

# **Raiffeisen Bank Group**

Consolidated financial statements  
for 2025

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**(a) All significant events that occurred during the period from the end of the financial year to the date of submission of the consolidated financial statements.**

The Banking Agency of the Federation of Bosnia and Herzegovina issued a decision on credit risk management and the determination of expected credit losses, which enters into force on December 23, 2025 and applies from June 30, 2026.

The current war in the Middle East may have an impact on the European and global economy. The Group has no direct exposure to clients from Iran, Israel, or countries in the surrounding region. However, the impact on the overall economic situation may require a revision of certain assumptions and estimates. This could result in immaterial adjustments to the carrying amounts of certain loans and receivables from clients.

At this stage, Management is continuously working on identifying potential risks and assessing the impact of daily events on the Group. In this context, Management's view is that the long-term impact will not have a significant effect on the Group's revenues, risk exposures, loan volume and activities, cash flows, or profitability. As at the date of these financial statements, the Group continues to meet its obligations as they fall due and continues to apply the going concern principle.

Apart from the above, between the balance sheet date and the date of approval of these financial statements, there were no significant events requiring disclosure.

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

Bosnia and Herzegovina recorded a gradual improvement in economic activity during 2025, with an average annual growth rate of 2.0% in the first three quarters. This growth was mainly driven by the recovery of investment activity (average growth of 6.1%) and an increase in private consumption (average growth of 2.2%), supported by a stable financial environment. Overall, economic developments in the country demonstrated a degree of resilience despite weakened performance in the industrial sector and challenging international trade dynamics. The real sector experienced moderate but continuous growth throughout the year, supported by real wage increases, higher remittance inflows, and strong credit demand, particularly in the household segment. The services sector—especially tourism, transport, administrative services, and information technology—continued to emerge as a key driver of growth, partially offsetting weaknesses in manufacturing and mining. Although industrial production remained in negative territory and below potential, overall economic activity maintained a stable trajectory.

At the same time, inflation accelerated again in 2025, reaching an average annual rate of around 4%. This was primarily driven by notable increases in food and service prices, while the housing segment—particularly electricity costs—added further upward pressure toward the end of the year. Transport prices acted as a partial stabilizer due to the decline in fuel prices, though this was insufficient to significantly counterbalance the overall rise in inflation. Exports remained subdued amid industrial slowdown and weaker demand from key European markets, but the current account deficit began to gradually narrow due to strong remittance inflows, higher service-sector revenues, and foreign direct investment.

Looking ahead to 2026, a slight acceleration of economic growth is expected, with projected GDP growth of 2.5% year-on-year. This growth should be supported by stable private consumption, underpinned by expected real wage stability, continued credit activity, and persistent remittance inflows. Both infrastructure and private investments are expected to maintain a meaningful contribution to growth, particularly with the anticipated benefits of implementing measures from the Reform Agenda and the potential absorption of EU funds linked to reform progress. The external sector could gradually recover if growth in the euro area stabilizes, though trade dynamics will remain subject to risks such as geopolitical tensions, possible shifts in

global trade policies, and volatility in energy prices. Inflation in 2026 is expected to gradually ease but remain above the 2% target, averaging around 2.7%, with continued pressures in food and service categories.

The banking sector in Bosnia and Herzegovina remained one of the most stable pillars of the overall economic system during 2025, recording continuous annual growth in both lending (11.1%) and deposit activity (10.2%), along with strong capital and liquidity positions. Household lending continued to grow at a robust pace (12.2%), while the corporate sector recorded more moderate growth (8.3%) due to global uncertainty and firms' cautious approach to new investments. Bank profitability remained stable compared to the end of 2024, supported by low risk costs and high-quality assets. Notably, the non-performing loan ratio continued to decline throughout the year, reaching historically low levels of 2.7%, further strengthening financial stability and sector resilience.

The political landscape in 2025 was marked by significant challenges but also meaningful de-escalation among key actors, enabling the restoration of institutional functionality and laying the groundwork for progress toward the European Union. Bosnia and Herzegovina is on the verge of opening accession negotiations with the EU, with three remaining conditions in the area of rule of law and the appointment of the Chief Negotiator for the upcoming negotiation process. The adoption of the Reform Agenda and its connection to the EU Reform and Growth Facility (the Growth Plan for the Western Balkans) provides a structured and measurable approach to reforms, with financial incentives linked solely to concrete results. Projections for 2026, which is an election year, indicate that no significant formal acceleration of the EU integration process is expected, but consistent reform implementation may support faster economic development, stronger investor confidence, improved fiscal discipline, and medium-term economic convergence toward EU standards.

In line with the projected trends of key macroeconomic indicators, the Bank adjusted its initial expectations for the growth of core lending and deposit categories to the anticipated economic and political environment. These expectations, as well as the overall Business Plan and results for 2026, continue to be revised through the Bank's regular quarterly financial forecasting processes.

### **c) The most important activities related to research and development**

During 2025, the Bank made significant progress in integrating ESG principles into its business model, strategy, and processes, aligning with EU practices, regulatory expectations, and RBI Group standards. The Research, Strategy and ESG Governance unit coordinated ESG activities across all business units and led the alignment with the FBA Guidelines on climate and environmental risks, as well as the requirements for financial inclusion and sustainable operations.

ESG governance is structured around three pillars: (1) sustainability management and environmental practices within the Bank, (2) ESG business activities, and (3) ESG regulatory requirements and reporting. Based on this structure, the Bank established processes for ESG data collection and the ESG credit process, enabling the identification, evaluation, and monitoring of ESG-relevant transactions, including the alignment of Green and Social Loans with RBI Group standards and local regulations.

Under Pillar 1 – Sustainability Management and Environmental Practices within the Bank – direct emissions (Scope 1) were reduced by –26.3% through energy optimization, digitalization, sustainable mobility initiatives, installation of solar panels, EV chargers, and the procurement of the first electric vehicle, as well as the application of ESG criteria in procurement.

Within Pillar 2, the Bank continued its work on financial inclusion, green transition, and client support. Numerous initiatives were carried out to educate and raise awareness among employees and clients on various ESG topics, such as: ESG principles and EU regulations with a particular focus on CBAM, the green transition and economic growth, and ESG risk management in the financial sector. An intensive Transition

Finance Advisory program was implemented with a selected group of clients, focusing on energy-efficient/solar solutions, alongside a detailed portfolio review through e-questionnaires and emissions analysis in priority sectors, enabling more accurate exposure assessments, especially in high-emission industries.

With the support of international partners (EBRD, EU, EFSE, GEFF), favorable funding for green investments was secured, particularly for households and the SME sector. ESG criteria were integrated into the product offering through new models of green and social financing, resulting in an ESG portfolio—representing 11.54% of the total business portfolio—covering the following key areas: the PI segment focused exclusively on green loans for household energy efficiency and CO<sub>2</sub> reduction; the SME segment combining green loans for environmental improvements with social loans aimed at gender equality, employment, and youth development; and the Corporate segment including green loans for significant emission reductions and social loans for entrepreneurship development, infrastructure, and job creation in underdeveloped areas.

Initiatives such as ESG Green Days and the Future Builders SME Academy further strengthened the sustainability culture within the Bank and among clients, creating platforms for knowledge sharing, capacity building, and the promotion of green and social business practices in line with modern ESG trends and market needs.

Under Pillar 3, the Bank further strengthened regulatory compliance by integrating ESG requirements into internal policies, ICAAP/ILAAP assessments, and Public Disclosures, which for the first time included ESG content. GHG footprints for Scope 1, 2, and 3 were published, enhancing transparency and responsible management of environmental impact. In the area of risk management, the Bank expanded its existing ESMS system and implemented comprehensive integration of ESG risks into credit, market, operational, and liquidity risk, aligning processes with Group best practices and regulations. A set of internal documents—ESG manuals, methodologies, KRI indicators, and a GHG manual—was established, defining clear rules for identifying, assessing, and managing ESG risks. The ESG Cockpit continues to be used to monitor and supports consolidated reporting at the RBI Group level.

Overall, throughout 2025, the Bank further strengthened its ESG framework, improved risk management, regulatory compliance, and transparency, and reaffirmed its strategic commitment to sustainable operations and supporting clients in transitioning toward long-term sustainable practices.

#### **d) Information on the redemption of own shares or shares**

In 2025, the Group did not buy back its own shares or shares.

#### **e) Information about business segments**

The Group operates in five core business segments, which are described in more detail in Note 7.

#### **f) Financial instruments used if it is material for the assessment of the financial position and performance of the legal entity's operations**

##### **Sources of funding**

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

In drawing up the general annual financing plan, the following shall be taken into account:

- a) The need for financing arising from the planned/budgeted strategic development of the balance sheet, i.e. the planned business activities in the segment of loan placement.

- b) Activities on a deposit basis.
- c) Maintaining liquidity in the regulatory framework as well as the Group's frameworks.
- d) The need for funding from supranational institutions (credit lines).

In defining the general annual financing plan, the Group has determined that the defined plans for financing sources are in line with:

- The Group's business model
- Comprehensive business strategy
- Risk exposure tolerance
- Assessing the stability of the source of funding
- Available sources of funding in the market
- Expected changes in the risk of the source of funding
- Adequate degree of reliance on public funding sources
- Acceptable impact on the bank's lending activities, etc.

The analysis of historical data, compared with the plan for the upcoming period and considering potential additional findings, assesses the feasibility of the liquidity plan and funding sources. Based on historical indicators, it is estimated that the structure of funding sources is both adequate and sufficient for implementing the Group's business plans and supporting its growth.

After executing the funding source plan, the Group regularly monitors the assessment of its funding sources and associated risks on a monthly basis by back-testing the plan. Achieved values are compared with the planned figures, including both the sources and placements, as well as compliance with regulatory requirements and the internal requirements

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

Through analysis, we concluded that the realized sources of funding enabled the fulfillment of all regulatory and internal liquidity requirements and restrictions and allowed the maintenance and growth of the active portfolio.

### **Cash and placements**

As part of the continuous optimization of liquidity, the Group evaluates the cash held for business purposes, as well as funds held in foreign accounts for payment and other transactions. This assessment considers current market interest rates, the ratings and adequacy of the banks with which the Group holds funds (such as Money Market or nostro accounts), and the calculation of Risk-Weighted Assets (RWA).

This approach enables maximum liquidity optimization, considering these factors, which ultimately has a positive impact on the Group's financial position and overall performance. Regarding market operations, the Group does not engage in derivative transactions (financial instruments) that would be significant for assessing its financial position. While the Group offers FX Forward and Flexi Forward transactions to clients, these are of small volume and generate minimal revenue.

Regarding the securities portfolio, the Group does not maintain them in the "trading book" but rather as "held to maturity." The total securities portfolio consists of the Markets portfolio and the Treasury portfolio, with the

latter primarily serving as a liquidity buffer. The financial results for 2025, specifically the income generated from securities, are as follows: income from the Markets portfolio amounted to approximately BAM 128 thousand, while income from the Treasury portfolio totaled approximately BAM 14.681 thousand.

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

The Group does not have financial instruments such as futures, options and the like as products, nor does it offer them as products.

**g) The objectives and policies of the legal entity in relation to financial risk management; together with the hedging policies for each intended transaction for which hedging is necessary**

**Credit risk**

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

The credit risk acquisition and management strategy includes:

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

The objective of credit risk management is to ensure that the appropriate level of risk required for sustainable development implied by the macroeconomic environment is not exceeded.

General principles for credit risk management:

- Risk awareness and understanding,
- Responsibility of the Business Segment,
- Separation and independence of risk functions.

Credit risk management is defined in current credit policies that are updated on an annual basis. The following units: The Retail Credit Risk Management Unit and the Non Retail Credit Risk Management Unit prepare credit policy proposals for the respective business segments, and the said proposals are subject to decision making by the Management Board and the Supervisory Board of the Group.

Credit risk management includes the management of all subcategories of credit risk to which the Group is or may be exposed.

They are managed through:

- conducting the process of analysis, ranking of clients and risk assessment when approving placements,
- deciding on approving placements based on clearly defined criteria in credit policies, including cross-border transactions,
- active portfolio monitoring and proposal for asset classification,
- maintaining exposure by type of business, products, clients and industries at the desired level (it is defined through the annual budgeting process, defining credit policy, limits, etc.)
- maintaining the probability of default (PD) / Default rate at an acceptable level
- management of collateral instruments
- applying credit risk mitigation techniques (collateral instruments are one of the main strategies and measures used to reduce credit risk exposure)
- maintaining the coverage of the portfolio with eligible collateral at a satisfactory level (minimum coverage depending on the client's rating is defined annually through a respective credit policy, and it is maintained on a target level through control of credit policy exceptions, constant monitoring of value and collateral eligibility elements).
- implementation of collection strategy, as well as the recovery of problematic placements, by applying the technique of active management of problematic placements in all stages of delay, received special attention from individual organizational units Special Assets Management, Non-Retail & SE and Collateral and Collection of Receivables Retail.
- maintaining the final loss after collection at a satisfactory level (Loss Given Default), through adequate collateralization and provisions.

### **Liquidity risk**

The liquidity management strategic framework encompasses adjusted liquidity management, asset liquidity management, and borrowed liquidity management (liabilities), all while adhering to key principles of liquidity management and ILAAP guidelines in liquidity planning and funding sources. These include accountability, proportionality, continuity, risk significance, comprehensiveness, and a "forward-looking" approach.

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

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

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

The amount of required and reserve liquidity is formed by the Group on the basis of the current and projected position and liquidity ratios, taking into account the general objectives set out in the Group's annual budget. Thus, an appropriate portfolio of liquid assets is planned, which can always:

- (1) meet current and expected liquidity needs,
- (2) comply with regulatory requirements relating to liquid assets.

The Group's liquidity risk management is based on:

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

Also, liquidity risk management implies the involvement of the Group's bodies in the management, which are supported in management by the boards and all employees who are directly or indirectly involved in the assumption and management and control of liquidity risk, primarily:

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

### **Market risk**

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

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

The Market Risk Management Group performs daily checks on the compliance of positions with internal and regulatory limits, which are defined in the applicable internal documents. The market risk management policy is based on clearly defined roles and responsibilities, procedures and work processes, methods of identification, measurement, monitoring, control, reporting and escalation procedures.

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

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

### **Interest rate risk in the banking book**

The interest rate risk management strategy in the banking book is based on the determination of the risk appetite framework, taking into account current and future business plans and activities, as well as the ability to take on this risk, which takes into account regulatory limitations. In order to fulfill the strategy, the Group determines indicators and target values or limits. Controls and taking action in the event of violations of limits and internal indicators enable a timely reaction and mitigation of this risk. The frequency of controls is organized on a daily basis (for defined internal RBI indicators), in order to enable timely verification of the status of the utilization of limits and internal indicators, and in order to take corrective measures to mitigate the risk as adequately as possible, and in the event of a breach of the limit, to undertake the necessary activities of "returning positions" within the defined limits.

Interest rate risk management is based on the following principles:

- managing the balance in the refinancing of assets in the part of the term, currency and types of interest rates with the aim of minimizing the risk of changes in interest rates and the impact on the operating result
- defining the limit of exposure to interest rate risk by analysing interest-bearing assets and liabilities, which are sensitive to changes in interest rates from the point of view of maturity and amount
- contracting interest rates as determined by the Group's Tariff
- determining the components of reference interest rates
- stress Testing
- monitoring of profitability indicators.

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

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

### **Operational risk**

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

An operational risk management strategy includes:

- clear internal organization with separate operational risk management functions (responsible operational risk specialists - so-called DORS functions and operational risk managers - so-called ORM functions) as well as functions of control of these risks (Operational Risk Controlling - so-called ORC function, Executive Director for Risk - CRO, Operational Risk Management and Control Committee - ORMCC), and finally, the internal audit function that oversees the complete operational risk management / control system
- clearly defined, transparent and consistent lines of responsibility,
- raising awareness of the existence of operational risk,
- consistent adherence to internal documents as well as external regulatory guidelines governing the subject area,
- monitoring the maintenance of losses in accordance with the "shadow budget",
- organization of implementation of individual activities (collecting the operational risk events, risk assessment, scenario analyses, risk treatment plans, general ledger analysis, revision of early warning indicators) in accordance with the Group's plan,
- organization of training for new employees regarding the minimum standards of operational risk management,
- organization of training for ORM / DORS functions,
- focus on further raising awareness of the importance of operational risk management.

Operational risk management is the identification, measurement, management, and monitoring of exposures that result from inadequate or failed internal processes, human interactions and systems, or as a result of external events.

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

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

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The Management Board of the Group is obliged to prepare consolidated financial statements, which present truthfully and fairly the financial position of the Group, as well as the results of its operations and cash flow, in accordance with the legal accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina ("FBiH"), which is based on the Law on Accounting and Auditing of the Federation of Bosnia and Herzegovina, the Law on Banks of the Federation of Bosnia and Herzegovina and the bylaws of the Banking Agency of the Federation of Bosnia and Herzegovina ("the Agency" or "FBA") adopted on the basis of the the aforementioned laws. The Management Board is responsible for maintaining appropriate accounting records that enable the preparation of financial statements at all times. The Management Board has the overall responsibility for taking steps reasonably available to it to enable it to preserve the assets of the Group, and to prevent and detect fraud and other irregularities.

The Management Board of the Group is responsible for selecting such accounting policies that are consistent with applicable accounting standards and for applying them consistently, making reasonable and prudent judgments and estimates, and preparing financial statements on a going concern basis, unless the assumption that the Group will continue to operate is inappropriate.

The Management Board of the Group is obliged to submit to the Supervisory Board the annual report of the Group together with the consolidated annual financial statements, after which the Supervisory Board and the General Meeting approve and adopt the consolidated financial statements.

The consolidated financial statements presented on pages 17 to 121 were approved by the Management Board of the Group on 4 May 2026 for submission to the Supervisory Board and, confirming this, are signed by:

On behalf of and on behalf of the Management Board of the Group:



**Chairman of the Management Board**  
Lars Frankemölle



**Management Board member**  
Nermina Alić

Raiffeisen Bank dd Bosnia and Herzegovina

Zmaja od Bosne bb

71000 Sarajevo

Bosnia and Herzegovina

May 4, 2026

## Independent auditor's report

### To the Shareholder of Raiffeisen Bank dd Bosna i Hercegovina

#### Opinion

We have audited the consolidated financial statements of Raiffeisen bank dd Bosna i Hercegovina (hereinafter 'the Bank'), which comprise consolidated statement of comprehensive income, the consolidated statement of financial position as at 31 December 2025, and the, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with statutory accounting regulations applicable to banks in the Federation of Bosnia and Herzegovina.

#### Basis for opinion

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/ba/about](http://www.deloitte.com/ba/about) to learn more.

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## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

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

In its consolidated financial statements for the year ended 31 December 2025 the Group presented financing to customers in the amount of BAM 3,589,909 thousand and total expected credit loss in the amount of BAM 138,543 thousand.

#### **Key Audit Matter**

#### **How the Key Audit Matter Was Addressed in Our Audit**

For accounting policies, see Note 3. For additional information regarding the identified key audit matter see notes 6, 12, and 22.3.

Credit risk represents one of the most important types of financial risks which the Group is exposed to. Determining appropriate methods and models by the Management to measure and manage credit risk is therefore one of the most important areas in safeguarding the Group's capital. As part of the credit risk management process, appropriate determination and measurement of loss allowances for expected credit losses represents one of the key considerations for the Management.

In determining both the timing and the amount of loss allowance for expected credit losses on loans to and receivables from customers, the Management exercises significant judgement in relation to the following areas:

- Use of historical data in the process of determining risk parameters;
- Estimation of the credit risk related to the exposure on loans and receivables from customers;
- Assessment of credit risk stage allocation for loan exposures and receivables from customers;
- Assessment on the significance of subsequent changes in credit risk of an exposure for the purposes of identifying whether significant increase in credit risk has occurred, leading to changes in stage allocation and the required measurement of lifetime expected credit losses;
- Assessment of the forward-looking information;
- Expected future cash flows from operations, which could be available for recovering given loans;

In order to address the risks associated with loss allowances for expected credit losses on loans to and receivables from customers, identified as key audit matter, we have designed audit procedures that allowed us to obtain sufficient and appropriate audit evidence for our conclusion.

We performed the following audit procedures with respect to area of financing:

- Review and verification of the Group's methodology for recognizing loss allowances for expected credit losses and comparing the reviewed methodology against the requirements of the statutory accounting regulations applicable to Groups in the Federation of Bosnia and Herzegovina;
- Obtaining understanding of control environment and internal controls implemented by the Management within the process of measuring loss allowances for expected credit losses, including used applications and information technology tools and corresponding internal controls;
- Evaluating design and inspecting implementation of identified internal controls relevant to the process of measuring loss allowances for expected credit losses;
- Testing identified relevant controls for operating effectiveness;
- Performing substantive tests over recognition and measurement of loss allowances for expected

- Valuation of collateral and assessment of the period in which a cash proceeds based on potential repossession and sale for individually assessed credit losses.

Since determination of appropriate loss allowances for expected credit losses on loans and receivables requires the use of complex models (generally dependent on IT elements) and significant judgement from the Management, process of measuring expected credit losses may be exposed to Management bias. This fact led to the determination of loss allowances for expected credit losses on loans and receivables from customers, recognized in accordance with the statutory accounting regulations applicable to Groups in Federation of Bosnia and Herzegovina as a key audit matter in our audit of the financial statements for the year ended 31 December 2025.

credit losses on sample of loans allocated to Stage 1 and Stage 2, focusing on:

- models applied in stage allocation and transitions between stages;
  - assumptions used by the Management in the expected credit loss measurement models;
  - criteria used for determination of significant increase in credit risk;
  - assumptions applied to calculate lifetime probability of default;
  - methods applied to calculate loss given default,
  - methods applied to incorporate forward-looking information;
  - re-performing calculation of expected credit losses on a selected sample.
- Performing substantive tests over recognition and measurement of loss allowance for expected credit losses on sample of individually assessed loans allocated to Stage 3 (non-performing loans), which included:
    - assessment of customer's financial position and performance following latest credit reports and available information
    - review of judgements and assumptions applied in the calculation and measurement of expected future cash flows from operations, taking into consideration customer's financial position and performance in the current economic environment;
    - reviewing and assessing expected future cash flows and periods in which cash proceeds from potential repossession and sale from collateral and estimated realization period;
    - assessment of appropriateness of transition of financing exposures between stages and allocation of credit exposures with granted moratoria.
    - recalculation of expected credit losses on a sample selected using the following criteria: assessment of customer credit risk, industry risk, days of delay in payment of overdue loan receivables and other receivables, etc.
    - Assessed the completeness and accuracy of disclosures related to expected credit losses

in the context of the requirements statutory accounting regulations applicable to Groups in the Federation of Bosnia and Herzegovina.

### **Other information**

Management is responsible for the other information. The other information comprises the information included in Management 's business report, but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements of the Group, management is responsible for assessing its ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

Yuri Sidorovich, Procurator



Deloitte d.o.o.

