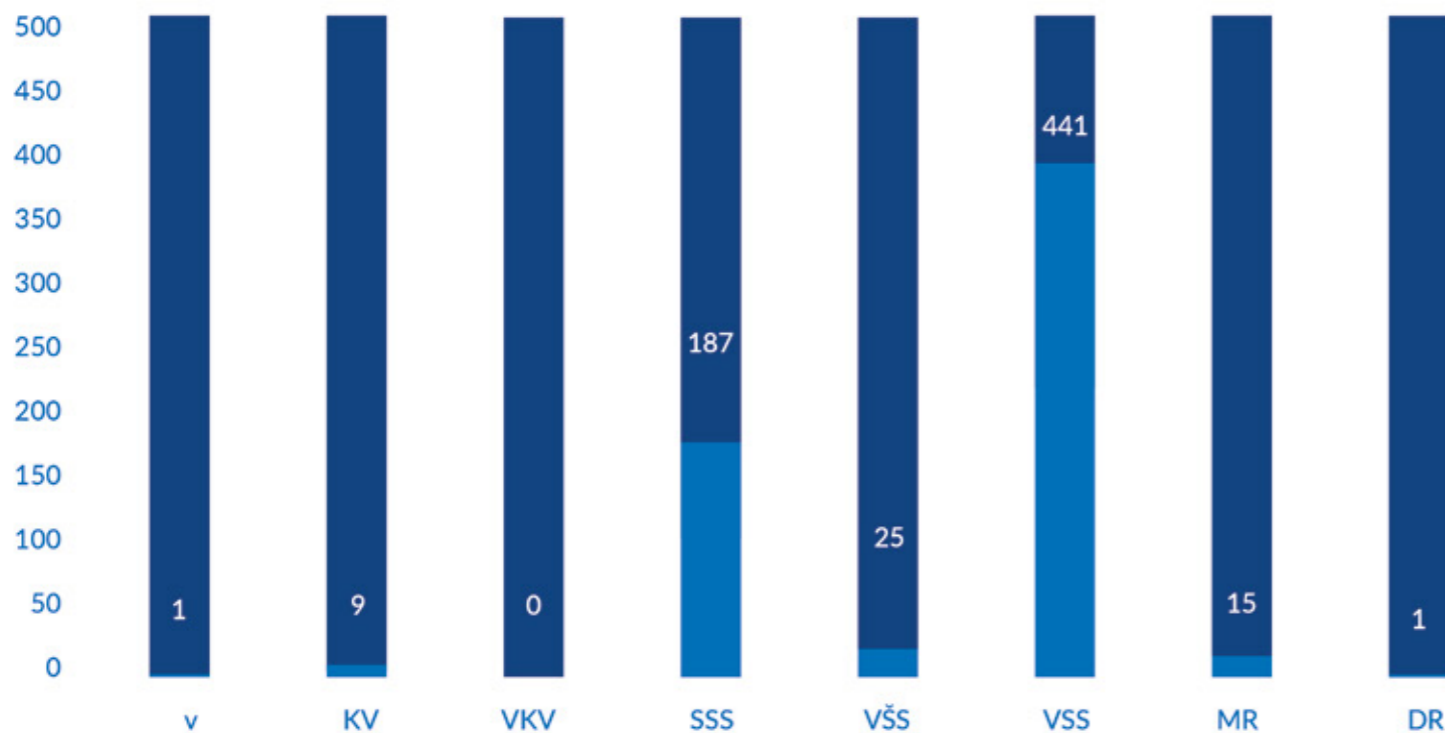
Organizational chart of the Bank

- DIRECTORATE - RESPONSIBILITY OF THE BANK'S MB
- SECTOR - RESPONSIBILITY TOWARD THE BANK'S MB
- SEGMENT - RESPONSIBILITY TOWARD THE BANK'S MB
- DEPARTMENT/REGION - RESPONSIBILITY TOWARD THE SECTOR DIRECTOR
- BRANCH OFFICE - RESPONSIBILITY TOWARD THE SECTOR DIRECTOR
- FUNCTION
- MATRIX OF RESPONSIBILITIES OF THE MANAGEMENT BOARD OF THE BANK
- RESPONSIBILITY/REPORTING TOWARD THE SUPERVISORY BOARD OF THE BANK

