INTESA SANPAOLO BANKA
Bosna i Hercegovina

2025 Annual Report

Bank of INTESA SANPAOLO

Cover:
Trentino-Alto Adige mountain pass

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Letter from the President of the Supervisory Board

On behalf of the Supervisory Board of Intesa Sanpaolo Banka Bosnia and Herzegovina, I am honoured to present the business results of the Bank for the year 2025.
In 2025, economic activity in Bosnia and Herzegovina slowed compared to the previous year, reflecting weaker industrial output, subdued domestic demand, and ongoing pressures from elevated price levels. According to the World Bank, real GDP growth decelerated sharply to 1.9% YoY in Q1 2025, down from 3.0% a year earlier, as manufacturing output contracted by 5.3% and construction by 0.8%. Growth modestly improved in Q2, with real GDP expanding 2.0% YoY, supported primarily by service-sector momentum—most notably in accommodation and food services, which registered an impressive 16.1% real increase in gross value added. Momentum strengthened slightly into Q3, with preliminary data showing GDP rising 2.1% YoY, the fastest rate of the year. Overall, available data and institutional projections indicate that full-year 2025 GDP growth will land around 2.0–2.3%, broadly consistent with the World Bank's revised 2025 forecast of 2.6% (down from its spring projection) and reflecting subdued domestic demand, weak industrial output, and persistent trade-balance pressures.
Actual inflation readings during the second half of the year remained relatively high. By November 2025, annual inflation had reached 4.4% YoY, the highest level since July, driven by accelerating price growth in housing and utilities (+6.6%), transport (+1.4%), and recreation and culture (+4.8%). In December 2025, inflation eased slightly to 4.1% YoY, its lowest level since August, helped by a slowdown in food and health-service price growth, and by declines in transport prices.
Forward-looking indicators suggest that aggregate inflation for 2025 will average around 4.0%, consistent with the CBBH's full-year expectations and reflecting a combination of domestic wage-driven cost pressures and externally influenced price movements—particularly via imported energy and food.
The main indicators of the banking system improved in 2025, overperforming previous year results.
Loan growth remained robust, increasing by 10.4% year-on-year in December. This expansion was driven by a rise of BAM 1.6 billion in household lending and BAM 0.9 billion in loans to non-financial companies. Within the household segment, mortgage lending recorded particularly strong momentum, surging by 19.9% YoY, followed by a 9.8% YoY increase in consumer loans. Despite the sharp rise in mortgage lending throughout the year, the overall structure of household lending shifted only moderately: the share of mortgage loans increased to 25.5% at end-2025 (up from 23.9% at end-2024), while the share of consumer loans declined from 72.2% to 70.6%.
Deposit activity also strengthened, with total deposits up 10.0% YoY in December. Household deposits expanded by BAM 2.1 billion, while deposits of non-financial companies grew by BAM 0.7 billion compared with 2024. The increase in household deposits was driven primarily by growth in demand (a vista) deposits, which rose by BAM 1.7 billion. As a result, the share of a vista funds in total household deposits increased from 69.3% at end-2024 to 70.4% at end-2025.

On the wake of the improved economic environment in the country in 2025 the Bank delivered positive results.

Loans to customers (net) amounted to 2,122mln BAM and increased versus previous year by +271.5mln BAM (+14.7%) as a result of growing in both Corporate and Retail. At the same time, the level of non-performing loans reduced by -10.8mln BAM or -22.8% which led to continuation of improving NPL ratio to 1.7%.

Certain economic parameters have adversely affected business activity with legal entities, including a decline in investments, a lack of capital investment projects, and heightened global uncertainty. Competition in the local market remains strong, with clients increasingly approaching leading banking institutions for financing and refinancing, resulting in downward pressure on interest rates. Organic growth was recorded in loans to Individuals, where the Bank followed banking sector strong growth in secured/mortgage loans.

Bonds portfolio ended at 272.8mln BAM and has increased significantly compared to the previous year (+117.2mln BAM or 75.7%). Beside active role in the foreign market, the Bank also participated in local market auctions in 2025 and significantly increased the share of domestic securities in the total portfolio.
Customers deposits increased by +283.9mln BAM or +13.1% YOY and amounted to 2.458mln BAM as a result of similar growth in Corporate and Retail deposits. The Bank significantly improved its maturity structure by growing in term deposits in all segments.

Borrowings increased by 15.7mln BAM mainly due to using MREL eligible funds (113.2mln BAM as of 31.12.2025.) for meeting MREL requirements in 2025 (increased +53.3mln BAM vs 2024). On the other side credit lines from supranational institutions decreased due to regular repayment plan (-37.6mln BAM).

The Bank`s liquidity position remained solid and stable, with all liquidity indicators far above prescribed regulatory limits.

The Bank's capital (excluding net profit of the current year) amounts to 359.2 mln BAM, increased by +13.4 mln BAM compared to previous year due to retention of 50% of realised net profit from 2024 (26.7 mln BAM). Capital adequacy according to local methodology is at 17.9%, far above total minimum requirements of 15.5%.

In 2025 the Bank recorded Net Profit of 29.6mln BAM and is higher by +2.9 mln BAM or +10.7% compared to previous year. Strong growth of Net commissions and Other Income coupled with sustainable total costs growth led to overall increase of profitability in 2025.

Net interest income ended at 65.6 mln BAM and decreased versus PY where higher interest income just partially offset significant growth in interest expenses, driven by increased term deposits and MREL eligible funds.

Net Commission amounted to 34.2mln BAM and recorded growth of +10.6% compared to 2024, with increase in all categories. The contribution of Net Commission on Total Operating Income improved to level of 31% (2024: 30%).

Operating costs reached 71.1mln BAM, that is just +2.1% higher YoY.

Personnel costs decreased as a result of lower fixed salaries (lower contributions due to law change since 01.07.2025) and lower variable costs (higher provisions for severance in 2024).

Other administrative costs increase is mainly driven by drag in effect from strong inflation pressure from previous year and the increase of the minimum wage in FBiH at the beginning of 2025, which led to an increase in the prices of certain services.

Due to relocation of the Bank to the new Head Office premises on new location (lease contract by IFRS 16) depreciation costs in 2025 recorded material increase.

With respect to risk profile of the Bank's portfolio, the annual net impairment cost remained substantially at 2024 level, showing the overall good and reliable nature of the credit portfolio and of the bank's credit risk assessment processes and methodologies.

Besides credit risk, the Bank effectively managed evolving operational, cyber, and legal risks over the year through strengthened controls, enhanced cybersecurity measures, and continuous regulatory compliance improvements.

In 2025, the Bank realized several activities aimed at implementing the ESG principles and at positioning the bank as a responsible financial intermediary amidst growing global challenges including mitigating climate change and reducing harmful environmental impacts, empowering marginalised communities, informal sector inclusion, ensuring gender equity, and working towards more accountability through transparent reporting.

Looking ahead, the Bank faces a new set of relevant challenges, but also opportunities. The year 2026 is expected to bring greater macroeconomic stability, with moderate improvements in the operating environment. GDP growth is projected at 2.5%, while inflation is likely to ease toward 3.3%, reducing uncertainty in banks' risk assessments and lending decisions. Lower borrowing costs should support stronger asset quality, with Moody's anticipating that globally declining policy rates will improve loan performance and help keep credit risks contained.

At the same time, the Bank may experience downward pressure on net interest margins due to lower lending rates and growing Capital and MREL funding requirements. However, rising fee and commission income—consistent with global banking trends—will partially offset these effects.

As part of the Intesa Sanpaolo Group, the Bank will continue to invest in digitalization and artificial intelligence to strengthen automate processes and enhance fraud detection—areas highlighted as strategic priorities in global outlooks for 2026.

The Bank has repeatedly shown, including in recent years, its ability to navigate turbulent conditions while preserving strong credit quality, maintaining sound liquidity, and delivering solid financial results. I am confident that we have the capability, resilience, and expertise to successfully address the challenges ahead in the short term.

On behalf of the Supervisory Board, I would like to express my gratitude and appreciation to the Management and all the employees of the Bank for their commitment and valuable contribution.

Report on Supervisory Board activities of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina for 2025

During the year 2025, the Supervisory Board of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina (hereinafter:" the Bank") held 21 meetings on the following dates:28.01.; 31.01.; 19.02; 26.02.; 10.03.; 25.03.; 10.04.; 24.04.; 13.05.; 20.05.; 29.05.; 16.06.; 20.06.; 03.07.; 23.07.; 28.07.; 22.09.; 27.10.; 19.11.; 08.12.; 09.12.;, which were recorded under sequential numbers from 1 to 21. In 2025, the Supervisory Board convened 13 ordinary meetings. Of these, 9 were conducted via videoconference, while 4 were held in physical presence. Additionally, the Board held 8 extraordinary meetings, which were conducted in writing.

The Supervisory Board of the Bank carried out its activities in conformity with the Law, the Bank's Articles of Association and Rules of Procedure of the Supervisory Board of the Bank along with the significant support by the Management Board, Audit Committee, Risk Committee, Nomination Committee and Remuneration Committee.

At the meetings held, the Bank's Supervisory Board considered, analysed and discussed all the processes within its competence, including policies and procedures, prepared internally but also received from Intesa Sanpaolo and Privredna banka Zagreb. During the whole year, the Supervisory Board analysed and discussed Bank's financial reports and followed up internal and external auditors' activities.

The Supervisory Board of the Bank adopted modifications to General Terms & Conditions periodically proposed by the Bank's functions and Management Board. It also paid special attention to Anti Money-Laundering topics, assessing AML Department activities and reports.

During 2025, special attention was paid by the Board to the assessment of the adequacy of the internal control system of the Bank, in general and in specific operational areas, receiving information from the Management Board and all control functions (Internal Audit Department Risk Management department, Compliance Department and AML Department[1]) on potential and identified weaknesses and the progress in implementation of the necessary remedial actions.

As per local regulatory requirement, the Supervisory Board also received and considered information related to the assessment of the effectiveness of the control functions in the Bank, including the appropriateness of processes. The Supervisory Board confirmed the soundness of the activities carried out by these functions.

Through the adoption of Operational Reports and Report of independent External Auditors the Board acknowledged work of the Management Board, assessing it as compliant with laws, internal acts, decisions, policies, procedures and programs. During 2025, the Supervisory Board members analysed the findings of the Federal Banking Agency resulting from the performed supervisions, the related plans of remedial actions defined by the Bank and provided recommendations in their respect.

The Supervisory Board of the Bank performed and implemented all the required activities through its subcommittees: Audit Committee, Risk Committee, Nomination Committee and Remuneration Committee that held their regular meetings during the year and duly informed the Supervisory Board of their activities.

Significant involvement of the Supervisory Board of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina in all Bank's activities contributed to stability and maintenance of a good position of the Bank in the market, thus, achieving sound financial results.

The composition of the Supervisory Board of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina throughout the 2025 was: Mr. Dario Massimo Grassani (Chairman), Mr. Petak Sopek (Deputy Chairman), Mr. Jadranko Grbelja, Ms. Ivana Jović, Ms. Michela Boiocchi, Mr. Alden Bajgorić (independent member) and Mr. Massimo Malagoli (independent member). The composition of Supervisory Board of the Bank facilitated effective resolution of various topics brought up, as members with expertise in different areas collaborated to provide comprehensive insights and solutions.

Pursuant to the Decision on assessment of members of Bank's bodies by Banking Agency of the FBiH and its amendments, ("the Policy") the Nomination Committee performed necessary assessments in accordance with the Policy, confirming that all the assessed persons do satisfy the prescribed requirements and are suitable for given positions in the Bank's Bodies and control functions.

The rules of procedure for the Supervisory Board and its committees were assessed in light of good practices and importance of regulatory requirements, and it was confirmed that the procedures currently in force remain appropriate and do not require any amendments at this time.

[1] Control function according to the rules of Intesa Sanpaolo Group

Based on previously adopted strategic decisions and support within the Group, the Supervisory Board of the Bank adopted the change of the Bank's registered head office address effective as of July 1st, 2025, thereby further contributing to the efficiency of business support functions and strengthening the Bank's overall image.
Also, the Supervisory Board adopted organizational changes in line with Group processes and prerogatives, which entered into force on November 1st, 2025.
The Supervisory Board will propose to the Bank's General Shareholders' Meeting ("GSM") the following for adoption, which will be formally assessed by the Supervisory Board itself in a meeting preceding the summoning of the GSM:

- Decision on adoption of the Rules of Procedure of General Shareholders Meeting of Intesa Sanpaolo Banka d.d. BiH
- Decision on adoption of Financial Statements of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina for the period 01.01. – 31.12.2025 prepared in accordance with the FBA Reporting Standards together with the Report of External and Internal Auditors, Report on Supervisory Board Activities and Report on Audit Committee Activities
- Decision on adoption of Annual Statements of Accounts for the period 01.01. - 31.12.2025 and Distribution of Profit for 2025
- Decision on adoption of Budget 2026
- Decision on adoption of Financial Plan 2026-2029
- Decision on adoption of Capital Plan 2026-2029
- Decision on adoption of Liquidity and Funding Plan 2026-2029
- Decision on adoption of the Reports on agreements concluded between the Bank and persons in a special relationship with the Bank as of 30.09.2025 and 31.12.2025
- Information for the GSM of the Bank, related to salaries, benefits and all other earnings of the members of the Supervisory Board, Management Board and of Top Management of the Bank
- Decision on suitability of the Members of Supervisory Board of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina for 2025
- Decision on adoption of the Supervisory Board Self-assessment results for 2025

President of the Supervisory Board
Dario Massimo Grassani

MANAGEMENT BOARD'S REPORT ON BANK'S OPERATION FOR 2025

The Management Board is honoured to present you the Annual Report and Financial Statements of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina (hereinafter `the Banka` or `Intesa Sanpaolo Banka`) for the year ended on December 31st 2025 year.

Looking ahead, growth is expected to accelerate to about 2.5% next year, spurred by robust private consumption driven by wage growth and investment supported by the unlocking of the European Commission's Western Balkans reform and growth facility as well as reduced political tensions. Throughout 2025, inflationary pressures intensified, with average inflation over the first 10 months rising to 3.9%, mainly due to higher prices for food, services, and electricity. As a result, after an estimated 4.0% inflation in 2025, inflation is projected to decrease to around 3.3% next year. Loan growth reached 10.3% yoy (year-on-year) in October, whereas deposits at the same time expanded by an equally sharp 10.1% yoy. In 2026, the increase in loans is seen softening to 6.8% yoy, while deposit growth is projected to ease to 7.5% yoy.

In 2025 year, the Bank achieved all key goals outlined in its business plan.

Net Profit amount to 29,6 mln BAM and is higher by 2.9 mln BAM (+10,7%) compared to previous year. Strong growth of Net commissions and Other income with sustainable total costs growth, more than offset slightly decreased Net interest income and led to overall increase of profitability in 2025.

Net Interest Income ended at 65.6 mln BAM and decreased by -0.6mln BAM (-0.9%) versus previous year as a result of higher interest income by +7.1mln BAM which partly offset growing interest expenses by +7.7mln BAM. Growth of interest expenses by +41.4% was mainly driven by higher interest expenses on customer deposits due to strong growth of term deposits and higher interest expenses on MREL eligible funds.

Net Commission amounted to 34.2mln BAM and recorded +3.3 mln BAM growth or +10.6% compared to 2024. The contribution of Net Commission on Total Operating Income improved to level of 31% (2024: 30%). Increase of Net Commissions was achieved mainly through higher net income from Card business, Payments (increase of volumes), and Current accounts and Loans.

Net income from Trading slightly decreased compared to the previous year despite overall positive trend and effects from growing tourism and growth of transactions in Retail.

Operating Costs reached 71.1mln BAM and +1.4mln BAM or +2.1% higher YoY. Personnel costs decreased by -1.2mln BAM (-3.8%) as a result of lower fixed salaries (lower contributions due to law change since 01.07.2025) and lower variable costs (higher provisions for severance). Other administrative costs increased by +1.4mln BAM (+4%) which is mainly driven by drag in effect from strong inflation pressure from previous year and the increase of the minimum wage in FBiH at the beginning of 2025, which led to an increase in the prices of certain services. Among the cost types, highest increase was recorded for Premium on deposits (+0.6mln BAM), Taxes (+0.3mln BAM related to IFRS 16), FBA supervision fee (+0.24mln BAM) and Legal fees (+0.2mln BAM). Higher depreciation costs were recorded in 2025 by +1.4mln BAM and is mainly driven by relocation of the Bank to the new Head Office premises on new location.

Total **Impairments and Provisions** amounted to 4.7 mln BAM and are slightly below level of previous year (-0.7%). Continuous and effective NPL management led to decrease of NPL volumes and ratios in total loans, which enabled stable level of total impairments and provisions despite strong growth of volumes in loans and securities.

Bank`s Balance Sheet increased by 11.1%, compared to the end of 2024 reaching the level of 3.280 mln BAM, mainly due to increase of loans to customers (gross loans grew by +267.3mln BAM) and as result of continued inflows of deposits from Corporate and Retail customers (Customers deposits increased by +283.9mln BAM).

Loans to Customers (gross) Loans to customers (net) amounted to 2,122mln BAM and increased versus previous year by +271.5mln BAM (+14.7%) as a result of growing in both Corporate and Retail.

Bonds portfolio ended at 272.8mln BAM and has increased significantly compared to the previous year (+117.2mln BAM or 75.7%). Beside active role in the foreign market, the Bank also participated in local market auctions in 2025 and significantly increased the share of domestic securities in the total portfolio.

Customers Deposits increased by +283.9mln BAM or +13.1% YOY and amounted to 2.458mln BAM as a result of similar growth in Corporate and Retail deposits. The Bank significantly improved its maturity structure by growing in term deposits in Corporate and Retail.

The Bank enjoys a sound and stable **liquidity position**, with all liquidity indicators far above prescribed regulatory limits and is sufficient to sustain a further expansion of credit portfolio.
The **Bank's capital** (excluding net profit of the year) amounts to 359.2mln BAM, increased by 13.4mln BAM compared to previous year. **Capital adequacy** according to local methodology is 17,9% and is above of minimum prescribed by regulatory requirements.

CONCLUSIONS. The Bank delivered positive financial performance preserving asset quality, ensuring stable liquidity position and strictly managing operating costs. The Bank can readily face challenges and at the same time take advantage of certain market opportunities. A strong and stable capital base, secure sources of financing and a good liquidity position enable the Bank to adequately deal with potential market uncertainties and support stable sustainable growth in the coming period.

Business description of Intesa Sanpaolo Banka BiH

Intesa Sanpaolo Banka d.d. BiH was established in Sarajevo in 2000 year, as UPI Banka d.d. Sarajevo. In 2007 year, Intesa Sanpaolo Holding S.A Luxembourg became main shareholder with 94.92% of ownership. In July 2007 year, the Bank finished the merger process with LT Gospodarska Banka d.d. Sarajevo. In 2008 year, the Bank changed its name to Intesa Sanpaolo Banka d.d. Bosna i Hercegovina. As a part of equity investment portfolio re-organization within mother company Intesa Sanpaolo Italy, in July 2015 year ownership of Intesa Sanpaolo Banka d.d.BiH was taken over by sister company Privredna Banka Zagreb d.d. During 2017 year, Privredna Banka dd Zagreb overtook the shares of minor shareholders of the Bank, thus becoming the Bank's owner with 99.99% of shares. The Bank is part of Gruppo Intesa Sanpaolo – the largest Italian banking group and one of the most significant financial institutions in Europe

The Bank performs general banking business with Retail and Corporate clients offering whole array of product packages and commercial services commonly traded in the industry at Bosnia and Herzegovina level.

The Bank maintains its commercial presence on the territory of Bosnia and Herzegovina through its branches and ATM network and further strengthens its cooperation with merchants and clients with the expansion of POS network.

As of September 2025, Intesa Sanpaolo Banka d.d. Bosnia and Herzegovina is the 6th bank in Bosnia and Herzegovina by Total Assets, present in the country with 37 branches in the Federation of Bosnia and Herzegovina, 5 branches in Republika Srpska and 1 in Brčko District. Its business operations are mainly concentrated in Federation of Bosnia and Herzegovina, where the Bank ranks 4th in total assets, loans and deposits, with respective market shares of 9.6 percent in Total Assets, 10.1 percent in loans and 9.3 percent in Deposits.

Business with Retail

The mission of the Business Division in the retail segment is focused on serving individuals and small businesses by building, developing, and managing sustainable business relationships, with the aim of creating long-term value.

Retail banking operations cover the entire territory of Bosnia and Herzegovina through a network of 5 regions and 43 branches, representing 5.8% of the total number of branches within the banking sector in Bosnia and Herzegovina.

Retail clients are segmented into three main groups: Mass, Affluent, and Private, with the Mass segment representing the largest share of the overall client base. The primary distribution channels for retail clients and small businesses remain branches and ATMs.

During 2025, the focus of the Division was on the efficient use of available resources through the continuous enhancement of the product and service offering, price competitiveness, and service quality, while maintaining a high level of customer experience and overall business performance.

In the retail segment, the loan portfolio recorded continuous growth of 11% on a year-on-year basis. At the same time, the deposit portfolio increased by 11.80% compared to the beginning of the year, primarily driven by current accounts and term deposits. This growth was achieved through the continuous development of new products, the enhancement of existing solutions in line with client needs and Group strategy, as well as the integration of ESG principles into the product offering, supported by targeted commercial and CRM campaigns.

In the small business segment, following an expected decline in the loan portfolio at the beginning of the year, stabilization was achieved, followed by significant growth. Driven by new client acquisitions and sales enhancement initiatives through targeted campaigns, the loan portfolio of small legal entities increased by 22.39% compared to the position as of December 31, 2024.

Business with Legal Entities and SME

Business Division offers a wide range of products and services to companies on the domestic and international markets. Thanks to its developed business network and advanced electronic channels, the Bank is a reliable and attractive partner for corporate clients.

The offer includes deposit products, various short-term and long-term financing products, domestic and international payment services, Global Transaction Banking products, Trade Finance services (issuance of Guarantees and Letters of Credit, confirmation of Guarantees and Letters of Credit and other related services), Factoring with and without recourse, Confirming as a type of international factoring, as well as POS and e-commerce solutions.

Thanks to its comprehensive offer of services for legal entities and its presence in both entities and the Brčko District of Bosnia and Herzegovina, Intesa Sanpaolo Banka BiH has positioned itself among the leading banks on the domestic market. It is recognized for providing integrated financial solutions tailored to the specific needs and requirements of its clients.

At the end of 2025, the loan portfolio recorded a growth of 12.22% compared to the end of 2024. During 2026, the Bank expects further development of activities in the area of ESG financing, with more intensive use of credit lines from the European Bank for Reconstruction and Development through the Go Digital, Go Green, Youth in Business and Women in Business programs, as well as credit lines from the European Investment Bank (Social Impact) and the KfW Low Carbon Facility program.

Significant growth was also achieved in deposit operations, with deposits increasing by 14.34% compared to the previous year.

During 2026, the Bank will continue to improve and expand its product range for legal entities to respond to the growing needs of clients and further strengthen its competitive position in the market.