Radićeva 8

Sarajevo, Bosna i Hercegovina

04 May 2026



Adna Valjevac, Licensed auditor



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Consolidated Statement of comprehensive Income for the year ended December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise indicated)

	Notes	2025	2024
Interest income and similar income at the effective interest rate	8	192,247	193,664
Interest expense and similar expense at effective interest rate	9	(22,338)	(21,430)
<b>Net interest income and similar income at the effective interest rate</b>		<b>169,909</b>	<b>172,234</b>
Fee and commission income	10	164,526	156,678
Fee and commission expenses	11	(39,561)	(37,962)
<b>Net fee and commission income</b>		<b>124,965</b>	<b>118,716</b>
Impairments and provisions	12	(12,359)	3,304
Other net losses on financial assets.	13	(88)	(30)
Net positive exchange rate differences		(71)	(85)
Net losses on long-term non-financial assets	14	10,494	2,453
Other income	15	18,425	16,419
Employee costs	16	(70,608)	(70,543)
Depreciation costs	23, 24, 25, 26, 27	(22,612)	(20,381)
Other costs and expenses	17	(73,335)	(68,000)
<b>Profit before tax</b>		<b>144,720</b>	<b>154,087</b>
Income tax	18	(12,702)	(14,274)
<b>Net profit for the year</b>		<b>132,018</b>	<b>139,813</b>
Other comprehensive income		28	6
<b>Total comprehensive income</b>		<b>132,046</b>	<b>139,819</b>
<b>Earnings per share (BAM)</b>	32	<b>133.53</b>	<b>141.42</b>

The notes below form an integral part of these consolidated financial statements.

Consolidated Statement of financial position as at December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	December 31, 2025	December 31, 2024
<b>ASSETS</b>			
Cash and cash equivalents	19	1,247,246	1,499,512
Financial assets at fair value through PL	20	11,919	12,977
Financial assets at fair value through other comprehensive income	21	575	544
Financial assets at amortized cost	22	4,633,374	4,073,256
<i>Obligatory reserves at the Central Bank of BiH</i>	22.1	500,742	475,635
<i>Deposits in other banks</i>	22.2	9,951	-
<i>Loans and receivables to customers</i>	22.3	3,461,366	3,054,454
<i>Other financial assets at amortized cost</i>	22.4	661,315	543,167
Prepaid income tax		2,127	110
Deferred tax assets	18	7,894	9,090
Property, plant and equipment	23	127,315	104,221
Right-of-use assets	24	10,020	8,534
Investment property	25	12,373	8,812
Intangible assets	26	23,459	27,853
Deferred tax assets	27	44,598	39,489
Non-current assets for sale and assets to be discontinued		403	612
Other assets and receivables	28	13,387	9,524
<b>TOTAL ASSETS</b>		<b>6,134,690</b>	<b>5,794,534</b>


Consolidated Statement of financial position as at December 31, 2025  
(All amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	December 31, 2025	December 31, 2024
<b>LIABILITIES</b>			
Financial liabilities at amortized cost	29	5,215,530	4,969,805
<i>Deposits from banks and other financial institutions</i>	29.1	105,885	145,210
<i>Client deposits</i>	29.2	4,743,058	4,483,487
<i>Borrowings</i>	29.3	337,711	316,134
<i>Lease liabilities</i>	29.4	12,490	8,912
<i>Other financial liabilities at amortized cost</i>	29.5	16,386	16,062
Income tax liabilities		363	863
Deferred tax liabilities	18	3,164	2,317
Provisions	30	34,481	36,651
<i>Credit risk of commitments and guarantees</i>	30.1	11,853	10,313
<i>Court litigation</i>	30.2	9,187	12,000
<i>Other provisions</i>	30.3	13,441	14,338
Other liabilities	31	23,605	23,567
<b>TOTAL LIABILITIES</b>		<b>5,277,143</b>	<b>5,033,203</b>
<b>EQUITY</b>			
Share capital	32	247,167	247,167
Share premium		4,473	4,473
Reserves		1,230	1,230
Revalorization reserves		311	283
Retained earnings		604,366	508,178
<b>TOTAL EQUITY</b>		<b>857,547</b>	<b>761,331</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,134,690</b>	<b>5,794,534</b>

The notes below form an integral part of these consolidated financial statements.

On behalf of and on behalf of the Group:

  
**Chairman of the Board**  
Lars Frankemölle

  
**Member of the Management Board**  
Nermina Alić

Raiffeisen Bank dd Bosnia and Herzegovina

Zmaja od Bosne bb

71000 Sarajevo

Bosnia and Herzegovina

May 4, 2026



Consolidated Statement of cash flows for the year ended December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise stated)

	Notes	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Inflows from interest and similar income at the effective interest rate		178,437	187,435
Outflows from interest and similar income at the effective interest rate		(10,719)	(18,154)
Inflows from fees and commissions		164,964	150,060
Outflows from fees and commissions		(45,274)	(37,891)
Inflows from the collection of previously written off receivables for given loans and interest		7,755	10,154
Outflows based on the payment of employees		(70,922)	(69,977)
Outflows based on the payment of operating expenses and expenses		(62,279)	(57,986)
Other inflows from business activities		16,008	15,443
Other outflows from operating activities		(2,352)	(6,284)
Corporate Income Tax Paid		(14,444)	(14,807)
<b>Cash flows from operating activities before changes in operating assets and business liabilities</b>		<b>161,174</b>	<b>157,993</b>
Net (increase) of the central bank's reserve requirement		(25,133)	(37,882)
Net decrease in placements with other banks		(11,814)	204,384
Net (increase) of loans and receivables from customers		(436,787)	(177,758)
Net (increase) of other assets and receivables		(112,656)	(177,149)
Net increase/(decrease) of deposits from banks and other financial institutions		(39,746)	17,705
Net increase in deposits from customers		250,087	319,886
Net (decrease) / increase in other financial liabilities at amortized cost		(1,268)	(6,380)
Net increase in provisions for liabilities		(734)	1,596
Net increase / (decrease) of other liabilities		1,222	403
<b>Net cash flow from operating activities</b>		<b>(215,655)</b>	<b>302,798</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of real estate, plant and equipment	23,24	(20,504)	(14,334)
Inflows from the sale of real estate, plant and equipment		371	607
Acquisition of Intangible Assets	27	(12,260)	(11,864)
Dividends received		-	-
Other inflows from investing activities		2,455	2,570
<b>Net cash flow from investing activities</b>		<b>(29,938)</b>	<b>(23,021)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(35,830)	(60,980)
Inflows from loans from banks		112,084	123,741
Loan principal repayments from banks		(108,687)	(82,036)
Inflows from loans from other financial institutions		39,117	73,344
Repayment of the principal of loans from other financial institutions		(5,334)	(8,343)
Inflows from subordinated loans		-	-
Principal repayments on leases		(8,023)	(7,101)
<b>Net cash flow from financial activities</b>		<b>(6,673)</b>	<b>38,625</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(252,266)</b>	<b>318,402</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	18	<b>1,499,512</b>	<b>1,181,110</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	18	<b>1,247,246</b>	<b>1,499,512</b>

The notes below form an integral part of these consolidated financial statements-

Consolidated Statement of changes in equity for the year ended December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise stated)

	Share capital	Share premium	Reserves	Revalorization reserves	Retained earnings	Total
<b>Balance as at 31 December 2023</b>	<b>247,167</b>	<b>4,473</b>	<b>1,230</b>	<b>278</b>	<b>429,345</b>	<b>682,492</b>
Profit for the year	-	-	-	-	139,813	139,813
Other comprehensive income	-	-	-	6	-	6
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>139,813</b>	<b>139,819</b>
Published dividends	-	-	-	-	(60,980)	(60,980)
<b>Balance as at 31 December 2024</b>	<b>247,167</b>	<b>4,473</b>	<b>1,230</b>	<b>283</b>	<b>508,178</b>	<b>761,331</b>
Profit for the year	-	-	-	-	132,018	132,018
Other comprehensive income	-	-	-	28	-	28
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>132,018</b>	<b>132,046</b>
Published dividends	-	-	-	-	(35,830)	(35,830)
<b>Balance as at 31 December 2025</b>	<b>247,167</b>	<b>4,473</b>	<b>1,230</b>	<b>311</b>	<b>604,366</b>	<b>857,547</b>

The notes below form an integral part of these consolidated financial statements.

## 1. GENERAL INFORMATION

### History and foundation

RAIFFEISEN BANK JOINT STOCK COMPANY BOSNIA AND HERZEGOVINA (hereinafter: the Bank) with its registered office at ul. Zmaja od Bosne bb, Sarajevo, Novo Sarajevo, is registered to perform the following activities:

- 64.19 other money intermediation,
- 64.91 Financial lease (leasing),
- 64.92 other credit intermediation,
- 6499 Other financial services activities, except insurance and pension funds n.e.c.;
- 66.12 activity of intermediation in securities and commodity contracts,
- 66.19 Other ancillary activities in financial services, except insurance and pension funds;
- 66.22 activities of insurance agents and intermediaries,
- 70.22 Advice on business and other management.

The bank is the parent company of the Raiffeisen Bank Group.

The Group operates through one business and geographical segment, which is the provision of financial services in Bosnia and Herzegovina.

The following companies operate within the Group, which are related on the basis of joint ownership and management:

Company name	Reporting Date	Activity	% of capital participation and voting
Raiffeisen Leasing d.o.o. Sarajevo	December 31	Financial and operating lease	100
Raiffeisen Assistance d.o.o. Sarajevo	December 31	Vehicle Insurance Agent	100
Raiffeisen Invest d.d. Sarajevo	December 31	Investment Fund Management	100
Raiffeisen Capital a.d. Banja Luka	December 31	Securities brokerage services	100

The registered office of the Bank and the Group is at Zmaja od Bosne bb, Sarajevo, with the exception of Raiffeisen Capital a.d., whose registered office is in Banja Luka, at Vase Pelagića 2. As of December 31, 2025, the Group had 1.413 employees (December 31, 2024: 1,419 employees).

### Supervisory Board, Management Board and Audit Committee

During 2025 and as of the date of this report, the members of the Supervisory Board of the parent Group were:

#### The Supervisory Board of the parent group shall:

Peter Jacenko	Chairman
Markus Kirchmair	Deputy Chairman until 14th August 2025
Matthias Dekan	Member
Elisabeth Geyer - Schall	Member until August 26th 2025; Deputy Chairwoman from August 27th 2025
Elitza Kavrakova	Member from August 15th 2025
Gerda Lottersberger-Roschitz	Member
Zinka Grbo	Member
Amila Pilav - Velić	Member

## 1. GENERAL INFORMATION (CONTINUED)

During 2025 and as of the date of this report, the members of the Group's Parent Audit Committee were:

### **Audit Committee of the parent company of the Group:**

Alda Shehu	Chairwoman
Biljana Ekinović	Member
Meliha Bašić	Member

At the time of this report and as at 31 December 2025, the Management Board of the parent Group consists of the Directors and Chief Executive Officers. The following persons performed the aforementioned functions during the year and as of the date of this report:

### **The Management Board of the parent company of the Group:**

Rainer Schnabl	Chairman until February 28, 2026
Lars Frankemölle	Member until February 28, 2026; Chairman from March 1, 2026
Mirha Krivdić	Member
Nermina Alić	Member from March 1, 2026
Edin Hrnjica	Member
Kreshnik Halili	Member

## 2. BASIS OF PREPARATION

### 2.1. Reporting framework

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

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

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

In accordance with the provisions of the Decision, the Bank had on 31 December 2025 calculated impairment for credit losses in the amount of BAM 44,150 thousand against the amount obtained by calculation, which is the result of the Bank's internal model for calculating expected credit losses, compliant with the requirements of IFRS 9, with the details as follows:

- By applying Article 23 of the Decision prescribing the application of minimum impairment rates for all exposures allocated to credit risk level 1 - calculated difference in the amount of BAM 15,124 thousand,
- Application of Article 24 of the Decision prescribing the application of minimum impairment rates for all credit exposures in credit risk level 2 - calculated difference in the amount of BAM 15,409 thousand,
- Application of minimum impairment rates prescribed in Article 25 of the Decision for exposures at credit risk level 3 (non-performing assets) - calculated difference in the amount of BAM 7,818 thousand.
- Application of the minimum impairment rates prescribed in Article 26 of the Decision for trade receivables, receivables based on factoring and financial leasing and other receivables - the difference in the amount of BAM 5,799 thousand.

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

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.1. Reporting framework (continued)

	January 1, 2024	December 31, 2024	December 31, 2025
Property	(31,178)	(34,113)	(36,223)
Obligations	5,413	6,620	7,927
Capital	(36,591)	(40,733)	(44,150)

Where accounting policies align with International Financial Reporting Standards, in these financial statements we refer to the relevant IFRS when describing the Group's accounting policies.

These consolidated financial statements were approved by the Management Board of the Group on May 4, 2026 for adoption by the Supervisory Board.

### 2.2. Basis of measurement

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

Fair value is the price that would have been received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In assessing the fair value of an asset or liability, the Group shall take into account the characteristics of the asset or liability if market participants would have taken those characteristics into account when pricing the asset or liability at the measurement date. Fair value for the purposes of measurement and/or disclosure in these consolidated financial statements is determined on such a basis.

The main accounting policies adopted are listed below.

### 2.3. Functional and presentation currency

Consolidated financial statements are presented in convertible marks (000 KM) in thousands, which is also a functional currency. The convertible mark is fixed to the euro (1 EUR = 1.95583 KM).

### 2.4. Use of judgments and estimates

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

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

## **2. BASIS OF PREPARATION (CONTINUED)**

### **2.5. Basis of Consolidation**

The consolidated financial statements consist of the financial statements of the Bank and its subsidiaries, and the Bank's shares in associates. Control is exercised if the Group has the power to direct the financial and operating policies of an entity in such a way as to benefit from its activities.

The results of subsidiaries that are acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or to the actual date of disposal, if applicable.

If necessary, adjustments were made to the financial statements of the subsidiaries in order to align their accounting policies with those used by other members of the Group.

All transactions within the Group, as well as all balances, income and expenses were eliminated during consolidation.

Minority interests in the acquired entity are initially reported in the amount of minority interests in the net fair value of recognised assets, recognised liabilities and contingent liabilities.

#### **Transactions that are eliminated during consolidation**

Intra-group balances and transactions, as well as unrealised income and expenses (with the exception of gains or losses on foreign exchange differences) arising from intra-group transactions, are eliminated when the consolidated financial statements are prepared. Unrealised losses are eliminated in the same way as unrealised gains, but only if there is no evidence of impairment.

### 3. MATERIAL ACCOUNTING POLICIES

With the exception of the changes described above in Note 2.5, the Group's accounting policies described below have been applied consistently for all periods presented in these consolidated financial statements.

#### 3.1 Foreign currency transactions

Transactions in foreign currencies are initially registered at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted at the reporting date using the exchange rate prevailing on that date. Non-monetary foreign currency items at fair value are restated using the exchange rates prevailing at the fair value date. Non-monetary items measured at historical cost in foreign currency are not restated at the reporting date. Gains and losses arising from the conversion are recognised in the profit and loss account for the period.

The Group values assets and liabilities at the middle exchange rate of the Central Bank of Bosnia and Herzegovina valid at the reporting date. The exchange rates of the Central Bank for the most significant currencies applied by the Group in preparing the statement of financial position at the reporting dates were as follows:

December 31, 2025	EUR 1= KM 1.95583	USD 1 = KM 1.66355
December 31, 2024	EUR 1= KM 1.95583	USD 1 = KM 1.87268

#### 3.2. Interest income and expenses

##### **Effective Interest Rate**

Interest income and expense are recognised in profit or loss using the effective interest rate method. "Effective interest rate" means a rate that accurately discounts estimated future cash payments or benefits over the expected life of a financial instrument to:

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

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

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including the expected credit loss.

##### **Effective Interest Rate**

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

##### **Amortized cost and gross carrying value**

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

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

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.2. Interest income and expense (continued)**

##### ***Calculation of interest income and expenses***

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

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

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

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

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

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

#### **3.3. Fee and comission income and expenses**

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

The Group provides banking services to clients in retail and corporate transactions, including account management, overdrafts, foreign currency transactions, credit cards and services.

Fees on a constant basis for account management are calculated on a monthly basis. The Group sets tariffs specifically for retail and corporate operations on an annual basis.

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

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.3. Fee income and expenditure (continued)**

Fee and commission income derived from contracts with clients is measured on the basis of the fee set out in the contract with clients. A group recognises revenue when it transfers a service to a customer.

Income from account and service fees is recognised during the time the service is provided.

Transaction revenue is recognised at the time the transaction occurs.

A contract with a client that results in the recognition of a financial instrument in the Group's financial statements may be partly under IFRS 9 and partly under IFRS 15. If this is the case, the Group first applies IFRS 9 to separate the measurement of the part of the contract that is within IFRS 9 and applies IFRS 15 to the remainder.

#### **3.4. Net profit gains**

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

#### **3.5. Net income from other financial instruments at fair value through profit or loss**

Net income from other financial instruments measured at fair value through the profit or loss account refers to derivatives that are not held for the purpose of managing risks that are not part of qualifying hedging relationships, financial assets and liabilities are measured at fair value through the profit or loss account. The above includes changes in fair value, interest, dividends and foreign exchange differences.

#### **3.6. Dividend income**

Dividend income is recognised in the profit and loss account when the right to receive a dividend has been established and the amount of the dividend can be measured reliably.

#### **3.7. Lease**

At the beginning of the contract, the Group assesses whether the contract is or contains a lease component. A contract is or contains a lease component if it transfers the right to control the use of an identified asset for a specified period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16 *Leases*.

##### **i) Group as a lessee**

The Group recognises the right-of-use assets and lease liabilities from the date of commencement of the lease agreement. Right-of-use assets are initially measured at a cost equal to the initial value of the lease obligation adjusted for any lease payments made on or before the start of the lease, plus any direct costs incurred and an estimate of the costs that may be incurred in dismantling and removing the property in question, restoring the location where the property is located or restoring the property to the condition required by the terms of the lease.

After initial recognition, the right-of-use asset is depreciated using the straight-line method until the end date of the lease or for the period that the lease is certain to be expected to be active. In addition, right-of-use assets are periodically reduced by the amount of impairment, if applicable, or adjusted for a specific remeasurement of lease liabilities.

The lease obligation is initially measured by the present value of the lease payments not paid on the date of commencement of the lease agreement, using the interest rate in the contract or, in the event that such a rate

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.7. Leases (continued)**

cannot be easily determined, the incremental borrowing rate. The Group applies an incremental borrowing rate of 2% as a discount rate.

The Group determines the incremental borrowing rate by obtaining interest rate data from various external sources of financing and makes certain adjustments to reflect the terms of the leases and the types of assets that are leased.

The lease payments included in the measurement of the lease liability include the following payments:

- fixed payments, including substantially fixed payments, less any rental incentives received; variable payments that depend on a particular index or rate and that are initially measured at that index or rate on the first day of the lease;
- the amounts expected to be paid to the lessee within the guaranteed residual value;
- the price of using the buy-out option if there is a realistic probability that the lessee will exercise that option, and the penalties for terminating the lease, if the term of the lease shows that the lessee has exercised that option.

A lease liability is measured at amortized cost using the effective interest method. It is reviewed when there is a change in future lease payments resulting from a change in indices or rates, if there is a change in the Group's estimate of the amount that is expected to be payable against the guaranteed residual value, in the event that the Group changes its estimate of whether to exercise, renew or cancel an option, or if there is a revised fixed rent on the basis.

When the lease liability is measured again in this way, an appropriate adjustment is made to the carrying amount of the right-of-use asset or the resulting difference is recorded through the profit and loss account in the event that the carrying amount of the right-of-use asset is reduced to zero.

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

#### **i) Group as a lessee**

The Group does not recognise right-of-use assets and liabilities for low-value assets (the asset threshold is EUR 5,000) and short-term leases.

The statement of profit and loss and other comprehensive income shows the interest expense on the lease liability separately from the depreciation of the right-of-use asset. The interest expense on the lease obligation is a component of the financial expense.

#### **(ii) Group as a Lessor**

Payments under an operating lease are recognised as income using the straight-line method in the profit and loss account over the life of the lease agreement, and are recognised in the statement of financial position in the event of a time mismatch between the actual timing of payment and the statement of the lease cost.

#### **3.8. Taxation**

Corporate income tax expense is the aggregate amount of current tax liability and deferred taxes.

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.8. Taxation (continued)**

##### ***Current income tax***

The tax expense is based on the taxable profit for the year. Net profit for the period reported in the statement of income statement and other comprehensive income differs from taxable profit because it includes items of income and expenses that are taxable or non-taxable in other years, as well as items that are never taxable or deductible.

The Group's current tax liability is calculated by applying the tax rates in force at the reporting period date.

##### ***Deferred income tax***

Deferred tax is the amount that is expected to give rise to a liability or refund based on the difference between the carrying amount of the assets and the liabilities in the consolidated financial statements and the corresponding tax base used to calculate taxable profit, and is calculated using the balance sheet liability method. Deferred tax liabilities are generally recognised for any taxable temporary differences, and deferred tax assets are recognised to the extent that taxable profits are likely to be available to benefit from the deductible temporary differences.

The carrying amount of deferred tax assets shall be reviewed at each reporting date and reduced to the extent that it is no longer probable that a sufficient amount of taxable profits will be available to recover all or part of the tax assets.

#### **3.9. Investments in subsidiaries**

A subsidiary is an entity that is controlled by the Group. Control is achieved in such a way that the Group is entitled to variable returns from its participation in the subsidiary and has the ability to influence these returns through the authority over the related company.

Investments in subsidiaries in these consolidated financial statements are measured at cost of acquisition less impairment losses, if any.

#### **3.10. Investments in associates and joint ventures**

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

A joint venture refers to shares in a jointly controlled legal entity. A jointly controlled legal entity is an undertaking in which the Group has joint control, whereby the Group has a right to the net assets of the venture instead of the rights to the assets or assumption of liabilities of the jointly controlled legal entity.

Investments in associates and collective ventures are presented in these consolidated financial statements at cost of acquisition less impairment losses, if any.

### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities

##### ***Recognition and initial measurement***

The Group initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities at the date of origination. All other financial instruments (including regular purchases and disposals of financial assets) are recognised on the trading date, i.e. the date on which the Group becomes a party to the contractual provisions of the instrument.

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

##### 3.11.1. Financial assets

###### ***(i) Classification and subsequent measurement***

At initial recognition, the Group classifies financial assets according to the following categories:

- Financial assets measured at amortized cost
- Financial assets at fair value through other comprehensive income
- Financial Assets at Fair Value through Profit or Loss

###### **Reverse repo transactions**

A reverse repo transaction is a collateralized money market transaction in which the Bank temporarily places liquid funds while simultaneously receiving high-quality securities as collateral, with the counterparty being obliged to repurchase those securities on a pre-defined date and at a pre-agreed price. The difference between the purchase price and the repurchase price is recognized as income calculated using the effective interest rate method. Securities received as collateral are not recognized in the Bank's statement of financial position.