Management board of the Bank		Supervisory Board	Nikolina Erak, Secretary of the Bank
Siniša Adžić, President of the Management Board	Goran Radanović, Chairman of the Supervisory Board		
Jasna Zrilić, member of the Management Board	Aleksandar Kesić, independent member	Dorđe Ševa, Internal auditor	
Nenad Nenadić, member of the Management Board	Miloš Vujnović, member		
Mladen Čulić, member of the Management Board	Ljupko Miletić, member		
Boris Dragić, member of the Management Board	Avram Milenković, independent member		

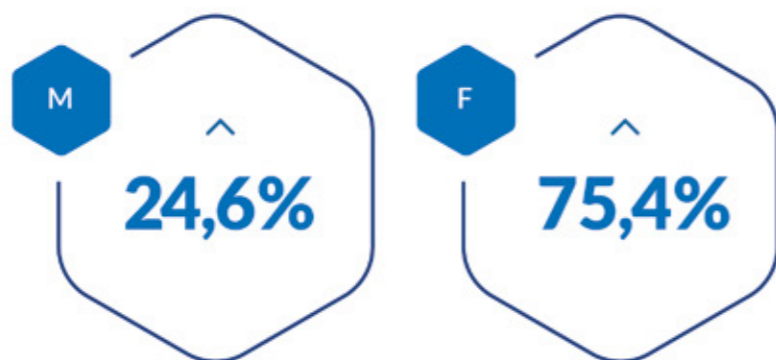
Employee structure and turnover

As of December 31, 2023, the Bank had 679 employees, of which 633 full-time employees. According to the data on the qualification structure of the Bank's employees, 70.9% of the employees have a college or university degree, master's degree, or a doctorate degree, while 29.1% of the employees have a high school diploma or lower education.



Qualification structure in 2023 in numbers

By gender, the Bank employs 512 female employees, or 75.4%, and 167 male employees, or 24.6%.



Structure of employees by gender

Additional data on employee turnover

During 2023, 107 employees started employment, while 102 of them terminated employment at the Bank. A total of 143 employees changed their workplace or organizational unit within the Bank.



- New employees
- Employees who changed WP or OU
- Gone employees

Employee turnover

Employee educations

During 2023, a large number of internal and external educations were organized for employees with a focus on efficiency, digitalization and optimization of the work process, while at the higher management level the focus was on strengthening and developing the organizational climate and strategic management.

Given that Nova banka is an organization that invests significant resources in the competence and knowledge of its employees and an organization that continuously learns and develops, the goal was to make learning and training simple and accessible at any time, according to the "anytime-anywhere" principle.

In this regard, an online education platform was tested at the end of 2021 and implemented at the beginning of 2022, which all employees can use for educational and informational purposes and which is available to them as a desktop version and a mobile application. The presented visual-auditory materials are relatively short (about 10 minutes per education), and can be followed and listened to both during and outside of the working day. After each education, testing is possible, that is, knowledge verification, and in this way feedback is obtained that the employees have reviewed and understood the content of the education. The platform also enables detailed analytics and monitoring both by employee and by education. With the introduction of the platform, the costs of internal educations have been significantly reduced, which would additionally include the costs of renting a hall, the costs of booking accommodation and the costs of transportation for participants.

In addition, 30 employees of the Bank have been trained to be creators of educational content and internal trainers for creating online multimedia educations. During 2022, 10 trainings were released through the edu 720 platform, of which 7 were primarily for sales staff.

Type/method of education	Number of educations	Number of education participants
EXTERNAL EDUCATIONS	77	442
live	40	367
online	37	75
INTERNAL EDUCATIONS	22	1.641
live	13	1.107
online	2	96
edu 720	7	438
IN HOUSE EDUCATIONS	5	455
Total	104	2.538

Overview of educations during 2023

New employee onboarding program

Nova banka strives to provide new employees with an adequate and timely introduction to work and to start their work experience in the Bank with support in order to adapt to the new environment in the shortest possible time and join the regular work process through the creation of an individual work and development plan, and by assigning a mentor who, together with the manager and with the support of the Independent Department for Human Resources Management, monitors the work of employees by providing feedback on progress and development needs. Through clearly developed steps and activities, targeted education and mentoring, new employees are able to learn the basics of the job in a short period of time, and to further develop through practice and become experienced and successful. So far, this program has been implemented several times, primarily for network employees, sales staff - counter staff and sales managers. In the coming period, additional elaboration of the program is planned, the primary goal of which will enable all new employees, in all positions, to join this program, for the sake of faster familiarization, gaining experience and mastering the knowledge and skills necessary for the given workplaces.