ALM and Treasury Department

The Treasury and ALM Department plays a key role in managing the Bank’s financial resources, ensuring stability, liquidity and sustainable business growth. Its core responsibilities include liquidity management, interest rate and foreign exchange risk management, capital management, and the management of the Bank’s securities portfolio. At the same time, the Department actively participates in domestic and international financial markets through money market, foreign exchange and capital market transactions, while providing clients with access to a wide range of financial market products and services.

The Department is organized into two specialized units: the Asset and Liability Management Office (ALM) and the Treasury Office.

The ALM Office is responsible for optimizing the Bank's balance sheet structure, managing liquidity, interest rate and foreign exchange risks, as well as capital planning and management. Through the application of advanced balance sheet management practices and the internal funds transfer pricing (FTP) framework, the Office supports sustainable and profitable growth by ensuring an optimal funding structure and efficient allocation of financial resources.

The Treasury Office is responsible for interbank market activities, foreign exchange trading, money market operations, securities investments, and the provision of treasury and risk management solutions to the Bank's clients.

Business Performance in 2025

Despite a challenging market environment characterized by heightened volatility, tighter financing conditions and uncertainty regarding future interest rate movements, the Treasury and ALM Department delivered stable results throughout 2025 and continued to provide strong support to the Bank's business objectives. Effective balance sheet management, prudent liquidity planning and a proactive approach to risk management enabled the Bank to maintain a strong financial position and full compliance with both regulatory requirements and internal risk limits throughout the year.

One of the most significant milestones achieved during the year was the successful execution of the Bank's first reverse repo transaction for the purpose of Interest Rate Risk in the Banking Book (IRRBB) management. This transaction marked an important step forward in the development of the Bank's ALM capabilities, enhancing balance sheet flexibility and further strengthening its ability to manage interest rate risk through sophisticated market instruments.

The Department also continued to pursue a conservative investment strategy through investments in high-quality securities issued by European Union member states and supranational institutions. This approach further strengthened the liquidity and resilience of the Bank's investment portfolio while maintaining an appropriate balance between risk and return.

During 2025, the Bank also participated in the inaugural international Eurobond issuance of the Federation of Bosnia and Herzegovina. This investment represented an important contribution to the development of the domestic capital market, supported the international market positioning of the Federation of Bosnia and Herzegovina, and further diversified the Bank's investment portfolio.

A particularly important area of activity during the year was the continued cooperation with international financial institutions. In support of sustainable economic development, energy transition and financial inclusion, the Bank concluded five new credit facilities with a total value of EUR 44 million.

The KfW Low Carbon Energy Facility, amounting to EUR 20 million, is intended to finance energy efficiency and renewable energy projects for micro, small and medium-sized enterprises, as well as local government entities. The facility contributes to reducing greenhouse gas emissions and supports the decarbonization of Bosnia and Herzegovina.

The EIB Social Impact Incentive Line, also amounting to EUR 20 million, provides additional financing opportunities for SMEs and Mid-Cap companies, with a particular focus on promoting inclusive employment practices and workforce diversity.

In cooperation with the European Bank for Reconstruction and Development (EBRD), the Bank signed three additional facilities. **The Green Economy Financing Facility (GEFF)**, amounting to EUR 2 million, supports investments in energy efficiency improvements in the residential sector, enabling households to reduce energy consumption and lower utility costs.

The Youth in Business programme, amounting to EUR 1 million, facilitates access to finance for businesses owned or managed by young entrepreneurs, supporting entrepreneurship and financial inclusion among young people. **The Women in Business** programme, also amounting to EUR 1 million, supports enterprises owned or managed by women, contributing to the promotion of female entrepreneurship and broader participation of women in economic activities.

Through these activities, the Treasury and ALM Department continued to make a significant contribution to the Bank's financial stability, prudent risk management, capital market development and the sustainable economic development of Bosnia and Herzegovina.

Corporate Governance

In accordance with the Banking Law and the Bank's Articles of Association, the bodies of the Bank are the General Shareholders Meeting, the Supervisory Board, and the Management Board. The mentioned acts regulate also their duties and responsibilities.

Supervisory Board

During 2025 year the Supervisory Board had the following composition: Dario Massimo Grassani chairman, Petar Sopek deputy chairman, Ivana Jović, member, Jadranko Grbelja member, Michela Boiocchi member, Alden Bajgorić independent member, Massimo Malagoli independent member.

Audit Committee

During 2025 year the Audit Committee had the following composition: Tefiku Florian chairman, Ana Jadrešić member, Valentina Nuccio member, Daniele Davini permanently invited person from 11.04.2025, James Vason permanently invited person until 10.04.2025. and Davor Vodanović permanently invited person.

Management Board

The Management Board consists of the president and two members who performed their duties during the year, as follows:

Michele Castoro	President of the Management Board, responsible person for External Communications Department, Chief Governance Officer, Chief Operating & Transformation Officer, Chief Financial Officer, as of November 1st, 2025 President of the Management Board, responsible person for Retail Division, Corporate and SME Division, HR and Organization, PR and Marketing Communication, until October 31st, 2025
Minja Filipović	Deputy President of the Management Board, Chief Business officer, responsible MB member for Business Division, as of November 1st, 2025 Deputy President of the Management Board, responsible MB member for Finance Division and ICT and Operation Division, until October 31st, 2025
Indira Karamustafić	Management Board Member and Chief Risk Officer, responsible Management Board member for Risk Division

Report on Operations as of December 31, 2025
Prepared by CFO Division

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MACROECONOMIC ENVIRONMENT AND BANKING SECTOR

Source: Economic and Banking Outlook; December 2025; Intesa Sanpaolo Research Network

Central Eastern Europe (CEE), South Eastern Europe (SEE) and Eastern Europe (EE)

Macroeconomic scenario

Overview – The global macroeconomic environment is transitioning towards a phase of gradual rebalancing, rather than a marked cyclical slowdown. Economic activity has remained broadly resilient, supported by both domestic demand in major economies and by structural investment trends related to digitalisation, energy transition, and defence spending. At the same time, the international context has become structurally more challenging.

Geopolitical tensions remain elevated, trade relationships are increasingly fragmented, and financial conditions – despite some recent easing – are expected to remain tighter than in the pre-pandemic period. Inflation has moderated across major economies, allowing central banks to largely step back from high restrictive policy stances. However, process of the reduction in inflation rates remains incomplete, and price dynamics continue to be exposed to supply-side risks, fiscal pressures, and commodity price volatility.

As a result, monetary policy globally is shifting towards a more cautious and risk-aware configuration, rather than a rapid return to accommodative settings. In this context, growth prospects and financial conditions are increasingly shaped by domestic fundamentals. This is particularly relevant for CEE, SEE and EE, where structural characteristics, policy credibility and macroeconomic buffers play a key role in determining relative performance and risk perception.

Economic growth – Within this global setting, growth prospects across CEE, SEE, and EE diverge meaningfully. In Central and Eastern Europe, GDP growth is stabilising at around 2.5% over the medium term, with domestic demand acting as the main driver while external demand remains subdued.

South-Eastern Europe is expected to accelerate from weaker levels, with growth moving towards around 3%, supported by consumption and a gradual recovery in investment, albeit constrained by fiscal and external vulnerabilities in several countries. In Eastern Europe, growth remains structurally weaker, hovering close to 1%, reflecting persistent geopolitical uncertainty and subdued investment.

Inflation – Inflationary pressures are easing across all areas, but the pace of convergence towards price stability differs markedly. In CEE, inflation has declined towards around 3%, broadly consistent with central bank targets.

In SEE, CPIs remains higher, close to 4%, reflecting stronger domestic price drivers and administered components. Eastern Europe continue to face more challenging inflation dynamics, with price growth remaining elevated – around 4%.

Monetary policies – Monetary policy across CEE, SEE and EE, is characterised by cautious normalisation. In CEE, policy rates are on a gradual downward path, converging toward the 3–4% range.

In SEE, easing is proceeding more slowly, with policy rates remaining above 4% in most countries. In Eastern Europe, monetary policy remains restrictive, with policy rates still in high single-digit territory, reflecting elevated inflation risks.

MACROECONOMIC ENVIRONMENT AND BANKING SECTOR (CONTINUED)

Macroeconomic forecasts												
	GDP (yoy % chg)				CPI (avg, yoy % chg)				Policy rates (avg, %)			
	2024	2025F	2026F	2027F	2024	2025F	2026F	2027F	2024	2025F	2026F	2027F
CEE	2,2	2,4	2,4	2,6	3,4	3,4	2,8	2,6	5,6	4,7	3,8	3,5
SEE	1,9	1,4	2,3	3,1	5,1	5,6	4,6	3,0	5,7	5,3	5,0	4,3
EE	4,2	0,9	1,0	1,4	8,2	9,3	5,4	4,2	17,4	18,6	14,3	8,0
CEE SEE EE	3,4	1,4	1,5	2,0	6,5	7,2	4,6	3,6	12,8	13,2	10,3	6,3

Source: Intesa Sanpaolo Research Department F=forecasts

Banking aggregates

Loans – Credit dynamics across CEE, SEE and EE remain overall supportive, though increasingly differentiated. In CEE, loan growth has stabilised at mid-single-digit rates (around 5%), reflecting resilient household demand and a gradual recovery in corporate lending, despite still-selective investment activity.

SEE continues to record comparatively stronger credit expansion, close to 6%, supported largely by household lending and improving confidence, although momentum is expected to moderate over time. In Eastern Europe, loan growth has slowed markedly, remaining at around 5% after a sharp deceleration, as tighter financial conditions and uncertainty weigh on credit demand.

Deposits – Deposit growth remains solid across all regions, albeit normalising after exceptionally strong performances in recent years. In CEE, deposits continue to expand at around 5%, supported by household savings and stable labour markets, although growth has slowed as real incomes recover and consumption resumes. SEE shows a similar profile, with deposit growth slightly above 5%, reflecting still-high precautionary savings. In Eastern Europe, deposit growth has stabilised at around 5%, following a sharp slowdown from earlier peaks.

Rates (Loans and Deposits) – Interest rate dynamics reflect the broader process of cautious monetary normalisation. In CEE, average lending rates are gradually declining towards around 4%, while deposit rates are converging towards below 2%, supporting a gradual recovery in credit demand while compressing deposit remuneration.

In SEE, lending rates remain higher, at around 6–7%, and deposit rates above 2–3%, reflecting both slower easing cycles and higher inflation persistence. In Eastern Europe, both lending and deposit rates remain elevated, with lending rates still in double-digit territory, consistent with restrictive monetary conditions.

NPLs – Asset quality across the region remains broadly sound. In CEE and SEE, non-performing loan ratios remain low and manageable, supported by resilient labour markets, prudent underwriting standards, and still-supportive nominal growth.

In Eastern Europe, asset quality warrants closer monitoring, but remains contained so far despite the challenging macroeconomic backdrop.

MACROECONOMIC ENVIRONMENT AND BANKING SECTOR (CONTINUED)

Banking forecasts

	Loans (yoy % chg, avg)			Deposits (yoy % chg, avg)			Lending interest rates (avg, %)			Deposits interest rates (avg %)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
CEE	5,8	4,9	4,5	6,1	4,8	4,7	6,8	5,2	3,9	3,3	2,6	1,8
SEE	8,5	6,1	5,6	4,6	5,3	5,1	7,0	7,1	6,6	4,4	4,2	2,6
EE	2,6	5,2	5,1	3,4	5,3	5,3	20,6	15,8	10,3	17,1	11,9	6,5
CEE SEE EE	4,1	5,2	4,9	4,3	5,1	5,1	15,2	11,8	8,0	11,8	8,4	4,7

Source: Intesa Sanpaolo Research Department F=forecasts

Bosnia and Herzegovina

Real Economy

While awaiting the combined end-of-year release of second and third quarter GDP figures via the expenditure method, existing high-frequency data offer mixed signals. Retail trade volumes showed growth in the second (1.4% year-on-year) and third (2.3% yoy) quarters, suggesting a recovery in consumption after the -2.9% drop earlier in the year.

October data indicated an even stronger rebound, with retail volumes surging 9.0% yoy – the highest since mid-2024 – driven by an 8.3% increase in food sales, a 12.7% rise in non-food sales, and a 12.6% uptick in fuel consumption.

Industrial production also saw some relief: after a -3.7% drop in the third quarter, activity decreased by only -0.7% yoy, supported by significant gains in electricity production (14.4%) and mining/quarrying (3.5%). However, manufacturing continued its slump, posting an almost identical -4% decline for the second consecutive month, reinforcing a sluggish year for the sector.

Exports maintained relatively solid nominal growth at 4.5% in the second quarter and 6.3% in the third quarter, though October's data revealed a slowdown to 3.5% yoy growth. Meanwhile, softer growth in goods imports implied a reduced trade deficit in the third quarter; however, monthly data shows that imports gained pace again in October, increasing by 6.5% yoy.

Overall, a weak performance in the first half of 2025 (1.7% yoy according to the production method) suggests that even with improved results later in the year, GDP growth is unlikely to exceed 2.0%, aligning with our forecasts.

Looking ahead, growth is expected to accelerate to about 2.5% next year, spurred by robust private consumption driven by wage growth and investment supported by the unlocking of the European Commission's Western Balkans reform and growth facility as well as reduced political tensions. Conversely, foreign demand will likely remain weak due to slow recovery in major trading partners and declining price competitiveness.

Furthermore, the implementation of the Carbon Border Adjustment Mechanism (CBAM) in January 2026 will raise the cost of carbon-intensive exports – such as electricity, aluminium, iron, and steel – which form a significant part of the country's export profile.

MACROECONOMIC ENVIRONMENT AND BANKING SECTOR (CONTINUED)

In 2027 GDP is expected to faster to 2.8% and to 3% in 2028-2029.

Throughout 2025, inflationary pressures intensified, with average inflation over the first 10 months rising to 3.9%, mainly due to higher prices for food, services, and electricity. As a result, after an estimated 4.0% inflation in 2025, **inflation is projected to decrease to around 3.3% next year**, mainly owing to lower import prices, although domestic inflation drivers are expected to persist.

Inflation (average) is forecasted at 3% in 2027-2029.

Banking Sector

Loan growth reached 10.3% yoy in October, whereas deposits at the same time expanded by an equally sharp 10.1% yoy. **In 2026, the increase in loans is seen softening to 6.8% yoy, while deposit growth is projected to ease to 7.5% yoy**.

For following years 2027-2029 loans to private sectors are projected to grow on average by 4.3%.

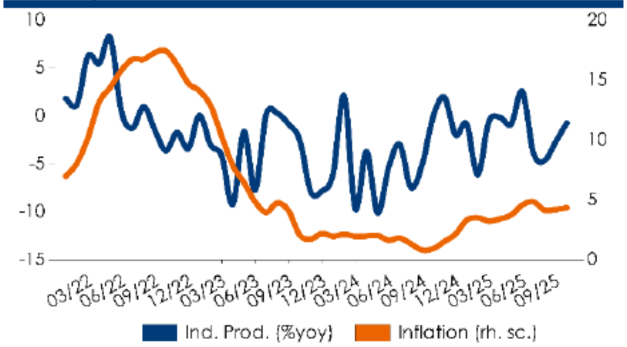
The scenario for **Deposits** envisages growth of 4.9% per year in period 2027-2029.

Forecasts

	2024	2025F	2026F	2027F
Real GDP yoy	2.5	2.0	2.5	2.8
CPI (eop)	2.2	4.1	3.3	3.0
Euro exch. rate (value, eop)	2.0	2.0	2.0	2.0
Short-term rate (eop)	n.a.	n.a.	n.a.	n.a.
L/T bond yields (eop)	n.a.	n.a.	n.a.	n.a.
Bank loans (pr. sector, yoy)	9.3	10.4	6.8	5.6
Bank deposits (pr. sector, yoy)	10.8	9.0	7.5	5.9
Lending int. rate (corp., eop)	n.a.	n.a.	n.a.	n.a.
Deposit int. rate (hh, eop)	n.a.	n.a.	n.a.	n.a.

Note: Average values are available in the Country Outlook Table
Source: Intesa Sanpaolo Research Department forecasts

Industrial production and inflation



Source: Agency for statistics of Bosnia and Herzegovina

The banking system of Bosnia and Herzegovina is composed by 21 commercial banks, very close to regional average of SEE markets, out of which 13 operate in Federation of Bosnia and Herzegovina (F BiH) and 8 in Republika Srpska (RS).

Last published data for September 2025 (country level) shows solid growth of volumes in banking sector.

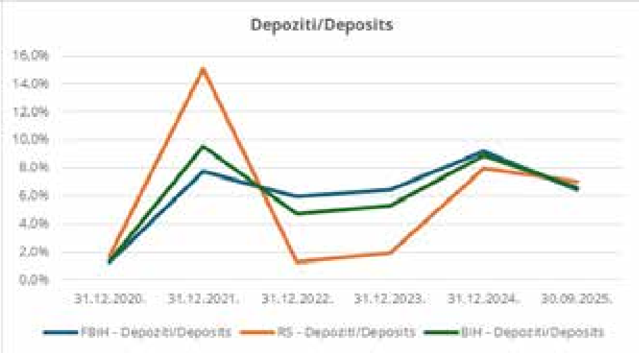
Based on data published by Federal Banking Agency and Agency for Banking of RS, the total assets of the Banking Sector increased by +6.9% compared to the end of 2024. In the same period total loans on Bosnia and Herzegovina market increased by +7.7% (FBIH: +8.2%; RS: +6.3%), while deposits recorded +6.6% growth (FBIH: +6.5%; RS: +7.0%).

Loan growth was higher in Retail sector (+9.4%) than corporate sector which grew by +6.1%.

On the deposit side, total deposits grew by +6.6% since BoY with equal contribution of Retail and Corporate.

Long term trend of loans and deposits development is shown in the below charts (source: Quarterly Reports of Banking Agencies of FBA and RS).

MACROECONOMIC ENVIRONMENT AND BANKING SECTOR (CONTINUED)



The level of NPL is at 2.7% and improved from December 2024 by -43bps.

The banking sector is well capitalized, with a total capital ratio of 19.9% in September 2025 (19.8% in 2024).

In 2025, the CBBH kept the same amount of fees on the required reserve that it pays to commercial banks. Consequently, CBBH pays a fee of 50 basis points (0.50%) to commercial banks on required reserve funds based on the basis in the domestic currency BAM, and on required reserve funds based on the basis in foreign currencies and in the domestic currency with a currency clause at a rate of 30 basis points (0.30%).

On the other hand, CBBH continued the process of implementing the new mandatory reserve framework defined by the Decision on Amendments to the Decision on Establishing and Maintaining Mandatory Reserves and Determining Compensation for the Amount of Reserves. The application of the new mandatory reserve framework was initially planned for October 1, 2023, after several postponements, the expected start is December 31, 2026. The key changes relate to the change in the currency structure of required reserve assets held by banks with the CBBH, meaning that banks will have to hold a portion of required reserves in EUR instead of the previous entire amount in BAM.

International rating agency S&P Global Ratings has affirmed Bosnia and Herzegovina's credit rating at "B+" with a stable outlook.

In its report on Bosnia and Herzegovina, S&P analysts state that the consolidated fiscal position of the general government in BiH continues to be a strength of the rating. Budget deficits are projected to average below 1% of GDP annually over the 2025-2028 period, which will result in the stabilization of net general government debt at 21% of GDP by 2028. Slightly less than 60% of consolidated gross general government debt is owed to official bilateral and multilateral creditors with long maturities and favorable interest rates. Accordingly, analysts expect debt servicing costs in BiH to remain contained through 2028, averaging 2.6% of government revenues, which is low by global comparison.

Analysts further note that economic growth has slowed due to weak demand from Bosnia and Herzegovina's main trading partners in the EU, and modest real growth of 2.5% is expected this year, followed by a mild recovery starting next year.

Current account deficits are expected to remain low over the next four years, averaging slightly above 3% of GDP. According to analysts, Bosnia and Herzegovina will maintain its currency board arrangement, which also represents an important political anchor for the local economy.

MACROECONOMIC ENVIRONMENT AND BANKING SECTOR (CONTINUED)

According to the analysts, S&P could downgrade the credit rating if there is an escalation of political and institutional risks that could undermine the basic functioning of the state or weaken the government's ability to service its debt. Conversely, an upgrade could occur if consensus-based policymaking accelerates structural reforms, including those related to the country's accession to the European Union.

During 2022-2023, the European Central Bank pursued a strongly restrictive monetary policy in response to elevated inflationary pressures, resulting in the fastest interest rate hiking cycle in the history of the euro area. Policy rates peaked in mid-2024, after which inflation began to show clear signs of moderation.

In 2025, monetary policy has entered a phase of gradual normalization. The ECB has initiated cautious interest rate cuts, following a data-dependent approach while balancing the need to support economic growth with maintaining credibility in achieving price stability. Market expectations suggest that further rate reductions will be gradual, with no return to the ultra-low interest rate environment that prevailed in the previous decade.

Money market rates (EURIBOR) and yields on EU government bonds have followed this trend, showing a mild downward trajectory, although volatility remains elevated due to geopolitical risks, fiscal challenges in certain member states, and uncertainty regarding the EU's long-term growth potential. Over the medium term, interest rates in the EU are expected to remain structurally higher than in the pre-pandemic period, with important implications for credit growth, asset valuations, sovereign and corporate funding costs, and interest rate risk management within the banking sector.

The weighted average nominal interest rate on short-term loans increased by 5 basis points, with the largest impact being the increase in the rate for households. On the other hand, the weighted average interest rate on long-term loans decreased by 82 basis points, with the largest decrease recorded for households. Looking at total loans, the weighted average interest rate remained unchanged.

Expectations for 2026

The projected growth rate of real GDP for 2026. is low at +2.5%. Private consumption driven by strong wage growth, decelerating inflation and supportive labour market will be the key growth driver, while, in turn, investments will remain subdued, reflecting an unfavourable business environment marked by political tensions and a track record of slow structural reforms. Inflation (average) is forecasted at 3.3% in 2026.

MACROECONOMIC ENVIRONMENT AND BANKING SECTOR (CONTINUED)

	Unit	2025 Forecasts	2026 Forecasts
Real GDP y/y	%	2.0	2.5
Nominal GDP	loc curr bn	57,0	60,4
Nominal GDP	Euro, bn	29,1	30,9
GDP per head	Euro	8,526	9,010
Unemployment rate (avg)	%	27,0	26,5
Wages y/y (avg)	%	13,8	8,0
CPI y/y (avg)	%	4,0	3,3
CPI y/y (eop)	%	4,1	3,3
Source: Intesa Sanpaolo International Research Network (December 2025)			

BANK`S STRATEGY AND PLANNED DEVELOPMENT

In line with its strategic orientation, Intesa Sanpaolo Banka d.d. Bosnia and Herzegovina continues to strenghten its position in the Bosnian banking sector, relying on stable growth and sustainable value creation, and actively contributes to the economic development of the country.