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

###### **Debt instruments**

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

Classification and subsequent measurement depends on:

- (i) Purposes of Financial Asset Management (Business Model)
- (ii) Contractual cash flow characteristics ("exclusive payment of principal and interest", eng. Solely Payments of Principal and Interest, hereinafter referred to as the "SPPI" test or "SPPI")

Based on these factors, the Group classifies its financial assets according to the intent for which the financial instruments were acquired, as follows:

- **Financial assets measured at amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent sole payments of principal and interest ("SPPI"), and that are not designated at fair value through profit and loss,

### 3. MATERIJAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities (continued)

##### 3.11.1. Financial assets (continued)

are measured at amortized cost. After initial recognition, the carrying amount of these assets is adjusted to any expected credit loss (ECL) allowance recognized and measured as described in Note 3.11.1 (iv).

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. Loans and receivables arise when the Group grants funds to clients without the intention of trading these receivables and include placements and loans to banks, loans and receivables from clients and funds with the Central Bank.

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

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

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

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

- **Financial Assets at Fair Value through Profit or Loss**

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

In addition, the Group has the option to assign financial assets to the fair value category through the profit or loss account at initial recognition when such classification eliminates or significantly reduces an accounting mismatch that would otherwise have arisen.

##### ***Purpose of Financial Asset Management (Business Model)***

All financial assets, other than equity securities that fall under the category of investments in associates, joint ventures and subsidiaries, are grouped into business models that denote how a group of financial assets as a whole is jointly managed to achieve a specific business objective and define the manner in which financial assets are expected to generate cash flows.

### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities (continued)

##### 3.11.1. Financial assets (continued)

###### *(i) Classification and subsequent measurement (continued)*

The Group's business models are:

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

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

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

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

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

###### **Contracted Cash Flow Characteristics (SPPI)**

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

The SPPI test is carried out:

- for all financial assets, allocated to the business model the purpose of which is to hold financial assets for the collection of contractual cash flows, and the business model aimed at collecting contractual cash flows and selling financial assets on the date of its initial recognition,
- for each financial asset in cases where the original asset has been substantially modified and therefore rerecognised as new assets;

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.11. Financial assets and liabilities (continued)**

##### **3.11.1. Financial assets (continued)**

###### **(i) Classification and subsequent measurement (continued)**

- when introducing new models and/or loan programs to determine, in advance, the eligibility of the considered loan term and conditions in relation to the need to subsequently monitor the value of any financial assets that would arise from them.

###### **Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; That is, they are instruments that do not contain a contractual obligation to pay, but contain evidence of a residual interest in the issuer's net assets. An example of capital investments implies basic common shares.

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

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

###### **(ii) Derecognition of financial assets**

A group ceases to recognise a financial asset (in whole or in part) when the contractual rights to receive cash flows from the financial instrument expire or when it loses control of the contractual rights over those financial assets. This occurs when the Group transfers substantially all of the risks and rewards of ownership to another business entity, or when rights are exercised, surrendered or expired.

When a financial asset is derecognised, the difference between the carrying amount (or carrying amount allocated to the part of the asset that is derecognised) and the amount of consideration received (including any new asset less any new liability) and any cumulative gain or loss previously recognised through comprehensive income is recognised in profit or loss.

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

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.11. Financial assets and liabilities (continued)**

##### **3.11.1. Financial assets (continued)**

###### ***(iii) Modification of financial assets***

Exposure modification is the process of changing the terms of the original contract, whereby the modification may be:

- 1) caused by the current needs of the debtor (e.g. reduction of the effective interest rate, extension of the duration of the instrument, collateral exchange, etc.), and not by the debtor's financial difficulties,
- 2) caused by the debtor's current financial difficulties or difficulties that are about to arise, i.e. a deterioration in his creditworthiness.

A modification of an item of financial asset occurs when some or all of the provisions of the contract are amended.

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

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

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

If the modification of a financial asset is not material and the modification does not result in the derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the asset using the audited cash flows and recognises the difference as profit or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or by applying the credit-risk-adjusted effective interest rate in the case of POCI assets).

If the modification is due to the debtor's financial difficulties, the profit or loss is shown together with the impairment loss. In other cases, it is presented as interest income calculated using the effective interest rate method.

###### ***(iv) Impairment***

The Agency's decision based on IFRS 9 highlights the "three levels of credit risk" model for impairment of financial assets based on changes in credit quality from the initial recognition of financial assets.

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

### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities (continued)

##### 3.11.1. Financial assets (continued)

###### *(iv) Impairment (continued)*

The Agency's decision, which is based on IFRS 9, requires an assessment of the expected losses at the level of losses expected in the next 12 months (Stage 1) from the initial entry of the financial instrument. The time period for calculating the expected loss becomes an entire remaining life of the asset which is subject to the valuation, where the credit quality of the financial instrument experienced a "significant" deterioration in relation to the initial measurement (Stage 2) or in case the asset is partially or fully non-performing (Stage 3). More specifically, the impairment provisions under IFRS 9 include:

- allocation of performing financial assets at different credit risk levels ("staging"), corresponding to the value adjustments based on expected losses over the next 12 months (the so-called "Stage 1") or the lifetime for an entire remaining duration of the instrument (the so-called "Stage 2"), when significant increase in credit risk is present;
- allocation of partially or fully non-performing financial assets in the so-called "Stage 3", always with the value adjustments based on expected losses over an entire duration of the instrument;
- inclusion of Expected Credit Losses (ECL) in the calculation, as well as the expected future changes of the macroeconomic scenario.

#### **ECL measurement**

Expected credit losses under the internal impairment model are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of the missing cash (ie the difference between the cash flows accruing to the entity in accordance with the contract and the cash flow that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of expected future cash flows;
- *undrawn credit obligations*: as the present value of the difference between the agreed cash flow accrued to the Bank if the obligation is undrawn and the cash flow that the Group expects to receive; and
- *Financial guarantee agreements*: expected payments to settle the warrantee less the amount that the Group expects to reimburse

Refer to Note 5.1.3 for a detailed explanation of the internal impairment model.

The Group measures expected credit losses in accordance with the requirements of the Decision on Credit Risk Management and Determination of Expected Credit Losses. The requirements of the Decision in the area of impairment are based on the expected credit loss model of IFRS 9, with certain specifics (for example, prescribed minimum expected credit loss rates for credit risk levels). Following the requirements of the regulator, the Group updated the impairment methodology in accordance with the requirements of the Decision, and defined the minimum criteria for measuring expected losses in accordance with the allocation of exposures to credit risk levels, as described below.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.11. Financial assets and liabilities (continued)**

**3.11.1. Financial assets (continued)**

*(iv) Impairment (continued)*

**ECL measurement (continued)**

**1 Credit risk level 1:**

A pool of exposures assigned to credit risk level 1 shall identify and record expected credit losses at least in the following amounts:

- a) for low-risk exposures - 0.1% of exposures,
- b) for exposures to central governments and central banks outside Bosnia and Herzegovina for which there is a credit assessment by a recognised ECAI that is recognised in accordance with Article 73. Decisions on the calculation of the bank's capital are allocated to credit quality grades 3 and 4 – 0.1% of exposures,
- c) for exposures to banks and other financial sector entities for which there is a credit assessment by a recognised ECAI that is required in accordance with Article 73. Decisions on the calculation of the bank's capital are allocated to the credit quality level of 1, 2 or 3 – 0.1% of the exposure,
- d) for other exposures - 0.5% of exposure.

If a bank does not have an adequate time series, quantity and/or quality of relevant historical data, and is unable to determine the value of the PD parameter using its model in an adequate and documented manner, the bank cannot determine the expected credit loss for other exposures assigned to credit risk level 1 in the amount of less than 1% of exposures

- e) for credit exposures classified in credit risk level 1 for which a significant increase in the interest rate has been identified during the exposure monitoring process, the bank may not determine expected credit losses in an amount lower than 2% of the exposure.

If, in accordance with its internal methodology, the Group determines that the expected credit losses exceed those specified by the aforementioned provisions of the Decision, the Group shall apply the higher amount determined.

**2 Credit risk level 2:**

For exposures assigned to credit risk level 2, the group shall identify and record in the accounts expected credit losses in excess of the following two:

- a) 5% of exposure.
- b) the amount determined in accordance with the Group's internal methodology.
- c) If a bank does not have an adequate time series, quantity and/or quality of relevant historical data, and is unable to determine the value of the PD parameter using its model in an adequate and documented manner, the bank cannot determine the expected credit loss for other exposures assigned to credit risk level 2 in an amount of less than 8% of the exposure.
- d) For credit exposures classified in credit risk level 2 for which a significant increase in the interest rate has been identified during the exposure risk monitoring process, the bank may not determine expected credit losses in an amount lower than 12% of the exposure.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.11. Financial assets and liabilities (continued)**

**3.11.1. Financial assets (continued)**

*(iv) Impairment (continued)*

**3 Credit risk level 3:**

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

a) Exposures secured by acceptable collateral:

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

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

b) Exposures that are not backed by acceptable collateral:

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

In the case of restructured exposures, the Group will maintain the expected credit losses at the level of coverage formed on the date of restructuring approval, which may not be lower than 15% of the exposure, for all 12 months of the recovery period. For the third and each subsequent restructuring of a previously restructured exposure that was allocated to credit risk level 3 or POCI assets at the time of restructuring, the Group determines and records the expected credit losses in the amount of 100% of the exposures. The group is obligated to determine and record an expected credit loss of 100% in the accounting for exposures related to cases where the debtor has failed to fulfill its obligation to the Bank within 60 days from the date of protest, based on the previously issued guarantee.

If, in accordance with its internal methodology, the Group determines the amount of expected credit losses in excess of the amounts resulting from the provisions of the Decision, the Group determines and records these amounts.

### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities (continued)

##### 3.11.1. Financial assets (continued)

##### *(iv) Impairment (continued)*

Minimum expected credit loss rates for customer receivables, factoring and financial leasing receivables and other receivables are applied according to the table as follows:

<b>Days past due</b>	<b>Minimum expected credit loss</b>
There is no delay in a materially significant amount	0,5%
up to 30 days	2%
from 31 to 60 days	5%
from 61 to 90 days	10%
from 91 to 120 days	15%
from 121 to 180 days	50%
from 181 to 365 days	75%
over 365 days	100%

##### **Credit-impaired financial assets**

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

The evidence that financial asset is impaired include the following observable data:

- the borrower or issuer experiences significant financial difficulties
- a breach of contract such as a default or past due event
- restructuring of a loan or advance by the Group on terms that would not otherwise be considered by the Group;
- it becomes likely that the borrower will go bankrupt or otherwise financially reorganised; or the disappearance of an active market for a security due to financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is normally considered to be credit-impaired, unless there is evidence that the risk of default of the contractual cash flows has been significantly reduced and there are no other indicators of impairment.

##### **Presentation of expected credit losses in the statement of financial position**

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortized cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *where the financial instrument includes both the drawn and the undrawn component, and the Group is unable to identify the ECL on the stressed and undrawn credit obligation*: the Group presents a combined provision for losses for both components. The combined amount is presented as a deductible item of the gross carrying amount of the utilised component. Any excess over the carrying amount of the utilised component is presented as a provision; And

### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities (continued)

##### 3.11.1. Financial assets (continued)

- *Financial assets measured at fair value through other comprehensive income:* impairment is not recognised in the statement of financial position because the carrying amount of those assets and their fair value. However, impairment is recognised and recognised in a fair value reserve.

See also Note 5.1.3.

##### ***POCI assets – purchased or originated credit impaired assets***

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

Such assets may originate in the following cases:

- The Group purchases assets that have objective evidence of impairment at a significant discount or
- in the event of a material modification of an instrument that is already in default, or
- in the event that a significant modification of the instrument itself is a reason for entering the default status,
- The Group approves a new placement to a client who already has a significant share of the portfolio in default.

The Group does not purchase bad debt placements, therefore POCI assets represent initially or due to a significant modification rerecognised instruments that are in default status on the date of recognition.

##### ***Write-offs***

Receivables arising from credit placements are written off when all sources of collection have been exhausted or when no future positive or negative cash flows are expected from the credit placements.

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

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

Recoveries of amounts previously written off are included in "impairment losses on financial instrument" in the statement of profit or loss and other comprehensive income. Financial assets that are written off may still be subject to enforcement activities in order to comply with the Banks's procedures.

The Group writes off a loan or an investment in debt security, either partially or in full, and any related allowance for impairment losses, when Group's Credit Board determines that there is no realistic prospect of recovery. The Group performs an accounting write-off of the balance sheet exposure two years after it has recorded expected credit losses of 100% of the gross carrying amount of that exposure and declared it fully due. The Group performs an accounting write-off of the on-balance sheet exposure two years after the Group recorded expected credit losses in the amount of 100% of the gross carrying amount of that exposure and declared it fully mature.

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.11. Financial assets and liabilities (continued)**

##### **3.11.2. Financial liabilities**

###### **(i) Classification**

The Group classifies financial liabilities at fair value through profit or loss and at amortized expense. The classification depends on the intention for which the financial instruments were acquired. Management determines the classification of financial instruments at initial recognition and reviews that classification at each reporting date.

###### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss have two subcategories: financial instruments held for trading (including derivatives) and those initially assigned to this category by management. A financial instrument is assigned to this category only if it is created or acquired for the purpose of selling or buying in the short term, for the purpose of making a profit in the short term, or by allocation by management to this class at initial recognition. The Group has no financial liabilities classified at fair value through profit or loss.

###### **Other financial liabilities**

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

###### **(ii) Initial and subsequent measurement**

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

###### **(iii) Modification of financial liabilities**

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

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

###### **(iv) Derecognition of financial liabilities**

The Group derecognizes financial liabilities when, and only when the Group's obligations are discharged, cancelled or expired. The Group derecognises a financial liability when the terms are changed and the cash flows of the modified liability are materially different. In this case, the new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount and the financial liability is derecognised and the consideration paid is recognised in the income statement. The consideration paid includes the transferred non-financial asset, if any, the assumption of liabilities, including a new modified financial liability.

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

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.11. Financial assets and liabilities (continued)**

##### **3.11.2. Financial liabilities (continued)**

###### ***(iii) Derecognition of financial liabilities (continued)***

the effective interest rate on the instrument. Costs and charges incurred are recognised as reconciling the carrying amount of the liability or amortised value over the past life of the modified financial liability through the recalculation of the effective interest rate on the instrument.

##### **3.11.3 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is shown in the financial statement when, and only when, the Group has the legal right to offset and intends to settle it on a net basis or to realise the assets and at the same time settle the liability. Income and expenses are recognised on a net basis only when permitted in accordance with IFRS, or for gains and losses arising from similar transactions, as in trading operations.

##### **3.11.4 Measuring the fair value of financial assets and liabilities**

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

Where possible, the Group measures the fair value of an instrument over the stated price in the active market for that instrument. A market is considered active if transactions for an asset or liability occur with sufficient frequency and to the extent sufficient to provide price information on a regular basis (level 1 of the fair value hierarchy). In the absence of reported prices in an active market, the Group then uses valuation techniques that maximize the use of relevant available inputs (Level 2 and Level 3 of the fair value hierarchy) and minimize the use of unavailable inputs. The valuation technique chosen includes all the factors that market participants would take into account when determining the price of the transaction.

The best evidence of the fair value of a financial instrument at initial recognition is usually the transaction price - the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and that the fair value is not supported either by a quoted price in an active market for an identical asset or liability or by an estimation technique that uses only available market data, then the financial instrument is initially recognised at fair value adjusted to delay differences between the fair value at initial recognition and the transaction price. Subsequently, those differences are recognised in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is fully supported by available market data or when the transaction is closed.

If the assets or liabilities for which fair value is determined have a bid price and an ask price, the Group measures assets and long positions at the bid price, and liabilities and short positions at the ask price. Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk managed by the Group on the basis of a net exposure to either market or credit risk are measured on the basis of the price that would be determined to sell a net long position (or paid for the transfer of a net short position) for a given risk exposure. These portfolio level adjustments are allocated to individual assets and liabilities based on relative risk adjustments for each individual instrument in the portfolio. The fair value of the demand assets is not less than the amount payable on demand. The Group recognises transfers between levels of the fair value hierarchy in the reporting period in which the change occurred.

Notes to the consolidated financial statements for the year ended December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.11. Financial assets and liabilities (continued)**

**3.11.4. Measuring the fair value of financial assets and liabilities (continued)**

The classification of assets and liabilities is presented as follows:

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued by FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2025.
Cash and cash equivalents	1,247,246	-	-	-	-	-	-	-	1,247,246
Financial assets at fair value through PL	-	1,919	-	-	-	-	-	-	11,919
Financial assets at fair value through OCI	-	-	575	-	-	-	-	-	575
Financial assets at amortized cost	4,633,374	-	-	-	-	-	-	-	4,633,374
Deferred tax assets	-	-	-	-	-	-	2,127	-	2,127
Tangible assets	-	-	-	-	-	-	7,894	-	7,894
Intangible assets	-	-	-	-	-	-	173,167	-	173,167
Investments in subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	44,598	-	44,598
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	403	-	403
Other assets and receivables	-	-	-	-	-	-	13,387	-	13,387
<b>TOTAL ASSETS</b>	<b>5,880,620</b>	<b>11,919</b>	<b>575</b>	-	-	-	<b>241,576</b>	-	<b>6,134,690</b>

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.11. Financial assets and liabilities (continued)**

**3.11.4. Measuring the fair value of financial assets and liabilities (continued)**

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued at FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2025.
Financial liabilities at amortized cost	5,215,530	-	-	-	-	-	-	-	5,215,530
Income tax liabilities	-	-	-	-	-	-	363	-	363
Deferred tax liabilities	-	-	-	-	-	-	3,164	-	3,164
Provisions	-	-	-	-	-	-	34,481	-	34,481
Other liabilities	-	-	-	-	-	-	23,605	-	23,605
<b>TOTAL LIABILITIES</b>	<b>5,215,530</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>61,613</b>	<b>-</b>	<b>5,277,143</b>

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued at FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2025.
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	311	311
Accumulated earnings	-	-	-	-	-	-	-	<b>604,366</b>	<b>604,366</b>
<b>TOTAL EQUITY</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>857,547</b>	<b>857,547</b>

Notes to the consolidated financial statements for the year ended December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise stated)

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.11. Financial assets and liabilities (continued)**

**3.11.4. Measuring the fair value of financial assets and liabilities (continued)**

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued by FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2024
Cash and cash equivalents	1,499,512	-	-	-	-	-	-	-	1,499,512
Financial assets at fair value through PL	-	12,977	-	-	-	-	-	-	12,977
Financial assets at fair value through OCI	-	-	544	-	-	-	-	-	544
Financial assets at amortized cost	4,073,256	-	-	-	-	-	-	-	4,073,256
Deferred tax assets	-	-	-	-	-	-	110	-	110
Tangible assets	-	-	-	-	-	-	9,090	-	9,090
Intangible assets	-	-	-	-	-	-	149,420	-	149,420
Investments in subsidiaries, joint ventures and associated companies	-	-	-	-	-	-	39,489	-	39,489
Long-term assets intended for sale and assets of operations to be suspended	-	-	-	-	-	-	612	-	612
Other assets and receivables	-	-	-	-	-	-	9,524	-	9,524
<b>TOTAL ASSETS</b>	<b>5,572,768</b>	<b>12,977</b>	<b>544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>208,245</b>	<b>-</b>	<b>5,794,534</b>

Notes to the consolidated financial statements for the year ended December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise stated)

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.11. Financial assets and liabilities (continued)**

**3.11.4. Measuring the fair value of financial assets and liabilities (continued)**

	Financial assets valued at amortized cost	Financial assets valued at FVtPL	Financial assets valued at FVtOCI	Financial liabilities valued at amortized cost	Financial liabilities valued at FVtPL	Financial liabilities valued by FVtOCI	Non-financial assets and liabilities	Equity	Total as at 31.12.2024
Financial liabilities at amortized cost	4,969,805	-	-	-	-	-	-	-	4,969,805
Income tax liabilities	-	-	-	-	-	-	863	-	863
Deferred tax liabilities	-	-	-	-	-	-	2,317	-	2,317
Provisions	-	-	-	-	-	-	36,651	-	36,651
Other liabilities	-	-	-	-	-	-	23,567	-	23,567
<b>TOTAL LIABILITIES</b>	<b>4,969,805</b>	-	-	-	-	-	<b>63,398</b>	-	<b>5,033,203</b>

	Financial assets that are valued at amortized cost	Financial assets that are valued at FVtPL	Financial assets that are valued at FVtOCI	Financial liabilities that are valued at amortized cost	Financial liabilities that are measured under FVtPL	Financial liabilities that are measured at FVtOCI	Non-financial assets and liabilities	Capital	Total on 31.12.2024.
Share capital	-	-	-	-	-	-	-	247,167	247,167
Share premium	-	-	-	-	-	-	-	4,473	4,473
Reserves	-	-	-	-	-	-	-	1,230	1,230
Revaluation reserves	-	-	-	-	-	-	-	283	283
Accumulated earnings	-	-	-	-	-	-	-	508,178	508,178
<b>TOTAL EQUITY</b>	-	-	-	-	-	-	-	<b>761,331</b>	<b>761,331</b>

### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities (continued)

##### 3.11.5. Specific financial instruments

###### ***Cash and cash equivalents***

For the purposes of reporting cash flows, cash and cash equivalents include funds with the Central Bank of Bosnia and Herzegovina, balances on giro accounts with other banks, as well as funds deposited with other banks originally for a period of up to 3 months from the date of origination.

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

Cash and cash equivalents exclude the minimum reserve requirement with the Central Bank, since the reserve requirement funds are not available to the Bank in its day-to-day operations. The mandatory minimum reserve with the Central Bank is the amount that all commercial banks that have a license to operate in Bosnia and Herzegovina are obliged to allocate

###### ***Placements with banks and reserve requirements with the Central Bank***

Placements with banks for a period of more than 3 months and reserve requirements with the Central Bank are cashed as loans and receivables and are reported at amortized cost less impairment losses.

###### ***Loans and receivables***

Loans and receivables are presented at amortised cost less impairment losses in order to reflect the estimated recoverables.

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

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

The "Financial assets at fair value through profit and loss" caption in the statement of financial position includes:

- debt securities measured at fair value through profit or loss.

The "Financial assets at amortized cost" caption in the statement of financial position includes:

- debt securities measured at amortized cost
- other financial asset measured at amortized cost

The "Financial assets at fair value thru other comprehensive income" caption in the statement of financial position includes:

- equity securities measured at fair value through other comprehensive income

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

### 3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Financial assets and liabilities (continued)

##### 3.11.5. Specific financial instruments (continued)

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

##### ***Financial guarantees and loan commitments***

"Financial guarantees" are contracts that require a Group to perform specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the contractual terms of a debt instrument. "Loan commitments" are the obligations of a bank to place a loan on pre-agreed terms.