Talent management

At the end of the year, the process of identification and discovery of talents at the level of the Bank was started. Employees have been identified who have distinguished themselves with their knowledge, skills and dedicated approach and who in the future can be a stable support in the work and who can in some way contribute to the development and improvement of the Bank. In the coming period, the plan is to increase the visibility and active promotion of these employees, as well as the organization and introduction of various training programs, in the form of education, mentoring and self-learning, and the introduction of certain benefits, in order to motivate and encourage their further progress and development.



Student practice

Nova banka has traditionally continued its successful cooperation with the Faculty of Economics of the University of Banja Luka this year. Thus, 15 students in the 3rd and 4th year of different majors (Economics and Business Management, Business Informatics, Accounting and Auditing, International Economics) started practical classes in November 2022, and it is planned for the same to be realized by June 2023, as long as the student year lasts. The focus in working with students is to enable a better insight into the organizational culture and corporate values and the general functioning and operations of the Bank at all its levels, through observing the application of various types of knowledge and skills, and at the same time working on the process of building and strengthening their self-confidence, and detecting their capacity and potential, through the direct use of knowledge and skills acquired during studies. The period of student practice will be accompanied by a mutual evaluation of the process, so, after the end of the practical classes, both fellow mentors and the students themselves will have the opportunity to give their opinion and useful feedback, which will serve as a relevant framework for monitoring the work done, but also for the additional improvement of the entire organization of this important segment.



Corporate social responsibility

Corporate social responsibility of Nova banka includes the integration of economic and social factors, with the aim of contributing to the sustainable development of the community and society as a whole. By adhering to the principles of corporate social responsibility, the Bank contributed to the creation of a fairer, more sustainable and more prosperous society during 2023, as well.

Maintaining the stability and security of the financial system for Nova banka is an important aspect of corporate social responsibility. By minimizing risks and complying with regulatory requirements, the Bank protected the interests of its users, shareholders, and the entire community, thereby contributing to the integrity of the financial system.

Nova banka has high ethical business standards, which, among other things, implies transparent and clear communication with users, enabling them to manage their finances, save, invest and achieve their goals, while respecting their rights and interests. Nova banka is a socially engaged bank, which is manifested by participation in numerous social initiatives and programs, especially through support for projects in the fields of education, health, culture, social protection, and donations for humanitarian purposes. Through these initiatives, the Bank builds positive relations with citizens and contributes to solving social challenges.

Supporting educational projects is one of the key elements of Nova banka's corporate social responsibility. Since its foundation, Nova banka has continuously advocated for strengthening cooperation with educational institutions through the realization of commercial and socially responsible projects, and the improvement of schooling conditions. Examples of such commitment are donations to the Elementary School "Vuk Karadžić" from Bijeljina, the National Library "Filip Višnjić" from Bijeljina and the Elementary School "Branko Ćopić" from Banja Luka, which were donated computers with monitors and other computer equipment.



Work performance management

During 2022, Nova banka started work on establishing a system for monitoring work performance. Monitoring the performance of employees reveals the degree of their effectiveness in performing tasks, as well as the degree of motivation, while the purpose of performance evaluation is to provide adequate rewards or correction, that is, to detect and remove factors that influence the poor performance of employees in performing the assigned tasks. The plan for the next year includes the creation and final setting of goals for all employees, depending on the type of work they perform and the level of responsibility that the job carries. Goals will be monitored, evaluated according to precisely established and defined criteria, and communicated regularly and transparently on a monthly, quarterly and annual level, and more often if necessary.



Employee satisfaction and motivation

Satisfied and motivated employees are the backbone of a good and successful business operations. On this path to success and excellence, a very important prerequisite is the application of continuous monitoring and performance measurement of employee satisfaction, especially job satisfaction. By researching satisfaction, a basis is obtained for defining the concept of motivation, understanding needs and the level of satisfaction of needs, which is crucial for taking actions and measures in order to raise the level of employee satisfaction. At the end of the year, the Bank launched an initiative to develop and implement a strategy for measuring and monitoring employee satisfaction, along with the establishment of adequate motivation and reward systems, which will largely be covered by the work performance project.