Strategic objectives for 2026.-2029. are directed towards improving market position, and revenues growth capturing new business opportunities, while maintaining credit portfolio quality and cost discipline by simpifying business process and increasing efficiency. The bank affirms its ESG commitment with strong focus on social impact and climate and environmental initiatives, supporting the clients through the digital and climate transition.
The main strategic initiatives are presented hereinafter:

Growth of lending business

The retail will focus on housing loans and general purpose loans as primary products in the local market. The growth plan will also be accompanied by improvement of the existing and the launch of new products (including new ESG products) with distinctive futures and the extensive use of CRM to support promotional campaigns on target client's segments.Small Business (SB) plans to increase loan portfolio by targeted selling campaigns, pre-approved loans for new and existing clients, use of favourable credit lines and onboarding loan program for new clients.

Corporate and SME will focus on MID and Large Corporate clients and bigger tickets. For SME segment target is to acquire new clients and continue the trend of growth, quantitative and qualitative growth on Multinational clients by improving synergies with the Intesa Sanpaolo Group Banks and promoting joint initiatives and common business development. Loan volumes growth will be supported by utilization of Supranational Institutions credit lines, such as EIB credit facilities for socially responsible projects and development of ESG products, EBRD credit lines for Women in Business Youth in Business and Green Economy Financing Facility. New KfW Low Carbon Facility credit line will additionally support boost of business in coming period and EBRD credit facilities targeting green component of In addition to above, the Bank will continue to exploit a HUB synergic approach to project finance, especially in renewable energy projects, where the Banks' front-end and sales skills would be coupled with business and underwriting specific expertise of the Parent company.
In order to expand its services, and taking into account the inability to use domestic factoring operations to their full potential, the bank plans to offer cross-border factoring services without recourse to legal entities through Confirming, with full cooperation from banks within the Intesa Sanpaolo group.

Development of fee-based business

Retail strategy will be focus on following drivers:

- Bancassurance, with introduction of new products for Individuals in partnership with primary insurance companies active on the domestic market, such as new product for pension insurance
- Enlargement of product catalogue with new products and services such as Apple Pay and continuous implementation of new features for mobile banking;
- Implementation of debit card and kids wallet for children's accounts;
- Focusing on new niche of clients, young people and students with a new package of services
- Focus on customer growth with several initiatives: by strengthening cross sales between Retail and Corporate clients, MGM campaignes and reactivation of inactive customers.

BANK`S STRATEGY AND PLANNED DEVELOPMENT (CONTINUED)

In Corporate and SME, key drivers for organisational and market growth are defined as: Strengthening the CRM and Network support Department which expect to bring efficiency through two streams:

- Strong CRM function in order to provide clear deep dive analysis and potential paths in cross selling activities, covering all existing clients and prospects;

- Further Strengthening Network support section, in order to create new processes and release sales managers from operative task as much as it is possible.

So, in both segments (CORP and SME), income from interest and commission growth will be supported by CRM more extensive use to increase cross-selling and for uncovered market niches and sub-segments or previously neglected client groups. Global Transaction Banking will be the key pillar for boosting fee-based business, focusing on trade finance, international payments and international cross-border factoring with focus on Balkans, strengthening collaboration with Intesa Sanpaolo Group.

In addition to utilizing the full potential of CRM through specialized campaigns, additional focus is placed on the following products as key pillars for generating fees:

- Trade Finance business with the aim of centralizing and reducing the burden on the sales network;
- Improving the international payment process;
- More adequate cash management with a direct impact on domestic and international payment transactions;
- Optimizing card acceptance operations at POS terminals and e-commerce points of sale through constant monitoring of merchants as well as through expanding the network of terminals of both the bank and the Single POS terminals of contractual partners.

Improvement of distribution strategy

The adoption of new distribution model is aimed at increasing commercial salesforce through introduction of new roles in the network and maximize efficiency and lower cost-to-serve, mainly for low-value clients.

The new distribution will encompass relevant turnaround for implementation:

- Process simplification
- Salesforce efficiency and productivity enhancement;
- HR enablement;
- Physical network review aimed at reallocation, better positioning and opening of new branches where the greatest potential exists;

Modernization and Innovation

The Bank will continue its multi-years plan of modernization and digitalization focusing on three main areas:

1. Developing systems and operational solutions that improve the commercial offer of products and services, while increasing the efficiency of processes already in place:

- Implementation of digital signature;
- Open banking (like PSD2);

BANK`S STRATEGY AND PLANNED DEVELOPMENT (CONTINUED)

- Payment system integration (Apple pay and similar);
- MS cloud solution.

2. Optimizing back-office and administration processes aimed at improving the effectiveness of customers services and the efficiency of decision-making processes that require timely information and data for faster response to market changes:

- further automation and centralisation of back-office processes;
- implementation of Document Management and Digital Archive System;
- implementation of SW robotics capable to learn manual data and documents processing and replace people in process (bookings and execution of invoice payments, creating semi-manual reports etc.);
- enhance Management Information System (MIS) to become a managerial tool for profitability analysis by BUs, Branch, RM, product and client level and advanced reporting functionalities.

3. Digital. Developing additional features in internet / mobile banking applications for boosting penetration for mobile banking waiting implementation of Digical to grow the business and stay competitive.

Strengthen credit machine

Enhance internal process and decision-making autonomies to make credit processes more effective:

- New Loan origination workflow for Retail Individual customers;
- New Internal credit rating workflow for legal entity costumers;
- E-collection enhancements;
- Collateral and covenant management improvement;
- Improvements of the ESG framework within credit process.

ESG

ESG transformation program involving organizational coordination of all ESG-related activities and review of processes/product offerings, in line with recent developments in the ESG field (e.g., strengthening business with an “impact ESG funding” logic), for both Retail and Corporate businesses.

The ESG strategy for 2026.-2029. is focused on a holistic approach towards environmental, social, and governance factors, demonstrating our commitment to sustainability and responsible banking. Key aspects of our strategy include:

- Investing in ESG Culture;
- Continuing Smart Working Practices;
- Rationalizing Office Spaces;
- CO2 footprint calculation;
- Reducing Paper Usage;
- Gender equality;
- Collaboration with credible partners.

The Bank will continue with further improvement of existing and development of new ESG eligible products, exploiting a HUB synergic approach and business expertise of the Intesa Sanpaolo Group Banks members and Parent company (specifically for project financing in renewable energy projects through ESG clearing of specific debtors and financing deals).

BANK`S STRATEGY AND PLANNED DEVELOPMENT (CONTINUED)

Risk Management/Liquidity and Capital

The bank will continue keeping a careful approach in underwriting.

The bank will continue the optimization of balance sheet structure and the improvement of liquidity management / liquidity indicators, through active Asset and Liability Management, in order to ensure maintaining sound liquidity position and optimizing risk/return profile.
Capital management will focus on funding optimization in light of MREL requirement.

BUSINESS DESCRIPTION

Intesa Sanpaolo Banka d.d. Bosnia and Herzegovina was established in Sarajevo in 2000 as UPI bank d.d. Sarajevo. In 2006 the main shareholder became Intesa Sanpaolo Holding S.A Luxembourg, with 94.92 percent of ownership. In July 2007, UPI banka finished the merger process with LT Gospodarska banka d.d. Sarajevo. In 2008 the Bank changed its name to Intesa Sanpaolo Banka d.d. Bosnia and Herzegovina.

Part of Intesa Sanpaolo Group from Italy, the Bank's majority shareholding was purchased in July 2015 by former sister company Privredna Banka Zagreb, within the framework of an equity investments portfolio reorganization undertaken by the parent group, that during 2017 became 99.99 percent owner of the Bank.

The Bank maintains its commercial presence on the territory of Bosnia and Herzegovina through its agencies and ATM network and further strengthens its cooperation with merchants and clients with the expansion of POS network. Intesa Sanpaolo Bank d.d. Bosnia and Herzegovina performs general banking business with Retail and Corporate clients offering all ranges of products and commercial services commonly traded in the industry at Bosnia and Herzegovina level.

As of September 2025, Intesa Sanpaolo Banka d.d. Bosnia and Herzegovina is the 6th bank in Bosnia and Herzegovina by Total Assets, present in the country with 37 agencies in the Federation of Bosnia and Herzegovina, 5 agencies in Republika Srpska and 1 in Brčko District. Its business operations are mainly concentrated in Federation of Bosnia and Herzegovina, where the Bank ranks 4 th in total assets, loans and deposits, with respective market shares of 9.6 percent in Total Assets, 10.1 percent in loans and 9.3 percent in Deposits.

BUSINESS DIVISION

Retail Division mission is to serve Individuals clients and Small Businesses by building, developing and managing sustainable business relations, with the goal of creating lasting values.

Retail Division covers the entire territory of Bosnia and Herzegovina, with a network of 5 regional centers and 43 branches, that represents 5,8% of the total number of branches in Bosnia and Herzegovina banking sector.

Invididividuals are divided in three main segments: Mass, Affluent and Private. Mass segment represents the predominant component of total customer base. Primary channels for Individual and Small Business customers are still branches and ATMs.

Business division relating to retail business is organized in the following organizational units: Network Management Department, Mass clients Department, Affluent and Private clients Department, Small Business clients Department, Multichannel & Digital Marketing Department.

Network Management Department coordinates from commercial point of view Regions and other Network structures and is responsible for achieving the commercial goals of the Network, in cooperation with Segment Departments. Under Network Management Department, Digital Branch manages all the requests of contact by the customers through different channels (calls, emails, mobile apps, social networks, etc.

Mass clients department defines and implement business strategies and policies, products / services and value propositions for the segment.

BUSINESS DESCRIPTION (CONTINUED)

Affluent and Private clients department defines and implements business strategies and policies, products / services and value propositions for the segment. Under this department a dedicate unit Insurance Office manages the development of new products, relations with Insurance companies and monitors sales activities.

Small Business clients Department defines and implements business strategies and policies, products / services and value propositions for the segment. Multichannel & Digital Marketing Department coordinates the activity of Multichannel, CRM & Digital Analytics and Digital Marketing & Experience. They provide analyses and reports concerning market potential, behaviors and needs of specific target clients for business analysis. In Digital Transformation context, develops a multichannel service model and identifies valuable and innovative solutions, for customers and supports the evolution of the mobile offer and of digital payment products and services.

Business in 2025

During 2025, Retail Division mission was to continuously use available resources, through expanding and improving the offer, price and quality of services for clients, while maintaining the highest level of services, in order to improve overall business. In the Individuals segment, loans portfolio started continuous growth by 11% YOY. Portfolio growth was mostly achieved with improvement of existing products, in accordance with the Group's strategy and with continuous implementation of commercial and CRM campaigns.

Deposit portfolio has increased by 11,80% compared to the beginning of the year. Mostly on current accounts and time deposits.

During 2025, the mission of the Business Affairs Sector was to continuously use available resources through the expansion and improvement of the offer, prices and quality of services for clients, while maintaining the highest level of services, all with the aim of improving the overall business.

In the retail segment, the loan portfolio grew continuously with an increase of 11% year-on-year. The portfolio growth was achieved by improving existing products, in line with the Group's strategy and the continuous management of commercial and CRM campaigns.

The deposit portfolio also achieved growth of 11.80% compared to the beginning of the year, with growth in current accounts and long-term deposits.

During 2025, the Bank introduced a new fast money transfer service via the Western Union system to its offer, which further improved the availability and efficiency of payment services for clients.

Activities in the card business segment were focused on optimizing existing processes, improving the user experience and implementing partner campaign activities.

During 2025, the Bank continued to enrich its insurance product portfolio by introducing a new product, Pension Insurance. The new product represents a significant upgrade to the existing product range, as it includes a savings component and, as such, serves as an ideal complement to insurance services alongside the existing products.With the aim of improving service quality for clients as well as optimizing internal processes, the Bank's mobile application was enhanced to enable clients to receive timely notifications about the maturity of the annual Accident Insurance premium, as well as fast and easy payment through the payment functionality.

BUSINESS DESCRIPTION (CONTINUED)

ATM network, as of 31st December 2025, has total of 119 ATMs, out of which number of Cash In/Out ATMs was 30 and total number of Cash Out ATMs was 89. Average age of ATMs is 3 years..Optimization model of ATM network will continue in 2026. with special focus on ATM profitability and introduction of new MTAs, in order to enable the transformation of cash transactions - deposits to alternative channels.

In the Small Business segment, after expected drop of loan portfolio at the beginning of the year, loan portfolio stabilized supported by new acquisitions and sales improvement measures implemented through continuous targeted campaigns, credit portfolio of legal persons belonging to the segment of small legal entities increased by 22,39% compared to 31st December 2024.

In fee-based business, positive results were achieved as result of higher number and volume of transactions in both domestic and foreign payments, further recovering of POS business and targeted campaigns for sale of products and services of the Bank.

BUSNIESS WITH CORPORATE AND SME LEGAL ENTITIES

The Corporate and SME Division offers a wide range of products and services to businesses in the domestic and international markets, by its well-organized network and powered electronic channels, which makes the Bank an attractive partner to corporate clients.

Product offer encompasses deposits and different forms of short/long-term financing, payment services in the country and abroad, Global Transaction Banking products, trade finance services (issuance of LGs in the country/abroad, issuance of LCs, confirmation of guarantees and letters of credit etc.), factoring with and without recourse, Confirming and POS acquiring and e-commerce. Thanks to the full range of services it offers to legal entities and its presence in both entities and the Brčko District, Intesa Sanpaolo Banka BiH is one of the leading banks on the BiH market and is known for its ability to provide integrated financial solutions, designed to meet the individual requirements of our clients.

The Business division related to the activities with Corporate & SME Legal entities is organized in the following organizational units: Multinational, Domestic Corporate & Inst. Client Department, SME department, Corporate Banking products department and CRM as support to the business network.

Multinational, Domestic Corporate & Inst. Client Department Large corporate department is in charge of managing banking operations with large corporate clients, multinational companies, public institutions and companies, as well as non-banking financial institutions. The main business activities include the sale of the Bank's products and services to existing, as well as potential clients and structuring transactions to obtain an optimal financing model for individual clients.

Within the Large corporate department a Desk for Multinational Clients is established, which manages business relations with foreign-owned companies, as well as Desk for Institutional Clients, which is in charge of managing business with public companies owned by the central government and non-banking financial institutions. SME department manages the business with SME clients and local government units. SME department is organized through 5 Regions and has good geographical coverage of the whole country.

Given the structure of the economy in BiH, a special focus was on strengthening this organizational unit to increase market share. Corporate Banking Products Department works to enable large and medium-size companies to be offered products and services from a central spot, considering customers` business operation and needs, and to improve the offer. The department is organized in several special units covering all products and services: transaction banking, credits, POS acquiring, factoring, documentary business.

BUSINESS DESCRIPTION (CONTINUED)

Sales campaigns are managed by using CRM tools through the Bank's available communication channels. CRM enables the Bank to view the clients' opinions on certain products of the Bank and to work intensively on their improvement.

Business in 2025

Loan portfolio at the end of 2025. increased by 12.22% compared to the end of 2024.

In the credit area, during 2025, the Bank conducted following activities:

- Regular renewals and new placements for clients with an acceptable level of risk with focus to public sector;
- Regular financing through a credit development program with a state guarantee in the amount of 50% of placements;
- Accelerated credit process for placements up to 500,000.00 BAM for clients with acceptable ratings and financial indicators;
- Development of ESG products as part of the implementation of the Group's strategy (ESG - Sustainable Financing);
- Placement of loans from credit lines with supranational institutions.

For the year 2026. the Bank expects further development in ESG products and utilization of EBRD (Go-Digital. Go Green. Youth in Business and Women in Business), EIB Social Impact credit lines and KfW Low Carbon Facility Credit line.

The bank recorded a significant growth in deposit operations with a deposit growth of 14.34% compared to 2024. During 2026. the Bank will intensively work on expanding the range of deposit products in order to adequately meet the demands of clients and increase its competitiveness on the market.

Regarding neutral business, the Bank recorded a significant growth in gross fees generated from Global Transaction Banking products. Gross fees from international payment transactions grew by 12% compared to 2024, 3% on Trade Finance and 14% on POS Acquiring. During 2025, the Central Bank of Bosnia and Herzegovina changed the fees applied in domestic payment transactions.

Also, the costs of card schemes recorded a significant growth in 2025 (approx. 20%), affecting the bank's net income. Also, the Central Bank of Bosnia and Herzegovina has changed the fees applied in domestic payment transactions.

In order to improve fees income, the Bank will take over following activities during the next year:

- Focus on international payments and confirming (international factoring);
- FCI membership;
- Improvement of Trade Finance processes;
- Active sales campaigns through CRM tools;
- Process optimization and improvement of cash deposit services with the aim of increasing the number of transactions in domestic and international payment transactions;
- Further growth of card acceptance revenues through the penetration of the use of e-commerce services due to market trends.

BUSINESS DESCRIPTION (CONTINUED)

ALM & TREASURY DEPARTMENT

Treasury and ALM Department is responsible for managing the liquidity of the bank, the interest rate risk and the FX risks and the Bank`s securities portfolio. Department executes transactions on the money, foreign exchange and capital markets. Through its products, it provides foreign exchange market access services to the Bank's clients.

Treasury and ALM Department is organized in the following organizational units: ALM Office and Treasury and Customer Execution Office. ALM office is responsible for optimizing the structure and management of the Bank's balance sheet in terms of liquidity, interest rate risk and foreign exchange risk, as well as the capital structure, so that the Bank achieves maximum income within acceptable risk. As the business segments make the main contribution to the added economic value in the Bank, ALM management process serves to achieve the optimal structure of the Bank's business activities with the aim of achieving the maximum added economic value through the correct and objective determination of internal prices (FTP) and through the management of the structure of the Bank's financing sources.

Treasury and Customer Execution Office is responsible for interbank foreign exchange trading and deposits, investing in securities, cash trading, as well as foreign exchange trading with the Bank's clients, through a wide range of products.

Business in 2025

Despite a challenging operating environment in 2025, characterized by elevated market volatility, restrictive funding conditions, and increased interest rate uncertainty, the Treasury and ALM Department delivered solid and resilient results. Effective balance sheet management, prudent liquidity positioning, and proactive interest rate risk management enabled the Bank to preserve stability, support business activities, and remain fully compliant with internal limits and regulatory requirements throughout the year.

In 2025, the Treasury and ALM Department successfully executed the first-ever reverse repo transaction as a dedicated measure for managing interest rate risk in the banking book (IRRBB). This transaction represented an important milestone in the further development of the Bank's ALM toolkit, enhancing balance sheet flexibility and improving the effectiveness of interest rate risk management. The execution demonstrated the Department's capability to implement more advanced market instruments in a controlled manner, while remaining fully aligned with the Bank's risk appetite, internal governance framework, and regulatory requirements.

Throughout 2025, the Treasury and ALM Department continued to invest prudently in EU sovereign and supranational securities, maintaining a high-quality and liquid securities portfolio aligned with the Bank's liquidity, capital, and risk management objectives. These investments supported balance sheet resilience, regulatory liquidity buffers, and conservative risk positioning.

In parallel, the Department participated in the first-ever issuance of euro-denominated bonds by the Federation of Bosnia and Herzegovina, representing a strategically important step in the development of the capital market. The investment broadened portfolio diversification, supported the establishment of an international benchmark for the Federation, and was executed in line with the Bank's investment strategy, risk appetite framework, and internal governance standards.

BUSINESS DESCRIPTION (CONTINUED)

During 2025, the Bank signed five new credit lines with international financial institutions, aimed at supporting sustainable growth, social inclusion, and targeted entrepreneurship in Bosnia and Herzegovina:

1. **KfW Low Carbon Energy Facility** (EUR 20 million), provided by KfW, is intended to support micro, small, and medium-sized enterprises as well as municipalities in improving energy efficiency, including investments in small renewable-energy projects. The facility contributes to reduced resource consumption and lower pollutant emissions, thereby supporting climate protection and the decarbonisation of Bosnia and Herzegovina.
2. **EIB Social Impact Incentive Line** (EUR 20 million), agreed with the European Investment Bank, is designed to facilitate access to finance for small and medium-sized enterprises and Mid-Caps. The credit line includes a dedicated social-impact component that encourages inclusive employment practices and improved workforce diversity.
3. **EBRD Green Economy Financing Facility** (GEFF) (EUR 2 million), signed with the European Bank for Reconstruction and Development, is targeted at the housing sector and supports households' access to financing for energy-efficiency investments, contributing to reduced energy consumption and lower utility costs.
4. **EBRD Youth in Business** (EUR 1 million) is intended for lending to qualified micro, small, and medium-sized enterprises owned or managed by young entrepreneurs. The objective of the facility is to promote youth entrepreneurship and enhance financial inclusion of young people.
5. **EBRD Women in Business** (EUR 1 million) is aimed at eligible MSMEs run or owned by women. The facility seeks to promote women's entrepreneurship and broader participation in economic activity by improving access to financing and business-development knowledge for women-led enterprises.

RESEARCH AND DEVELOPMENT ACTIVITIES

During 2025, the Bank˙s development activities in the Retail Division were directed to expand the offer and improve customer satisfaction for Individuals and Small Business segments, with the aim of better positioning of the Bank in the market, through the introduction of new products for sustainable financing and insuranceand new services in payments area.

In detail, the most important research and development activities for Individual clients were the following:

- Improvement of existing products in line with market needs;
- Continuous focus on insurance products, in cooperation with leading insurance companies on B&H market;
- New services in the field of transaction banking
- Implementation of new features in mobile banking application;
- Increase in usage of direct distribution channels.

For Small Business clients, the research and development activities were directed to the following:

- Usage of favorable credit lines in ESG Framework;
- Pre-approved loans for new clients;
- Onboarding program for new clients with strong focus on core clients.

During 2025, the Bank's development activities in corporate and SME business were focused on expanding transaction banking services, improving ESG products, developing new services in payment transactions and factoring, and acquisitions.

Commercial activities that started in 2025:

- Focus on multinational companies and companies operating within HUB PBZ, with the support of the Group;
- Further improvements of ESG credit products in accordance with Group's strategy:
- Further penetration of e-commerce following market trends;
- Optimization of Acquiring operations through the creation of reports that enable monitoring of merchant operations in the card acceptance segment;
- New MasterCard charge business card is implemented;
- Optimizing deposits through the introduction of the new Flexi deposit product;
- Optimization of Trade Finance business;
- Activities have been initiated to implement Smart Safe, the production of which is expected in 2026.

FINANCIAL OVERVIEW AND BUSINESS PERFORMANCE

In 2025 the Bank recorded Net Profit of 29.6mln BAM and is higher by +2.9 mln BAM or +10.7% compared to previous year. Strong growth of Net commissions by +10.6% and Other income (+1.4mln BAM) coupled with sustainable total costs growth of +2.1%, despite differences in the cost structure (lower personal expenses, higher depreciation costs), more than offset slightly decreased Net interest income and led to overall increase of profitability in 2025.

Net interest income ended at 65.6 mln BAM and decreased by -0.6mln BAM (-0.9%) versus PY as a result of higher interest income by +7.1mln BAM which partly offset growing interest expenses by +7.7mln BAM. Growth of interest expenses by +41.4% was mainly driven by higher interest expenses on customer deposits (+5.5 mln BAM) due to strong growth of term deposits and higher interest expenses on MREL eligible funds (higher expenses by +2.1mln BAM).

Within revenues (+7.1mln BAM yoy) the Bank recorded strong growth of interest from loans (+7.3mln BAM) and securities (+2.25mln BAM) while interest income from placement to banks decreased (-2.9mln BAM).