##### ***Interest-bearing borrowings and subordinated debt***

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

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

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

#### 3.12. Property and equipment

##### *Recognition and measurement*

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

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

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The estimated depreciation rates during 2025 and 2024 were as follows:

Buildings	2%
Vehicle	14,28%
Office Equipment	10% - 50%

Gains or losses on the write-off or disposal of tangible assets are determined as the difference between sales proceeds and the carrying amount of those assets and are recognised in the statement of income and other comprehensive income in the period in which they are incurred.

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.13. Intangible assets**

Intangible assets are reported at cost less accumulated depreciation and impairment losses. The cost includes all costs that are directly attributable to the acquisition of the property:

Estimated depreciation rates were as follows:

Other intangible assets	16,6 %- 50 %
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#### **3.14. Investment properties**

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

Buildings	2 %
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#### **3.15. Impairment of non-financial assets**

At each date of the reporting period, the Group reviews the carrying amounts of its property and equipment to determine whether there are indications that impairment losses have occurred. If there are such indications, the recoverable amount of the asset shall be estimated in order to be able to determine any impairment loss.

Recoverable amount is its fair value less costs of sale or value in use, whichever is higher. For the purposes of estimating value in use, estimated future cash flows are discounted to present value by applying a pre-tax discount rate that reflects the current market estimate of the time value of money and the risks specific to that asset.

If the estimated recoverable amount of an asset is less than the carrying amount, then the carrying amount of that asset is reduced to the recoverable amount. Impairment losses are recognised immediately as a rebound in the profit and loss account.

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

#### **3.16. Provisions for liabilities and charges**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events that are likely to require resource outflows containing economic benefits to settle the obligation and a reliable estimate of the amount of the liability will be made.

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

### **3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **3.17. Employee benefits**

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

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

#### **Retirement severance payments**

The Group makes provisions for retirement severance pay in accordance with the actuarial report. Retirement workers are paid severance pay in the amount of 6 average monthly salaries of workers or 6 average salaries according to the latest published report at the level of the Federation of Bosnia and Herzegovina / Republika Srpska / Brčko District (according to the place of work of the worker), depending on what is more favorable for the worker.

The Group records the costs of severance pay for retirement in the period in which the severance payments are earned.

#### **3.18. Equity and reserves**

##### **Share capital**

Share capital includes paid-up ordinary shares and is expressed in KM at nominal value.

##### **Retained earnings**

The profit for the year after distribution to the owners is allocated to retained earnings.

##### **Fair value reserves**

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

##### **Dividends**

Dividends on ordinary shares are recognised as a liability in the period in which they are approved by the shareholders of the Group.

#### **3.19. Earnings per share**

The Group publishes basic and diluted earnings per share (earnings per share). "EPS".

Basic earnings per share are calculated by dividing the profit or loss of the current period intended for the Group's ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The Group does not have preferred shares.

**3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**3.20. Adoption of new and revised standards.**

**3.20.1 Initial application of new amendments to existing standards in force in the current reporting period**

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

Standard	Name
Amendments to IAS 21	Lack of Exchangeability – issued in August 2023

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

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

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

Standard	Name	Effective date
Amendments to IFRS and FRS 7	Amendments regarding the classification and measurement of financial instruments – issued in May 2024	1st of January 2026
Amendments to IFRS and IFRS 7	Contracts Referencing Nature-dependent Electricity – issued in December 2024	1st of January 2026
Amendments to IFRS IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual Improvements to IFRS Accounting Standards - Volume 11 – issued in July 2024	1st of January 2026
IFRS 18	Presentation and Disclosures in Financial Statements – issued in April 2024	1st of January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures – issued in May 2024	1st of January 2027
Amendments to IFRS 10 and IAS 28	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture – issued in September 2014	deferred indefinitely

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

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the course of its day-to-day operations, the Group assesses and judges on uncertain events, including assumptions and estimates about the future. Such accounting assumptions and estimates are regularly reviewed and based on historical experience and other factors such as the expected course of future events that can be realistically assumed in the current circumstances, but nevertheless inevitably present sources of uncertainty. The estimation of the impairment of the Group's loan portfolio is the most significant source of estimation uncertainty. These and other key sources of estimation uncertainty, which have a significant risk of causing significant adjustments in the carrying amount of assets and liabilities in the next financial year, are described below.

##### ***Impairment losses on loans and receivables***

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

Information about the accounting policy judgements that have the most significant impact on the amounts recognised in the financial statements is contained in the following notes.

- Note 3.11.1 (i): Classification of financial assets: an assessment of the business model in which the asset is classified and an assessment of whether the contractual terms of the financial asset are in the residual principal amount.
- Note 5.1.3 (i): Introducing criteria for determining whether the credit risk of a financial asset has increased significantly after initial recognition, establishing a methodology for including information relating to future ECL measurements, and selecting a model for measuring ECL.

Information about the assumptions and uncertainties of estimates that have the most significant impact on the adjustments recognised in the year ended 31 December 2025 and 31 December 2024 is contained in the following notes.

- Note 5.1.3: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.
- Note 3.11.4: determination of the fair value of financial instruments with significant unobservable inputs
- Note 3.11.1.(iv): impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

#### **4. SIGNIFICANT ACCOUNTING ESTIMATES AND KEY SOURCES OF UNCERTAINTY ESTIMATION (CONTINUED)**

##### ***Interest rate-induced risk***

In accordance with Article 7. Decisions on credit risk management and the determination of expected credit losses, the Group is obliged to assess the debtor's exposure to interest-induced credit risk on the basis of claims contracted with a variable interest rate. In doing so, the Group assesses the credit risk from the aspect of a possible change in the debtor's financial position due to a change in the interest rate, i.e. assesses the debtor's ability to settle its obligations to the Group in accordance with the agreed terms in the event of a potential change in the interest rate. Significant judgments and estimates related to impairment of expected credit losses are particularly complex in the current uncertain environment triggered by negative macroeconomic developments, geopolitical situation, rising energy prices and inflation, and money market changes. During 2025, inflation in Bosnia and Herzegovina recorded an accelerated trend compared to the previous year, primarily due to a pronounced increase in price levels in the segments of food and services.

The Group continues to conduct increased monitoring and puts an emphasis on the management of interest-induced credit risk. The management of interest-induced credit risk is described in more detail in Note 5.1.1. Credit quality analysis.

##### ***Taxation***

The Group recognizes tax liability in accordance with the tax regulations of the Federation of Bosnia and Herzegovina. Tax returns are subject to the approval by the tax authorities that are in charge of carrying out subsequent inspections of taxpayers' records

##### ***Regulatory requirements***

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

##### ***Court proceedings***

Group conducts an individual assessment of all litigation and determines the amount of provisions based on this. The assessment and proposal of the amount of the provision for litigation is carried out by the Legal Affairs Department of the parent company and the Accounting, Taxes and Financial Reporting Department, while the decision on the amount of the provision is made by the Management Board of the parent Group.

As stated in Note 30, the Group has reserved BAM 9,178 thousand (December 31, 2024: BAM 12,000 thousand), an amount that the Group's Management Board considers sufficient. Given that the assessment is made on a case-by-case basis, it is not practical to assess the financial impact of changes in the assumptions on the basis of which the Management Board assesses the need for provisions at the reporting date.

##### ***Provisions for severance payments***

In calculating the required provisions for severance payments, the Group discounts the expected future cash flows arising from these liabilities, using discount rates that, according to the actuarial report, best represent the time value of cash.

## 5. FINANCIAL RISK MANAGEMENT

As a result of its activities, the Group is exposed to various types of financial risks: credit risk, liquidity risk, market risk, interest rate risk in the banking book and subcategories of strategic and business financial risks.

The Group has established an integrated risk management system that includes the analysis, assessment, acceptance and management of a certain degree of risk or combination of risks. Risk acceptance is the essence of the Group's financial operations, and operational risk is an unavoidable consequence of the business. The Management Board is responsible for establishing and supervising a framework for managing the financial and non-financial risks to which the Group is exposed.

Risk management is an integral part of the internal management system. The Rulebook on Internal Organization and Systematization of Positions of Control Functions of Raiffeisen Bank dd Bosnia and Herzegovina regulates the basic principles of the Bank's organization and organizational structure, the basics of job descriptions and main responsibilities and the scope of work of organizational units and organizational parts of the Bank, which includes the competencies for risk management.

Risk controlling, as a control function, provides an integrated framework for control and monitoring of all types of risks.

Its main objective is to coordinate the implementation of instruments, methods, parameters and standards, to measure and monitor risk in order to avoid threatening situations and to improve the risk rate/return within the risk limit. This includes:

- a) Defining methodologies and parameters for risk measurement (closely related to risk management functions)
- b) Implementation of risk measurement and risk control
- c) Conducting scenario analyses and stress tests in order to examine the impact of an extreme and severe crisis on the bank's position
- d) Risk Reporting at an Aggregated Level

The Risk Controlling Department independently controls the effectiveness of the risk management process, which should include regular and timely identification, measurement, assessment, management, monitoring and control of risks, including reporting on the risks to which the bank is or may be exposed in its operations. Risk Controlling informs the Audit Committee, the Risk Committee and the Supervisory Board of the Bank, informing the Management Board of the Bank for the timely and efficient implementation of the given recommendations for the elimination of illegalities, irregularities, deficiencies and weaknesses of the established controls.

### 5.1 Credit risk

#### Risk limit control and mitigation procedures

The Group is exposed to credit risk that poses the risk that the counterparty will not be able to pay the amounts due in full. The Group structures the level of credit risk it assumes by setting a limit on the amount of risk accepted in relation to a single borrower or group of lessees as well as to industry segments. Such risks are monitored regularly and are subject to annual or more frequent audit.

Credit risk exposures are managed by regularly analysing the ability of borrowers and prospective tenants to meet their interest and principal repayment obligations, and by changing credit limits where appropriate. Credit risk exposures are also managed in part through the provision of collateral and corporate and personal guarantees.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.1 Credit risk

#### 5.1.1. Risk limit control and mitigation procedures

For certain types of transactions, the Group mitigates this risk by clearing through a clearing/settlement broker to ensure that trades are settled only when both parties have fulfilled their contractual clearing obligations. Settlement limits are part of the process of granting loans and monitoring limits. Acceptance of clearing risk for free clearing operations requires transaction-specific or counterparty-specific approval from the Group's risk management department.

The Supervisory Board of the Group adopts a decision on the composition and powers of the Credit Committee and the Credit Committee for Non-Performing Loans. The Credit Committee, within the scope of its powers, may delegate credit powers to lower levels of decision-making and appoint holders of credit authority to make decisions. The powers and procedures of the Credit Committee and the Credit Committee for Non-Performing Loans are defined by the Rules of Procedure of these bodies.

#### *Off-balance sheet credit instruments*

The primary purpose of these instruments is to ensure that funds are available to the client as needed. Guarantees and letters of credit carry the same risk as loans and are secured with similar collateral as loans.

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

The maximum credit risk exposure of the items in the statement of financial position is presented as follows:

	Notes	December 31, 2025	December 31, 2024
Cash and accounts with banks (cash at treasury)	19	997,330	1,200,640
Loans to and receivables from customers at fair value	20	11,919	12,977
Obligatory reserves at the Central Bank of BiH	22.1	500,742	475,635
Bank deposits	22.2	9,951	-
Loans and advances to customers at amortized cost	22.3	3,461,366	3,054,454
Debt instruments at amortized cost	22.4	636,380	513,272
Other financial assets	22.4	24,935	29,895
		<b>5,642,623</b>	<b>5,286,873</b>

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

	Notes	December 31, 2025	December 31, 2024
Loan commitments	30	569,011	542,362
Other off-balance exposure items	30	691,197	611,324
		<b>1,260,208</b>	<b>1,153,686</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

The following table also shows information on the credit quality of financial assets measured at amortized cost. For loan obligations and financial guarantees, the amounts are approved or guaranteed amounts.

An explanation of the terms "Credit Risk Level 1", "Credit Risk Level 2" and "Credit Risk Level 3" is included in Note 3.11.1.

	<b>December 31, 2025</b>				Total
	Credit Risk Level 1	Credit Risk Level 2	Credit risk level 3	COME	
<b>Cash and accounts with banks (cash at treasury)</b>					
Excellent	-	-	-	-	-
Strong	333,784	-	-	-	333,784
Good	72,575	-	-	-	72,575
Satisfactory	592,182	-	-	-	592,182
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
<b>Total gross amount</b>	<b>998,541</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>998,541</b>
<b>Less: loss allowance</b>	<b>(1,211)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,211)</b>
<b>Net carrying amount</b>	<b>997,330</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>997,330</b>

	<b>December 31, 2024</b>				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Cash and accounts with banks (cash at treasury)</b>					
Excellent	-	-	-	-	-
Strong	435,408	-	-	-	435,408
Good	52,812	-	-	-	52,812
Satisfactory	638,136	-	-	-	638,136
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	75,984	-	-	-	75,984
<b>Total gross amount</b>	<b>1,202,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,202,340</b>
<b>Less: loss allowance</b>	<b>(1,700)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,700)</b>
<b>Net carrying amount</b>	<b>1,200,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,200,640</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

	December 31, 2025	December 31, 2024
<b>Loans to and receivables from customers at fair value</b>		
Excellent	-	-
Strong	6	10
Good	4,716	4,257
Satisfactory	6,042	7,407
Substandard	1,156	1,325
Credit impaired	362	327
Unrated	-	-
<b>Total gross</b>	<b>12,282</b>	<b>13,326</b>
<b>Less: Impairment of value</b>	<b>(363)</b>	<b>(349)</b>
<b>Total</b>	<b>11,919</b>	<b>12,977</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

	December 31, 2025				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Obligatory reserves with Central Bank</b>					
Excellent	-	-	-	-	-
Strong	-	-	-	-	-
Good	-	-	-	-	-
Satisfactory	501,243	-	-	-	501,243
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
<b>Total gross amount</b>	<b>501,243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>501,243</b>
<b>Less: loss allowance</b>	<b>(501)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(501)</b>
<b>Net carrying amount</b>	<b>500,742</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,742</b>

	December 31, 2024				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Obligatory reserves with Central Bank</b>					
Excellent	-	-	-	-	-
Strong	-	-	-	-	-
Good	-	-	-	-	-
Satisfactory	476,111	-	-	-	476,111
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
<b>Total gross amount</b>	<b>476,111</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>476,111</b>
<b>Less: loss allowance</b>	<b>(476)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(476)</b>
<b>Net carrying amount</b>	<b>475,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>475,635</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

	December 31, 2025				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Deposits with banks</b>					
Excellent	-	-	-	-	-
Strong	-	-	-	-	-
Good	10,001	-	-	-	10,001
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
<b>Total gross amount</b>	<b>10,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,001</b>
<b>Less: loss allowance</b>	<b>(50)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50)</b>
<b>Net carrying amount</b>	<b>9,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,951</b>

	December 31, 2024				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Deposits with banks</b>					
Excellent	-	-	-	-	-
Strong	-	-	-	-	-
Good	-	-	-	-	-
Satisfactory	-	-	-	-	-
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
<b>Total gross amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Less: loss allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net carrying amount</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

	<b>December 31 , 2025</b>				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Loans to and receivables from customers at amortized cost</b>					
Excellent	16,016	943	-	-	16,959
Strong	402,049	2,725	-	25	404,799
Good	1,779,383	69,640	-	726	1,849,749
Satisfactory	861,060	128,976	-	409	990,445
Substandard	32,981	125,514	-	925	159,420
Credit impaired	-	-	109,560	5,692	115,252
Unrated	51,346	1,155	784	-	53,285
<b>Total gross amount</b>	<b><u>3,142,835</u></b>	<b><u>328,953</u></b>	<b><u>110,344</u></b>	<b><u>7,777</u></b>	<b><u>3,589,909</u></b>
<b>Less: loss allowance</b>	<b><u>(17,983)</u></b>	<b><u>(19,747)</u></b>	<b><u>(87,455)</u></b>	<b><u>(3,358)</u></b>	<b><u>(128,543)</u></b>
<b>Net carrying amount</b>	<b><u>3,124,852</u></b>	<b><u>309,206</u></b>	<b><u>22,889</u></b>	<b><u>4,419</u></b>	<b><u>3,461,366</u></b>

In 2024, the Group changed the scale on the basis of which the credit quality rating of financial assets is assigned.

	<b>December 31 , 2024</b>				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Loans to and receivables from customers at amortized cost</b>					
Excellent	9,488	330	-	-	9,818
Strong	214,731	2,682	-	29	217,442
Good	1,611,302	70,155	-	902	1,682,359
Satisfactory	806,431	139,011	-	530	945,972
Substandard	31,858	137,044	228	647	169,778
Credit impaired	-	-	109,072	6,181	115,253
Unrated	43,525	817	714	-	45,056
<b>Total gross amount</b>	<b><u>2,717,335</u></b>	<b><u>350,039</u></b>	<b><u>110,015</u></b>	<b><u>8,289</u></b>	<b><u>3,185,677</u></b>
<b>Less: loss allowance</b>	<b><u>(17,418)</u></b>	<b><u>(23,322)</u></b>	<b><u>(86,142)</u></b>	<b><u>(4,341)</u></b>	<b><u>(131,223)</u></b>
<b>Net carrying amount</b>	<b><u>2,699,917</u></b>	<b><u>326,717</u></b>	<b><u>23,873</u></b>	<b><u>3,948</u></b>	<b><u>3,054,454</u></b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

	December 31 , 2025				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Debt instruments at amortized cost</b>					
Excellent	154,995	-	-	-	154,995
Strong	398,710	-	-	-	398,710
Good	28,538	-	-	-	28,538
Satisfactory	56,138	-	-	-	56,138
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
<b>Total gross amount</b>	<b>638,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>638,381</b>
<b>Less: loss allowance</b>	<b>(2,001)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,001)</b>
<b>Net carrying amount</b>	<b>636,380</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>636,380</b>
	December 31 , 2024				Total
	Stage 1	Stage 2	Stage 3	POCI	
<b>Debt instruments at amortized cost</b>					
Excellent	160,802	-	-	-	160,802
Strong	295,273	-	-	-	295,273
Good	20,558	-	-	-	20,558
Satisfactory	37,977	-	-	-	37,977
Substandard	-	-	-	-	-
Credit impaired	-	-	-	-	-
Unrated	-	-	-	-	-
<b>Total gross amount</b>	<b>514,610</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>514,610</b>
<b>Less: loss allowance</b>	<b>(1,338)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,338)</b>
<b>Net carrying amount</b>	<b>513,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>513,272</b>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.1 Credit quality analysis (continued)

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

	December 31 , 2025			Total
	Stage 1	Stage 2	Stage 3	
<b>(Irrevocable) Loan commitments</b>				
Excellent	11,303	438	-	11,741
Strong	87,834	2,200	-	90,034
Good	380,392	14,250	-	394,642
Satisfactory	60,142	15,105	-	75,247
Substandard	299	1,059	-	1,358
Credit impaired	-	-	241	241
Unrated	337	-	-	337
<b>Total gross amount</b>	<b>540,307</b>	<b>33,052</b>	<b>241</b>	<b>573,600</b>
<b>Less: loss allowance</b>	<b>(2,756)</b>	<b>(1,661)</b>	<b>(172)</b>	<b>(4,589)</b>
<b>Net carrying amount</b>	<b>537,551</b>	<b>31,391</b>	<b>69</b>	<b>569,011</b>
	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>(Irrevocable) Loan commitments</b>				
Excellent	11,391	148	-	11,539
Strong	96,787	816	-	97,603
Good	390,692	26,143	525	417,360
Satisfactory	18,230	729	-	18,959
Substandard	180	75	-	255
Credit impaired	-	-	214	214
Unrated	525	198	-	723
<b>Total gross amount</b>	<b>517,805</b>	<b>28,109</b>	<b>739</b>	<b>546,653</b>
<b>Less: loss allowance</b>	<b>(2,581)</b>	<b>(1,439)</b>	<b>(271)</b>	<b>(4,291)</b>
<b>Net carrying amount</b>	<b>515,224</b>	<b>26,670</b>	<b>468</b>	<b>542,362</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

	<b>December 31 , 2025</b>			Total
	Stage 1	Stage 2	Stage 3	
<b>Other off-balance exposures</b>				
Excellent	977	41	-	1,018
Strong	117,369	332	-	117,701
Good	433,996	43,131	116	477,243
Satisfactory	72,101	16,965	-	89,066
Substandard	-	4,819	-	4,819
Credit impaired	-	-	659	659
Unrated	7,954	-	-	7,954
<b>Total gross amount</b>	<b>632,397</b>	<b>65,288</b>	<b>775</b>	<b>698,460</b>
<b>Less: loss allowance</b>	<b>(3,015)</b>	<b>(3,790)</b>	<b>(458)</b>	<b>(7,263)</b>
<b>Net carrying amount</b>	<b>629,382</b>	<b>61,498</b>	<b>317</b>	<b>691,197</b>
	<b>December 31 , 2024</b>			Total
	Stage 1	Stage 2	Stage 3	
<b>Other off-balance exposures</b>				
Excellent	293	39	-	332
Strong	880	10	-	890
Good	-	-	534	534
Satisfactory	1,785	64	-	1,849
Substandard	12	-	-	12
Credit impaired	-	-	-	-
Unrated	1,429	353	-	1,782
<b>Total gross amount</b>	<b>564,829</b>	<b>51,983</b>	<b>534</b>	<b>617,346</b>
<b>Less: loss allowance</b>	<b>(2,995)</b>	<b>(2,613)</b>	<b>(414)</b>	<b>(6,022)</b>
<b>Net carrying amount</b>	<b>561,834</b>	<b>49,370</b>	<b>120</b>	<b>611,324</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.1 Credit quality analysis (continued)**

**5.1.1.1 Maximum exposure to credit risk before collateral held or other credit improvements (continued)**

The following table provides information on the balance of loans and receivables from clients that matured in credit risk levels 1, 2 and 3.

	<b>December 31, 2025</b>				
	Stage 1	Stage 2	Stage 3	POCI	Total
Customer loans and receivables at amortized cost – gross carrying amount					
Current	3,115,415	251,348	16,229	4,566	3,387,558
Overdue < 30 days	26,892	61,718	5,295	910	94,815
Overdue > 30 days < 90 days	528	15,887	3,087	195	19,697
Overdue > 90 days	-	-	85,733	2,106	87,839
<b>Less: loss allowance</b>	<b>(17,983)</b>	<b>(19,747)</b>	<b>(87,455)</b>	<b>(3,358)</b>	<b>(128,543)</b>
<b>Total</b>	<b><u>3,124,852</u></b>	<b><u>309,206</u></b>	<b><u>22,889</u></b>	<b><u>4,419</u></b>	<b><u>3,461,366</u></b>

	<b>December 31, 2024</b>				
	Stage 1	Stage 2	Stage 3	POCI	Total
Customer loans and receivables at amortized cost – gross carrying amount					
Current	2,671,974	265,692	9,855	4,733	2,952,254
Overdue < 30 days	44,863	68,233	8,911	851	122,858
Overdue > 30 days < 90 days	497	16,114	5,003	314	21,928
Overdue > 90 days	-	-	86,245	2,391	88,636
<b>Less: loss allowance</b>	<b>(17,418)</b>	<b>(23,322)</b>	<b>(86,142)</b>	<b>(4,341)</b>	<b>(131,223)</b>
<b>Total</b>	<b><u>2,699,917</u></b>	<b><u>326,717</u></b>	<b><u>23,873</u></b>	<b><u>3,948</u></b>	<b><u>3,054,454</u></b>

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.1 Credit risk (continued)

#### 5.1.1 Credit quality analysis (continued)

##### Interest rate-induced credit risk

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

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

The Bank regularly reports to relevant stakeholders on the impact of Interest Rate-Induced Credit Risk and on portfolio quality. Additionally, in accordance with the Decision on Temporary Measures for Mitigating the Risks of Rising Interest Rates, the Bank is required to report to the Regulator on a monthly basis regarding the implementation of the measures prescribed by the aforementioned decision and their impact on the credit portfolio, using predefined reporting templates.