World Savings Day is traditionally an opportunity for Nova banka to undertake activities aimed at increasing financial literacy and educating young people. Over 400 children had the opportunity to learn about the work of the Bank and learn about savings, which is the basis for long-term financial stability. The Bank hosted students of lower grades of elementary schools from Banja Luka, Bijeljina, Brčko, Foča, East Sarajevo, Mostar, Mrkonjić Grad, Prijedor, Sarajevo, Trebinje, Tuzla and Zvornik, and high school students from Dobo. Through educational workshops, children learned how to use money in a rational way and learn to be aware of its value over time.



The sharing of professional knowledge is particularly important for Nova banka, as it contributes to the education, empowerment and support of users, and to the promotion of transparent practices in the banking sector. Sharing expert knowledge about banking practices, standards and regulatory requirements strengthens user and public trust in banking institutions. For this reason, representatives of Nova banka were also invited as panelists and participants in numerous conferences and meetings in 2023, of which the Third Investment Conference "Invest Srpska", the Jahorina Economic Forum, the Balkan Solar Summit and the largest business-technology conference in Bosnia and Herzegovina "Network BiH" stand out.



Investing in healthcare and improving healthcare conditions is an important aspect of Nova banka's corporate social responsibility, as it directly affects people's health and well-being. This includes taking care of the health of the Bank's employees, primarily through the organization of systematic examinations for all employees, with the aim of preventing diseases. In addition, the Bank actively encourages the balance of work and private life, because by ensuring healthy and satisfied employees, it creates a more productive work environment.

In 2023, the Bank participated in the collection of donor funds for the purchase of medical equipment for the Department of Hematology and Oncology of the Clinic for Children's Diseases of the University Clinical Center Tuzla and the Department of Children's Hematology-Oncology of the University Clinical Center of the Republic of Srpska. This action was implemented with the aim of contributing to the health system, greater availability of quality health care, and the general well-being of the community.



In 2023, Nova banka launched a campaign for the promotion of classic term savings, which was not exclusively of a sales nature, but also had a humanitarian character, since a decision was made to donate part of the profit in the form of financial support to the Association "Heart for Children with Cancer" from Sarajevo and the Association of Parents of Children with Malignant Diseases "Iskra" from Banja Luka. From each contract that the Bank signed with savings users during the campaign, 1 KM was donated, and in the end, 3,500.00 KM were collected, which were evenly distributed to the aforementioned associations.



Investing in sports and promoting healthy lifestyles contributes to better health and well-being of the individual, and this includes supporting sports programs and infrastructure, sponsoring sports events and teams, and facilitating sports activities for employees. With this goal, Nova banka was the sponsor of the Srpska Open tennis tournament in 2023. As the largest domestic bank, it supported one of the most important sporting events in the region, which brought together important tennis names, of which the best tennis player in the world, Novak Djokovic, stands out.



Activities that contribute to creating healthy and more active local communities and improving the quality of life by promoting the values of sports and recreation are traditionally supported by Nova banka. One of the good examples of this kind of practice is the support for the International FIBA 3x3 tournament in street basketball, which was held in Prijedor. The tournament was organized by the Youth Organization "Youth Association UM", and the sponsorship of Nova banka included financial support, logistical support and joint promotion.



For ten years in a row, through sponsorship activities, Nova banka has been supporting the work of the Youth Basketball Club "Sloboda" Tuzla. The cooperation between Nova banka and "Sloboda" is based on trust and the desire for joint success. Nova banka shares equal values with the Igokea Basketball Club from Aleksandrovac. Igokea is a successful basketball team and the only representative of Bosnia and Herzegovina in the regional ABA league. At the same time, Igokea plays in the FIBA Champions League for European clubs. Financial support for this club with the aim of strengthening it, for Nova banka represents support for the success that grows from season to season.

Support for the Basketball Club for the Disabled "Vrbas" was also included in the plan of socially responsible activities in 2023. The Bank recognized the Club's efforts to treat people with disabilities in such a way that their human dignity is respected both in work and in sports. With the appropriate equipment provided by the Bank, that is, special wheelchairs that enable active play, the basketball team will be able to put the potential and capabilities of its members in the foreground.