Net Commission amounted to 34.2mln BAM and recorded +3.3 mln BAM growth or +10.6% compared to 2024. The contribution of Net Commission on Total Operating Income improved to level of 31% (2024: 30%). Increase of Net Commissions was achieved mainly through higher net income from Card business by +0.9 mln BAM), Payments by +0.2mln BAM (increase of volumes), Current accounts and Loans (drag in effect of repricing from previous year).

Net income from Trading (exchange rate differences) slightly decreased compared to the previous year despite overall positive trend and effects from growing tourism and growth of transactions in Retail.

Operating costs reached 71.1mln BAM and +1.4mln BAM or +2.1% higher YoY. Personnel costs decreased by -1.2mln BAM (-3.8%) as a result of lower fixed salaries (lower contributions due to law change since 01.07.2025) and lower variable costs (higher provisions forseverance).

Other administrative costs increased by +1.4mln BAM (+4%) which is mainly driven by drag in effect from strong inflation pressure from previous year and the increase of the minimum wage in FBiH at the beginning of 2025, which led to an increase in the prices of certain services. Among the cost types, highest increase was recorded for Premium on deposits (+0.6mln BAM), Taxes (+0.3mln BAM related to IFRS 16), FBA supervision fee (+0.24mln BAM) and Legal fees (+0.2mln BAM).
Higher depreciation costs were recorded in 2025 by +1.4mln BAM and is mainly driven by relocation of the Bank to the new Head Office premises on new location (lease contract by IFRS 16).

Total Impairments and provisions amounted to 4.7 mln BAM and are slightly below level of previous year (-0.7%). Continuous and effective NPL management led to decrease of NPL volumes (-10.8mln BAM) and ratios in total loans of 2025 from 2.5% to 1.7%, which enabled stable level of total impairments and provisions despite strong growth of volumes in loans and securities.

The Bank`s assets increased by 11.1%, compared to the end of 2024 reaching the level of 3.280 mln BAM, mainly due to increase of loans to customers (gross loans grew by +267.3mln BAM) and as result of continued inflows of deposits from Corporate and Retail customers (Customers deposits increased by +283.9mln BAM).

Loans to customers (net) amounted to 2,122mln BAM and increased versus previous year by +271.5mln BAM (+14.7%) as a result of growing in both Corporate and Retail. At the same time, the level of non-performing loans reduced by -10.8mln BAM or -22.8% which led to continuation of improving NPL ratio to 1.7%.

FINANCIAL OVERVIEW AND BUSINESS PERFORMANCE (CONTINUED)

Certain economic parameters have adversely affected business activity with legal entities, including a decline in investments (exceeding 10% annually in recent years), a lack of capital investment projects, and heightened global uncertainty. Under these conditions, competition in the local market remains strong, with clients increasingly approaching leading banking institutions for financing and refinancing, resulting in downward pressure on interest rates. Despite these challenges, the Bank has succeeded in achieving growth within the Corporate (+139.2mln BAM; +12.7%); however, it should be noted that SME growth is more readily attainable in the area of short-term lending. Organic growth was recorded in loans to Individuals which grew by +10.8% (+78.7mln BAM), backed by strong growth of housing (+17.6%).

For the purpose of adequate interest rate risk management and in alignment with the regulations of the Banking Agency of the Federation of Bosnia and Herzegovina, which entered into force on 30 June 2025, the Bank concluded a Reverse Repo transaction at the end of June in the amount of EUR 25 million (BAM 48.9 million).

Bonds portfolio ended at 272.8mln BAM and has increased significantly compared to the previous year (+117.2mln BAM or 75.7%). Beside active role in the foreign market, the Bank also participated in local market auctions in 2025 and significantly increased the share of domestic securities in the total portfolio. Customers deposits increased by +283.9mln BAM or +13.1% YOY and amounted to 2.458mln BAM as a result of similar growth in Corporate and Retail deposits. The Bank significantly improved its maturity structure by growing in term deposits in Corporate and Retail.

Corporate deposits increased strongly by +14.1% (+171.2mln BAM) mainly due to higher volume in current accounts but also with performance in term deposits (+75mln BAM).

Deposits of Individuals increased by +112.8mln BAM YOY (+11.7%), out of which by ca +57mln BAM in term deposits.

Deposit from Banks and FI increased by +16.9mln BAM mainly due to growth of deposits from Financial institutions.

Borrowings increased by 15.7mln BAM mainly due to using MREL eligible funds (113.2mln BAM as of 31.12.2025.) for meeting MREL requirements in 2025 (increased +53.3mln BAM vs 2024). On the other side credit lines from supranational institutions decreased due to regular repayment plan (-37.6mln BAM).

The Bank`s liquidity position remained solid and stable, with all liquidity indicators far above prescribed regulatory limits.

The Bank’s capital (excluding net profit of the current year) amounts to 359.2 mln BAM, increased by +13.4 mln BAM compared to previous year due to retention of 50% of realised net profit from 2024 (26.7 mln BAM). Capital adequacy according to local methodology is at 17.9%, far above total minimum requirements of 15.5%.

PURCHASE OF OWN SHARES, SHARES AND CHANGES IN EQUITY

In the period 2025, the Bank did not repurchase its own shares or stakes. Shares with voting rights as of January 31, 2025 are owned by Privredna Banka Zagreb d.d. with a percentage of 99.99% (2024. 99.99%).

SEGMENT ANALYSIS

As part of its regular activity, the Bank's Management Board analyzes the results of operations and contribution of core segments. Business with Individuals, Legal entities and Financial Institutions are business lines that are identified as important business segments.

The Bank considered the share of segments in total assets and total revenues, and identified 3 core business lines: Retail Banking, Corporate Banking and Treasury Banking.

Core business line	Assets (mln BAM)	% of total assets	Revenues (mln BAM)	% of total revenues
Corporate	1,206.1	36,80%	45.2	30,70%
Retail	922.0	28,10%	82.4	56,10%
Treasury	1,100.7	33,60%	19.3	13,20%

Retail contributes with 28% in total Banks assets and 56% in total revenues, while Corporate is at 37% in total assets and 31% in total banks revenues. Treasury contributes with 34% in assets and 13% in total revenues.

In order to present each business line contribution in total consolidated data of the Bank for 2025, main items of balance sheet and income statement of 3 core business lines are shown in next tables.

Key performance and profitability indicators by segments:

in mln BAM	2025		
Balance sheet	Retail	Corporate	Treasury
Cash and funds held at banks	48.2	0.0	758.6
Bonds and T-Bills	0.0	0.0	202.8
Loans to customers (net)	868.4	1,204.3	49.3
Placement to Banks	0.0	0.0	19.7
Deposits from customers	1,076.0	1,382.00	0.0
Deposits from Banks and other FI	0.0	117.4	21.6
Liab. For loans and borrowings	0.0	0.0	235.6

SEGMENT ANALYSIS (CONTINUED)

in mln BAM		**2024**	
Balance sheet	Retail	Corporate	Treasury
Cash and funds held at banks	50.1	0.0	837.8
Bonds and T-Bills	0.0	0.0	154.8
Loans to customers (net)	783.8	1,066.8	0.0
Placement to Banks	0.0	0.0	0.0
Deposits from customers	963.3	1,210.8	0.0
Deposits from Banks and other FI	0.0	104.4	17.7
Liab. For loans and borrowings	0.0	0.0	219.9

Corporate segment contributes with 57% in total loans (-89bps yoy) and 56% in customer deposits (+53bps yoy), while Retail contributes by 41% in loans and by 44% in deposits. Share of Treasury in net loans is 2% and is related to repo contract with banks (introduced in 2025).

Treasury is managing on 34% of total Banks assets based on data as of 31.12.2025.

in mln BAM		**2025**	
Profit and loss	Retail	Corporate	Treasury
Operational Income	65.6	28.5	14.7
Operational Exprnses	53.1	15.1	2.9
Impairment losses and provisions	1.4	-4.3	-1.9
Profit before tax	**14.0**	**9.1**	**10.0**

in mln BAM		**2024**	
Profit and loss	Retail	Corporate	Treasury
Operational Income	61.0	28.4	15.4
Operational Exprnses	52.3	14.4	3.0
Impairment losses and provisions	-3.3	-0.9	-0.5
Profit before tax	**5.4**	**13.1**	**11.9**

Retail segment produces 75% of operating expenses and contributes to operating income by 60%. Corporate segment produces 21% of operating expenses and contributes by 28% in operating income of the Bank.

SEGMENT ANALYSIS (CONTINUED)

Regarding the revenues of Treasury, main sources are:

- income from reserves held at Central Bank;
- income from placement of excess of liquidity to the other banking institutions;
- income from purchased T-bills and bonds in local and foreign market;
- income from FX trading;
- income from Repo contracts.

All business segments recorded positive results in 2025 with increase of profitability in Retail while Corporate and Treasury profitability was lower than in previous year. Corporate was profitable in 2025 (9.1mln BAM) but lower than previous year by -4.0mln BAM as a result of higher operating expenses (+0.8mln BAM) and higher provision for loans (+3.3mln BAM). In 2025 operating expenses are higher by +0.8mln BAM due to higher indirectly allocated costs in this segment (higher administrative and depreciation costs of HO mainly related to relocation to new HO building).

Also, within Net interest income, a decrease of -0.9mln BAM was recorded due to faster growth of interest expenses on deposits (driven by volume growth) and allocated costs of credit lines (mainly due to allocation of expenses on MREL credit line) than growth of interest income recorded in line with loans developement.

Lower profit was recorded also in Treasury for -1.9mln BAM of which 1.4mln BAM is related to provisions due to a significant increase in the portfolio of securities. Lower NII was also recorded by -0.4mln BAM and is related to decreasing trend of interest rates in the market for placements to banks and also increase of expenses related to new eligible funds (especially MREL due to higher used volumes in 2025.) In the end Treasury was profitable in 2025 with 10.0mln BAM realized profit.

Net profit before tax of Retail at 14.0mln BAM or increased in 2025 by +8.6mln BAM YoY primarly due to higher Operating income and lower provision on loans. Revenues of retail segment grew strongly in commissions (+3.2mln BAM), driven by increase of Card business and Payments due to higher transaction volumes, and CA due to repricing actions taken in 2H of previous year. Also release of provisions was recorded of 1.4mln BAM (better by 4.7mln BAM versus 2024) due to decrease of NPL volumes (-7.3mln BAM yoy) that led to reduction of non-performing loans in total loans from 4.4% to 3.3% in Households. Growing expenses (mainly indirectly distributed costs of employees) are partly offset by lower personal expenses in 2025 (by -1.2mln BAM (yoy).

RISK MANAGEMENT SYSTEM

RISK MANAGEMENT POLICIES

Due to it's activities the Bank is exposed to various types of risk: credit risk, liquidity risk, market risk, operational risk and interest rate risk.

Risk management policies are documents by which the Bank, if necessary, concretizes and specifies the risk management strategy implementation. Policies are adopted for purpose of managing a single risk or several risks, primarily setting out guidelines for overcoming risk and basic limits and indicators in relation to which risk profile and risk exposure will be analyzed. At the same time, clear escalation procedures were determined for cases of exceeding the defined limits, depending on the type of exceeded limit.

Also, the risk management system is established at the Bank level and it implies harmonization and coordination of the activities of all organizational parts of the bank with regard to risk management.

Management Board of the Bank ensures the adequate application of the risk management strategy, defined in the risk management policies for:

- Credit risk;
- Operational risk;
- Market risks;
- Interest rate risk in the bank's book;
- Liquidity risk;

which are also including environmental, social and governance (ESG) risks.

Credit risk management objectives and policies

The credit risk management system consists of an organizational structure, rules, processes, procedures, systems and sources directed at identifying, measuring /evaluating, managing, monitoring, and reporting on credit risk exposure, that is, overall credit risk management, which implies the existence of adequate corporate governance and credit risk management culture.

The basic elements of the Bank's credit risk management system are:

1. Risk management strategy and credit and related risk management policies that represent the concretization of the strategy with regard to the overall credit risk appetite, limits, and risk profile monitoring indicators.

2. Key processes of the credit risk management system are as follows:

- credit approval process;
- credit monitoring process (credit review process);
- early warning process (process of early detection of increased credit risk) - PCEM;
- process of asset classification as defined by the decisions of the FBiH Banking Agency (FBA) and the Intesa Sanpaolo Group Rules;
- collection process;
- collateral management process;
- portfolio analysis and credit risk monitoring process;
- the process of calculating capital adequacy for credit risk.

RISK MANAGEMENT SYSTEM (CONTINUED)

3. Roles and responsibilities in key credit risk management system processes are assigned to the following organizational units:

- Risk Management Department;
- Underwriting Department;
- Credit Portfolio Analysis and Administration Department;
- Real Estate & Logistic Department;
- Proactive Credit Management Team;
- NPE Management Department;
- Internal Audit Department;
- Compliance & AML Department;
- Legal Office;
- Function of contracting placements that is organized in several organizational units (bussines segments);
- ICT Department and Back Office & Payments Department.

The main strategic benchmarks of credit risk management are contained in the Risk Management Strategy and credit risk management policies. The risk management strategy is adopted in written form, in accordance with the Guidelines for the general risk management framework. With regard to credit risk management, it covers the following, at a minimum:

- the objectives and fundamental principles of credit risk taking;
- credit risk appetite, i.e. the level of risk that the Bank considers acceptable to take in achieving its business strategy and objectives in the current business environment.

Credit risk and related risk management policies represent a concretization of the Risk Management Strategy with the aim of simple and efficient management of the overall level of credit risk that the Bank is ready to take.

The direction and plan for the development of the Bank's loan portfolio in the subject business year is presented through the Policy, which is jointly prepared, on an annual basis, by business lines and risk functions and adopted by the Supervisory Board of the Bank. The policy includes the following:

- review of general guidelines and limits for credit portfolio management arising from the analysis of the environment and Risk Management Strategies. The Policy supplements and further elaborates and defines them;
- review of the rules and guidelines for respective business areas (retail and corporate business) and segments of clients that concretize credit risk taking and its management at the operational level.

The guidelines and rules defined by the Credit Risk Management Policy are further incorporated into the Bank's Credit Manuals that represent operational documents and instructions for all employees involved in credit processes. Thus, the Policy aims to provide guidance to the lower organizational parts on the manner of structuring transactions and achieving portfolio and budget goals, by which, it fulfils its role in educating and expanding the culture of credit risk management at all Bank's organizational levels.

Operational risk management objectives and policies

The operational risk management system includes principles, rules, procedures and methods for managing operational risk, and clearly defined roles and responsibilities at all levels of management established by the guidelines for the general framework of risk management, regulations, instructions, methodologies and procedures.

RISK MANAGEMENT SYSTEM (CONTINUED)

The main objective of operational risk management is identification and measuring (quantification) of risks, which enables monitoring and appropriate risk mitigation, in order to be compliant with the Bank's appetite to operational risk exposure.

Operational risk management levels are:

- Centralized management and supervisory level(Supervisory Board of the Bank; Subcommittees of Supervisory Board (Audit Committee, Risk Committee); Management Board of the Bank; Chief Risk Officer (CRO);Operational Risk Committee) in charge of establishing operational risk management systems and in charge of monitoring and surveillance of operational risk exposure and adequacy of operational risk management;
- Decentralized level of organizational parts' managers, processes and projects in charge of identification, recording, assessment and monitoring of identified operational risks;
- Risk control function in charge of coordination and controlling the collected data on operational risk data, analysis of historical and expected future operational risk events and quantification of their effects, as well as reporting to the Management and Supervisory Bodies of the Bank and the Group;

All employees in their respective areas of competence actively participate in operational risk management and in integrating operational risk management into the day-to-day operations of the PBZ Group.

Identification, measuring and monitoring of risks are performed through the following processes:

- General methods, which are systematically and regularly applied to all operations;
- Collection and analysis of internal loss data includes collection of data on events that occurred at the Bank;
- Collection and analysis of external loss data includes the collection of data on events occurred in credit or financial institutions outside the PBZ Group and these events are related to the exposure of those institutions to operational risk and;
- The process of self-diagnosis, which includes Scenario Analysis and Risk and Control Self-Assessment (RCSA). Scenario analysis (SA) includes the quantification, i.e. measurement of operational risk based on an assessment of the consequences of possible future events, in terms of their frequency, average amount, and worst-case scenarios. Risk and Control Self-Assessment (RCSA) involves the selection of the process that will be the subject of the assessment, the identification of the underlying risks/controls, i.e. A qualitative assessment of the inherent and residual risk of the processes carried out taking into account the associated controls, in terms of design adequacy and operational efficiency. The process of self-diagnosis also includes the assessment of information and communication technology (ICT risk) and the assessment of risk/ loss that may arise from partial methods of measuring operational risks (projects, products, outsourcing, changes in business processes, etc.)
- Partial methods, which are applied to certain situations: operational risk identification and assessment before: (a) introducing new products/services; (b) implementing significant business changes; (c) setting-up and during projects; (d) before and during outsourcing and similar. Partial mehods are integrated also in the analysis of the operational risk profile exposure.

The Bank measures/assesses identified operational risks in all its activities, products, processes and projects.

The Operational risk management policy defines the appetite for operational risk, monitoring of operational risk exposure and limit utilization, escalation procedures in case of exceeding the limit and guidance and ways of operational risk overcoming.

RISK MANAGEMENT SYSTEM (CONTINUED)

Operational risk appetite, i.e. the inclination to take operational risk at the Bank level, represents the amount, that is, the level of risk that the Bank considers acceptable to take in achieving the business strategy and objectives in the existing and future environment. It is based on operational losses, collected in the data collection process and based on estimates of the total expected losses in the process of scenario analysis as the component of the self-diagnosis process.

Operational risk monitoring means regularly analyzing and structuring the results of identification and measurement/assessment of operational risk, analyzing risk profiles and information on activities to overcome operational risk.

Overcoming operational risk includes preventive and corrective activities for purpose of reducing exposure to operational risk, avoiding risk activities, improving and changing processes, introducing internal controls and transfer of operational risk to the third parties through insurance and other specific financial instruments. Operational risk overcoming is carried out for identified operational risks in all activities, products, processes and projects of the Bank.

The objective of reporting on operational is to provide support for effective operational risk management at all levels of responsibility.

The capital requirement for operational risk is calculated using a simple approach - BIA.

Market risk management objectives and policies

The main objective of the market risk management model is ensuring safe and correct activities of the Bank, with purpose of maintaining exposure to market risk within defined limits and thresholds.

The Bank's market risk management framework includes the following elements:

- principles, rules, policies, procedures and methods aimed at market risk management defined in internal regulations;
- market risk management process including management, identification and measurement, monitoring, reporting;
- strictly defined managerial responsibilities and activities within the agreed standards and established limits;
- effective supervision of boards and management through a detailed and overall information flow system.

The Bank defines its appetite for risk, specifically in terms of unexpected loss (risk value VaR representing a potential maximum loss in a single day calculated with 99% certainty) by Market risk management policy as well as limited exposure, depending on the type of issuer (issuer limits).

Except VaR limit, risk appetite is also defined by limit depending on the type of issuer, as the total nominal limit for a specific type of issuer and for an individual issuer with respect to its rating. The risk value and other limit are calculated and monitored on a daily basis and reported to all relevant business and risk management functions, including the Management Board of the Bank. The Bank's targeted market risk profile is defined in details in the Market Risk Management Policy that is approved by both Management Board and Supervisory Board.

RISK MANAGEMENT SYSTEM (CONTINUED)

Liquidity risk management objectives and policies

The main objective of liquidity management is ensuring safe and correct activities of the Bank with the aim of maintaining exposure to liquidity risk within defined limits and thresholds.

The Bank's liquidity risk management framework includes the following elements:

- effective supervision of boards and management through detailed and overall information flow system;
- System for measuring, evaluating and reporting liquidity risk exposure;
- liquidity risk management documentation with a clearly defined framework, guidelines, models and assumptions that are used in the risk management process;
- strictly defined managerial responsibilities and activities within the agreed standards and established limits;
- stress testing, including a formal contingency plan for liquidity crises

External and internal standards are used for assessment and monitoring the Bank's liquidity risk exposure as follows:

External standards of the FBiH Banking Agency (FBA) represent regulatory limits prescribed by the FBA:

- Maturity structure of financial assets and liabilities;
- Mandatory reserve in the Central Bank of Bosnia and Herzegovina;
- Liquidity cover ratio (LCR);
- Net Stable Funding Ratio (NSFR).

Internal liquidity management standards in the Bank are the following basic models for measurement of liquidity risks:

- intraday liquidity risk indicators;
- liquidity reserves monitoring;
- liquidity coverage ratio;
- net stable funding ratio;
- stress test;
- survival period;
- concentration ratios;
- liquidity contingency indicators;
- loan to deposit ratio,
- asset encumbrance ratio.

The Bank's targeted liquidity risk profile is defined in details in the Liquidity Risk Management Policy approved by both Management and Supervisory Board.

The aim of liquidity risk reporting is to provide support for efficient liquidity risk management at all levels of responsibility. Reporting by corporate bodies of banks is performed on a daily, weekly, monthly, quarterly and annual level.

Interest rate risk management objectives and policies

The main objective of the interest rate risk management model is to ensure safe and correct activities of the Bank, with purpose of maintaining exposure to interest rate risk within defined limits and thresholds.

RISK MANAGEMENT SYSTEM (CONTINUED)

The Bank's interest rate risk management framework includes the following elements:

- System for measuring, evaluating and reporting interest rate risk exposure;
- Interest rate risk management documentation with a clearly defined framework, guidelines, models and assumptions used in the risk management process;
- strictly defined managerial responsibilities and activities within the agreed standards and established limits;
- effective supervision of boards and management through a detailed and overall information flow system.

The Bank applies both external and internal standards for the assessment and monitoring of interest rate risk exposure.

External standards of the FBiH Banking Agency represent regulatory limits prescribed by the FBiH Banking Agency and they refer to a sufficient level of regulatory capital of the Bank that would ensure coverage for the estimated change in the economic value and net interest income of the banking book.

Internal standards for the Bank's interest rate risk management consist of the following basic models for measuring interest rate risk:

- analysis of the gap for price re-formation;
- sensitivity to changes in fair value;
- net interest income sensitivity;
- stress-testing;
- basis risk assessment;
- Value at Risk (VaR).

In accordance with the risk measurement framework, the structure of the interest rate risk limit has aim to maintain a low level of exposure, which is in accordance with risk appetite. The limits of interest rate risk in the banking book are expressed both in terms of the sensitivity of the change in economic value (EVE), considering the relevance attributed to the management of the banking book in the medium term and in terms of the sensitivity of the change in net interest income (NII).

These limits are also prescribed in details in the Intesa Sanpaolo Banka BiH Guidelines for managing interest rate risk in the banking book and are periodically revised.

Use of risk reduction techniques

Since the capital requirement for credit risk makes the largest share in the overall regulatory requirement and that credit risk represents a key and most significant risk in the bank, credit risk reduction techniques (CRM) are presented hereafter.

Use of credit risk reduction techniques

Since the Bank applies a standardized approach when calculating credit risk-weighted exposure, it uses, for the purpose of calculating the capital requirement for credit risk, credit risk reduction techniques in accordance with the FBA Decision on calculating the bank's capital and its amendments.