In 2025, there were no significant changes in interest rates on loans to individuals or legal entities in the local banking market in Bosnia and Herzegovina. The average increase in interest rates at the BiH market level was only 129 basis points compared to June 2022, when the ECB interest rate hike cycle began and when the local regulators introduced decisions establishing a recommended limit for increases in interest rates.

This mild increase in average interest rates, combined with the maintained quality of the credit portfolio for both individuals and legal entities — with a record-low NPL level of 3.5% in 2025 at the BiH market level — was certainly supported by the decisions of the regulators in BiH (the entity banking agencies), which introduced a cap limiting interest rate growth to 200 basis points relative to June 30, 2022. Banks had the discretion to exceed this limit, but doing so required them to recognize a significantly higher level of provisioning.

A second reason for the absence of a significant rise in interest rates in BiH is the fact that the local banking sector relies primarily on domestic deposits for funding and does not have substantial funding sources from the EU (directly linked to Euribor). The third contributing factor is strong competition in the banking market, where banks must carefully consider any potential increase in interest rates in the context of preserving their market position.

The plan for the application of interim measures with the aim of mitigating the risk that may arise from a significant increase in interest rates for credit exposures of Raiffeisen BANK dd Bosnia and Herzegovina defines:

- Comparison of the current level of interest rates in relation to the levels of interest rates on the reference date of 30 June 2022 (new and existing exposures);
- Interest rate growth forecasts and effects of this growth on credit risk;
- Measures to be taken by the bank to mitigate the credit risk and ramifications for credit users;

## **5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **5.1 Credit risk (continued)**

#### **5.1.1 Credit Quality Analysis (continued)**

##### **Interest-Rate Induced Credit Risk (continued)**

- Communication with clients;
- Manner of documenting/recording the credit activities;
- Effect of measures on IFRS 9 and expected credit losses;
- Special internal control system measures;
- The monitoring and reporting system in the Bank and reporting to the Agency on the activities and measures under the Decision.

For all interest rate changes exceeding 200 bps compared to the reference date of June 30, 2022, the Bank is required to calculate an increased amount of expected credit losses. Specifically, for exposures classified in credit risk level 1, a minimum of 2% must be applied instead of 0.5%, and for exposures in credit risk level 2, a minimum of 12% must be applied instead of 5%.

As of the reporting date of December 31, 2025, in the retail (PI) portfolio, 88 accounts with a total exposure of BAM 621 thousand recorded an interest rate increase of more than 200 bps, resulting in a total impact on the increase in ECL of BAM 15 thousand (BAM 9 thousand for level 2 and BAM 6 thousand for level 1).

As of the reporting date of December 31, 2025, in the non-retail portfolio, 88 accounts with a total exposure of BAM 39.2 million recorded an interest rate increase of more than 200 bps, resulting in a total impact on the increase in ECL of BAM 711.7 thousand (BAM 520.1 thousand for level 1 and BAM 191.6 thousand for level 2).

The analysis and monitoring of the portfolio subject to interest rate-induced credit risk is carried out on a regular basis, and reports are submitted to local stakeholders as well as to the relevant RBI units.

The Bank is required to report to the Regulator on a monthly basis regarding the application of the measures from the aforementioned decision and their impact on the credit portfolio.

## **5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **5.1 Credit risk (continued)**

#### **5.1.2 Collateral and other credit enhancements**

The Group's policy regarding the acquisition of collateral has remained largely unchanged during the reporting period. In 2025, there were no significant modifications to the conditions of collateral acceptability, nor were there any notable changes in the quality of collateral compared to the previous period. The process of regularly assessing the market value of collateral, in accordance with the timeframes defined by the applicable collateral procedures, has been consistently implemented. Additionally, the Group conducts an annual analysis of sold collateral. Based on the results of the achieved sales values, the corrective factors (discount rates) applied to collateral are adjusted, if necessary. However, during 2025, there was no need to modify these corrective factors.

The Group also has a process in place to acquire collateral as a protective measure to prevent the sale of real estate serving as collateral for NPL loans at exceptionally low prices in court sales (executive proceedings). This process is applicable to both the SEM NRT & SE Late Stage and Retail Collection segments through the court.

The strategy is reflected in the process by which, based on adequate analyses, the protective price of an asset is determined (considering the bank's claims and the asset's value). The Group does not allow the sale of the asset below this price, thereby safeguarding its position and preventing the asset from being sold at a price significantly lower than its market value in enforcement proceedings.

Throughout the year, the Group also holds items of acquired assets, or collateral, in both financial and non-financial asset positions. These assets serve as security for credit exposure in the event of a debtor's default on debt obligations. The acquisition process primarily applies to real estate, and only in exceptional cases to equipment and vehicles. Acquired assets are classified as such in the Group's Statement of Financial Position when the conditions for their acquisition are met in accordance with relevant regulations. These assets are intended for eventual sale.

The Group's policy regarding the acquisition of assets remained unchanged during the reporting period.

#### **Residential mortgage lending**

The tables below show the credit exposures of housing loans to households in the loan-to-value (LTV) ranges. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of collateral excludes any adjustments to the acquisition and sale of collateral. The value of collateral for housing loans is based on the market value of the collateral at the time of approval, and the market value is verified and adjusted to market trends at least on an annual basis. For impaired loans, the value of collateral is based on the most recent estimates of market value.

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.2 Collateral and other credit enhancements (continued)**

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<b>LTV ratio</b>		
Less than 50%	137,318	96,451
51–70%	88,481	69,247
71–90%	206,446	156,552
91–100%	24,834	13,304
More than 100%	19,486	22,113
<b>Total</b>	<b>476,565</b>	<b>357,667</b>

**Residential mortgages (continued)**

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<b>Impaired loans</b>		
Less than 50%	518	483
91%-100	-	-
More than 100%	5,519	4,960
<b>Total</b>	<b>6,037</b>	<b>5,443</b>

**5.1.3 Amounts arising from expected credit loss (ECL)**

**i. Significant increase in credit risk (SICR)**

The Group considers that a financial instrument has suffered a significant increase in credit risk when one or more quantitative or qualitative criteria are met. The criteria for determining a significant increase in credit risk are defined for the purpose of properly allocating exposures to "credit risk level 1" or "credit risk level 2".

*Quantitative criterion*

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

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

## **5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **5.1 Credit risk (continued)**

#### **5.1.3 Amounts arising from expected credit loss (ECL) (continued)**

##### **i. Significant Increase in Credit Risk (SICR) (continued)**

###### *Qualitative criteria*

The elements that will be the main determinants to consider for the purpose of assessing the steps between the different levels of credit risk are the following:

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

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

##### **ii. Credit risk grades**

The Group uses internal credit risk assessments that reflect the assessment of the probability of loss/default of individual clients. The group uses internal rating/ranking models tailored to different categories of clients. Borrower data as well as specific credit information collected at the time of loan application are included in this rating model. In addition, the model also allows for the inclusion of the credit officer's experiential assessment in the assignment of the final rating for each individual exposure. In this way, it is possible to include relevant factors that are not included as part of other input data in the rating model. Credit risk scores are defined as the risk of default increases exponentially as the credit risk score increases.

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

###### *Corporate clients*

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

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

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

###### *Local and regional governments*

For local and regional authorities, the Group uses a ranking model for local and regional governments. According to the general concept of the LRG ranking ranking, clients include 27 rating scores for non-default clients and one for default clients.

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.1 Credit risk (continued)

#### 5.1.3 Amounts arising from expected credit loss (ECL) (continued)

##### ii. Credit risk grades (continued)

###### *Project Financing*

For the purposes of project financing, the Group uses a model for evaluating project financing. According to the general concept of the rating scale, PF's clients include 4 ratings for non-default clients and one for default clients.

###### *Financial Institutions*

For financial institutions, the Group uses the following rating models: FI (Bank) Rating Model, Insurance Rating Model, Sovereign Rating Model and Funds Rating Model. In the process of ranking clients in the category of financial institutions, the final rating is determined at the level of the RBI responsible unit. According to the general concept, the ranking scale of clients belonging to the FI (Bank) and Sovereigns rating models has 27 rating scores for clients who are not in default, and one rating for default clients. For the other two rating models, the rating scale includes 9 ratings for non-default clients and 1 for default clients.

###### *Retail Client Segment (Individuals and Micro Clients\*)*

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

A micro client is a legal entity with annual revenue of less than BAM 2,550,000 / EUR 1,303,794.29 and exposure of less than BAM 255,000 / EUR 130,379.42, as well as individuals operating as sole proprietors.

##### iii. Definition of default

The status of failure to settle the obligations under the Bank's placements is determined based on RBI guidelines based on the requirements defined by EU Regulation 575/2013 (CRR), Article 178, EBA Guidelines for the application of the definition of default status pursuant to the Article 178 of the (EU) Regulation No 575/2013 and EBA Regulatory Technical Standards concerning the materiality thresholds for overdue claims referred to in Article 178 of EU Regulation 575/2013.

In the retail segment, the default status is determined at the level of individual placements, while for all legal entities (including Micro entities), the default status is determined at the client level.

###### *Non-retail portfolio*

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

The default status, i.e. individual loan loss provision, is granted for all debt placements of the borrower or to a group of debtors who:

- in settling obligations to the Bank, are more than 90 days overdue, taking into account the materiality threshold of EUR 500 and 1.0% (for details see below) of the value of total contracted credit placements (quantitative criterion); or

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.1 Credit risk (continued)

#### 5.1.3 Amounts arising from expected credit loss (ECL) (continued)

##### iii. Defining the default status (continued)

- are very likely to be unable to settle the obligations to the Bank from their primary sources of funding (qualitative criterion).

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

The instructions for recognizing and managing a business relationship with default customers of Non Retail & SE specify other details.

IFRS 9 requires the use of several scenarios (minimum 2) within the calculation of the ILLP, taking into account the following principles:

- Certainty of scenarios
- Possibility of documenting these scenarios
- Historical parameters / indicators

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

##### *Retail Client Portfolio (Individuals and Micro Clients)*

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

Provisions for loan losses must be assigned to all placements of a debtor or group of debtors who:

- in settling obligations to the Bank, are more than 90 days overdue, taking into account the materiality threshold of EUR 100 and 1.0% of the value of total contracted credit placements (quantitative criterion)
- are very likely to be unable to settle the obligations to the Bank (qualitative criterion).

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

##### iv. Inclusion of prediction factors

In 2022, due to the harmonization of the Decision of the FBH Banking Agency "Decision on credit risk management and determination of expected credit losses", Article 22 "Allocation of exposure to lower level of credit risk" and "Default definition of Raiffeisenbank International", the recovery period was updated for transfer from credit risk level 3 to credit risk level 2 for a period of at least 6 months (previously 3 months),

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.1 Credit risk (continued)

#### 5.1.3 Amounts arising from expected credit loss (ECL) (continued)

##### iv. Inclusion of foresight factors (continued)

provided that the DPDEBA counter has not exceeded 30 days (previously 60 days) during the observed period. With the above harmonization, the local regulations have been fully complied with

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

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

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

Adjustment is made using macroeconomic perspectives in the observed period.

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

##### v. Modified financial assets

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

When the terms of financial asset are modified and the modification does not result in derecognition, determination of whether the asset's credit risk has increased significantly reflects the comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; and
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When the modification results in derecognition, the new loan is recognised and assigned to credit risk level 1 (assuming it is not impaired at that time).

The Group reviews loans to customers in financial difficulties ("forbearance") to maximize collection opportunities and minimize the risk of default. Within the "forbearance" policy, forbearance is guaranteed on a selective basis if the borrower is currently defaulting on the loan or there is a high risk of default, if there is evidence that the debtor has done everything in his power to pay under the agreed terms and conditions and that the debtor is expected to comply with the revised conditions.

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.3 Amounts arising from expected credit loss (ECL) (continued)**

**v. Modified financial assets (continued)**

The revised terms mainly include an extension of the maturity, changing the terms of interest payments and changing the terms of the loan agreement. Loans from households and businesses are subject to a policy of forbearance. The Group's Credit Committee regularly reviews reports on forbearance activities.

For financial assets modified through the Group's forbearance policy, depending on whether the modification improved or restored the bank's ability to collect interest and principal as well as the Group's previous experience in similar forbearance activities, it is reflected in the estimate of PD.

In general, forbearance is a qualitative indicator of a significant increase in credit risk. The expectation of forbearance may create evidence that the exposure of the loan is impaired (Note 3.11.1). The client must consistently demonstrate the behavior of a good payer, over a period of time, before the exposure of the loan becomes impaired/non-performing or the PD is reduced so that the provision for losses is measured again at an amount equal to stage 1.

**vi. Expected Credit Loss Measurement**

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Amounts arising from expected credit loss (ECL) (continued)

vii. Loss allowance

The following table shows the evolution of changes in the level of credit risk for loans and receivables from clients, as well as changes in impairment by classes of financial instruments.

**Loans and receivables to customers at amortized cost**

	<b>2025</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Balance at 1 January 2025</b>	<b>(17,418)</b>	<b>(23,322)</b>	<b>(86,142)</b>	<b>(4,341)</b>	<b>(131,223)</b>
New approvals	(5,420)	(5,826)	(25,867)	(859)	(37,972)
Derecognition	31,955	413	3,278	-	35,646
Write offs	-	-	23,379	-	23,379
Collection	-	-	27,765	-	27,765
Transfer to Stage 1	5,319	11,008	(1,280)	1,833	16,880
Transfer to Stage 2	19,011	(347)	3,856	92	22,612
Transfer to Stage 3	(51,430)	(1,673)	(32,444)	(83)	(85,630)
<b>Balance at December 31 2025</b>	<b>(17,983)</b>	<b>(19,747)</b>	<b>(87,455)</b>	<b>(3,358)</b>	<b>(128,543)</b>

**Loans and receivables to customers at amortized cost**

	<b>2024</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
<b>Balance at 1 January 2024</b>	<b>(19,884)</b>	<b>( 31,362)</b>	<b>(94,743)</b>	<b>(5,526)</b>	<b>(151,515)</b>
New approvals	(8,777)	(5,397)	(5,277)	(984)	(20,435)
Derecognition	3,841	4,882	3,975	-	12,698
Write offs	-	-	27,085	-	27,085
Collection	-	-	11,774	-	11,774
Transfer to Stage 1	(4,896)	(6,836)	7,933	2,370	(1,429)
Transfer to Stage 2	10,911	8,404	(5,593)	(274)	13,448
Transfer to Stage 3	1,386	6,987	(31,296)	74	(22,849)
<b>Balance at December 31 2024</b>	<b>(17,418)</b>	<b>(23,322)</b>	<b>(86,142)</b>	<b>(4,341)</b>	<b>(131,223)</b>

In 2025, the Bank recorded a decrease in impairment levels compared to 2024 in the amount of BAM 2.434 thousand, of which BAM 2.387 thousand relates to a reduction in impairment. An amount of BAM 2.817 thousand refers to the decrease in level 2 impairments, primarily as a result of the implementation of the Macro PD model for consumer loans, credit cards and overdrafts within the Retail segment, as well as a deterioration in the segment of non-performing exposures.

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.4 Concentration of credit risk by geographical location**

The Group monitors the concentration of credit risk by sector and geographical region.  
**The geographical concentration in net credit exposure amounts is as follows:**

	Bosnia and Herzegovina	EU countries	No EU countries	Total
<b>31 December 2025</b>				
Cash and current accounts with banks	591,590	269,095	136,645	997,330
Loans and receivables at fair value	11,919	-	-	11,919
Obligatory reserve with the BiH Central Bank	500,742	-	-	500,742
Deposits with banks	9,951	-	-	9,951
Loans and receivables at amortized cost	3,461,366	-	-	3,461,366
Debt instruments at amortized cost	55,592	493,492	87,296	636,380
Other financial assets	17,606	204	7,125	24,935
	<b>4,648,766</b>	<b>762,791</b>	<b>231,066</b>	<b>5,642,623</b>
<b>31 December 2024</b>				
Cash and current accounts with banks	637,498	453,163	109,979	1,200,640
Loans and receivables at fair value	12,977	-	-	12,977
Obligatory reserve with the BiH Central Bank	475,635	-	-	475,635
Deposits with banks	(0)	-	-	(0)
Loans and receivables at amortized cost	3,054,454	-	-	3,054,454
Debt instruments at amortized cost	37,784	427,759	47,729	513,272
Other financial assets	20,400	3,283	6,212	29,895
	<b>4,238,748</b>	<b>884,205</b>	<b>163,920</b>	<b>5,286,873</b>

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.2 Liquidity risk

Liquidity risk is the Group's potential exposure to obtaining the funds needed by the Bank to settle its liabilities under financial instruments.

- The Group is exposed to daily calls for the payment of funds, which it settles with available cash sources consisting of: overnight deposits,
- funds in current accounts,
- Deposits that are due.
- withdrawal of loan funds,
- securities and other derivatives that are settled from margins and
- other amounts on the call for monetary derivatives.

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

The Group maintains liquidity in accordance with the regulations of the Banking Agency governing liquidity risk and the Group's internal acts for maintaining an adequate liquidity position.

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

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

LCR is maintained at the level above regulatory and internally defined limits (internally defined limits are >140%).

NSFR is maintained at a level above the internally defined limit (internally defined limits are >120%).

	December 31, 2025	December 31, 2024
Liquidity buffer	1,608,041	1,366,815
Net cash outflows	<u>660,763</u>	<u>513,878</u>
<b>Liquidity Coverage Ratio (LCR)</b>	<b><u>243%</u></b>	<b><u>266%</u></b>
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Stable financing available	4,652,551	4,224,114
Stable financing needed	<u>2,720,717</u>	<u>2,545,392</u>
<b>Net Stable Funding Ratio (NSFR )</b>	<b><u>171,00%</u></b>	<b><u>165.95%</u></b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Liquidity risk (continued)**

**Maturity analysis**

The table below shows the remaining agreed maturities of the Group's financial assets and liabilities as at 31 December 2025 and 31 December 2024, except for financial assets at fair value through other comprehensive income that is classified in accordance with secondary liquidity characteristics in a maturity period of up to one month and reserve requirements which, although not short-term, depend on the liabilities on which they are accounted for. It is classified in a maturity period of up to one month.

	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>31 December 2025</b>						
<b>Assets</b>						
Cash and cash equivalents	801,144	296,055	82,253	67,794	-	1,247,246
Loans and receivables at fair value	2,996	57	258	1,442	7,166	11,919
Obligatory reserve with the BiH Central Bank	500,742	-	-	-	-	500,742
Deposits with banks	1	9,950	-	-	-	9,951
Loans and receivables at amortized cost	464,349	165,722	749,997	1,411,116	670,182	3,461,366
Debt instruments at amortized cost	10,032	32,046	101,329	492,973	-	636,380
Other financial assets	24,935	-	-	-	-	24,935
<b>Total financial assets</b>	<b>1,804,199</b>	<b>503,830</b>	<b>933,837</b>	<b>1,973,325</b>	<b>677,348</b>	<b>5,892,539</b>
<b>Liabilities</b>						
Due to banks and other financial institutions	57,832	4,945	21,575	21,533	-	105,885
Deposits from customers	4,260,475	60,425	206,082	212,767	3,309	4,743,058
Subordinated debt	-	-	190	-	44,984	45,174
Borrowings	16,866	13,216	50,219	212,183	53	292,537
Lease liabilities	303	569	1,845	7,253	2,520	12,490
Other financial liabilities	15,910	336	139	1	-	16,386
<b>Total financial liabilities</b>	<b>4,351,386</b>	<b>79,491</b>	<b>280,050</b>	<b>453,737</b>	<b>50,866</b>	<b>5,215,530</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Liquidity risk (continued)**

**Maturity analysis**

	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total
<b>31 December 2024</b>						
<b>Assets</b>						
Cash and cash equivalents	1,200,640	-	-	-	-	1,200,640
Loans and receivables at fair value	2,650	61	273	1,555	8,438	12,977
Obligatory reserve with the BiH Central Bank	475,635	-	-	-	-	475,635
Deposits with banks	-	-	-	-	-	-
Loans and receivables at amortized cost	251,161	153,221	718,233	1,337,823	594,015	3,054,454
Debt instruments at amortized cost	11,613	49,940	122,092	329,627	-	513,272
Other financial assets	29,771	-	-	124	-	29,895
<b>Total financial assets</b>	<b>1,971,470</b>	<b>203,222</b>	<b>840,598</b>	<b>1,669,129</b>	<b>602,453</b>	<b>5,286,873</b>
<b>Liabilities</b>						
Due to banks and other financial institutions	65,565	-	15,704	63,941	-	145,210
Deposits from customers	3,873,310	38,346	287,245	281,345	3,241	4,483,487
Subordinated debt	-	-	190	-	44,984	45,174
Borrowings	16,163	18,374	60,111	191,548	159	286,355
Lease liabilities	225	416	1,775	6,157	339	8,912
Other financial liabilities	4,199	11,714	-	149	-	16,062
<b>Total financial liabilities</b>	<b>3,959,461</b>	<b>68,850</b>	<b>365,025</b>	<b>543,139</b>	<b>48,723</b>	<b>4,985,199</b>

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.2 Liquidity risk (continued)

The table below shows the Group's remaining contractual maturities for non-derivative financial liabilities. The table has been compiled on the basis of the undiscounted cash flows of financial liabilities at the earliest date on which the Group may be liable to make a payment. The table includes payment of both interest and principal.

#### Maturity for non-derivative financial liabilities

	Net Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
<b>31 December 2025</b>							
Due to banks and other financial institutions	105,885	3	19	349	677	-	106,933
Deposits from customers	4,743,058	2	70	1,119	2,680	378	4,747,307
Subordinated debt	45,174	-	-	1,789	5,372	5,240	57,575
Borrowings	292,537	1,305	1,882	4,773	14,548	1,014	316,059
Lease liabilities	12,490	21	41	161	367	169	13,249
Other financial liabilities	16,386	-	-	-	-	-	16,386
	<b>5,215,530</b>	<b>1,331</b>	<b>2,012</b>	<b>8,191</b>	<b>23,644</b>	<b>6,801</b>	<b>5,257,509</b>

	Net Carrying amount	Less than 1 month	2 to 3 months	4 months to 1 year	2 to 5 years	Over 5 years	Gross nominal outflow
<b>31 December 2024</b>							
Due to banks and other financial institutions	145,210	1	-	133	2,232	-	147,576
Deposits from customers	4,483,487	2	21	702	5,312	541	4,490,065
Subordinated debt	45,174	-	-	1,901	5,710	7,470	60,255
Borrowings	270,960	1,984	1,488	4,780	13,254	1,739	294,206
Lease liabilities	8,912	17	30	114	203	15	9,291
Other financial liabilities	16,062	-	-	-	5	-	16,067
	<b>4,969,804</b>	<b>2,004</b>	<b>1,539</b>	<b>7,630</b>	<b>26,716</b>	<b>9,765</b>	<b>5,017,459</b>

The table in Note 19 shows the components of the bank's liquidity reserves.