Through various social initiatives and donations, Nova banka strives to contribute to improving the quality of life of socially disadvantaged population groups. Through these activities, the Bank contributes to the reduction of social inequalities, the strengthening of economic inclusion and a better life for the most vulnerable members of society. One of the initiatives that Nova banka implemented completely independently was the construction of a house in Sokolac for a multi-member family that previously lived in extremely inadequate conditions. With an effort to resolve the housing issue, the family will improve its economic status, create financial stability and ensure basic needs, the house was completed and occupied by the end of 2023.

Citizens' Association "Mosaic of Friendship" from Banja Luka prepares hundreds of meals for socially disadvantaged fellow citizens every day, and the support of Nova banka has not been missing in 2023, as well. Investing in a population in need is not only morally correct, but also sustainable in the long term, because it contributes to the creation of a fairer and more prosperous society for all.

Lending to projects for the development of renewable energy sources is an important aspect of corporate social responsibility. Such projects have multiple benefits for society, primarily because they help in the fight against climate change and global warming. Lending to development projects enables their implementation and expansion, thereby achieving a positive impact on the environment and people's quality of life. Nova banka has significant experience in this area, and can proudly point out that by lending to the development of renewable energy sources, it encouraged the diversification of the energy portfolio and influenced the stability of the energy system. Since renewable projects are often integrated into rural areas and communities where there are abundant natural resources, such as sun, wind or water, lending to these projects has provided support to local communities through infrastructure investments and local economic development. Nova banka's representatives shared their rich experience in this area during the leading regional business event "SET - Trebinje 2023". At the same time, Nova banka was one of the sponsors of this event, with the aim of contributing to environmental protection, economic development and the creation of a more sustainable and prosperous society for future generations.



One of the not-negligible aspects of Nova banka's corporate social responsibility is the sponsorship of musical events, especially since the Bank chose to support those events that are organized in such a way as to promote positive social, cultural and economic impacts. Special emphasis is placed on supporting the local art scene, but also events that are significant both for local communities and the region through the generation of economic income, promotion of tourism and support for entrepreneurs. The Nektar Garden Fest, which is held in Prijedor, and the international music festival "Banja Luka Fest" are supported by various promotional activities. Through this practice, Nova banka contributed to the cultural and economic development of society in 2023 as well.



The cultural and touristic manifestation "Painting and Music on the Squares of Banja Luka", organized by the City Tambura Orchestra, was held in 2023, for the fifth time. Nova banka, year after year, supports the holding of the event, which brings the spirit of European cultural metropolises to the streets of Banja Luka and gives artists the opportunity to create works in ambient conditions in front of the public. The project aims to provide an opportunity for painters to create new works of art, and it has already become recognizable in the region as a quality event that gathers art lovers.

The socially responsible engagement of Nova banka during 2023 contributed to the strengthening of social cohesion and the creation of positive changes in every local community in which it operates. Through various activities, the Bank had the opportunity to achieve not only profit, but also a good impact on society, the environment and the economy as a whole. In accordance with the values it cherishes, Nova banka will continue to develop as a leader in promoting corporate social responsibility.

Awards and recognitions

Through its work, Nova banka achieved significant results, not only in terms of financial performance, but also in recognition by the public. In 2023, the Bank proudly received numerous awards that reflect its commitment to customer care, integrity, employee development, teamwork and long-term partnership.

The Chamber of Commerce of the Republic of Srpska, at the traditional event "Selection of the most successful in the economy of the Republic of Srpska for 2023", awarded awards to the most successful companies that achieved notable results in business. Nova banka was awarded a special award for the largest placement of loans to the economy of the Republic of Srpska.



During the traditional event "Bankers' Evening", Golden BAM awards were presented, which are awarded by the financial and business magazine Banks and Business in BiH, together with the Banks Association of Bosnia and Herzegovina. Nova banka won the Golden BAM in the category of banks with the largest amount of assets with predominantly domestic capital.



In 2023, the Faculty of Economics in Brčko celebrated its 47th anniversary, on the occasion of which Nova banka was presented with a Certificate of appreciation for the support provided to this public higher education institution. This Certificate of appreciation is a confirmation of Nova banka's commitment to the improvement of the education system of Bosnia and Herzegovina.



Nova banka a.d. Banja Luka

FINANCIAL STATEMENTS

Separate Financial Statements For the Year Ended 31
December 2023 and Independent Auditor's Report

Download link:

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