RISK MANAGEMENT SYSTEM (CONTINUED)

Internal acts prescribe the methodology for calculating credit risk-weighted exposures for purpose of calculating the capital requirement for credit risk, the minimum criteria for the recognition of each individual insurance instrument, the manners and dynamics of initial and reassessments of the value of insurance instruments. The correct application in the process of calculating the capital requirement for credit risk is ensured by control points integrated into the calculation process itself. Credit risk reduction techniques indicate techniques that can be used for purpose of reducing exposure-related credit risk.

The Bank includes, in the calculation of regulatory capital in the prescribed manner, only those collaterals that meet all the requirements of the Decision, whereby the credit risk-weighted amount of exposure, decreased due to the use of credit risk reduction techniques cannot be higher than the credit risk-weighted amount of exposure calculated for the same placement - without the application of credit risk reduction techniques.

The Bank uses several types of collaterals at the same time to cover one exposure.   In such cases during the application of the standardized approach, the amount of exposure is divided into separate parts of which each is covered by one type of credit protection and subsequently, capital needs are calculated separately as prescribed by the Decision, for each part of the exposure.

The Bank, in calculating the amount of credit risk-weighted exposure (weighted risk assets), includes the impact of the maturity mismatch occurring when the remaining maturity of the agreed credit protection is shorter than the maturity of the protected exposure.

If there is a maturity mismatch, credit protection is not recognized in the following situations and credit risk reduction techniques are not used:

- If the remaining maturity of credit protection is less than three months and if the maturity of the protection is shorter than the maturity of the underlying exposure;
- If the agreed (original) maturity of the credit protection is less than one year.

According to the definitions from the Decision, for the purposes of calculating the capital requirement for credit risk standardized approach, the Bank may use the following types of credit protection:

- Tangible credit collaterals and
- Intangible credit collaterals.

Basic types of tangible credit collaterals

- Cash deposit;
- Debt securities, by the rating, in accordance with the Decision listed on the recognized stock exchange, shares listed on the recognized stock exchange.

Other tangible collateral

- Cash deposit at another creditor's bank;
- Life insurance policy[1] (the value of the policy is its redemption value determined by the insurance company that issued the insurance policy);
- instruments issued by another bank or investment firm that, upon request, will be repurchased by that bank or investment firm.

In cases of other tangible credit protection, credit risk reduction techniques are used in such a way that the risk weight is applied to the insured part of the exposure, corrected depending on the credit protection provider's risk weight.

[1] Currently the Bank does not use of Life Insurance Policies as CRM. When the technical conditions for their use are acquired, the Bank will start using them.

RISK MANAGEMENT SYSTEM (CONTINUED)

Intangible credit protection

Guarantees and guarantees (irrevocable and at first call) of eligible credit collateral providers:

a. central government and central banks;
b. regional government units and local authorities,
c. multilateral development banks,
d. international organizations whose exposures are allocated with weighting of 0%,
e. public sector entities, receivables that have treatment of ‘central government’,
f. institutions and
g. other business companies, including parent and associated business companies, credit institutions provided that they have a credit rating in accordance with the rules for weighting exposures towards companies in accordance with the provisions of the Decision.

For the most parts, the Bank uses, for securing placements, guarantees issued by the central government and local government, while the remaining part relates to bank guarantees. In case of intangible collaterals, credit risk reduction techniques are used in such a way that the risk weight of the intangible credit protection provider is applied to the insured part of the exposure.

The objective of the collateral management process is to ensure a complete and accurate record of collaterals in the Bank’s accounts with purpose of providing information on the degree of credit portfolio coverage (entirely or by individual segments) of credit collaterals and optimize their use.

The Bank has set up a robust credit exposure limitation system that considers a number of risk factors, specifically in the housing lending segment and available insurance instruments by allowing lending only in cases where loans are adequately covered by residential real estate.

In this regard, the Bank anticipates the insurance instrument placement coverage ratio (LTV) by a very important risk reduction indicator, while at the same time, it directly manages the risk of default through already adequate lending standards.

THE BANK'S EXPOSURE TO MARKET, CREDIT, LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE LEGAL ENTITY'S OPERATIONS, RISK MANAGEMENT STRATEGY AND ASSESSMENT OF THEIR EFFICIENCY

Risk Management Strategy

The Risk Management strategy is a document where the Bank, in accordance with business strategy establishes its risk appetite on an annual basis, basic strategic guidelines of the capital planning, risk management objectives and basic principles of the risk control, including the risks stemming from the macroeconomic environment where the Bank operates, and bearing in mind the status of the business cycle of the Bank.

Finally, having reflected to the 2025 fiscal year, we may conclude the following:

- There have been no changes in the entire risk profile. The credit risk in the coming period remains to be the most important risk having in mind that the loan portfolio is the largest part of the overall assets of the Bank and the uncertainty macroeconomic trends and the accompanying rise in inflation and interest rates movements;
- The Bank has recognized the relatively significant to the concentration risk as an integral part of the credit risk, thus it calculates the capital requirements considering individual and sectoral concentration. Considering the trend of interest rate growth, the Bank recognized the exposure to interest rate risk as one of the significant risks and allocated a relatively significant amount of capital for it;
- The Bank is adequatlly capitalized: the regulatory capital and available internal capital are constituted mostly of the Tier 1 capital, which is generally considered as the high-quality capital;
- Monitoring and reporting activities have not found any serious violations of internal policies and rules;
- The Bank has complied with all key regulatory limits.

Exposure of the bank to the credit risk

The Bank is exposed to the credit risk, which is the risk of inability of the counterparty to settle the entire liability amount when it falls due. The Bank classifies the credit risk establishing limits to amounts of accepted risk expected to be continued regarding one loan recipients or a group of loan recipients and in some industries. It regularly follows the mentioned risks and re-examines them once a year or more frequently. For the purpose of the risk-weighted assets calculation and expected loan loss calculation the Bank determines the status of default pursuant to Article 2, point 1), and Article 65 of the Decision on Calculation of Bank Capital and Article 178 of the Regulation (EU) (EU) no. 2024/1623 of the European Parliament and the Council.

According to the International Financial Reporting Standards (IFRS), local regulatory regulations and practice of the credit risk management, the Bank creates provisions for the expected loan losses. The entire management framework is based on IFRS9 (International Financial Reporting Standards 9), where the expected loan losses are calculated and recognized without waiting for a trigger event[2] and with the forward-looking perspective.

In addition, under the IFRS 9 more detailed portfolio classification should be done in three credit risk levels according to pre-defined set of criteria:

- Stage 1 includes the financial instruments which have not significantly worsened in the credit quality from the initial recognition;

[2] Unlike the previous IFRS9 standard, where the model of incurred loss was used.

THE BANK'S EXPOSURE TO MARKET, CREDIT, LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE LEGAL ENTITY'S OPERATIONS, RISK MANAGEMENT STRATEGY AND ASSESSMENT OF THEIR EFFICIENCY (CONTINUED)

- Stage 2, on the other hand, includes financial instruments which have significantly worsened in the credit quality from the initial recognition, but have no objective evidence of the loan loss event;
- Stage 3 includes exposures, for which an objective evidence of impairment has been found.

For the instruments classified as Stage 2 and Stage 3, where the credit risk of a financial instrument has significantly increased from the first recognition, the lifetime expected loss has been recognized. The lifetime expected loss covers the expected loss for the entire residual financial instrument maturity. The 12-month expected loss is calculated for the instrument classified as Stage 1.

When calculating the expected losses. Predictive elements are included into the PD/LGD estimate (macroeconomic conditioning), so as to take into consideration expectations of changes in the PD/LGD estimate resulting from changes in the macroeconomic environment which may occur in coming years in relation to the reporting date. Provisions are allocated and calculated on a collective basis, based on the estimate of losses on individual homogenous portfolios formed per similar characteristics, such as the type of client, placement and presence of the collateral.

Exposure of the Bank to the market risk

The Bank is exposed to market risk which represents risk that there would be changes of fair value of future funds' flows of financial instrument due to change of prices in the market. Market risk arises from open positions of interest rate, foreign currency and capital products, which are all exposed to general and specific market trends and changes on the level of market rate variability and prices such as interest rates, foreign currency exchange rate and capital price.

The Management Board sets limits and instructions for supervision and decrease of market risks, which the Risk Management Department of the Bank regularly supervises.

Currency risk

The exposure to currency risk arises from credit, deposit, and trading activities and it is controlled daily, according to legal and internally determined limits per individual currency, and in total amount for all funds and liabilities denominated in foreign currency or relating to foreign currency. With the aim to manage currency risk efficiently, the Bank follows economic and other business changes in the environment, in order to predict possible changes in activities relating to foreign currencies, exchange rates and foreign currency risk.

The total exposure to foreign currency risk is measured within the Risk Management Department using techniques such as the Risk exposure method („Value at Risk" or „VaR") and Testing of stress resilience.

The exposure to currency risk is individual, precise, statistical measure of potential losses in portfolio. The value at risk (VaR) is measuring of loss in normal trends of risk factors in the market. It is estimated that the degree of probability of losses which are larger than value at risk is low.

Assumptions of the main model are:

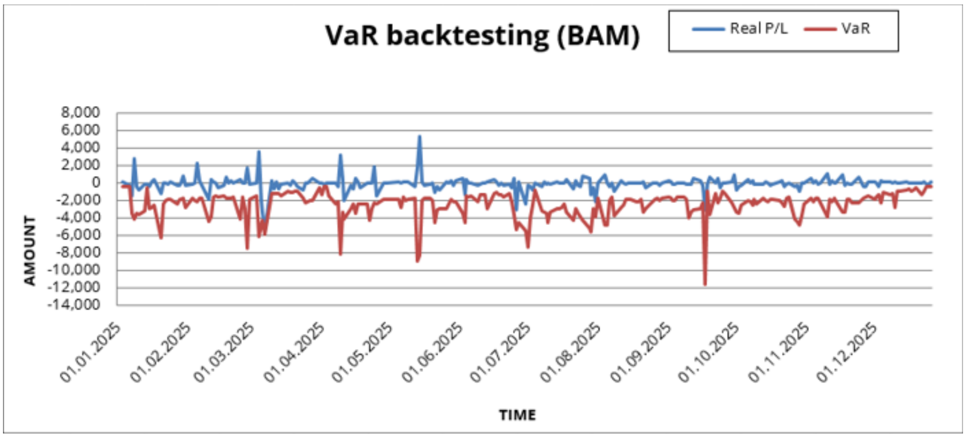
- it is based on historical methodology,
- 99 percent as interval of confidence for calculation of value at risk,
- time period of retention is one day.

THE BANK'S EXPOSURE TO MARKET, CREDIT, LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE LEGAL ENTITY'S OPERATIONS, RISK MANAGEMENT STRATEGY AND ASSESSMENT OF THEIR EFFICIENCY (CONTINUED)

Model includes foreign exchange risk – which is valid for foreign exchange transactions and positions which are expressed in foreign currencies; which originate from the rate of changeability of foreign exchange rates.

Model can calculate value at risk on different levels of aggregation – from individual position to any sub-level of portfolio. Accordingly, model enables detailed analysis of risk profile of portfolio hierarchy on several levels and effects of diversity which come out. Furthermore, measuring of value at risk can be explained on the basis of risk sources (risk factors). These features of more detailed risk supervision enable determining of efficient structure of limits which can be compared over different organizational units.

The quality of implemented model for measuring risk must be continuously estimated. The Bank applies backtesting comparing calculated measures of value at risk with actual profit and loss of the same time period.



During 2025, results of model testing have shown that the Bank recorded 0 exception in model testing (2024: there were 1 exceptions), when the loss was larger than daily VaR amount.

The portfolio of the Bank is exposed to risk of change of foreign currencies, always when it contains funds' flows in foreign currency which differs from the base currency in the Bank, and there is not compliance of assets, liabilities and off-balance position in that currency. The exposure of portfolio to risk of change of foreign currency means portfolio volatility to changes in the level of foreign exchange rates. The risk degree of change of foreign currency depends on the amount of open positions as well as on the degree of potential change in foreign exchange rates.

Due to the fixed exchange rate of EUR in relation to the Convertible Mark, the Bank is not exposed to foreign exchange risk (1 EUR = BAM 1.95583). Exposure to foreign exchange risk is present for USD and CHF. The table from Financial Statement of the Bank for 2025, note 5.3.1, shows the Bank's sensitivity analysis based on a 10% increase or decrease in the foreign exchange rate against the domestic currency. A sensitivity rate of 10% is the rate used in internal reporting to key personnel on foreign exchange risk and represents the Management Board's assessment of reasonably possible changes in foreign exchange rates.

More details for balance sheet items and foreign exchange risk exposure can be found in Note 5.3.1 of the Bank's Financial Statements for 2025.

THE BANK'S EXPOSURE TO MARKET, CREDIT, LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE LEGAL ENTITY'S OPERATIONS, RISK MANAGEMENT STRATEGY AND ASSESSMENT OF THEIR EFFICIENCY (CONTINUED)

Exposure of the Bank to liquidity risk

Liquidity risk is risk of losses which arises from the existing or expected inability of the bank to settle its due funds' liabilities.

Liquidity risks are considered as:

- Liquidity risk;
- Intraday liquidity risk;
- Funding liquidity risk;
- Market liquidity risk;
- The risk of concentration of financing sources.

The aim of reporting on liquidity risk is providing support for efficient liquidity risk management on all levels of responsibility.

The daily monitoring of obligatory reserve, minimum liquidity ratio by maturity and liquidity coverage ratio, net stabile fund ratio are external requests which are regulated by the Banking Agency of the Federation of Bosnia and Herzegovina. Internal standards for liquidity management represent main models for measuring liquidity risk and encompass intraday monitoring of liquidity indicators, monitoring of liquidity reserves, liquidity coverage ratio, stable funding source ratio, stress testing, indicators of concentration and indicators for beginning of the plan of the proceeding in crisis situations. Beside the above mentioned metrics, tools are applied for monitoring of liquidity which are aimed at giving overall image of liquidity risk profile of the credit institution, taking into consideration the nature, the size and the complexity of property. The key metrics refer to analysis of the contracted maturities and relating incompliances, analysis of funding concentration by counterparty/product and concentration of liquidity reserves by issuer/counterparty, analysis of funding renewal, cost and duration of funding for the counterparty and analysis of concentration of the balancing capacity of the issuer/counterparty.

The Bank publishes the liquidity coverage ratio on the basis of the Instruction on manner of implementation of provisions of the Decision on liquidity risk management of the bank which refer to LCR components.

As at 31.12.2025 the liquidity coverage ratio amounted to 194,98%.

	C 76.00 a – Liquidity Coverage Ratio	Value / Percentage
010	Liquidity buffer	717,084
020	Net liquidity outflow	367,778
030	Liquidity coverage ratio (%)	194.98%

THE BANK'S EXPOSURE TO MARKET, CREDIT, LIQUIDITY RISK AND OTHER RISKS PRESENT IN THE LEGAL ENTITY'S OPERATIONS, RISK MANAGEMENT STRATEGY AND ASSESSMENT OF THEIR EFFICIENCY (CONTINUED)

Exposure to other risks

Interest rate risk represents exposure of the Bank to inconvenient changes of interest rates. The risk of change of interest rates impacts the current value of future funds' flows, and that by the net interest income and the other funds' flows volatile to change of interest rates. Primary sources of risk of change of interest rates are the following:

- **Interest rate risk** in the banking book is the risk of possible negative effects on the financial result and capital of the bank based on banking book position arising from potential changes in interest rates;
- **Basis risk** is the risk arising from the application of different reference interest rates for instruments with similar maturities or the time until the next interest rate change, or from the imperfection of the correlation of reference interest rates for interest-sensitive instruments;
- **Option risk** is the risk arising from options (embedded and explicit) in which the bank or its client can change the level or maturity of cash flows of interest-sensitive instruments;
- **Gap risk** is the risk arising from the term structure of interest-sensitive instruments, i.e. the difference in the period until their interest rate changes, and it includes changes in the term structure of interest rates that appear consistently on the yield curve (parallel risk) or vary by period (non-parallel risk);
- **Yield curve** risk is the risk to which the bank is exposed due to changes in the shape and slope of the yield curve.

For the purpose of measuring interest rate risk generated by the banking book on a monthly basis, volatility of economic value change is calculated (measures change of economic value of bank portfolio which arises from parallel shift of yield curve), volatility of change of net interest income (measures impact of interest rate shocks on net interest income), and Value at Risk- VaR which is used for the purpose of measuring FVOCI portfolio.

Beside mentioned metrics, on the occasion of measuring interest rate risk in the banking book stress resilience tests are implemented on a monthly and quarterly basis (volatility of economic value change and net interest income in case of different scenarios of interest rate shift). In the framework of Risk appetite limits for volatility of net interest income are additionally defined on the level of bank in the scenario of parallel growth of interest rates by 50 bp and parallel decline of interest rates by -50 bp for all foreign currencies and volatility of economic value change in the scenario of parallel yield curve shift of 100 bp. Also, in accordance with the regulations of the local regulator, the Bank also monitors regulatory limits relating to changes in the economic value measure and the net interest income measure in various interest rate shock scenarios prescribed by the local regulator.

The Enterprise, Market and Financial Risks Office follows exposures to interest rate risk and compliance with RAF limits on a monthly basis and on quarterly basis compliance with regulatory limits.

Change of economic value and net interest income as at 31.12.2025

(000 BAM;%)

IRRBB FBA regulations	Amount (worst scenario)	Core Capital	Limit	Utiliz. %
Economic value of capital / Core capital	40,160	353,646	15%	11.36%
Net Interest Income / Core capital	12,231	353,646	5%	3.46%

CORPORATE GOVERNANCE

Intesa Sanpaolo Banka Bosnia and Herzegovina performs and develops its registered business activity in the territory of Bosnia and Herzegovina, complying with responsible and ethically based behavior as a necessary prerequisite for developing quality relationships and loyal competition between business partners and for efficient market functioning.

With that regard, the Bank develops and operates in accordance with good corporate governance practices, striving to contribute, with its business strategy, business policy and practice to transparent and efficient business operations. The Bank, through its business operations, consolidates corporate practice principles and organizational culture within the regulatory basis established at the entity level.

The basic principles of corporate governance are:

- Transparency of business operations;
- Clearly elaborated procedures for the work of governance bodies;
- Avoiding conflict of interests and
- Efficient internal audit and compliance system.

Transparency of Business Operations

The Bank provides timely disclosure and publicity information in accordance with legal acts and by-laws, as well as the regulated market rules in which the Bank participates and in accordance with the internal acts of the Bank, enabling shareholders and other stakeholders equal access to information.

Communication with the public is based on the principles of truth, accuracy, completeness of data, timeliness, equal availability, strengthening trust and economics, in order to inform shareholders and stakeholders in a true and objective manner with facts and events that are of material significance for the Bank's operations. The Bank prepares its financial statements in accordance with laws, by-laws and international financial reporting accounting standards.

The publicity of information is achieved by publishing, delivering and providing insight into certain documents.

The Bank publishes its business reports and other information, whose publishing is prescribed, on the Bank's website and/or daily newspapers, as well as other media within the deadlines prescribed for publishing the reports.

Bank's Bodies

The Bank's bodies that provide implementation of the corporate governance good practice are:

- General Shareholders Meeting;
- Supervisory Board of the Bank and
- Management Board of the Bank.

In the process of electing and appointing members of the governance bodies, the Bank shall consider a wide range of candidates' qualities and competences in order to have represented different views and experiences, independent opinion and cautious decision-making.

CORPORATE GOVERNANCE (CONTINUED)

The Bank promotes ensuring equal representation of persons with different characteristics, such as education, professional experience, gender and age, in order to prevent discrimination based on gender, race, color, ethnic or social origin, genetic characteristics, religion or beliefs, belonging to a national minority, property, birth, disability, age or sexual orientation.

General Shareholders Meeting

Bank's General Shareholders meeting is the body through which shareholders exercise their main management rights by deciding on matters within their competence. The competences of the Bank's General Shareholders Meeting are prescribed by the legal regulations and the Bank's Charter and they cannot be transferred to another body of the Bank.

The Bank, by its active treatment, enables shareholders to exercise their other rights too, especially rights related to the management of the Bank, depending on the amount of funds invested in share capital, distribution of profit, division of assets remaining after the bankruptcy or liquidation of the Bank and other rights.

Supervisory Board

The Supervisory Board performs supervisory function in accordance with legal regulations, regulations of the FBiH Banking Agency and RS Banking Agency and other regulations as well as in accordance with the Statute.

The Supervisory Board consists of seven members, that are appointed and dismissed by the General Shareholders Meeting. The Supervisory Board shall have, in its composition, at least two independent members.

Members of the Supervisory Board shall be appointed to the period of four years, with the possibility of re-election and they must comply with the prescribed conditions and adequate standards regarding education, professional experience and reputation, in accordance with the applicable regulations and acts of the Bank.

A person that has, at any moment, a good reputation, adequate expertise, abilities and experience necessary to fulfil the obligations within his/her competence can be appointed member of the Supervisory Board; such person must not have any conflict of interest in relation to the Bank, shareholders, members of the Supervisory Board, the Management Board and key functions' holders and has to be ready and able to devote sufficient time to carrying out obligations and responsibilities within the competences of the Supervisory Board.

Competencies of the Supervisory Board are prescribed by the legal regulations and by-laws as well as by the Charter of the Bank.

Professional support to the work of the Supervisory Board is provided by the specialized committees provide professional support to the Supervisory Board work, as follows:

- Risk Committee;
- Nomination Committee and
- Remuneration Committee.

CORPORATE GOVERNANCE (CONTINUED)

The Supervisory Board shall appoint the Audit Committee as the mandatory committee.

Management Board of the Bank

The Bank's Management Board organizes the work, governs the business operations and represents the Bank. The Bank's Management Board is responsible for the Bank's operations in accordance with the law, by-laws and decisions of the FBiH Banking Agency and RS Banking Agency. The Management Board of the Bank consists of at least three members of whom one is appointed as President of the Management Board.

The competences of the Bank's Management Board are prescribed by legal regulations and by-laws as well as by the Charter of the Bank.

Key Functions

The key functions are control functions and other functions in the Bank, which have a significant impact to the governance and business operations of the Bank.

The control functions that are established in the Bank are:

o Risk Management Functions;
o Compliance Function and
o Internal Audit Function

The Supervisory Board of the Bank, determines and establishes, by its decision and in accordance with the Law and decisions of the Agency, other key functions that have a significant impact to the governance and business operations of the Bank.

Conflict Interest Management

The Bank manages conflicts of interest, both existing and potential one, in such a manner to avoid abuse of the conflict of interest situation and violation of its obligations towards the clients as well as violation of applicable legal regulations.

Relevant persons and persons who are indirectly or directly related to the Bank are obliged to act, in carrying out their business operations, responsibly, fairly, conscientiously and impartially, by representing the interests of the Bank and clients, as well as to ensure not to damage the reputation and trust of the Bank with their actions. They must not use the activities of the Bank for their own interests and benefits, nor may they be dependent, in any relationships on persons who might influence their objectivity.