## **5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **5.3 Market risk**

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

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

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

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

#### **5.3.1 Foreign exchange risk**

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

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

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

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.3 Market risk (continued)**

**5.3.1 Foreign exchange risk (continued)**

The carrying amounts of the Group's monetary assets and liabilities by currency at the reporting period date are as follows:

As at 31 December 2025	BAM	EUR*	USD	Other currencies	Total
<b>ASSETS</b>					
Cash and cash equivalents	801,144	296,055	82,253	67,794	1,247,246
Loans and receivables at fair value	2,885	9,034	-	-	11,919
Financial assets at fair value through other comprehensive income	500,742	-	-	-	500,742
Obligatory reserve with the BiH Central Bank	-	9,951	-	-	9,951
Deposits with banks					
Loans and receivables at amortized cost	2,726,970	734,396	-	-	3,461,366
Debt instruments	27,901	555,462	53,017	-	636,380
Other financial assets	15,961	8,966	5	3	24,935
	<b>4,075,603</b>	<b>1,613,864</b>	<b>135,275</b>	<b>67,797</b>	<b>5,892,539</b>
<b>LIABILITIES</b>					
Due to banks and other financial Institutions	39,930	63,010	2,880	65	105,885
Due to customers	3,352,986	1,189,552	132,706	67,814	4,743,058
Subordinated debt	-	45,174	-	-	45,174
Borrowings	27,882	264,655	-	-	292,537
Lease liabilities	12,490	-	-	-	12,490
Other financial liabilities	15,644	392	338	12	16,386
	<b>3,448,932</b>	<b>1,562,783</b>	<b>135,924</b>	<b>67,891</b>	<b>5,215,530</b>

\*The Group has a large number of contracts containing a foreign currency clause. The BAM value of the principal under such contracts is determined by movements in foreign exchange rates. The principal balance of these exposures is included in the table above, in the "EUR" column. In line with its strategic foreign exchange risk management objectives, the Group has decided to gradually reduce its exposure to contracts denominated in a foreign currency clause, with the aim of optimizing the portfolio structure and minimizing foreign exchange risks.

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.3 Market risk (continued)**

**5.3.1 Foreign exchange risk (continued)**

As at 31 December 2024	BAM	EUR*	USD	Other currencies	Total
<b>ASSETS</b>					
Cash and cash equivalents	480,043	555,781	109,827	54,989	1,200,640
Loans and receivables at fair value	2,555	10,422	-	-	12,977
Financial assets at fair value through other comprehensive income	355	189	-	-	544
Obligatory reserve with the BiH Central Bank	475,635	-	-	-	475,635
Deposits with banks	-	-	-	-	-
Loans and receivables at amortized cost	2,504,798	549,656	-	-	3,054,454
Debt instruments	37,784	457,569	17,919	-	513,272
Other financial assets	18,755	8,079	175	2,886	29,895
	<b>3,519,925</b>	<b>1,581,696</b>	<b>127,921</b>	<b>57,875</b>	<b>5,287,417</b>
<b>LIABILITIES</b>					
Due to banks and other financial Institutions	65,182	73,903	6,050	75	145,210
Due to customers	3,042,947	1,247,202	126,646	66,692	4,483,487
Subordinated debt	-	45,174	-	-	45,174
Borrowings	8,043	262,917	-	-	270,960
Lease liabilities	8,912	-	-	-	8,912
Other financial liabilities	15,298	360	244	160	16,062
	<b>3,140,382</b>	<b>1,629,556</b>	<b>132,940</b>	<b>66,927</b>	<b>4,969,804</b>

The following table presents the five largest Value at Risk (VaR) amounts recorded as of December 31, 2025, and their corresponding values as of December 31, 2024. VaR is calculated based on a statistical model with a 99% confidence level and under the assumption of a constant portfolio over a one-day horizon.

(in '000 KM)

Currency	VaR	
	December 31, 2025	December 31, 2024
USD	<1	CHF
JPY	<1	USD
NOK	<1	CZK
CAD	<1	HUF
CNY	<1	CNY

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

**5. FINANCIAL RISK MANAGEMENT (continued)**

**5.3 Market risk (continued)**

**5.3.1 Foreign exchange risk (continued)**

(in '000 KM)	USD result ('000 KM)		JPY result ('000 KM)	
	2025.	2024.	2025.	2024.
Profit or loss	(33.29)	(5)	0.02	4

**5.3.2 Interest rate risk**

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

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

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

Any discrepancy between the above elements leads to the Group's exposure to interest rate risk.

**5.3.2.1 BPV interest rate sensitivity analysis**

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

The table below presents the changes of the portfolio present value, with interest rate growth by 1 basis point as at December 31 2025 and December 31 2024, expressed in thousands of BAM for the following currencies: BAM, EUR and USD, while the changes of present values for other currencies are immaterial.

Currency	December 31, 2025	December 31 2024
BAM	(136)	(171)
EUR	(68)	(25)
USD	6	8
<b>Total BPV (in KM '000)</b>	<b>(199)</b>	<b>(187)</b>

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.3 Market risk (continued)

#### 5.3.2 Interest rate risk (continued)

##### 5.3.2.1 BPV interest rate sensitivity analysis (continued)

In the event of a 50 basis point change in the yield curve, the effects on the present value of the portfolio for 31 December 2025 and 31 December 2024 are shown in the table below for currencies with a material exposure:

Currency	December 31, 2025	December 31, 2024
BAM	(6,760)	(8,405)
EUR	(3,295)	(1,196)
USD	292	414
<b>Total BPV (in KM '000)</b>	<b>(9,762)</b>	<b>(9,187)</b>

### 5.4 Capital risk management

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

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

In 2025, the Bank complied with all regulatory capital requirements and achieved the capital adequacy ratio of 19.53%.

The Bank Regulatory Capital consists of Common Equity capital (Tier 1) and Additional capital (Tier 2).

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

Tier 2 capital is comprised of subordinated debt.

The minimum capital ratios are as follows:

- Common Equity Ratio 6.75%
- Share capital ratio 9.00%
- Regulatory capital ratio 12.00%

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

In accordance with the provisions of the Law on Banks and the related bylaws of the Agency, a List of Systemically Important Banks in the Federation of Bosnia and Herzegovina has been established.

In accordance with Article 4, paragraph (4) of the Decision on the Method of Determining a Systemically Important Bank and the Capital Buffer for a Systemically Important Bank, the Banking Agency of the Federation of BiH determined a capital buffer rate of 2.00% for Raiffeisen Bank dd BiH, as one of the four systemically important banks

## 5. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.4 Capital risk management (continued)

The total weighted risk used to calculate capital adequacy includes:

- risk-weighted assets and credit equivalents,
- position, foreign exchange and commodity risks, and
- operational risk

The capital adequacy ratio, calculated in accordance with the prescribed methodology, exceeded the required minimum limit of 12% as of December 31, 2025 and December 31, 2024. The table below presents the Bank's capital structure and capital requirements as of December 31, 2025 and December 31, 2024.

	December 31, 2025	December 31, 2024
<i>Common equity CET 1 capital</i>		
Issued share capital – ordinary shares	247,167	247,167
Share premium	4,473	4,473
Retained earnings and other statutory reserves	463,343	355,853
Accumulated comprehensive income	311	284
Other reserve	1,230	1,230
Common equity CET 1 capital – regulatory adjustments:		
<i>Intangible assets</i>	(29,735)	(31,848)
<i>Deferred tax assets</i>	(7,894)	(9,090)
<i>Significant investments in financial sector entities</i>	(11,374)	(11,374)
<b>Total common equity CET 1 capital</b>	<b>667,521</b>	<b>556,695</b>
<i>Additional Tier 1 equity</i>	-	-
<b>TOTAL TIER 1 EQUITY</b>	<b>667,521</b>	<b>556,695</b>
<i>Additional capital</i>	-	-
Subordinated debt	44,984	44,984
General credit risk impairments	-	-
Missing loan loss provisions	-	-
<b>TOTAL TIER 2 CAPITAL (T 2)</b>	<b>44,984</b>	<b>44,984</b>
<b>TOTAL REGULATORY CAPITAL (unaudited)</b>	<b>712,505</b>	<b>601,679</b>
<b>Total risk-weighted assets (unaudited)</b>	<b>3,648,431</b>	<b>3,482,560</b>
<i>Common Equity capital ratio</i>	<b>18.30%</b>	<b>15.99%</b>
<i>Tier 1 capital ratio</i>	<b>18.30%</b>	<b>15.99%</b>
<i>Total capital ratio</i>	<b>19.53%</b>	<b>17.28%</b>

In May 2025, the Bank paid a dividend in the amount of BAM 35,830 thousand (2024: BAM 60,980 thousand).

The Bank is required to ensure and maintain the leverage ratio, as an additional safeguard and simple capital protection measure, at a minimum level of 6%. The Bank's leverage ratio, defined as the ratio of Tier 1 capital to the Bank's total exposure amount at the reporting date and expressed as a percentage, exceeded the required minimum and amounted to 10.56% as of December 31, 2025.

As an instrument for optimizing the total amount of risk-weighted assets, the Bank recognized a reverse repurchase transaction ("reverse repo") of EUR 100 million within its credit portfolio as of December 31, 2025. The transaction was concluded with Raiffeisen Bank International AG.

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities traded in active markets is measured on the basis of quoted market prices or quoted prices by the dealer. For all other financial instruments, the Group determines fair value using other valuation techniques.

### 6.1 Valuation techniques

The group measures fair value using the following fair value hierarchy, which reflects the significance of the input parameters used in the measurement.

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

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

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

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

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

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**6.2 The fair value of the Group's financial assets and financial liabilities that are measured at fair value on an ongoing basis**

The table below analyses the financial instruments measured at fair value at the reporting date, arranged according to the fair value hierarchy. The amounts are based on the values recognised in the statement of financial position.

<b>December 31, 2025</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through PL</b>					
Loans to customers	20	-	-	11,919	11,919
<b>Financial assets at fair value through other comprehensive income</b>					
Equity securities issued by non-resident legal entities	21	-	-	575	575
<b>Total</b>		<b>-</b>	<b>-</b>	<b>12,494</b>	<b>12,494</b>
<b>December 31, 2024</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets at fair value through PL</b>					
Loans to customers	20	-	-	12,977	12,977
<b>Financial assets at fair value through other comprehensive income</b>					
Equity securities issued by non-resident legal entities	21	-	-	544	544
<b>Total</b>		<b>-</b>	<b>-</b>	<b>13,521</b>	<b>13,521</b>

Notes to the consolidated financial statements for the year ended December 31, 2025

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

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**6.3 Financial instruments not measured at fair value**

The table below shows the fair values of financial instruments that are not measured at fair value and analyzes them by level in the fair value hierarchy into which each measurement of fair value is categorized.

December 31, 2025	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
<b>Assets</b>						
Cash and cash equivalents	1,247,246	1,248,456	(1,210)	-	-	1,248,456
Obligatory reserve with the Central Bank of BiH	500,742	501,243	(501)	-	-	501,243
Deposits with other banks	9,951	10,002	(51)	-	-	10,002
Loans and receivables	3,461,366	3,518,866	(57,500)	-	-	3,518,866
Other financial assets at amortized cost	661,315	657,465	3,850	633,140	-	24,325
<i>out of which: securities</i>	636,380	633,140	3,240	633,140	-	-
<b>Total</b>	<b>5,880,620</b>	<b>5,936,032</b>	<b>(55,412)</b>	<b>633,140</b>	<b>-</b>	<b>5,302,892</b>
<b>Liabilities</b>						
Due to banks and other financial institutions	105,885	106,060	(175)	-	-	106,060
Deposits from customers	4,743,058	4,727,229	15,829	-	-	4,727,229
Borrowings	337,711	346,140	(8,429)	-	-	346,140
Lease liabilities	12,490	12,490	-	-	-	12,490
Other financial liabilities at amortized cost	16,386	16,386	-	-	-	16,386
<b>Total</b>	<b>5,215,530</b>	<b>5,208,305</b>	<b>7,225</b>	<b>-</b>	<b>-</b>	<b>5,208,305</b>

Notes to the consolidated financial statements for the year ended December 31, 2025  
 (All amounts are expressed in thousands of BAM, unless otherwise stated)

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**  
**6.3 Financial instruments not measured at fair value (continued)**

The table below shows the fair values of financial instruments that are not measured at fair value and analyzes them by level in the fair value hierarchy into which each measurement of fair value is categorized.

December 31, 2024	Net book value	Fair value	Difference	Level 1	Level 2	Level 3
<b>Assets</b>						
Cash and cash equivalents	1,499,512	1,501,610	(2,098)	-	-	1,501,610
Obligatory reserve with the Central Bank of BiH	475,635	476,110	(475)	-	-	476,110
Deposits with other banks	-	-	-	-	-	-
Loans and receivables	3,054,454	3,130,671	(76,216)	-	-	3,130,671
Other financial assets at amortized cost	543,157	539,127	4,030	509,865	-	29,262
<i>out of which: securities</i>	513,272	509,865	3,407	509,865	-	-
<b>Total</b>	<b>5,572,758</b>	<b>5,647,518</b>	<b>(74,760)</b>	<b>509,865</b>	<b>-</b>	<b>5,137,653</b>
<b>Liabilities</b>						
Due to banks and other financial institutions	145,210	144,863	-	-	-	144,863
Deposits from customers	4,483,487	4,490,985	-	-	-	4,490,985
Borrowings	316,134	336,493	(20,359)	-	-	336,493
Lease liabilities	8,912	9,635	-	-	-	9,635
Other financial liabilities at amortized cost	16,062	15,532	530	-	-	15,532
<b>Total</b>	<b>4,969,805</b>	<b>4,997,507</b>	<b>(19,829)</b>	<b>-</b>	<b>-</b>	<b>4,997,507</b>

**6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**6.3 Financial instruments not measured at fair value (continued)**

When assessing the fair value of the Group's financial instruments and assigning the instruments to the relevant level of the fair value hierarchy, the methods, assumptions and limitations set out below are applied in accordance with the approach revised by the RBBH Group.

**Cash and cash equivalents**

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

**Loans and receivables from customers**

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

**Amounts due for deposits from customers**

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

**Amounts due to banks and other financial institutions**

Most of the Group borrowings are short-term and carry a variable interest rate; therefore, Management estimates that their carrying amount approximates their fair value

The subordinated loan carries a variable interest rate and, accordingly, its carrying amount is considered to approximate its fair value.

**Lease liabilities**

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

## 7. BUSINESS SEGMENTS

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

This is shown in the following segments:

<b>Business segments:</b>	<b>Segmentation criteria</b>
<b>Corporate</b>	
a) Large, medium-sized business	Companies with a total turnover above BAM 6,140,000 or exposure above BAM 3,690,000. This business line also includes state-owned companies or local self-government bodies as well as legal companies from abroad with majority ownership of a legal company.
<b>Retail</b>	
a) Doing business with the population	It contains two sub-segments: Private individual and Premium Customers
b) Doing business with small businesses and sole proprietorships	Includes 2 sub-segments: SE Segment and Micro Segment <ul style="list-style-type: none"> <li>• Micro segment includes small enterprises and sole proprietors with annual total revenue of less than or equal to BAM 2,460,000 and aggregate exposure less than or equal to BAM 245,000.</li> <li>• SE segment includes small enterprises and sole proprietors with annual total revenue between BAM 2,460,000 and BAM 6,140,000 or aggregate exposure between BAM 245,000 and BAM 3,690,000.</li> </ul>
<b>Financial Institutions</b>	
a) Financial Institutions	Companies whose key activities are financial activities, including the Government of BiH and central regulatory bodies.
b) Banks and other international financial institutions.	Brokers, IFs, FMCs, microcredit organizations, insurance and leasing companies, insurance and leasing companies, banks.
<b>Treasury and Investment Banking</b>	
	This segment includes the management of assets and liabilities, financing and banking of financial institutions, transactions in the money market, foreign currency business (FCY management), brokerage activities, depository activities, securities management for the Bank's account.
	It also includes money market transactions, foreign exchange, custody, and brokerage services
<b>Other</b>	
a) Subsidiaries	Includes related parties.
b) Other	

7. BUSINESS SEGMENTS (CONTINUED)

December 31 , 2025	Corporate	Retail	Treasury operations and investment banking	Other	Total
Interest income, etc. Revenue at the effective interest rate	27,273	131,371	30,869	2,734	192,247
Interest expenses, etc. Revenue at the effective interest rate	(2,302)	(3,030)	(8,116)	(8,890)	(22,338)
<b>Net interest income, etc. Revenue at the effective interest rate</b>	<b>24,971</b>	<b>128,341</b>	<b>22,753</b>	<b>(6,156)</b>	<b>169,909</b>
Fee and commission income	22,610	142,318	747	(1,149)	164,526
Fee and commission expenses	(2,007)	(35,730)	(647)	(1,177)	(39,561)
<b>Net fee and commission income</b>	<b>20,603</b>	<b>106,588</b>	<b>100</b>	<b>(2,326)</b>	<b>124,965</b>
Impairments and Provisions	(18,176)	(28,132)	(3,102)	47,457	(1,953)
Other income	2,385	490	810	14,669	18,354
Other costs and expenses	(25,261)	(130,109)	(2,546)	(8,639)	(166,555)
<b>Profit before tax</b>	<b>4,522</b>	<b>77,178</b>	<b>18,015</b>	<b>45,005</b>	<b>144,720</b>
Corporate Income Tax	-	-	-	(12,702)	(12,702)
Other comprehensive profit	-	-	-	28	28
<b>Net profit for the year</b>	<b>4,522</b>	<b>77,178</b>	<b>18,015</b>	<b>32,331</b>	<b>132,046</b>
<b>Total assets</b>	<b>995,661</b>	<b>2,327,466</b>	<b>2,333,750</b>	<b>477,813</b>	<b>6,134,690</b>
<b>Total Liabilities</b>	<b>1,427,122</b>	<b>3,442,012</b>	<b>235,977</b>	<b>172,032</b>	<b>5,277,143</b>
<b>Net assets per segments</b>	<b>(431,461)</b>	<b>(1,114,546)</b>	<b>(2,097,773)</b>	<b>305,781</b>	<b>857,547</b>

**7. BUSINESS SEGMENTS (CONTINUED)**

<b>December 31 , 2024</b>	<b>Corporate</b>	<b>Retail</b>	<b>Treasury operations and investment banking</b>	<b>Other</b>	<b>Total</b>
Interest income, etc. Revenue at the effective interest rate	24,679	133,194	30,184	5,607	193,664
Interest expenses, etc. Revenue at the effective interest rate	(1,526)	(11,761)	(7,629)	(514)	(21,430)
<b>Net interest income, etc. Revenue at the effective interest rate</b>	<b>23,153</b>	<b>121,433</b>	<b>22,555</b>	<b>5,093</b>	<b>172,234</b>
Fee and commission income	23,165	133,260	116	137	156,678
Fee and commission expenses	(6,964)	(30,931)	(18)	(49)	(37,962)
<b>Net fee and commission income</b>	<b>16,201</b>	<b>102,329</b>	<b>98</b>	<b>88</b>	<b>118,716</b>
Impairments and Provisions	2,012	1,412	(57)	(63)	3,304
Other income	(5,873)	14,895	3,855	5,995	18,872
Other costs and expenses	(18,503)	(126,209)	(1,834)	(12,493)	(159,039)
<b>Profit before tax</b>	<b>16,990</b>	<b>113,860</b>	<b>24,617</b>	<b>(1,380)</b>	<b>154,087</b>
Corporate Income Tax	-	-	-	-	(14,274)
Other comprehensive profit	-	-	-	-	6
<b>Net profit for the year</b>	<b>16,990</b>	<b>113,860</b>	<b>24,617</b>	<b>(1,380)</b>	<b>139,819</b>
<b>Total assets</b>	<b>928,226</b>	<b>2,136,959</b>	<b>2,188,772</b>	<b>540,577</b>	<b>5,794,534</b>
<b>Total Liabilities</b>	<b>1,455,024</b>	<b>3,158,221</b>	<b>237,803</b>	<b>182,155</b>	<b>5,033,203</b>
<b>Net assets per segments</b>	<b>(526,798)</b>	<b>(1,021,262)</b>	<b>1,950,969</b>	<b>358,422</b>	<b>761,331</b>

#### 8. INTEREST AND SIMILAR INCOME AT EFFECTIVE INTEREST RATE

	2025	2024
<i>Loans and receivables</i>		
- from retail	118,388	116,050
- from corporate	38,119	40,636
- from banks	19,688	25,600
Investments in securities at amortized cost	14,818	10,003
Other interest income	468	477
Modifications	245	293
<b>Interest income and similar income at effective interest rate on financial assets at amortised cost</b>	<b>191,726</b>	<b>193,059</b>
<i>Interest income and similar effective interest rate income on financial assets at fair value through profit or loss</i>	521	605
<b>Interest income and similar effective interest rate income on financial assets at fair value through profit or loss</b>	<b>521</b>	<b>605</b>
<b>Interest income and similar income at the effective interest rate</b>	<b>192,247</b>	<b>193,664</b>

#### 9. INTEREST AND SIMILAR EXPENSE AT EFFECTIVE INTEREST RATE

	2025	2024
Banks	(12,910)	(15,292)
Retail	(2,978)	(3,029)
Corporate	(2,521)	(2,681)
Interest for leasing contracts	(261)	(209)
Other	(3,668)	(219)
<b>Interest expense and similar expense at the effective interest rate on financial liabilities at amortised cost</b>	<b>(22,338)</b>	<b>(21,430)</b>

#### 10. FEE AND COMMISSION INCOME

	2025	2024
Credit card business	54,953	50,793
FX transactions	29,542	30,438
Payment transactions	29,652	29,086
Account maintenance for residents	25,308	22,870
Insurance	6,524	7,040
Investment in funds	7,765	5,182
Account maintenance for non-residents	2,445	2,668
Other	2,265	2,216
<b>Total income from fees and commissions from contracts with customers</b>	<b>158,454</b>	<b>150,293</b>
Financial guarantees and approved an undrawn loans contracts and loan commitments	6,072	6,385
	<b>164,526</b>	<b>156,678</b>