The mitigation of conflicts of interest is achieved through:

- Organizational structure;
- Existence of specific policies/internal acts and
- Code of Ethics, Code of Business Conduct and education.

CORPORATE GOVERNANCE (CONTINUED)

Internal Audit and Compliance

In accordance with the legal provisions, the Bank established the Internal Audit Department as an independent organizational part that reports directly to the Audit Committee and the Supervisory Board. The main task of the Internal Audit department is to submit, to the Bank's Management Board, Audit Committee and the Supervisory Board, an objective and impartial assessment of the quality and efficiency of internal control.

Compliance function is organized within the Compliance and AML Department, which is independent in its work and established in a way to ensure prevention of conflicts of interest.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE TOPICS (ESG)

Following the Group commitment, the Intesa Sanpaolo Banka Bosna i Hercegovina has continued to strengthen the environmental, social and governance (ESG) activities, all with the aim to meet the requirements for banks, imposed by the regulatory bodies and the market itself. Over the previous year, the Bank has been actively working on meeting the requirements imposed to the banks by the Federal Banking Agency within the "Guidelines for the management of climate-related and environmental risks". The goal of the Guidelines is to instruct the banks in FBiH on how to establish, measure, manage and control the climate-related and environmental risks, and to disclose data thereof.

In 2025, several activities have been realized, aimed at implementing the ESG principles and at positioning the bank as a responsible financial intermediary amidst growing global challenges including mitigating climate change and reducing harmful environmental impacts, empowering marginalised communities, informal sector inclusion, ensuring gender equity, and working towards more accountability through transparent reporting. Based on the identified needs, the Bank has accepted its role in environmental protection and social responsibility and accordingly adapted its product offer with green loans in Retail and Corporate segments, thus following the Parent Company guidelines. In order to implement the ESG business principles, the Bank has established cooperation with international credible organisations, such as the UNDP, Net Zero Mission, as well as with the government bodies such as the City of Sarajevo and diplomatic missions of foreign countries in Bosnia and Herzegovina (French Embassy).

The Bank has implemented the environmental aspect by signing the agreement with the United Nations Development Programme in Bosnia and Herzegovina (UNDP). The cooperation with UNDP is reflected in several aspects - the crucial one being the joint program of UNDP and Intesa Sanpaolo Banka, aimed at preparing the SMEs for the ESG-related financing and application of circular and low-carbon business models. The UNDP has evaluated the Bank's CO2 footprint The Bank has received a certificate confirming the total emission of C02 into the atmosphere. In cooperation with the UNDP, the Bank will adopt the C02 footprint reduction plan. The Bank has also initiated cooperation with the 100 Net Zero Cities Mission in Bosnia and Herzegovina. The Bank plans to implement the aforementioned cooperation through initiatives for reducing the total CO2 emissions into the Sarajevo region atmosphere. The social aspect has been realized through a large number of donations to socially vulnerable persons, as well as to institutions taking care of socially vulnerable persons. In order to improve the governance system efficiency in the Bank, focused on sustainable development, and taking into account all requirements and rules of the governance system in the Intesa Sanpaolo Group (which has been actively working on ESG principles implementation worldwide in the past years), the Bank has established the ESG Office to act as central contact point for all ESG initiatives. The ESG Office also ensures application of the ESG-related strategies of the Group, monitors the Bank's progress in the field of ESG, coordinates regulatory and internal reporting, and develops an ESG culture within the bank. The ESG Office also works on developing cooperation with credible partners and provides support in the selection of donation projects. It also contributes to the ethical and sustainable practices within the Bank.

EVENTS AFTER THE REPORTING PERIOD

As of 31st December 2025, until the date of the financial statements, there were no events that could significantly influence the financial statements for 2025 or were of significant importance for the Bank's operations to require disclosure within the financial statements' notes for 2025.

FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2025 CONTENT

Content

MANAGEMENT BOARD'S REPORT

The Management Board has pleasure in submitting its report for the year ended 31st December 2025.

Review of operations

The result for the year ended 31st December 2025 of the Bank is set out in the statement of profit or loss and other comprehensive income on page 9.

Supervisory Board, Management Board and Audit Committee

During the course of 2025 and up to the date of this report, the Supervisory Board comprised:

Supervisory Board

Dario Massimo Grassani	Chairman
Petar Sopek	Vice-Chairman
Jadranko Grbelja	Member
Ivana Jović	Member
Michela Boiocchi	Member
Massimo Malagoli	Independent member
Alden Bajgorić	Independent member

During the course of 2025 and up to the date of this report, the Audit Committee comprised:

Audit Committee

Tefiku Florion	Chairman
Ana Jadrešić	Member
Valentina Nuccio	Member
Daniele Davini	Permanent invitee person, as of April 11th 2025
James Vason	Permanent invitee person, until April 10th 2025
Davor Vodanović	Permanent invitee person

As of 31st December 2025, the Management Board comprised a President and two Members, who served during the year and up to the date of this report as follows:

Management Board

Michele Castoro	President of the Management Board, responsible person for External Communications Department, Chief Governance Officer, Chief Operating & Transformation Officer, Chief Financial Officer, as of November 1st, 2025 President of the Management Board, responsible person for Retail Division, Corporate and SME Division, HR and Organization, PR and Marketing Communication, until October 31st, 2025
Minja Filipović	Deputy President of the Management Board, Chief Business officer, responsible MB member for Business Division, as of November 1st, 2025 Deputy President of the Management Board, responsible MB member for Finance Division and ICT and Operation Division, until October 31st, 2025
Indira Karamustafić	Management Board Member and Chief Risk Officer, responsible Management Board member for Risk Division

On behalf of the Bank:

INTESA SANPAOLO BANKA d.d.
Bosna i Hercegovina

Michele Castoro
President of the Management Board

Minja Filipović
Member of the Management Board

Sarajevo, 16.02.2026

RESPONSIBILITIES OF THE MANAGEMENT AND SUPERVISORY BOARDS FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

The Management Board is required to prepare financial statements, which give a true and fair view of the financial position of the Bank and of the results of its operations and cash flows, in accordance with legal accounting regulations applicable on banks in Federation of Bosnia and Herzegovina and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. Management has a general responsibility for taking such steps as are reasonably available to it to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

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

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

The financial statements set out on pages 9 to 102 were authorised by the Management Board on 09th February 2026 for issue to the Supervisory Board, and are signed below to signify this, on behalf of the Bank, by:

On behalf of the Bank

INTESA SANPAOLO BANKA d.d.
Bosna i Hercegovina

Michele Castoro
President of the Management Board

Minja Filipović
Member of the Management Board

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Independent auditor's report

To the Shareholders of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Intesa Sanpaolo Banka d.d. Bosna i Hercegovina (the Bank), which comprise the statement of financial position as at 31 December 2025, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025 and of its financial performance and its cash flows for the year then ended in accordance with Legal accounting regulations applicable on banks in 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 financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Federation of Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

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Independent auditor's report *(continued)*

Key audit matters ***(continued)***

Adequacy of the allowance for the expected credit losses

The carrying amount of loans to customers amounts to BAM 2,141,813 thousand (or 65% of total assets) as at 31 December 2025. As described in Note 5.1 Financial risk management - Credit risk. The allowances for expected credit losses are determined under application of Legal accounting regulations applicable on banks in Federation of Bosnia and Herzegovina.

This is a key audit matter as significant judgement is involved to determine the expected credit losses, on an individual and collective basis.

Key areas of judgement include the interpretation of requirements to determine impairment under application of Legal accounting regulations applicable on banks in Federation of Bosnia and Herzegovina, which is reflected in the Bank's expected credit loss model, the identification of exposures with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors as well as evaluation and assumptions used in the possible outcomes of individually assessed loans for impairment, as disclosed in Note 5.1 Financial risk management - Credit risk.

The possible outcomes are based on discounted cash flows for individually assessed loans and include judgement and complexity areas, such as impairment triggers, probabilities of relevant scenarios for cash flow forecasts and the cash flow forecasts themselves, including collateral realization.

Additionally, the Bank is obliged to observe regulatory requirements regarding credit risk prescribed by Banking Agency of Federation of Bosnia and Herzegovina and adjust internal methodology for expected credit loss models to be in line with these requirements.

Also, War in Ukraine had adverse effect on many industries, affected further increase in inflation, which, together with economic uncertainty, might adversely affect business performance of debtors in the current year. Uncertainty around those factors along with uncertain economic outlook resulted in more complex assessment of this effect onto the expected credit loss model.

We understood the processes and evaluated the design and operating effectiveness of related controls for collective impairment within the loan portfolios, as well as the impairment assessment processes for individually assessed loans.

We involved experts in the field of credit risk modelling and review of macroeconomic model, as well as IT experts for testing of effectiveness of IT application used for the expected credit losses calculation.

We assessed the modelling techniques and methodology against the requirements of Legal accounting regulations applicable on banks in Federation of Bosnia and Herzegovina and also the appropriateness of significant assumptions used in the models for calculating the expected credit losses. Also, we assessed if the Bank is compliant with regulatory requirements regarding expected credit losses calculation.

We examined a sample of loan exposures and performed procedures to evaluate the timely identification of exposures with a significant deterioration in credit quality and, classification of instruments in stages according to Legal accounting regulations applicable on banks in Federation of Bosnia and Herzegovina. We tested a sample of performing loans with characteristics that might imply an impairment event had occurred, to assess whether impairment events had been identified by management.

Our procedures included reassessment of the creditworthiness of clients, and review of input parameters such as probability of default, days past due, early warning system, credit rating, watch list, or restructuring, as well as impact of War in Ukraine and rising prices on those parameters.
We also re-performed management's impairment calculation on a sample of collectively impaired loans for mathematical accuracy.

We also examined a sample of clients from industries highly affected by the war in Ukraine and inflation, obtained the newest financial data from current year and evaluated if there are triggers for significant increase in credit risk (SICR) or default which may require client reclassification to stage 2 or stage 3.

We engaged risk modelling specialists to review forward looking information and input parameters used and to assess if war in Ukraine and inflation impact was adequately reflected on probability of default and forward-looking information.

For individually impaired loans, our procedures included assessing the identification of loss events and testing of assumptions used in the models on a sample basis. For a

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Independent auditor's report *(continued)*

Key audit matters *(continued)*

Adequacy of the expected credit losses

For further information, refer to Note 3t) Financial assets and financial liabilities and Note 5.1 Financial risk management - Credit risk of the accompanying financial statements.

sample of individually impaired loans, we understood the latest developments at the borrower and the basis of measuring the loan loss provisions and considered whether key judgments were appropriate given the borrowers' circumstances.

In addition, we tested key inputs to the impairment calculation including the expected future cash flows and their timing and valuation of collateral held and discussed with management as to whether valuations were up to date, consistent with the strategy being followed in respect of the particular borrower and with the regulatory guidelines. We also re-performed management's impairment calculation for individually assessed loans for mathematical accuracy.

We assessed the adequacy of the disclosures included in Note 3 t) Financial assets and financial liabilities and Note 5.1 Financial risk management - Credit risk of the accompanying financial statements.

Other information included in the Bank's annual business report

Other information consists of the information included in the Annual Business Report other than the financial statements and our auditor's report thereon. Management is responsible for the preparation of other information in accordance with the Law on accounting and auditing in Federation of Bosnia and Herzegovina.

Our opinion on the financial statements does not cover the Other information and we do not express any form of assurance conclusion thereon.

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

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Independent auditor's report *(continued)*

Responsibilities of Management and Audit Committee for the Financial Statements

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

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

Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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Independent auditor's report *(continued)*

Auditor's responsibilities for the audit of the financial statements *(continued)*

We communicate with Audit Committee 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 provide Audit Committee 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.

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

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

Sarajevo, 16 February 2026

Danijela Mirković,
Procurist

Dženita Kadrić,
Authorized auditor

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER

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

PROFIT AND LOSS	*Bilješka*	2025	2024
Income from interest and similar income at the effective interest rate	8	91,835	84,776
Interest expenses and similar expenses at the effective interest rate	9	(26,193)	(18,524)
Net income/(expenses) from interest and similar income at the effective interest rate		**65,642**	**66,252**
Income from fees and commissions	10	46,148	42,051
Expenses from fees and commissions	11	(11,900)	(11,082)
Net income/(expenses) from fees and commissions		**34,248**	**30,969**
Impairments and provisions	12	(4,682)	(4,715)
Other gains (losses) from financial assets	13	424	137
Gain (losses) from derivative financial instruments	14	597	504
Net positive/(negative) exchange rate differences	14	4,204	4,716
Gains and (losses) from long-term non-financial assets	15	70	(6)
Income from dividends	16	49	47
Other income	17	3,609	2,155
Personnel expenses	18	(31,665)	(32,910)
Depreciation costs	27,28	(7,612)	(6,163)
Other costs and expenses	19	(31,837)	(30,608)
PROFIT/(LOSS) FROM REGULAR BUSINESS BEFORE TAX		**33,047**	**30,378**
Current income tax		(3,832)	(3,642)
Deferred income tax		383	(4)
TOTAL TAX FOR THE YEAR	20	**(3,449)**	**(3,646)**
NET PROFIT FOR THE YEAR		**29,598**	**26,732**

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER

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

	Bilješka	2025	2024
Profit for the year		**29,598**	**26,732**
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
Change in fair value (Note 29)		898	-
Items that may be reclassified subsequently to profit or loss			
Net loss from change in fair value of financial assets through other comprehensive income (Note 24)		**(943)**	**2,189**
Other comprehensive (expense)/income		**(45)**	**2,189**
Total comprehensive income for the year		**29,553**	**28,921**
Basic and diluted earnings per share (BAM)	*21*	**66,10**	**59,70**

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

STATEMENT OF FINANCIAL POSITION

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

ASSETS	Notes	31 December 2025	31 December 2024
Cash and cash equivalents	22	532,694	643,954
Financial assets at fair value through profit and loss	23	892	956
Financial assets at fair value through other comprehensive income	24	202,766	154,845
Financial assets at amortized cost	25	2,492,453	2,103,249
Derivatives financial instruments	26	1	27
Prepaid income tax		2,632	3,750
Deferred tax assets	32	1,156	776
Tangible assets	27	35,618	37,721
Intangible assets	28	4,074	3,774
Long-term assets for sale	29	4,890	-
Other assets and receivables	30	3,289	3,078
TOTAL ASSETS		**3,280,465**	**2,952,130**
LIABILITIES			
Financial liabilities valued at amortized cost	31	2,886,913	2,573,806
Derivative financial instruments		-	-
Deferred tax liabilities	32	74	77
Provisions	33	3,833	4,835
Other liabilities	34	871	841
TOTAL LIABILITIES		**2,891,691**	**2,579,559**
EQUITY			
Share capital	35	44,782	44,782
Share premium		57,415	57,415
Reserves		253,411	240,029
Revaluation reserves		3,568	3,613
Profit		29,598	26,732
TOTAL EQUITY		**388,774**	**372,571**
TOTAL LIABILITIES AND EQUITY		**3,280,465**	**2,952,130**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2025

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

	Issued share capital	Share premium	Reserves	Fair value reserves on Property	Fair value reserves on Assets at FVOCI	Net Profit for the year	TOTAL
Balance as of 1st January 2025	**44,782**	**57,415**	**240,029**	**1,706**	**1,907**	**26,732**	**372,571**
General Assembly Decision – profit distribution	-	-	13,382	-	-	(13,382)	-
Dividend payment	-	-	-	-	-	(13,350)	(13,350)
Net profit for the year	-	-	-	-	-	29,598	29,598
	-						
Other comprehensive income							
Net profit from change in fair value in Property through other comprehensive income (Note 29)	-	-	-	880			880
Net loss from change in fair value of financial assets through other comprehensive income (Note 24)	-	-	-	-	(925)	-	(925)
Total other comprehensive income	-	-	-	880	(925)	-	(45)
Total comprehensive income	**-**	**-**	**-**	**880**	**(925)**	**29,598**	**29,553**
Balance as of 31st December 2025	**44,782**	**57,415**	**253,411**	**2,586**	**982**	**29,598**	**388,774**

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2024

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

	Issued share capital	Share premium	Reserves	Fair value reserves on Property	Fair value reserves on Assets at FVOCI	Net Profit for the year	TOTAL
Balance as of 1st January 2024	**44,782**	**57,415**	**212,579**	**1,706**	**(282)**	**27,450**	**343,650**
General Assembly Decision – profit distribution	-	-	27,450	-	-	(27,450)	-
Net profit for the year	-	-	-	-	-	26,732	26,732
	-						
Other comprehensive income							
Net loss from change in fair value of financial assets through other comprehensive income (Note 24)	-	-	-	-	2,189	-	2,189
Total other comprehensive income	-	-	-	-	2,189	-	2,189
Total comprehensive income	**-**	**-**	**-**	**-**	**2,189**	**26,732**	**28,921**
Balance as of 31st December 2024	**44,782**	**57,415**	**240,029**	**1,706**	**1,907**	**26,732**	**372,571**

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

CASH FLOW STATEMENT

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

CASH FLOWS FROM OPERATING ACTIVITIES	*Notes*	31 December 2025	31 December 2024
Interest inflows and similar inflows based on EIR		89,912	81,876
Interest outflows and similar outflows based on EIR		(24,782)	(17,060)
Fee and commission inflows		53,960	51,092
Fee and commission outflows		(20,343)	(14,919)
Gain/(losses) from derivative financial instruments	*14*	597	504
Inflows from repayment of principal and interest previously written-off		2,022	1,844
Outflows from payments to employees		(31,983)	(31,891)
Outflows from payments of operating costs and expenses		(29,983)	(29,952)
Other inflows from operating activities		2,093	734
Payment of income tax		(2,716)	(3,970)
Cash flows from operating activities before changes in operating assets and operating liabilities		**38,777**	**38,258**
Net (increase) / decrease in mandatory reserve with Central bank		(30,247)	(19,375)
Net (increase) / decrease in placements with other banks		(69,083)	-
Net (increase) / decrease in loans and receivables from clients		(223,236)	(164,637)
Net (increase) / decrease in other assets and receivables		1,552	2,356
Net increase / (decrease) in deposits from banks and other fin, institutions	*38*	18,276	28,593
Net increase / (decrease) in deposits from clients	*38*	286,363	223,975
Net increase / (decrease) in other financial liabilities at amortized cost		567	(5,098)
Net increase / (decrease) in provisions		(2,266)	(1,986)
Net increase / (decrease) in other liabilities		30	(183)
Net cash flows from operating activities		**20,733**	**101,903**

CASH FLOW STATEMENT

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

CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchases of debt instruments at fair value through OCI		(232.654)	(115.405)
Inflows from sales of debt instruments at fair value through OCI		183.955	83.226
Inflow from other financial instruments at amortized cost		(71.251)	-
Purchases of property, plant and equipment	*27*	(7.237)	(1.923)
Inflows from sale of property, plant and equipment		96	-
Purchases of intangible assets	*28*	(1.615)	(1.028)
Dividends received	*16*	49	47
Other inflows from investing activities		467	226
Other outflows from investing activities		-	(778)
Net cash flows from investing activities		**(128.190)**	**(35.635)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(13.350)	-
Inflows from loans granted by banks	*38*	63.740	88.599
Repayments of principal regarding loans granted by banks	*38*	(48.067)	(44.257)
Repayments of principal regarding loans granted by other fin, institutions		-	-
Repayments of principal regarding leases		(6.465)	(4.614)
Other inflows from financing activities		-	-
Other outflows from financing activities		-	-
Net cash flows from financing activities		**(4.141)**	**39.728**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(111.598)**	**105.996**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**643.954**	**538.330**
EFFECTS OF CHANGES IN CURRENCY EXCHANGE RATES OF CASH AND CASH EQUIVALENTS		**338**	**(372)**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**532.694**	**643.954**

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

NOTES TO THE FINANCIAL STATEMENTS
(all amounts are expressed in thousands of BAM, unless otherwise stated)

1 GENERAL

Incorporation and registered activities

Intesa Sanpaolo Banka d,d, Bosna i Hercegovina ("the Bank") was registered in the Cantonal Court in Sarajevo on 20 October 2000. Its registered address is Obala Kulina bana 9a in Sarajevo.

The Bank's main operations are as follows:
1. Accepting deposits from the public,
2. Granting short-term and long-term loans and guarantees to corporate customers, private individuals, local municipalities and other credit institutions,
3. Money market activities,
4. Performing local and international payments,
5. Foreign currency exchange and other banking-related activities,
6. Providing banking services through an extensive branch network in Bosnia and Herzegovina.

2. BASIS OF PREPARATION

Basis of accounting

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

- Law on Accounting and Auditing of FBiH determines the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").
- The Law of Banks of FBiH determines the preparation of annual financial reports in accordance with the previous mentioned Law of Accounting and Auditing of FBiH, by this law, and bylaws enacted under both laws.
- The FBiH Banking Agency adopted the Decision on Credit Risk Management and determination of expected credit losses (the "Decision"), which applies from 1 January 2020 and which is resulted in certain differences, arising from the calculation of value adjustments for credit losses due to application of the minimum rates determined by the Decision, which are not required by IFRS 9: "Financial instruments" ("IFRS 9").
- The Rulebook on Chart of Accounts, Account Content and Application of Chart of Accounts for Companies (Official Gazette FBiH 81/21), Rulebook on Content and Form of Financial Statements for Companies (Official Gazette FBiH 81/21) and the Rulebook on Amendments to the Rulebook on the Content and Form of Financial Statements for Companies (Official Gazette FBiH 102/22, 99/23) prescribe forms of statement of financial position, statement of comprehensive income, statement of cash flows and statement of changes in equity. These local regulations governing the measurement and presentation of financial statements take precedence over the requirements defined in this regard by IFRS published by the Association.

In accordance with the provisions of the Decision, the Bank formed higher value credit allowances for credit losses in the amount of 7,623 thousand BAM as of December 31, 20250 (8,030 thousand BAM as of December 2024) in relation to the amount obtained by calculation resulting from the Bank's internal model, as it is required by IFRS 9. This difference is due to the following reasons:

2. BASIS OF PREPARATION (CONTINUED)

Basis of accounting (Continued)

- application of the minimal expected credit losses threshold determined in Article 23, of the Decision for level exposures credit risk 1 - difference in the amount of 4,557 thousand BAM as of December 31, 2025 (3,631 thousand BAM, as of December 2024)
- application of the minimal expected credit losses rates determined in Article 24, of the Decision for level exposures credit risk 2 - difference in the amount of 823 thousand BAM as of December 31, 2025 (155 thousand BAM, as of December 2024).
- application of the minimal expected credit losses rates prescribed in Article 25, of the Decision for level exposures credit risk 3 (non-performing assets) - the difference in the amount of 2,152 thousand BAM as of December 31, 2025, out of which the amount of 1,351 thousand BAM refers to exposures not secured by eligible collateral, the amount of 801 thousand BAM on exposures which are secured by acceptable collateral (3,245 thousand BAM as of December 2024, of which the amount of 1,762 thousand BAM refers to exposures not secured by eligible collateral, the amount of 1,483 thousand BAM on exposures which are provided with acceptable collateral).
- application of the minimum rates of expected credit losses rates determined in Article 26, of the Decision on receivables, receivables based on factoring and financial leasing and other receivables - difference in the amount of 91 thousand BAM as of December 31, 2025 (183 thousand BAM as of December 2024).
- Write-off of exposures to off-balance after the bank recorded the expected credit losses in the amount of 100% of the gross book value of that exposure and declared it fully due in the total amount of BAM 9,881 thousand (8,257 thousand BAM as of December 2024) .