**11. FEE AND COMMISSION EXPENSE**

	<b>2025</b>	<b>2024</b>
Transactions by card accounts	(29,194)	(28,990)
CBBH Services	(2,679)	(2,458)
Foreign currency conversion fees and commissions	(2,344)	(1,565)
Guarantee	(1,597)	(1,520)
S,W,I,F,T, services	(781)	(919)
SMS services	(812)	(714)
Other	(2,154)	(1,796)
	<u>(39,561)</u>	<u>(37,962)</u>

**12. IMPAIRMENTS AND PROVISIONS**

	<b>2025</b>	<b>2024</b>
Net releases of previously recognized credit losses of financial assets at amortized cost (Notes 20, 22)	(21,866)	(6,714)
Collected previously written-off receivables	7,755	10,154
Provisions / (net releases of previously recognized provisions) for the credit risk of defaults and guarantees given (Note 30)	(1,540)	(716)
Provisions / (net releases of previously recognized provisions) for litigations (Note 30)	2,813	549
Net releases of previously recognized provisions (Note 30)	479	31
	<u>(12,359)</u>	<u>3,304</u>

**13. OTHER NET LOSSES ON FINANCIAL ASSETS**

	<b>2025</b>	<b>2024</b>
Net gains/(losses) from modifications to financial assets at amortised cost that did not result in derecognition (Note 22.3)	(72)	(30)
Net effects of changes in the value of financial assets at fair value through profit or loss (Note 20)	(16)	-
	<u>(88)</u>	<u>(30)</u>

**14. NET LOSSES ON LONG-TERM NON-FINANCIAL ASSETS**

	<b>2025</b>	<b>2024</b>
Net gains on the release of previously recognised impairment losses on property, plant and equipment (Note 23)	8,673	612
Net gains on the release of previously recognised impairment losses on investment property (Note 26)	71	42
Net (losses) from disposal of property, plant and equipment	1,750	1,799
	<u>10,494</u>	<u>2,453</u>

Notes to the consolidated financial statements for the year ended December 31, 2025  
(All amounts are expressed in thousands of BAM, unless otherwise stated)

**15. OTHER INCOME**

	<b>2025</b>	<b>2024</b>
Lease income	4,469	4,202
Release of accrued expenses from previous periods	4,389	4,177
Income based on interest charges for non-quality loans	2,084	2,547
Treasury surpluses	102	95
Other income	7,381	5,398
	<u>18,425</u>	<u>16,419</u>

**16. EMPLOYEE COSTS**

	<b>2025</b>	<b>2024</b>
Salaries	(41,106)	(39,917)
Taxes and contributions	(24,948)	(25,791)
Severance pay costs	(342)	(285)
Other employee expenses	(4,212)	(4,550)
	<u>(70,608)</u>	<u>(70,543)</u>

**17. OTHER COSTS AND EXPENSES**

	<b>2025</b>	<b>2024</b>
Costs of ongoing maintenance	(17,411)	(15,515)
Cost of savings deposit and loan insurance premiums	(12,005)	(11,394)
Cost of services	(10,631)	(8,613)
Costs of consulting services	(4,119)	(4,153)
Property Insurance Premium Costs	(3,848)	(4,458)
Marketing costs	(3,827)	(3,120)
Telecommunications costs	(3,650)	(3,841)
Fee costs to FBA supervisor	(3,169)	(2,981)
Energy costs	(2,338)	(2,150)
Tax and administration costs	(1,258)	(1,060)
Representation costs	(1,188)	(744)
Cost of professional services	(1,355)	(1,209)
Material costs	(885)	(1,047)
Education	(757)	(673)
Other rent cost	(395)	(769)
Transportation cost	(453)	(385)
Utility costs	(279)	(257)
Donations	(69)	(137)
Other costs and expenses	(5,698)	(5,494)
	<u>(73,335)</u>	<u>(68,000)</u>

The costs of auditing the financial statements for the Group for 2025 amount to 361 thousand KM (2024: 366 thousand KM).

**18. INCOME TAX**

The total tax recognised in the profit and loss account may be shown as follows:

	<b>2025</b>	<b>2024</b>
Current income tax	(10,662)	(12,810)
Deferred income tax	(2,040)	(1,464)
	<u>(12,702)</u>	<u>(14,274)</u>

**18. INCOME TAX (CONTINUED)**

The reconciliation of taxable profit reported in the tax balance sheet with accounting profit can be presented as follows:

	2025	2024
<b>Profit before income tax</b>	<b>144,720</b>	<b>154,087</b>
Corporate income tax at rate of 10%	14,632	15,409
Tax deduction based on participation in the capital of other and other income	(1,895)	(1,187)
Tax Increase on the Basis of Unrecognized Expenditures	(312)	999
Reduction of the tax base based on tax benefits (newly employed workers)	(2,466)	(3,014)
Other changes	703	603
<i>Deferred Tax Assets – Level 1 &amp; 2</i>	58	1,115
<i>Deferred tax assets – depreciation</i>	(14)	(93)
<i>Deferred Tax Assets - Other Provisions</i>	278	63
<i>Deferred Tax Property - A Reduction in the Value of Real Estate</i>	874	65
<i>Deferred tax liability - depreciation (lower rates)</i>	844	314
	<u>12,702</u>	<u>14,274</u>
<b>Income tax</b>	<b>12,702</b>	<b>14,274</b>
<b>Effective tax rate</b>	<b>8.78%</b>	<b>9.26%</b>

The Group calculates corporate income tax at the rate of 10% in accordance with the regulations for corporate income tax in force in Bosnia and Herzegovina.

Unrecognised expenses include unrecognised expenses on behalf of representation, provisions for risks and liabilities, expenses based on the adjustment of the value of receivables.

Non-taxable income includes income from participation in equity, release of provisions for risks and liabilities that were previously tax-deductible expenses.

The reconciliation of taxable profit reported in the tax balance sheet with accounting profit resulted from differences related to other provisions, credit provisions at levels 1 and 2, the reconciliation of real estate/investment asset values, and accelerated depreciation. This also includes the difference in depreciation expense between the fully tax-allowed rate and the higher accounting-recognized depreciation rates, as well as the difference between the fully tax-allowed rate and the lower accounting-recognized depreciation rates.

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

	December 31, 2025	December 31, 2024
<b>Balance at the beginning of year</b>	<b>9,090</b>	<b>10,240</b>
Increase in deferred tax assets	(1,196)	(1,150)
<b>Balance at the end of year</b>	<b>7,894</b>	<b>9,090</b>

**18. INCOME TAX (CONTINUED)**

The Group recognised deferred tax assets on the basis of temporary differences arising from the recognition of undisclosed income/expense on the basis of other provisions, loan provisions level 1 and 2, on the basis of impairment of real estate and investments, as well as on the basis of accelerated depreciation, i.e. the difference in depreciation expense between the tax-deductible rate and the accounted higher depreciation rates, as well as deferred tax liability on the basis of the difference in depreciation expense between tax-deductible rates and recognised lower depreciation rates

A change in deferred tax liabilities can be shown as follows:

	December 31, 2025	December 31, 2024
<b>Balance at the beginning of year</b>	<b>2,317</b>	<b>2,003</b>
Recognized deferred tax liabilities	847	314
<b>Balance at the beginning of year</b>	<b>3,164</b>	<b>2,317</b>

**19. CASH AND CASH EQUIVALENTS**

	December 31, 2025	December 31, 2024
Money in the cash register in the local currency	210,727	263.809
Money in the cash register in foreign currency	39,189	35.063
Funds in an account with CBBH	592,182	638.136
Funds in accounts with depository institutions for up to 30 days	406,359	564,204
Undervalue: impairment	(1,211)	(1,700)
	<b>1,247,246</b>	<b>1,499,512</b>

The interest rate on placements in EUR ranged from 0.8% to 2.9% per annum during 2025, or from 2.35% to 3.90% per annum during 2024. The interest rate on money market placements in USD ranged from 3.25% to 4.30% per annum during 2025, or from 4.00% to 5.32% per annum during 2024. The interest rate on placements in other currencies ranged from 0.45% to 4.38% per annum during 2025, or from -0.25% to 5.50% per annum during 2024.

Changes to the impairment for expected losses can be shown as follows:

	2025	2024
<b>Balance at the beginning of year</b>	<b>(1,700)</b>	<b>(2,390)</b>
Release of depreciation (Note 12)	489	690
<b>Balance at the end of year</b>	<b>(1,211)</b>	<b>(1,700)</b>

**20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	December 31, 2025	December 31, 2024
Loans and receivables provided to customers at fair value	12,285	13,326
Fair Value Adjustment	(636)	(349)
	<u>11,919</u>	<u>12,977</u>

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

	2025	2024
<b>As of January 1, 2010</b>	<b>(349)</b>	<b>(349)</b>
Net change in fair value through profit or loss (Note 13)	(16)	-
Other changes	2	-
	<u>(363)</u>	<u>(349)</u>

**21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Investments in capital instruments as follows:

	December 31, 2025	December 31, 2024
<b>Listed equity securities:</b>		
S.W.I.F.T. Belgium	220	189
<b>Non-listed equity securities</b>		
Sarajevo Securities Exchange	322	322
Register of Securities of FBiH	32	32
Velprom d.d. Sanski Most	1	1
	<u>575</u>	<u>544</u>

The fair value movements of these assets were as follows:

	2025	2024
<b>Balance at the beginning of year</b>	<b>544</b>	<b>538</b>
Profit on changes in fair value	28	6
Other changes	3	-
	<u>575</u>	<u>544</u>

**22. FINANCIAL ASSETS AT AMORTIZED COST**

**22.1 OBLIGATORY RESERVE WITH THE BIH CENTRAL BANK**

	December 31, 2025	December 31, 2024
Obligatory reserve	501,243	476,110
Less: impairment	<u>(501)</u>	<u>(475)</u>
	<b><u>500,742</u></b>	<b><u>475,635</u></b>

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

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

Changes to the impairment for expected losses can be shown as follows:

	2025.	2024.
<b>Balance at the beginning of the year</b>	<b>(475)</b>	<b>438</b>
Net change in impairment ( <i>Note 12</i> )	<u>(26)</u>	<u>37</u>
<b>Balance at the end of the year</b>	<b><u>(501)</u></b>	<b><u>475</u></b>

**22.2 DEPOSITS WITH OTHER BANKS**

	December 31, 2025	December 31, 2024
Deposits with other banks	10,001	-
Less: impairment	<u>(50)</u>	<u>-</u>
	<b><u>9,951</u></b>	<b><u>-</u></b>

Changes to the impairment for expected losses can be shown as follows:

	2025.	2024.
<b>Balance at the beginning of the year</b>	<b>-</b>	<b>323</b>
Net change in impairment ( <i>Note 12</i> )	<u>(50)</u>	<u>(323)</u>
<b>Balance at the end of the year</b>	<b><u>(50)</u></b>	<b><u>-</u></b>

The Group did not have term deposits exceeding 30 days in EUR and other currencies, while interest rates on EUR placements ranged from 3.73% to 3.82% per annum during 2024. The interest rate on placements in BAM (with maturities exceeding 30 days) amounted to 1.5% per annum during 2025.

**22. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)**

**22.3 LOANS AND RECEIVABLES**

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Loans and receivables at amortized cost	3,440,952	3,049,867
Claims for financial lease	148,957	135,810
Less impairment of value	<u>(128,543)</u>	<u>(131,223)</u>
	<b><u>3,461,366</u></b>	<b><u>3,054,454</u></b>

Changes in impairment of loans granted at amortised value may be shown as follows:

	<b>2025</b>	<b>2024</b>
<b>Situation at the beginning of the period</b>	<b>(131,223)</b>	<b>(151,515)</b>
Write-off	23,379	27,085
Other transfers	2,295	(369)
Increase in value correction (Note 12)	<u>(22,994)</u>	<u>(6,424)</u>
<b>Balance at the end of the year</b>	<b><u>(128,543)</u></b>	<b><u>(131,223)</u></b>

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

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<i>Short-term loans:</i>		
Short-term loans in domestic currency	558,288	538,174
Short-term loans in foreign currency (including currency clause)	<u>251,698</u>	<u>46,081</u>
	<u>809,986</u>	<u>584,255</u>
<i>Long-term loans:</i>		
Long-term loans in domestic currency	2,262,753	1,919,470
Long-term loans in foreign currency (including currency clause)	<u>517,170</u>	<u>681,952</u>
	<u>2,779,923</u>	<u>2,601,422</u>
<b>Total loans before impairment</b>	<b><u>3,589,909</u></b>	<b><u>3,185,677</u></b>
Less impairment of value	<u>(128,543)</u>	<u>(131,223)</u>
	<b><u>3,461,366</u></b>	<b><u>3,054,454</u></b>

Short-term loans are granted for a period of 30 to 365 days. Most short-term loans in domestic currency are granted to clients for working capital. Long-term loans are mostly granted to individuals, and the products are general-purpose and housing loans.

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

**22. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)**

**22.3 LOANS AND RECEIVABLES (CONTINUED)**

The analysis of total loans granted classified by business branches is as follows:

	<b>December 31, 2025</b>	<b>December 31, 2025</b>	<b>December 31, 2024</b>	<b>December 31, 2024</b>
	Gross book value	Expected credit loss	Gross book value	Expected credit loss
Retail	2,100,936	(93,382)	1,922,456	(95,041)
A - Agriculture, forestry and fishing	13,802	(346)	13,405	(302)
B - Mining and stone extraction	2,016	(47)	1,759	(59)
C - Processing industry	313,449	(11,939)	286,286	(8,458)
D - Production and supply of electricity, gas, steam and air conditioning	17,250	(411)	9,666	(54)
E - Water supply; wastewater disposal, waste management and environmental remediation activities	12,455	(136)	12,688	(144)
F - Construction	43,825	(1,749)	42,024	(1,288)
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	586,907	(14,572)	612,570	(18,698)
H - Transportation and storage	72,509	(2,078)	69,926	(2,395)
I - Accommodation and food service activities (hospitality and catering)	8,351	(387)	7,910	(414)
J - Information and communications	36,310	(380)	46,251	(1,150)
K - Financial and insurance activities	270,417	(812)	66,057	(846)
L - Real estate business	7,844	(82)	9,767	(190)
M - Professional, scientific and technical activities	16,715	(735)	17,408	(786)
N - Administrative and ancillary services	30,839	(623)	11,720	(683)
O - Public administration and defense; compulsory social insurance	43,771	(682)	44,578	(535)
P - Education	2,464	(74)	1,542	(65)
Q - Health care and social welfare activities	7,135	(62)	7,312	(60)
R - Arts, entertainment and leisure	962	(13)	448	(9)
S - Other service activities	1,949	(33)	1,902	(46)
U - Activities of extraterritorial organizations and bodies	3	-	3	-
<b>Total Credits</b>	<b>3,589,909</b>	<b>(128,543)</b>	<b>3,185,677</b>	<b>(131,223)</b>

**22.4 OTHER FINANCIAL ASSETS AT AMORTIZED COST**

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Debt instruments at amortized cost	636,380	513,272
Fee claims	4,312	3,194
Other financial assets	20,623	26,703
	<b>661,315</b>	<b>543,169</b>

**22. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)**

**22.4.1 DEBT INSTRUMENTS AT AMORTIZED COST**

	December 31, 2025	December 31, 2024
Government bonds	517,574	387,642
Supranational financial institutions	97,323	103,484
Corporate bonds	23,484	23,484
	<b>638,381</b>	<b>514,610</b>
Less: impairment	(2,001)	(1,338)
	<b>636,380</b>	<b>513,272</b>

Changes in impairment of financial assets measured at amortized cost may be presented as follows:

	2025	2024
<b>Balance as at the beginning of the year</b>	<b>(1,338)</b>	<b>871</b>
Net change in impairment (Note 12)	(663)	467
	<b>(2,001)</b>	<b>1,338</b>

	December 31, 2025	December 31, 2024
<b>Government and similar bonds:</b>		
France	95,723	48,642
Austria	87,926	86,006
Belgium	68,230	58,341
Federation of Bosnia and Herzegovina, BiH	55,591	27,925
Croatia	48,076	25,672
United States of America	32,242	-
Germany	28,897	28,248
Netherlands	28,601	28,899
Poland	23,776	33,206
Republic of Serbia	19,251	10,385
Slovenia	18,481	19,472
North Macedonia	9,260	10,150
Republic of Srpska, BiH	-	9,859
<b>Supranational Financial Institutions:</b>		
European Bank for Reconstruction and Development	28,823	39,911
European Union	28,781	28,149
European Financial Stability Facility	19,005	18,598
European Stability Mechanism	7,787	7,752
International Finance Corporation	7,541	8,596
German Development Bank - KfW	4,928	-
<b>Corporate bonds:</b>		
NIBC Bank	23,461	23,461
	<b>636,380</b>	<b>513,272</b>

**22. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)**

**22.4.2 OTHER FINANCIAL ASSETS AT AMORTIZED COST**

	December 31, 2025	December 31, 2024
Receivables for credit card business	17,100	20,374
Other financial assets	8,941	9,905
Claims based on spot transactions and arbitration in foreign currency	17	3,237
Less: impairment	<u>(5,435)</u>	<u>(6,813)</u>
	<b><u>20,623</u></b>	<b><u>26,703</u></b>

Changes in impairment of financial assets measured at amortized cost may be presented as follows:

	2025	2024
<b>Balance as at the beginning of the year</b>	<b>(6,813)</b>	<b>(6,594)</b>
Impairments ( <i>Note 12</i> )	<u>1,378</u>	<u>(219)</u>
<b>Balance as at the end of the year</b>	<b><u>(5,435)</u></b>	<b><u>(6,813)</u></b>

**23. PROPERTY, PLANT AND EQUIPMENT**

	Buildings and land	Vehicle	Office Equipme nt	Investmen ts in progress	Leasehold improvements	Total
<b>PURCHASE VALUE</b>						
<b>As of December 31, 2023</b>	<b>100,852</b>	<b>2,447</b>	<b>63,557</b>	<b>7,488</b>	<b>7,830</b>	<b>182,174</b>
Additions	-	121	30	10,851	-	11,002
Transfer to use	319	106	6,151	(4,672)	951	2,855
Write-offs and alienations	-	(18)	(7,978)	-	(719)	(8,715)
<b>As of December 31, 2024</b>	<b>101,171</b>	<b>2,656</b>	<b>61,760</b>	<b>13,667</b>	<b>8,062</b>	<b>187,316</b>
Additions	-	-	72	14,909	-	14,981
Transfer to use	7,700	1,050	8,682	(16,851)	3,455	4,036
Reclassification	-	45	-	-	-	45
Transfer from intangible assets	-	-	-	(248)	-	(248)
Transfer to investment property (Note 26)	4,742	-	157	-	-	4,899
Write-offs and alienations	1,700	-	(152)	-	-	1,548
Value adjustment	-	(32)	(3,350)	-	(807)	(4,189)
<b>As of December 31, 2025</b>	<b>115,313</b>	<b>3,719</b>	<b>67,169</b>	<b>11,477</b>	<b>10,710</b>	<b>208,388</b>
<b>Accumulated depreciation</b>						
<b>As of December 31, 2023. Years</b>	<b>(30,724)</b>	<b>(1,195)</b>	<b>(45,273)</b>	-	<b>(6,330)</b>	<b>(83,522)</b>
Depreciation	(1,918)	(246)	(5,539)	-	(794)	(8,497)
Transfer to investment real estate (Note 26)	(250)	-	-	-	-	(250)
Write-offs and alienations	-	18	7,872	-	672	8,562
Value adjustment (Note 15)	612	-	-	-	-	612
Other changes	18	-	(18)	-	-	-
<b>As of December 31, 2024</b>	<b>(32,262)</b>	<b>(1,423)</b>	<b>(42,958)</b>	-	<b>(6,452)</b>	<b>(83,095)</b>
Reclassification	-	361	(406)	-	-	(45)
Depreciation	(2,093)	(311)	(5,874)	-	(912)	(9,190)
Transfer to investment real estate (Note 26)	(1,101)	-	-	-	-	(1,101)
Increase in value	(553)	-	-	-	-	(553)
Write-offs and alienations	-	32	3,374	-	803	4,209
Value adjustment (Note 15)	8,673	-	-	-	-	8,673
Other changes	37	-	(8)	-	-	29
<b>As of December 31, 2025</b>	<b>(27,299)</b>	<b>(1,341)</b>	<b>(45,872)</b>	-	<b>(6,561)</b>	<b>(81,073)</b>
<b>NET BOOK VALUE</b>						
<b>As of December 31, 2024</b>	<b>68,909</b>	<b>1,233</b>	<b>18,802</b>	<b>13,667</b>	<b>1,610</b>	<b>104,221</b>
<b>As of December 31, 2025</b>	<b>88,014</b>	<b>2,378</b>	<b>21,297</b>	<b>11,477</b>	<b>4,149</b>	<b>127,315</b>

### **23. PROPERTY, PLANT AND EQUIPMENT**

In accordance with the requirements of IAS 36, during 2025 the Bank conducted a comprehensive analysis of internal and external indicators that could suggest the existence of impairment. Based on the available information, it was determined that such indicators are no longer present. Accordingly, a procedure was carried out to assess the possibility of reversing the previously recognized impairment loss, with the aim of confirming that the circumstances which had led to the impairment during the COVID-19 period have now fully ceased. The analysis of market developments indicates a broad-based increase in real estate prices and a complete recovery of the market.

The Bank primarily uses its properties for performing its core business activities through branch offices. When assessing the possibility of reversing the previously recognized impairment, the value of the properties was determined in accordance with the "highest and best use" principle, and based on the estimated future cash flows generated by the assets through their own use.

As of 31 December 2025, the previously recognized impairment was fully reversed. In the current year, there were no capitalized acquisition costs of property and equipment. The Bank also does not have any assets pledged as collateral.

Management believes that the fair value of property and equipment is approximate to their carrying amount.

**24. OPERATIONAL LEASE ASSETS**

	Vehicle	Equipment	Total
<b>COST</b>			
<b>At 31 December 2023</b>	<b>11,081</b>	<b>22</b>	<b>11,103</b>
Addition	3,483	-	3,483
Transfers to inventories	(1,817)	-	(1,817)
Disposals	(866)	-	(866)
<b>At 31 December 2024</b>	<b>11,881</b>	<b>22</b>	<b>11,903</b>
Addition	5,523	-	5,523
Reclassification	(45)	-	(45)
Transfers to inventories	(2,502)	-	(2,502)
Disposals	(714)	(22)	(736)
<b>At 31 December 2025</b>	<b>14,143</b>	<b>-</b>	<b>14,143</b>
<b>Value alignment</b>			
<b>At 31 December 2023</b>	<b>(2,758)</b>	<b>(22)</b>	<b>(2,780)</b>
Depreciation	(1,794)	-	(1,794)
Transfers to inventories	476	-	476
Disposals	729	-	729
<b>At 31 December 2024</b>	<b>(3,347)</b>	<b>(22)</b>	<b>(3,369)</b>
Depreciation	(2,095)	-	(2,095)
Reclassification	45	-	45
Transfers to inventories	844	-	844
Disposals	430	22	452
<b>At 31 December 2025</b>	<b>(4,123)</b>	<b>-</b>	<b>(4,123)</b>
<b>NET BOOK VALUE</b>			
<b>Balance at 31 December 2024</b>	<b>8,534</b>	<b>-</b>	<b>8,534</b>
<b>Balance at 31 December 2025</b>	<b>10,020</b>	<b>-</b>	<b>10,020</b>

**25. RIGHT-OF-USE ASSETS**

	<b>Buildings</b>	<b>ATM</b>	<b>Total</b>
<b>PURCHASE VALUE</b>			
<b>Situation as of December 31, 2023</b>	<b>14,576</b>	<b>2,572</b>	<b>17,148</b>
Increase (new lease agreements)	6,055	945	7,000
Reduction (early termination of the contract)	(2,889)	(194)	(3,083)
<b>As of December 31, 2024</b>	<b>17,742</b>	<b>3,323</b>	<b>21,065</b>
Increase (new lease agreements)	7,852	2,754	10,606
Reduction (early termination of the contract)	(5,004)	(1,448)	(6,452)
Other changes	(20)	-	(20)
<b>As of December 31, 2025</b>	<b>20,570</b>	<b>4,629</b>	<b>25,199</b>
<b>Accumulated depreciation</b>			
<b>Situation as of December 31, 2023</b>	<b>(7,755)</b>	<b>(1,830)</b>	<b>(9,585)</b>
Depreciation (Note 31.4)	(2,630)	(803)	(3,433)
Cancellation (early termination of the contract)	626	139	765
<b>As of December 31, 2024</b>	<b>9,759</b>	<b>2,494</b>	<b>12,253</b>
Depreciation (Note 31.4)	(2,715)	(540)	(3,255)
Cancellation (early termination of the contract)	1,470	1,277	2,747
Other changes	(60)	(5)	(65)
<b>As of December 31, 2025</b>	<b>(11,064)</b>	<b>(1,762)</b>	<b>(12,826)</b>
<b>NET BOOK VALUE</b>			
<b>As of December 31, 2024</b>	<b>7,983</b>	<b>829</b>	<b>8,812</b>
<b>As of December 31, 2025</b>	<b>9,506</b>	<b>2,867</b>	<b>12,373</b>

**26. INVESTMENT PROPERTY**

**INVESTMENT PROPERTY**

**COST**

	<b>Total</b>
<b>Balance as at 1 January 2024</b>	<b>35,893</b>
Transfer from property	610
Other changes	(318)
<b>Balance as at 31 December 2024</b>	<b>36,185</b>
Transfer from your own real estate	(4,899)
Other changes	(1)
<b>Balance as at 31 December 2025</b>	<b>31,285</b>

**Accumulated depreciation**

<b>Situation as of 1 January 2024</b>	<b>(8,082)</b>
Depreciation	(754)
Transfer from your own real estate	250
Value adjustment (Note 15)	42
Other changes	212
<b>As of December 31, 2024</b>	<b>(8,332)</b>
Depreciation	(671)
Transfer from your own real estate	1,101
Value adjustment (Note 15)	71
Other changes	5
<b>As of December 31, 2025</b>	<b>(7,826)</b>

<b>As of December 31, 2024</b>	<b>27,853</b>
<b>As of December 31, 2025</b>	<b>23,459</b>

The fair value of the Group's investment properties was as follows:

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Building	23.459	34.229
	<b>23.459</b>	<b>34.229</b>

**27. INTANGIBLE ASSETS**

	Other intangible assets	Investments in progress	Total
<b>COST</b>			
<b>Balance at 1 January 2024</b>	<b>48,087</b>	<b>22,329</b>	<b>70,416</b>
Additions	-	11,864	11,864
Transfer to use	17,579	-	17,579
Write offs and disposals	(7,551)	(16,722)	(24,273)
<b>Balance as at 31 December 2024</b>	<b>58,115</b>	<b>17,471</b>	<b>75,586</b>
Additions	55	12,205	12,260
Transfer to use	18,123	(18,123)	-
Reclassification	248	-	248
Write offs and disposals	(2,075)	-	(2,075)
<b>Balance as at 31 December 2025</b>	<b>74,466</b>	<b>11,553</b>	<b>86,019</b>
<b>ACCUMULATED DEPRECIATION</b>			
<b>Balance at 1 January 2024</b>	<b>(37,331)</b>	-	<b>(37,331)</b>
Depreciation	(6,172)	-	(6,172)
Write offs	7,406	-	7,406
<b>Balance as at 31 December 2024</b>	<b>(36,097)</b>	-	<b>(36,097)</b>
Depreciation	(7,401)	-	(7,401)
Write offs	2,077	-	2,077
<b>Balance as at 31 December 2025</b>	<b>(41,421)</b>	-	<b>(41,421)</b>
<b>NET BOOK VALUE</b>			
<b>Balance as at 31 December 2024</b>	<b>22,018</b>	<b>17,471</b>	<b>39,489</b>
<b>Balance as at 31 December 2025</b>	<b>33,045</b>	<b>11,553</b>	<b>44,598</b>

**28. OTHER ASSETS AND RECEIVABLES**

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Prepaid expenses	4,076	2,258
Other advances paid	1,171	1,647
Inventories	353	325
Petty cash loss	224	14
Other assets and receivables	<u>7,563</u>	<u>5,280</u>
	<b><u>13,387</u></b>	<b><u>9,524</u></b>

**29. FINANCIAL LIABILITIES AT AMORTIZED COST**

**29.1 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>December 31, 2025</b>	<b>December 31, 2024</b>
Current accounts in domestic currency	2,738	2,057
Current accounts in foreign currency	<u>50</u>	<u>211</u>
	2,788	2,268
Short-term deposits in local currency	35,583	50,789
Short-term deposits in foreign currency	<u>13,666</u>	<u>11,526</u>
	49,249	62,315
Long-term deposits in domestic currency	45,567	62,960
Long-term deposits in foreign currency	<u>8,281</u>	<u>17,667</u>
	<u>53,848</u>	<u>80,627</u>
	<b><u>105,885</u></b>	<b><u>145,210</u></b>

**29. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)**

**29.2. DEPOSITS FROM CLIENTS**

	December 31, 2025	December 31, 2024
Current accounts from clients in domestic currency	1,474,890	1,233,563
	<u>1,474,890</u>	<u>1,233,563</u>
Demand deposits of legal entities in domestic currency	1,568,899	1,501,551
Demand Deposits of Legal Entities in Foreign Currency	341,985	295,786
	<u>1,910,884</u>	<u>1,797,337</u>
Demand deposits by the population in domestic currency	257,808	247,832
Demand Deposits Retail in Foreign Currency	606,287	588,784
	<u>864,095</u>	<u>83,616</u>
Time deposits from legal entities in domestic currency	3,295	7,804
Time deposits from legal entities in foreign currency	38,542	116,382
	<u>41,837</u>	<u>124,186</u>
Time deposits from households in domestic currency	119,012	125,283
Term deposits from households in foreign currency	332,340	366,502
	<u>451,352</u>	<u>491,785</u>
	<b><u>4,743,058</u></b>	<b><u>4,483,487</u></b>

In 2025, interest rates fluctuated as follows:

- demand deposits in KM – 0.00% p.a. (2024 0.00% p.a.),
- demand deposits in foreign currencies – 0.00% p.a. (2024: 0.00% p.a.),
- short-term deposits 0.00% to 0.00% (2024: from 0.00% to 0.00% per annum),
- long-term deposits – 0.00% to 2.40% per annum (2024: from 0.00% to 2.40% p.a.).

**29.3. BORROWINGS**

	December 31, 2025	December 31, 2024
Subordinated debt	45,174	45,174
Other loans from banks	292,537	270,960
	<u>337,711</u>	<u>316,134</u>

## 29. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)

### 29.3. BORROWINGS (CONTINUED)

Subordinated debt is classified as follows:

	December 31, 2025	December 31, 2024
Commercial banks – others	44,984	44,984
Interest on subordinated debt	190	190
	<u>45,174</u>	<u>45,174</u>

On November 14, 2022, a new credit line was signed with the character of subordinated debt from a person not related to the Bank – EFSE (commercial banks – others) in the total amount of BAM 44,984 thousand and the maturity date of November 18, 2032 and the planned repayment of the loan in a one-time payment, in full, on the defined repayment date. In the event of liquidation or bankruptcy of the Bank, the liabilities arising from the subordinated debt shall be subordinated to the other liabilities of the Bank.

Subordinated debt can be used as an additional capital increase for regulatory purposes, subject to regulatory approval.

	2025.	2024.
<b>Long-term loans:</b>		
Long-term loans from foreign banks and financial institutions	292,537	270,960
Less: Current portion of long-term loan obligations	80,301	87,121
	<u>212,236</u>	<u>183,839</u>
<b>Short-term loans:</b>		
Short-term loans from banks and financial institutions	-	-
Plus: Current portion of long-term loans	80,301	87,121
	<u>292,537</u>	<u>270,960</u>

Long-term loans from foreign banks and non-bank credit institutions are obtained from supranational and development banks.

Interest rates on the entire portfolio of long-term credit lines from banks and other financial institutions for the period ended 31 December 2025 ranged from 2.28% to 3.54% per annum (fixed rates) and 6M EURIBOR + 0.20% to 6M EURIBOR + 5.50% (variable rates). Interest rates as of 31 December 2024 ranged from 0.04% to 3.54% per annum (fixed rates) and 6M EURIBOR + 0.20 4% to 6M EURIBOR + 5.50% (variable rates).

### 29.4. LEASE LIABILITIES

	Currency	Nominal interest rate	Contracted/ expected maturity	Present value December 31, 2025	Present value December 31, 2024
Rental obligations – business premises	BAM	2%	2022-2029	9,971	8,416
Rental obligations – ATM	BAM	2%	2022-2025	2,519	496
				<u>12,490</u>	<u>8,912</u>

**29. FINANCIAL LIABILITIES AT AMORTIZED COST (CONTINUED)**

**29.5 OTHER FINANCIAL LIABILITIES AT AMORTIZED EXPENSE**

	December 31, 2025	December 31, 2024
Credit card business liabilities	10,340	9,889
Other financial liabilities	3,070	3,575
Liability for other taxes	1,630	1,120
Accounts payable	837	1,124
Other liabilities to employees	509	354
	<u>16,386</u>	<u>16,062</u>

**30. PROVISIONS**

	December 31, 2025	December 31, 2024
Provisions for legal proceedings	9,187	12,000
Provisions for guarantees and loan commitments	11,853	10,313
Other provisions for employee benefits	13,441	14,338
	<u>34,481</u>	<u>36,651</u>

### 30. PROVISIONS (CONTINUED)

Changes in the provision for financial guarantees and approved and unused loans:

	2025	2024
<b>Balance as at the beginning of period</b>	<b>10,313</b>	<b>9,785</b>
Increase, net (Note 12)	1,540	716
Other changes	-	(188)
<b>Balance as at the end of period</b>	<b>11,853</b>	<b>10,313</b>

#### Provisions for financial guarantees and approved and unused loans

As part of its regular operations, the Group enters into loan liabilities that are recorded on off-balance sheet credit accounts and primarily include guarantees, letters of credit and unused loans.

	December 31, 2025	December 31, 2024
Issued guarantees	433,890	765,072
Loan commitments	573,600	370,755
Letters of credit	4,608	20,348
Other off-balance sheet exposures	259,962	7,823
	<b>1,272,060</b>	<b>1,163,998</b>

#### Provisions for legal proceedings

Developments in the reserves for court proceedings are:

	2025.	2024.
<b>Balance as at the beginning of year</b>	<b>12,000</b>	<b>12,553</b>
	(2,813)	(549)
Increase, net (Note 12)	-	(4)
Other changes	-	-
<b>Balance as at the end of year</b>	<b>9,187</b>	<b>12,000</b>

Changes to the provisions for other employee compensation are:

	Holidays	Severance pay	The rest of the reservations	Total
<b>Balance as at 1 January 2023</b>	<b>1,919</b>	<b>3,094</b>	<b>7,677</b>	<b>12,690</b>
Changes in provisions (Note 12)	(135)	530	1,207	1,602
Other changes	-	-	(62)	(62)
<b>Balance as at 31 December 2023</b>	<b>1,784</b>	<b>3,624</b>	<b>8,822</b>	<b>14,230</b>
Changes in provisions (Note 12)	(34)	32	(29)	(31)
Other changes	-	-	139	139
<b>Balance as at 31 December 2024</b>	<b>1,750</b>	<b>3,656</b>	<b>8,932</b>	<b>14,338</b>
Changes in provisions (Note 12)	-	(83)	(396)	(479)
Other changes	-	-	(418)	(418)
<b>Balance as at 31 December 2025</b>	<b>1,750</b>	<b>3,573</b>	<b>8,118</b>	<b>13,441</b>

### 31. OTHER LIABILITIES

	December 31, 2025	December 31, 2024
Other liabilities, principal and interest collected in advance	12,133	12,142
Accounts payable to suppliers	6,969	7,804
Deferred income	2,423	2,593
Other obligations	2,080	1,028
	<u>23,605</u>	<u>23,567</u>

### 32. SHARE CAPITAL

The capital consists of 988,668 ordinary shares with a nominal value of 250 KM. The Group's equity instruments are not traded on the public market and are not listed on the Sarajevo Stock Exchange.

The Group's ownership structure is as follows

Shareholders	Number of shares	'000 KM	%
Raiffeisen SEE Region Holding GmbH, Vienna, Austria	988,688	247,167	100.00

#### **Basic earnings per share**

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

	December 31, 2025	December 31, 2024
Income attributable to ordinary shareholders ('000 BAM)	132,018	139,813
Weighted average number of regular shares in issue during the year	<u>988,668</u>	<u>988,668</u>
Basic earnings per share (in BAM)	<u>133.53</u>	<u>141.42</u>

Diluted earnings per share were not shown because the Group did not issue dilutive share instruments.

### 33. MANAGED FUNDS

The Group manages funds for and on behalf of third parties. These funds are kept separate from the group's assets.

	December 31, 2025	December 31, 2024
<b>Liabilities</b>		
Corporate customers	3,457	3,457
Government	1,298	1,444
Retail customers	29	29
Other	47	77
	<u>4,831</u>	<u>5,007</u>
<b>Assets</b>		
Loans to retail customers	2,474	2,620
	<u>2,357</u>	<u>2,387</u>
	<u>4,831</u>	<u>5,007</u>

### 34. RELATED-PARTY TRANSACTIONS

Related party transactions that have been eliminated in these consolidated statements may be presented as follows:

	December 31, 2025	December 31, 2024
<b>Receivables</b>		
<i>Loans and receivables to customers:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	30,478	15,392
Raiffeisen Invest d.d. Sarajevo	2	-
	<b>30,480</b>	<b>15,392</b>
<i>Other receivables:</i>		
Raiffeisen Invest d.o.o. Sarajevo	459	414
Raiffeisen Assistance d.o.o. Sarajevo	1	1
Raiffeisen Leasing d.o.o. Sarajevo	4	20
	<b>464</b>	<b>435</b>
<i>Investments in Subsidiaries and Affiliates:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	10,051	10,051
Raiffeisen Invest Fund Management Company	946	946
Raiffeisen Capital a.d. Banja Luka	53	53
Raiffeisen Assistance d.o.o. Sarajevo	2	2
	<b>11,052</b>	<b>11,052</b>
<b>Liabilities</b>		
<i>Bank and customer deposits:</i>		
Raiffeisen Invest d.d. Sarajevo	4,382	3,329
Raiffeisen Leasing d.o.o. Sarajevo	2,206	12,973
Raiffeisen Assistance d.o.o. Sarajevo	517	145
Raiffeisen Capital a.d. Banja Luka	177	301
	<b>7,282</b>	<b>16,748</b>
<i>Lease liabilities:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	524	827
	<b>524</b>	<b>827</b>
<i>Other obligations:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	-	38
Raiffeisen Capital a.d. Banja Luka	-	2
	<b>-</b>	<b>40</b>
	<b>2025</b>	<b>2024</b>
<b>Revenue</b>		
<i>Interest income:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	604	329
	<b>604</b>	<b>329</b>

**34. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

	2025	2024
<i>Fee income:</i>		
Raiffeisen Invest d.o.o Sarajevo	5,373	4,864
Raiffeisen Leasing d.o.o. Sarajevo	28	26
Raiffeisen Capital a.d. Banja Luka	-	2
Raiffeisen Assistance d.o.o. Sarajevo	1	1
	<u>5,402</u>	<u>4,893</u>
<i>Dividend:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	3,528	5,200
Raiffeisen Assistance d.o.o. Sarajevo	2,242	4,745
	<u>5,770</u>	<u>9,945</u>
<i>Other income:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	261	306
Raiffeisen Invest d.o.o Sarajevo	34	34
Raiffeisen Assistance d.o.o. Sarajevo	26	25
Raiffeisen Capital a.d. Banja Luka	7	7
	<u>328</u>	<u>372</u>
<i>Interest expense:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	(50)	(75)
	<u>(50)</u>	<u>(75)</u>
<i>Depreciation expenses:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	(540)	(470)
	<u>(540)</u>	<u>(470)</u>
<i>Other administrative expenses:</i>		
Raiffeisen Leasing d.o.o. Sarajevo	(88)	(121)
Raiffeisen Assistance d.o.o. Sarajevo	-	(10)
	<u>(88)</u>	<u>(131)</u>

In the ordinary course of business, several banking transactions with related parties have been carried out. These transactions were carried out on commercial terms and deadlines, and with the application of market rates.

### 34. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Statuses with related parties can be displayed as follows:

	December 31, 2025	December 31, 2024
<b>Receivables</b>		
<i>Loans and receivables to banks:</i>		
Raiffeisen Bank International AG, Vienna, Austria	228,288	18,951
Raiffeisenustria d.d. Zagreb, Croatia	206	799
Raiffeisenbank a.d. Beograd, Serbia	191	197
Raiffeisen Landesbank Vorarlberg	-	75,909
Raiffeisenverband Salzburg Reg Gen M B H	-	38,959
	<hr/>	<hr/>
<i>Other receivables:</i>		
Raiffeisen Bank International AG, Vienna, Austria	48	3,081
Raiffeisenustria d.d. Zagreb, Croatia	2	2
	<hr/>	<hr/>
	<b>228,735</b>	<b>137,898</b>
	<hr/>	<hr/>
	<b>December 31, 2025</b>	<b>December 31, 2024</b>
<b>Liabilities</b>		
<i>Long-term loans of banks</i>		
Raiffeisen Bank International AG, Vienna, Austria	8,801	15,321
	<hr/>	<hr/>
<i>Deposits of banks and customers:</i>		
Raiffeisen Bank International AG, Vienna, Austria	5,867	1,803
Raiffeisenbank Austria d.d. Zagreb, Croatia	39	100
	<hr/>	<hr/>
<i>Other receivables:</i>		
Raiffeisen Bank International AG, Vienna, Austria	458	3,801
Centralised Raiffeisen International Services & Payments	13	161
	<hr/>	<hr/>
	<b>15,178</b>	<b>21,186</b>
	<hr/>	<hr/>

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

	2025.	2024.
<b>Revenue</b>		
<i>Interest income:</i>		
Raiffeisen Landesbank Vorarlberg	436	1,192
Raiffeisen Landesbank Oberoesterreich Aktienge	346	735
Raiffeisen Bank International AG, Vienna, Austria	389	287
Raiffeisenverband Salzburg Reg Gen M B H	211	388
Raiffeisen Bank Zrt. Budimpešta, Mađarska	1	-
Raiffeisen Landensbank Tirol AG, Innsbruck, Austria	-	31
	<hr/>	<hr/>

**34. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

	<b>2025.</b>	<b>2024.</b>
<i>Fee income:</i>		
Raiffeisen Bank International AG, Vienna, Austria	509	457
Raiffeisenbank Austria d.d. Zagreb, Croatia	23	23
Raiffeisen Landesbank Oberoesterreich Aktienge	1	-
Raiffeisenbank a.d. Belgrade, Serbia	1	23
	<hr/>	<hr/>
<i>Other revenues:</i>		
Raiffeisen Bank International AG, Vienna, Austria	1,257	288
Centralised Raiffeisen International Services & Payments	84	131
	<hr/>	<hr/>
	<b>3,258</b>	<b>3,532</b>
	<hr/>	<hr/>
	<b>2025</b>	<b>2024</b>
<b>Expenses</b>		
<i>Interest expenses:</i>		
Raiffeisen Bank International AG, Vienna, Austria	(666)	(1,172)
	<hr/>	<hr/>
<i>Fee expenses:</i>		
Centralised Raiffeisen International Services & Payments	(717)	(796)
PJSC Ukrainian Processing Center	(332)	(176)
Raiffeisen Bank International AG, Vienna, Austria	(386)	(303)
Raiffeisen Leasing International GmbH, Vienna, Austria	-	(58)
Raiffeisenbank a.d. Belgrade, Serbia	(4)	(3)
Raiffeisenbank Austria d.d. Zagreb	(4)	(2)
	<hr/>	<hr/>
<i>Consultant services:</i>		
Raiffeisen Bank International AG, Vienna, Austria	(3,533)	(3,635)
	<hr/>	<hr/>
<i>Other administrative costs:</i>		
Raiffeisen Bank International AG, Vienna, Austria	(5,070)	(4,575)
Centralised Raiffeisen International Services & Payments	(588)	(516)
PJSC Ukrainian Processing Center	-	(43)
Raiffeisenbank a.d. Belgrade, Serbia	-	(1)
	<hr/>	<hr/>
	<b>(11,300)</b>	<b>(11,280)</b>
	<hr/>	<hr/>

### 34. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

Members of the Board of Directors were paid the following remuneration during these periods:

	2025	2024
Net salaries	(1,885)	(1,620)
Taxes and contributions on salaries	(1,451)	(1,253)
Taxes and contributions for other benefits	(407)	(388)
Other benefits	(557)	(522)
	<u>(4,300)</u>	<u>(3,783)</u>

### 35. EVENTS AFTER THE BALANCE SHEET DATE

The Banking Agency of the Federation of Bosnia and Herzegovina issued a decision on credit risk management and the determination of expected credit losses, which enters into force on December 23, 2025 and applies from June 30, 2026.

The current war in the Middle East may have an impact on the European and global economy. The Group has no direct exposure to clients from Iran, Israel, or countries in the surrounding region. However, the impact on the overall economic situation may require a revision of certain assumptions and estimates. This could result in immaterial adjustments to the carrying amounts of certain loans and receivables from clients.

At this stage, Management is continuously working on identifying potential risks and assessing the impact of daily events on the Group. In this context, Management's view is that the long-term impact will not have a significant effect on the Group's revenues, risk exposures, loan volume and activities, cash flows, or profitability. As at the date of these financial statements, the Group continues to meet its obligations as they fall due and continues to apply the going concern principle.

Apart from the above, between the balance sheet date and the date of approval of these financial statements, there were no significant events requiring disclosure.

### 36. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Management Board and signed for issue on May 4, 2026.



**Chairman of the Board**  
Lars Frankemölle




**Member of the Management Board**  
Nermina Alić