In accordance with Article 32 of the Decision, the banks are obliged, if not sell repossessed / acquired material property more than three years from acquisition date, to evaluate value to 1 BAM.

As presented below, the Bank formed impairments before new regulation, and for all assets acquired before three years already built impairments, so no impact of new regulation was recorded.

Acquired material property	2025.			2024.		
	Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
Assets which has been acquired in the last three years	23	23	0	16	16	0
Assets which was acquired over a period of more than three years	21	21	0	18	18	0
Total	**44**	**44**	**0**	**34**	**34**	**0**

Previously described differences in credit losses between the legal accounting regulations applicable to banks in FBiH and requirements for recognition and measurement under International Financial Reporting Standards had to result in the following effects *:

	31.12.2025 IFRS	Effects of FBA Decision 31.12.2025	31.12.2025
Assets	(71.220)	(78.366)	(7.146)
Liabilities	1.787	2.264	477
Equity	(73.007)	(80.630)	(7.623)

2. BASIS OF PREPARATION (CONTINUED)

Basis of accounting (Continued)

	31.12.2024 IFRS	Effects of FBA Decision 31.12.2024	31.12.2024
Assets	(72.157)	(79.781)	(7.624)
Liabilities	2.076	2.482	406
Equity	(74.233)	(82.263)	(8.030)
Financial result before tax for the year ended 31.12.2025 if IFRS methodology is used would be higher by 407			

* *Note: a positive figure represents an increase in value, and a negative one a decrease in value*

a) **Functional and presentation currency**

These financial statements are presented in thousands of convertible marks ('000 BAM) which is the functional currency of the Bank.

b) **The concept of going concern**

The financial statements have been prepared on the going concern basis, which means that the Bank will continue in business for the foreseeable future and be able to settle its receivables and settle its liabilities in the ordinary course of business.

c) **Use of estimates and judgments**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Results actually recorded upon settlement of transactions which were initially subject to estimates may eventually differ from those estimates.

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

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

d) **Comparative figures**

Financial statements for the year ended 31 December 2025 have been prepared in accordance with the requirements of the Rulebook on Chart of Accounts, Account Content and Application of Chart of Accounts for Companies (Official Gazette FBiH 81/21), Rulebook on Content and Form of Financial Statements for Companies (Official Gazette FBiH 81/21) and the Rulebook on Amendments to the Rulebook on the Content and Form of Financial Statements for Companies (Official Gazette FBiH 102/22, 99/23), and the instructions of the Banking Agency of the Federation of Bosnia and Herzegovina.
During 2025, there was no reclassification of positions in relation to the reporting period of December 31, 2024.

3. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Foreign currency transactions

Transactions in currencies other than Convertible Marks ("BAM") are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Profits and losses arising on translation are included in the profit or loss statement for the period.

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

31 December 2025	EUR 1= BAM 1.95583	USD 1 = BAM 1.663545
31 December 2024	EUR 1= BAM 1.95583	USD 1 = BAM 1.872683

(b) Net trading income

Net trading income comprises net gains and losses from foreign exchange trading, net gains and losses on financial instruments at fair value through profit or loss, and net gains and losses from the translation of monetary assets and liabilities denominated in foreign currency at the reporting date.

(c) Lease payments

At inception of contract, the Bank assesses whether a contract is, or contains a lease, A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. The Bank recognizes a right-of use asset and lease liability at the lease commencement date. The right-of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise of following: fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Lease payments (continued)

residual value guarantee, and the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

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

The Bank presents right-of-use assets in "Tangible assets including right-of-use assets" Note 27.

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(d) Income tax expense

The income tax charge is based on taxable profit for the year and comprises current and deferred tax. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date and any adjustments to tax payable in respect of previous years.

The amount of deferred tax is calculated using the balance sheet liability method whilst considering the temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for income tax purposes. Deferred tax assets and liabilities are recognized using the tax rates that are expected to apply on taxable income in the period in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the reporting date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects at the reporting date to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are not discounted and are classified as non-current assets and/or liabilities in the statement of financial position. Deferred tax assets are recognized only to the extent that it is probable that sufficient taxable future profits will be available against which the deferred tax assets can be utilized. At each reporting date the Bank reassesses unrecognized potential deferred tax assets and the carrying amount of recognized deferred tax assets for indications of potential impairment.

(e) Property and equipment

Recognition and measurement

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(e) Property and equipment (continued)

Buildings are recognized at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognized in the asset revaluation reserve, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognized in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognized against the asset revaluation reserve. All other decreases in carrying amounts are recognized as a loss in the statement of comprehensive income.

Gains and losses on are determined by comparing proceeds with the carrying amount and are included in the profit or loss statement as other income or operating expense.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term, Land is not depreciated.

The depreciation rates used by the Bank are as follows:

	2025	2024
Computers	20%	20%
Furniture and equipment	10% - 15%	10% - 15%
Business premises	5%	5%
Leasehold improvements	20%	20%

Depreciation method and useful life are reviewed, and adjusted if appropriate, at each reporting date.

(f) Intangible assets

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

Amortization is provided on all intangible assets except assets in the course of construction on a straight-line basis at prescribed rates designed to write off the cost over the estimated useful lives of the assets. The amortization rates used by the Bank were applied consistently in 2025 and 2024:

Intangible assets – licenses	10% - 33,33%
Intangible assets – software	20%

Amortization method and useful lives are reviewed and adjusted if appropriate at each reporting date.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(g) Assets repossessed from disbursement of loans

The Bank may recover assets that were originally received as collateral for the loan after exercising contractual rights or undertaking specific legal actions. When both of the following conditions are satisfied, the relevant assets shall be included in the Bank's balance sheet:

- The recovery activity has been completed
- The Bank has become owner of the asset

Classification and measurement of these assets depend on the scope for holding the property, More specifically, the asset may be classified according to IAS 16 (if the assets become instrumental), IAS 40 (if the property is held to earn rentals or for capital appreciation), IAS 2 (when the property has been acquired, in the ordinary course of business, exclusively with the intent to dispose of the asset in the reasonably short period of time). Classification under IFRS 5 is also possible when the conditions are met.

Following their initial recognition in the balance sheet at their fair value, the repossessed assets classified according to IAS 16, excluding property assets, shall be measured at cost (amortized and periodically tested for impairment). Repossessed property assets, such as functional property and valuable art collections (governed by IAS 16) and Investment property (governed by IAS 40) will be subsequently measured according to the revaluation model and fair value model respectively. Assets classified under IAS 2 shall be measured at the lower between cost and the net realizable value and shall not be amortized but only subject to the impairment test.

In accordance with Regulatory Banking Agency's Decision, assets repossessed from disbursement of loans should be registered at lower of following values:

a. a) Net carrying value of loan receivable. In addition, in circumstances where carrying value of loan receivables is equal to the expected credit loss provisions, the Bank shall recognize repossessed assets in value of 1 BAM,
b. b) Estimated fair value, decreased for expected costs of sale, estimated by independent valuator,

According to the regulatory requirements, in the case that the bank fails to sell the repossessed assets within three years from the date of their initial recognition in the bank's books, it shall reduce their value to BAM 1.

(h) Assets held for sale

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell, Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(i) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Impairment of non-financial assets (continued)

amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, Impairment losses are recognized in the profit or loss statement.

The recoverable amount of other assets is the greater of their value in use and fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Employee benefits

Short-term benefits

On behalf of its employees, the Bank pays pension and health insurance which is calculated on the gross salary paid as well as tax on salaries which are calculated on the net salary paid. The Bank pays the above contributions into the state pension and health funds according to statutory rates during the course of the year. In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with local legislation. These expenses are recorded in the profit or loss statement in the period in which the salary expense is incurred.

Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss statement as incurred.

Long-term employee benefits: retirement severance payments and early retirement bonuses

The Bank pays to its employees' retirement severance benefits upon retirement in an amount representing three times the average salary of the respective employee in the period of the last three months.

The obligation and costs of these benefits are determined by using a projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows using a discount rate that is similar to the estimated interest rate on government bonds.

Share-based payments

Employees of the Bank receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments issued by the ultimate parent company. The Bank accounts for share-based payments as a cash-settled transaction.

The fair value of the amount payable to employees in respect of the ultimate parent company shares to be given to the employees is recognized as an expense with a corresponding increase in liabilities over the period in which the employees unconditionally become entitled to payments. The liability is remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as a personnel expense in the profit or loss statement.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(k) Provisions for liabilities and charges

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

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

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

(l) Equity

Issued share capital

Issued share capital comprises ordinary and preference shares and is stated in BAM at nominal value.

Reserves

Reserves represent Reserves for unconditional, permanent and full coverage of potential future losses and other reserves as accumulation of net profits after appropriations to owners and other transfers.

Fair value reserve

The fair value reserve comprises changes in fair value of tangible assets and financial assets at fair value through other comprehensive income, net of deferred tax.

Other reserves

Other reserves mainly relate to accumulated appropriations from retained earnings in accordance with the shareholder's decisions.

Dividends

Dividends on ordinary shares and preference shares are recognized as a liability until payment to beneficiaries in the period in which they are approved by the Bank's shareholders.

(m) Off-balance sheet commitments and contingent liabilities

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

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(n) Managed funds for and on behalf of third parties

The Bank manages funds for and on behalf of corporate and retail clients. These amounts do not represent the Bank's assets and are excluded from the statement of financial position. For the services rendered the Bank charges a fee.

(o) Segment reporting

A business segment is a distinguishable component of the Bank that is engaged in providing products or services, which is subject to risks and rewards that are different from those of other segments. A geographical segment is engaged in providing products or services within a particular economic environment distinguished from other segments engaged in providing products or services within other economic environments.

The Bank has identified 3 primary business segments: Retail, Corporate and Treasury. The primary segmental information is based on the Bank's internal reporting structure by business segment. Geographical concentration is not presented as the Bank's operations are concentrated in Bosnia and Herzegovina.

(p) Interest income and expense

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset

(b) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or 'stage 3'), for which interest revenue is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision).

(q) Fee and commission income and expenses

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

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

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

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Fee and commission income and expenses

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognized at the point in time when the transaction takes place.

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

(r) Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and, from 01 January 2018, also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

(s) Dividend income

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

(t) Financial assets and financial liabilities

1. Recognition and initial measurement

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

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

2. Classification and subsequent measurement

Financial assets
The Bank classifies its financial assets in the following measurement categories:

- Financial assets measured at amortised cost
- Financial assets measured through other comprehensive income

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)
2. Classification and subsequent measuremen (continued)

- Financial assets at fair value through profit or loss

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depend on:

i. The purpose of managing financial assets (business model)
ii. The contractual characteristics of cash flows (Solely Payments of Principle and Interest, further "SPPI test" or "SPPI")

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

- **Financial assets measured at amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVTPL, are measured at amortized cost. After initial recognition, the carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 3(4). Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

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

- **Financial assets measured through other comprehensive income**

Fair value through other comprehensive income (FVOCI) financial assets, that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL, are measured at fair value through other comprehensive income (FVOCI).

Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "Net trading income". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

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

Financial assets at fair value through profit or loss have two sub-categories: financial instruments held for trading (including derivatives) and those designated by management as at fair value through profit

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)
2. Classification and subsequent measuremen (continued)

or loss at inception. A financial instrument is classified in this category only if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term for the purpose of short-term profit taking or designated as such by management at initial recognition.

The Bank designates financial assets at fair value through profit or loss when:

- the assets are managed, evaluated and reported internally on a fair value basis;
- the designation eliminated or significantly reduced an accounting mismatch which would otherwise have arisen; or
- the asset contains an embedded derivative that significantly modified the cash flows that would otherwise be required under the contract.

Financial assets at fair value through profit or loss include derivative financial instruments classified as financial instruments held for trading and equity instruments designated by management at fair value through profit or loss.

- **Derivative financial assets**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (sometimes called the 'underlying'),
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors, and
- it is settled at a future date.

Typical examples of derivatives are futures and forwards, swap and option contracts. A derivative usually has a notional amount, which is an amount of currency, a number of shares, a number of units of weight or volume or other units specified in the contract.

Derivative financial instruments are initially recognised in the balance sheet in accordance with the policy for initial recognition of financial instruments. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models and options pricing models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Purpose of managing financial assets (Business model)

The business model reflects how the Bank manages the assets in order to generate cash flows.

Business models of the Bank are:

- Business model whose objective is to hold assets for the collection of contractual cash flows - it includes all financial assets held for the purpose of collection of contractual cash flows over the lifetime of the financial instrument. For the purpose of classification in this business model, financial assets goes through the SPPI (Solely payment of principal and interest) test, and the following financial assets are allocated to this model:

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

2. Classification and subsequent measuremen (continued)

Purpose of managing financial assets (Business model) (continued)

- Deposits with banks,
- Loans,
- Other receivables.

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

- Business model aimed to collect the contractual cash flows and sale of financial assets – it includes financial assets held for the purpose of collecting the agreed cash flows and sale of financial assets.

The following financial assets are allocated to the business model for collection and sale:

- Debt securities (pass SPPI test),
- Equity securities (fail SPPI test).

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

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

Contractual cash flow characteristics (SPPI)

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

The SPPI test is performed:

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

- **Equity instruments**

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

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

2. Classification and subsequent measuremen (continued)

Contractual cash flow characteristics (SPPI) (continued)

as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal, Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

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

- **Financial liabilities**

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Designation at fair value through profit or loss

Financial assets

At initial recognition, the Bank has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

The Bank also designated certain financial assets as at FVTPL because the assets were managed, evaluated and reported internally on a fair value basis.

Financial liabilities

The Bank has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 23 sets out the amount of each class of financial asset or financial liability that has been designated as at FVTPL, A description of the basis for each designation is set out in the note for the relevant asset or liability class.

Loans and receivables from customers

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

- loans and receivables measured at amortized cost (see Note 25); they are initially measuring at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

Investment securities

The "investment securities" caption in the statement of financial position includes:

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

2. Classification and subsequent measuremen (continued)

Contractual cash flow characteristics (SPPI) (continued)

- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

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

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

Financial guarantees and loan commitments

'Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

- At the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(t) and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15,

The Bank has issued no loan commitments that are measured at FVTPL. For other loan commitments:

- The Bank recognizes a loss allowance

Liabilities arising from financial guarantees and loan commitments are included within provisions.

3. Derecognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

3. Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

4. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

4. Modifications of financial assets and financial liabilities (continued)

According to regulation prescribed by Federal Banking Agency of BiH from 01.01.2020. Decision on Credit Risk Management and determination of expected credit losses, modification can be:

1. triggered by the debtor's current needs (e.g. effective interest rate reduction due to changes in the market, collateral swap, etc.), and not by the debtor' financial distress,
2. triggered by the debtor's current financial distress or distress that will arise soon, i.e. deterioration of their creditworthiness, timeliness in meeting of their obligations to the bank or other creditors.

Financial liabilities

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

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

- **Offsetting**

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

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

5. Impairment

Regulatory decision outlines a "three-stage" model for impairment of financial assets based on changes in credit quality since initial recognition of financial assets.

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

Regulatory decision requires entities to enter the expected losses at the level of losses expected in the next 12 months (Stage 1) from the initial entry of the financial instrument. The time horizon for calculating the expected loss becomes the entire remaining life of the asset that is the subject of the valuation where the credit quality of the financial instrument has experienced a "significant" deterioration in relation to the initial measurement (Stage 2) or in case the asset is partially or fully non-performing (Stage 3). More specifically, the introduction of new impairment provisions includes:

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

5. Impairment (continued)

- Allocation of performing financial assets at different levels of credit risk (“staging”), corresponding to value adjustments based on expected losses over the next 12 months (the so-called “Stage 1”) or lifetime for the entire remaining duration of the instrument (the so-called “Stage 2”), in the presence of a significant increase in credit risk;

- Allocation of partially or fully non-performing financial assets in the so-called “Stage 3“, always with value adjustments based on expected losses over the entire duration of the instrument;

- Inclusion of Expected Credit Losses (“ECL”) in the calculation, as well as the expected future changes of the macroeconomic scenario.

The following table summarizes requirements for impairment under IFRS 9.

	Stage 1	Stage 2	Stage 3
Deterioration in credit risk	Initial recognition	Credit risk has increased significantly since initial recognition and is not considered "low"	Credit risk has increased to the point where it is considered that the value of the instrument is impaired
Recognition of the provisioning in the balance sheet	12-month expected loss	Lifetime expected loss	Lifetime expected loss
Current classification	Performing	Performing	Non-performing
Current provision	Incurred loss	Incurred loss	Lifetime expected loss

Measurement of ECL

ECL are a probability-weighted estimate of credit losse. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i,e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank 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 estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

5. Impairment (continued)

cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Write-off

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

Recoveries of amounts previously written off are included in "impairment losses on financial instruments" in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

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

Accounting Write-off

In July 2019, Federal Banking Agency adopted the Decision on Credit Risk Management and determination of Expected Credit Losses which is explained in Accounting Summary Policies – Impairment.

According to FBA Decision, Bank is obliged to perform write off of financial assets in time period of two years after the date on which total amount of expected credit risk had been registered in amount of 100% of the value of financial asset, and declared assets as completely due.

The Bank did not make an accounting write-off before January 1, 2020, years, Receivables in the Bank's books were recorded until collection or permanent write-off. Unlike to above explained Write-off, Accounting Write-off is part of Off-Balance Sheet records and in Financial Statement is part of movement of Impairments in Note 25.

(u) Cash and Cash equivalents

For cash flow reporting purposes, cash equivalents and cash include balances with maturity of less than three months from the date of acquisition, including money and funds that are not under restrictions of the Central Bank, other suitable securities, credits and loans given to banks, due receivables from other banks.

Cash represent monetary assets in domestic and foreign currencies in the treasury and cash registers Banks, funds on reserve accounts with the Central Bank of Bosnia and Herzegovina and funds on accounts with domestic and foreign banks with a maturity of up to three months.

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(t) Financial assets and financial liabilities (continued)

5. Impairment (continued)

(v) Borrowings

Borrowings are initially recognized at fair value, which is equal to historical cost less for transaction costs. Loan liabilities are subsequently reported at amortized value, all differences between the inflow of funds minus transaction costs and the amount of repayments. Interest expense is recognized in Profit& loss statements in the period of using the loan using the effective interest rate method.

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

- companies that directly or indirectly through one or more intermediaries control the reporting company or are under his control, that is, which the reporting company controls together with another subjects;
- associated companies in which the Bank has significant influence and which are neither a related entity nor a joint venture investor investment;
- natural persons who directly or indirectly have the right to vote in the Bank, which allows them a significant influence on the Bank, as well as any other entity that is expected to influence or be influenced related persons in business with the Bank;
- managers in key positions, i.e. persons who have authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and key management.

When looking at any possible transaction with a related party, attention is focused on the substance relationship, and not just the legal form.

A) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS and amendments to IFRS which have been adopted by the Bank as of 1 January 2025:

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The newly adopted amendments to IFRS did not have a material impact on the Bank's accounting policies.

B) Standards issued but not yet effective and not early adopted

- **IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

B) Standards issued but not yet effective and not early adopted

categories: operating; investing; financing; income taxes; and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. In the following reporting periods, Management will analyze the requirements of this newly issued standard and assess its impact.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures (including amendments)**

IFRS 19 permits subsidiaries without public accountability to use reduced disclosure requirements if their parent company (either ultimate or intermediate) prepares publicly available consolidated financial statements in compliance with IFRS accounting standards. These subsidiaries must still apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. The amendments issued in August 2025 reduce the disclosure requirements of new IFRS accounting standards, which had been included in full when IFRS 19 was first issued. IFRS 19 (including the amendments) is effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The effects of this standard are not expected to have a significant impact on the Bank's financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Impairment losses on loans and receivables

The Bank continuously monitors the creditworthiness of its clients. The need for impairment of the Bank's balance sheet and off-balance sheet credit risk exposures is assessed on a monthly basis.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following note 3(t).

(b) Taxation

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

(c) Regulatory requirements

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

In addition to impairment allowances calculated and recognised in accordance with IFRS, the Bank also calculates impairment losses in accordance with the Agency regulations for capital adequacy calculation purposes.

In accordance with the Decision on credit risk management and determination of expected credit losses, the Bank applies the following rules of minimum coverage to define the ECL.

The Bank shall determine and record the expected credit losses for exposures allocated to credit risk level 1 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 recognized external credit rating institution, which is assigned to credit quality step 3 and 4 – 0,1 % in accordance with Article 69, of the Decision on calculating the bank's capital,

c) for exposures to banks and other financial sector entities for which there is a credit assessment by a recognized external institution for credit rating assessment, which is in accordance with Article 69 of the Decision on calculating the bank's capital is classified in credit quality step 1, 2 or 3 - 0,1 % exposure,

d) for other exposures - 0,5% of exposures,

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(c) Regulatory requirements (Continued)

For exposures allocated to credit risk level 2, the bank is obliged to determine and record the expected credit losses in the amount of more than the following:

a) 5% exposure,
b) the amount determined in accordance with the bank's internal methodology,

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

Table 1. Minimum expected credit loss rates for exposures secured by eligible collateral:

Number:	Days of delay	Minimum expected credit loss
1.	up to 180 days	15%
2.	from 181 to 270 days	25%
3.	from 271 to 365 days	40%
4.	from 366 to 730 days	60%
5.	from 730 to 1,460 days	80%
6.	over 1,460 days	100%

Table 2. Minimum expected credit loss rates for exposures not secured by eligible collateral:

Number:	Days of delay	Minimum expected credit loss
1.	up to 180 days	15%
2.	from 181 to 270 days	45%
3.	from 271 to 365 days	75%
4.	from 366 to 456 days	85%
5.	over 456 days	100%

Exceptionally, if the bank has taken appropriate legal action and can document the certainty of collection from eligible collateral in the next three years, the increase in the level of expected credit losses is not required to exceed 80% of the exposure.

The estimate of future cash flows from eligible collateral reduced to present value must be greater than 20% of that receivable.

In case that the bank does not collect receivables in the specified period of three years, it is obliged to record the expected credit losses in the amount of 100% of the exposure.

The Bank shall determine the rates of expected credit losses for trade receivables, receivables from factoring and financial leasing, and other receivables at least in the amounts as shown in Table 3.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(c) Regulatory requirements (Continued)

Table 3. Minimum rates of expected credit losses for leasing and other receivables

Number:	Days of delay	Minimum expected credit loss
1.	no delay in material significant amount	0,5%
2.	up to 30 days	2%
3.	from 31 to 60 days	5%
4.	from 61 to 90 days	10%
5.	from 91 to 120 days	15%
6.	from 121 to 180 days	50%
7.	from 181 to 365 days	75%
8.	over 365 days	100%

(d) Litigation and claims

The total amount of litigations and claims amounts to BAM 3,225 thousand as of 31.12.2025 (31.12.2024: BAM 9,581 thousand).

The Ban performs an individual assessment of all court cases and creates provisions in accordance with the assessment. The assessment of risks and proposal for provisions for legal cases is performed by the Legal Affairs Department and Finance Division, and a decision on the creation of provisions is made by the Bank's management.

As stated in Note 33, the Bank provided BAM 368 thousand as of 31.12.2025 (31.12.2024: BAM 1,256 thousand), which management estimates as sufficient. Since the estimate is made considering the specifics of each individual case based on the likelihood and magnitude of an outflow of resources.

5. FINANCIAL RISK MANAGEMENT

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

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

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

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

5.1 Credit risk

5.1.1 Risk limit control and mitigation policies

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

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

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

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

The limits of credit risk are determined in relation to the Bank's regulatory capital.

According to the Bank's policy, decision-making on exposure to credit risk is centralized and concentrated on the Credit Committee. Decisions of the Credit Committees are made upon consideration of proposals provided by the Underwriting Department. The terms for approval of each corporate loan are determined individually depending on client type, the loan's purpose, estimated creditworthiness and current market situation. Conditions for collateral are also determined according to client creditworthiness analysis, type of credit risk exposure, term of the placement as well as the placement amount.

Off-balance-sheet credit instruments

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.1 Credit risk (Continued)

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

The following table sets out information about the credit quality of financial assets measured at amortized cost, FVOCI debt instruments and debt instruments at amortized costs,. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Explanation of the terms ‘Stage 1’, ‘Stage 2’ and ‘Stage 3’ is included in Note 3 (t).

			2025		2024
	Stage 1	Stage 2	Stage 3	Total	Total
Cash and cash equivalents – Note 22					
Performing - Stage 1	533,198	-	-	**533,198**	**644,552**
Total Gross	533,198	-	-	**533,198**	**644,552**
Less: impairment allowance	(504)	-	-	**(504)**	**(598)**
Carrying amount	**532,694**	-	-	**532,694**	**643,954**
Reserves with Central Bank - Note 25.1					
Performing - Stage 1	274,387	-	-	**274,387**	**244,140**
Total Gross	274,387	-	-	**274,387**	**244,140**
Less: impairment allowance	(274)	-	-	**(274)**	**(244)**
Carrying amount	**274,113**	-	-	**274,113**	**243,896**
Loans and receivables from customers at amortized cost - Note 25.2					
Performing - Stage 1	2,000,113	-	-	**2,000,113**	**1,705,616**
Performing - Stage 2	-	178,676	-	**178,676**	**175,277**
Past due impaired	-	-	4,738	**4,738**	**4,824**
unlikely to pay	-	-	8,751	**8,751**	**11,836**
doubtful	-	-	23,104	**23,104**	**30,765**
Total Gross	2,000,113	178,676	36,593	**2,215,382**	**1,928,318**
Less: impairment allowance	(19,180)	(26,264)	(28,125)	**(73,569)**	**(77,694)**
Carrying amount	**1,980,933**	**152,412**	**8,468**	**2,141,813**	**1,850,624**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1 Maximum exposure to credit risk before collateral held or other credit enhancement (Continued)

Debt instruments at amortized cost -Note 25.3					
Total Gross	71,251	-	-	71,251	-
Loss allowance	71,251	-	-	71,251	-
Carrying amount	(1,988)	-	-	(1,988)	-
	69,263	-	-	**69,263**	**-**
Oher financial assets at amortized cost -Note 25.4					
Total Gross	6,896	514	1,113	8,523	9,974
Loss allowance	6,896	514	1,113	8,523	9,974
Carrying amount	(47)	(124)	(1,088)	(1,259)	(1,245)
	6,849	390	25	**7,264**	**8,729**
Financial assets at FVOCI - Note 24					
Performing - Stage 1					
Total Gross	203,538	-	-	203,538	154,845
Loss allowance	203,538	-	-	203,538	154,845
Carrying amount	(772)	-	-	(772)	-
	202,766	**-**	**-**	**202,766**	**154,845**
Total on-balance exposure	**3,067,510**	**152,802**	**8,493**	**3,228,805**	**2,902,048**
Contingent liabilities - Note 38					
Stage 1	158,178	-	-	**158,178**	**149,965**
Stage 2	-	5,318	-	**5,318**	**3,519**
Stage 3	-	-	-	**-**	**-**
Total Gross	158,178	5,318	-	**163,496**	**153,484**
Less: impairment allowance	(341)	(301)	-	**(642)**	**(469)**
Carrying amount	**157,837**	**5,017**	**-**	**162,854**	**153,015**
Loan commitments - Note 38					
Stage 1	467,212	-	**-**	**467,212**	**454,466**
Stage 2	-	12,551	**-**	**12,551**	**23,513**
Stage 3	-	-	333	**333**	**377**
Total Gross	467,212	12,551	333	**480,096**	**478,356**
Less: impairment allowance	(1,112)	(344)	(166)	**(1,622)**	**(2,013)**
Carrying amount	466,100	**12,207**	**167**	**478,474**	**476,343**
Total off balance exposure	**623,937**	**17,224**	**167**	**641,328**	**629,358**
Total exposure to credit risk	**3,691,447**	**170,026**	**8,660**	**3,870,133**	**3,531,406**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.1 Credit risk (Continued)

5.1.3 Collateral held and other credit enhancements

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

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

Residential mortgage lending

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

	31 December 2025	31 December 2024
LTV ratio		
Less than 50%	67,873	62,548
51–70%	68,419	94,160
71–90%	99,818	54,718
91–100%	37,384	10,301
More than 100%	16,728	1,473
Total	**290,222**	**223,200**
Credit-impaired loans	**2025**	**2024**
Less than 50%	1,081	1,036
51–70%	508	576
More than 70%	145	678
Total	**1,734**	**2,290**

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances and held at the year-end are shown below (Note 29).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.3 Collateral held and other credit enhancements (Continued)

	2025	2024
Property	45	34
Total	**45**	**34**

5.1.4 Allowance for expected credit losses

(i) Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the quantitative or qualitative criteria have been met. Criteria for determining a significant increase in credit risk are defined for the proper allocation of exposure in "Stage 1" or "Stage 2".

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

- Probability of default change in relation to the moment of initial entry of the financial instrument in the financial statements. It is therefore an assessment implemented by adopting the "relative" criterion, which is configured as the main criteria;
- Eventual presence of due amount which remains overdue over 30 days. In the event of such case the credit risk of such exposure is considered "significantly increased" and is classified to Stage 2;
- Existence of "forbearance" measures;
- Qualitative information on credit quality deterioration due to which the client is included in the monitoring list;
- Certain indicators of the internal credit risk monitoring system and early warning system.

Determining whether the specific factor is relevant, as well as its significance in relation to other factors, depends on the type of products and characteristics of the financial instrument. Consequently, it is not possible to define a unique set of factors that determine whether there has been a significant increase in credit risk.

(ii) Definition of default

Staging criteria are selected in line with IFRS9, and based on risk parameters available in the Bank. Main indicators that are used are transaction classification. Days past due, Forbearance, PCEM (watch list) Indicator and/or Early Warning System (EWS) model for Micro Business, SME and Large Corporate portfolios as well as EWS indicators for Retail customers. Considering that, Stage 3 is equal to Non-performing status of the loan. The key element in Stage assignment is recognition of increasing credit risk of a financial instrument. Significant increase of credit risk could be highlighted by qualitative indicators as:

- Past Due days
- Forborne status
- Early warning signals and/or Proactive Credit Management watch list status of the customer

In addition, forbearance measures could represent a significant increase in credit risk since they consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.1 Credit risk (Continued)
5.1.4 Allowance for expected credit losses (Continued)
(ii) Definition of default (continued)

Stage assignment for Loans:

Stage 1	Stage 2	Stage 3
1. *Performing exposures without days past due* 2. *Performing exposures with less than or equal to 30 days past due under New DoD rules*	1. *Performing exposures with more than 30 days past due under **New DoD rules** (*)* 2. *Performing exposures with significant increase in PD since origination through delta PD lifetime* 3. *Forborne performing exposures* 4. *Forborne probation period* 5. *Performing exposures to Corporate customers showing Early Warning signals(**) (orange, red or light blue) or present in local PCEM* 6. *Exposures to clients whose accounts in Intesa Sanpaolo Banka BiH are blocked on the reporting date (***)* 7. *Exposures to Retail Individual customers whose use of overdraft on a current account in the Bank has been terminated, and who have an overdue principal debt (****)* 8. *Retail Individuals performing exposures showing signs of increased credit risk based on internally determined behavioral indicators (*****) or the exposure is on the internal watch list due to a negative underwriting opinion at origination*	1. *Exposures with more than 90 days past due under New DoD rules* 2. *Past due Probation period* 3. *Unlikely to Pay* 4. *UTP Probation Period* 5. *Bad loans - Doubtful* 6. *Forborne Non performing NPV test>1% in case of distressed restructuring*

Note: (**) The EWS model for legal entities includes the level or risk assessed on the basis of the client's financial statement, transactions executed on the client's account, account blocking, behavioral data, and asset quality review trigger (AQR triggers).

Note: (***) According to the FBA "Decision on credit risk management and assessment of expected credit losses" Article 19, point 4, point e), where

- For legal entities, any blockage is taken into account as part of the EWS model, while for
- Clients of natural persons, technical blocks are not taken into account, such as the one that happens when the client loses his debit card to prevent theft[1], they are not taken into account. Only external blocks resulting from court decisions are used as the trigger for Stage 2.

Note: (****) In cases where the client has no more inflows to his account, the automatic procedure cancels the overdraft and the client must return the entire amount of the overdraft on the current account. Until the overdraft is repaid, this is a signal of increased credit risk and all the client's exposure is classified is in Stage 2. The automatic procedure is performed once every three months, checking whether

- The client had less than 3 inflows on the account, and if
- there is an unauthorized overdraft due by the end of the current month.

If one of these two conditions is met, the procedure will cancel the use of the overdraft.

Note: (*****) Signs of increased risk are applied to natural persons who do not have a mortgage loan in the bank and have:

[1] Other examples: Blocked account to prevent the use of a credit line before contractual obligations are fulfilled, blocked accounts with assets as collateral, etc.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(ii) Definition of default (continued)

1. a quarterly average of more than 1% of the due amount for all exposures in the Bank and more than 110 BAMof the due amount on average for revolving products in the last month, or
2. average quarterly more than 1% of the due amount for all exposures in the Bank and more than 250 BAMof the due amount for all products on the reporting[2] date

In the event of a negative risk assessment when approving an exposure, in accordance with the FBA Regulation, it is necessary that all exposures approved despite a negative risk assessment be included in the internal monitoring list and classified in Stage 2. Internally defined period for being on the internal monitoring list is 9 months, followed by a 3-month trial period to return to Stage 1, and such exposures must spend a minimum of 12 months in Stage 2.

The introduction of internal rating as part of the IFRS9 methodology requires that PD (or rating class) is also used as an indicator of significant increase in credit risk (SICR).

In the Retail segment, significant increase of PD between origination (or initial recognition) and reporting date is used as indicator of credit quality deterioration according to the IFRS9. If delta Lifetime PD is greater than the defined threshold, the observed exposure is classified in Stage 2.

During 2019, Federal Banking Agency adopted the Decision on Credit Risk Management and determination of Expected Credit Losses (and it's amendments in 2020 and 2025).

The FBA Decision regulates the rules for classification of financial instruments based of International Financial Reporting Standard 9: Financial Instruments (IFRS 9), with the introduction of some specific characteristics for the BiH market.

The key changes required by the Decision on Credit Risk Management and determination of Expected Credit Losses are in largely consistent with the Guidelines issued by the European Banking Supervisory Authority (EBA).

The Decision, like the Guidelines, prescribe automatically classification of clients who are significantly late in setting their financial obligations for more than 90 days into the default status.

Significant delay in settlement of financial liabilities according to FBA Decision is the total amount of receivables due from:

a. Individual - 200 BAM and 1% of total debtor balance exposure;

b. Legal entity – BAM 1,000 and 1% of total debtor balance sheet exposure.

Significant delay in settlement of financial liabilities according to EBA Guidelines is the total amount of receivables due from:

a. Individual – 100 EUR and 1% of total debtor balance exposure;

b. Legal entity – 500 EUR and 1% of total debtor balance sheet exposure,

Intesa Sanpaolo Banka has applied unique materiality thresholds of € 100 and € 500 selecting more prudent approach.

Applying the lower absolute thresholds (100 Eur for Retail and 500 Eur for Corporate and similar portfolios), ensures that both requirements from FBA and ECB Regulations are satisfied.

[2] The indicators were selected using statistical analysis and showed the highest accuracy ratio for predicting default for the population among all analysed behavioural indicators.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(iii) Inclusion of forward-looking element

The projection of credit risk parameters under IFRS 9 requires the inclusion of expected future macroeconomic elements in the calculation of lifelong expected credit losses.

In Intesa Sanpaolo Banka BiH, in accordance with the methodology of Intesa Sanpaolo Group, the effect of this inclusion is based on the application of the coefficients of the EBA stress resistance test. The EBA Stress Test Coefficient is used to create scenarios for three years, relative to each bank's starting point. The stress test coefficients are multipliers for the following risk parameters: PD, LGD and LR-Loss. This step includes the calculation of the PD, which is conditioned by the EBA stress test coefficient, and the same is done for conditioning the LGD parameter, which uses the expected GDP rate for BiH.

As the European Banking Regulatory Agency (EBA) publishes the coefficients for the baseline and negative scenarios, the best-case scenario coefficients need to be estimated to include the "supplement" component in the lifetime PD, which is done using the normal standard distribution.

In accordance with the forecasts published by the EBA, the Bank make adjustments of the future macroeconomic elements through the coefficients of the EBA stress resilience test semi-annually.

In addition, recognizing objective difficulties in forming forward looking expectations in this particular year, the Bank has implemented the Group framework for managerial overlays as additional conservative elements in calculation of IFRS9 allowances (considered as post-model management adjustments): Managerial overlay for credit component is aimed at identifying parameters of potential vulnerability and sectorial trends, through a risk sensitive overlays approach and reclassifying to stage 2 a pool of clients. Risk component is not applicable for the Bank taking into consideration that satellite models are not developed and used.. "Managerial overlay" as of December 2025 is estimated to BAM 2.67 million, in Retail portfolio is estimated to BAM 0.175 million and BAM 2.49 million in Corporate portfolio.

(iv) Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(t).

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

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

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(iv) Modified financial assets (continued)

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

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators. Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3(t)(4)), A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(v) Expected Credit Loss Measurement

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

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

Probability of default (PD) is the likelihood of a default over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. IFRS9 PD parameter is estimated starting from a set of matrices (at least three) that describe transitions between Stages of counterparties in the Bank's portfolio. These estimated matrices have 12 months' time horizon.

Loss given default (LGD) measures the expected loss suffered by the Bank in the event of counterparty's default. In Intesa Sanpaolo Banka BiH, LGD is estimated for Non-performing exposures, while for Expected loss estimation of Performing exposures, LGD is calculated as LGD Proxy – average provisioning level (LGD) of new defaulted NPL exposures in that particular Risk segment. For Legal entities workout LGD approach is used and LGD is derived from the set of observed cash flows resulting from the workout and/or collection process, properly discounted, together with the observed exposure.

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

The following tables show reconciliation from the opening to the closing balance of the gross exposures by class of financial instruments for Loans and advances to customers at amortized cost (Note 25.2.a).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(v) Expected Credit Loss Measurement (continued)

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January	**1,705,616**	**175,277**	**47,425**	**1,928,318**	**1,563,430**	**150,346**	**52,362**	**1,766,138**
Transfers to Stage 1	104,985	(104,686)	(299)	-	76,656	(76,480)	(176)	-
Transfers to Stage 2	(188,108)	193,524	(5,416)	-	(167,059)	170,788	(3,729)	-
Transfers to Stage 3	(112)	(10,683)	10,797	2	(116)	(12,643)	12,759	-
Increases of new loans	1,280,454	53,362	3,385	1,337,201	1,053,526	74,394	3,902	1,131,822
increases of existing loans	369,381	15,080	330	384,791	306,337	15,146	402	321,885
Decrease due to reimbursements	(1,341,205)	(143,199)	(13,670)	(1,498,074)	(1,127,158)	(146,274)	(14,294)	(1,287,726)
Write off-s	-	(4)	(5,983)	(5,987)	-	-	(3,801)	(3,801)
Other increase / decrease	-	5	24	29	-	-	-	-
Balance as at 31 December	**1,931,011**	**178,676**	**36,593**	**2,146,280**	**1,705,616**	**175,277**	**47,425**	**1,928,318**

The following tables show reconciliation from the opening to the closing balance of the loss allowance by class of financial instruments for Loans and advances to customers at amortized cost (Note 25.2):

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January	**20,221**	**20,438**	**37,035**	**77,694**	**18,419**	**19,387**	**41,290**	**79,096**
Transfers to Stage 1	9.736	(9.596)	(140)	-	7.890	(7.830)	(60)	-
Transfers to Stage 2	(3.630)	6.778	(3.148)	-	(3.157)	4.638	(1.481)	-
Transfers to Stage 3	(2)	(2.640)	2.642	-	2	(2.817)	2.819	-
New financial assets originated or purchased	15.412	4.850	2.384	22.646	10.615	5.227	2.279	18.121
Net remeasurement of loss allowance	(14.412)	12.242	4.030	1.860	(8.349)	11.169	5.498	8.318
Financial assets that have been derecognized	(5.560)	(8.458)	(9.017)	(23.035)	(5.195)	(9.337)	(9.659)	(24.191)
Total effect through Profit and Loss (Note 25)	**(4,560)**	**8.634**	**(2,603)**	**1.471**	**(2,929)**	**7.059**	**(1,882)**	**2.248**
Write off-s	-	(4)	(5.983)	(5.987)	-	-	(3.801)	(3.801)
Unwinding the discount	-	-	(119)	(119)	-	-	(133)	(133)
Sale and other movements	(2.654)	2.654	441	441	-	1	283	284
Balance as at 31 December	**19.111**	**26.264**	**28.125**	**73.500**	**20.221**	**20.438**	**37.035**	**77.694**

In Other Assets positions there have been no movements between stages in 2025.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(v) Expected Credit Loss Measurement (continued)

The table below shows gross exposure per loans' segments and related ECL (Note 25.2):

31 December 2025	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Retail loans				
Consumer loans	415,377	56,711	23,901	495,989
Housing loans	344,346	22,355	4,013	370,714
Credit card loans and overdrafts	35,702	8,865	2,143	46,710
Total	**795,425**	**87,931**	**30,057**	**913,413**
Corporate loans				
Large	620,533	40,349	833	661,715
Other	515,053	50,396	5,703	571,152
Total	**1,135,586**	**90,745**	**6,536**	**1,232,867**
Total Gross exposure	**1,931,011**	**178,676**	**36,593**	**2,146,280**
Impairment				
Retail loans				
Consumer loans	6,752	8,877	20,379	36,008
Housing loans	2,347	1,833	1,673	5,853
Credit card loans and overdrafts	667	628	1,808	3,103
Total	**9,766**	**11,338**	**23,860**	**44,964**
Corporate loans				
Large	5,370	5,128	481	10,979
Other	3,975	9,798	3,784	17,557
Total	9,345	14,926	4,265	28,536
Total Impairment	**19,111**	**26,264**	**28,125**	**73,500**
Carrying amount of loans	**1,911,900**	**152,412**	**8,468**	**2,072,780**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(v) Expected Credit Loss Measurement (continued)

Other financial assets at amortized cost				
Gross exposure	49,368	-	-	49,368
Impairment	(49)	-	-	(49)
Carrying amount	**49,319**	-	-	**49,319**
Loans to banks over 30 days				
Gross exposure	19,734	-	-	19,734
Impairment	(20)	-	-	(20)
Carrying amount	**19,714**	-	-	**19,714**
Total carrying amount	**1,980,933**	**152,514**	**8,468**	**2,141,813**

The table below shows gross exposure per loans' segments and related ECL:

31 December 2024	Stage 1	Stage 2	Stage 3	Total
Gross exposure				
Retail loans				
Consumer loans	404,850	39,634	29,189	473,673
Housing loans	290,548	18,288	5,589	314,425
Credit card loans and overdrafts	37,172	6,820	2,618	46,610
Total	**732,570**	**64,742**	**37,396**	**834,708**
Corporate loans				
Large	523,163	59,843	1,469	584,475
Other	449,883	50,692	8,560	509,135
Total	**973,046**	**110,535**	**10,029**	**1,093,610**
Total Gross exposure	**1,705,616**	**175,277**	**47,425**	**1,928,318**
	Nivo 1	**Nivo 2**	**Nivo 3**	**Ukupno**
Impairment				
Retail loans				
Consumer loans	8,500	6,587	24,712	39,799
Housing loans	2,667	1,918	3,049	7,634
Credit card loans and overdrafts	759	483	2,198	3,440
Total	**11,926**	**8,988**	**29,959**	**50,873**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(v) Expected Credit Loss Measurement (continued)

Corporate loans				
Large	4,870	6,058	694	11,622
Other	3,425	5,392	6,382	15,199
Total	8,295	11,450	7,076	26,821
Total Impairment	**20,221**	**20,438**	**37,035**	**77,694**
Total Net Exposure	**1,685,395**	**154,839**	**10,390**	**1,850,624**

Non-performing loans - Stage 3

The breakdown of the gross and net amount of the loans to customers that are impaired along with the estimated value of related collateral held by the Bank as security (presented up to the maximum amount of the related exposure), are as follows:

	Retail loans				Corporate loans		
	Consumer loans	Housing loans	Credit card loans and overdrafts	Total	Large	Other	Total
31 December 2025							
Gross exposure	23.901	4.013	2.143	**30.057**	833	5.703	**6.536**
Impairment	(20.379)	(1.673)	(1.808)	**(23.860)**	(481)	(3.784)	**(4.265)**
Net	3.522	2.340	335	**6.197**	352	1.919	**2.271**
Rate of impairment	*85%*	*42%*	*84%*	*79%*	*58%*	*66%*	*65%*
Estimated value of collateral							
Mortgage	45	2.340	-	**2.385**	-	905	**905**
Total	45	2.340	-	**2.385**	-	905	**905**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(v) Expected Credit Loss Measurement (continued)

	Retail loans				Corporate loans		
	Consumer loans	Housing loans	Credit card loans and overdrafts	Total	Large	Other	Total
31 December 2024							
Gross exposure	29,189	5,589	2,618	**37,396**	1,469	8,560	**10,029**
Impairment	(24,712)	(3,049)	(2,198)	**(29,959)**	(694)	(6,382)	**(7,076)**
Net	4,477	2,540	420	**7,437**	775	2,178	**2,953**
Rate of impairment	*85%*	*55%*	*84%*	*80%*	*47%*	*75%*	*71%*
Estimated value of collateral							
Mortgage	103	2,539	-	**2,642**	-	1,030	**1,030**
Total	103	2,539	-	**2,642**	-	1,030	**1,030**

The Bank accounts for counterparty risks arising from the loan portfolio by making allowances for impaired loans. At each reporting date, the Bank checks the existence of objective evidence of impairment of financial assets, as previously explained in Note 3.

Loans and receivables with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default (rescheduling). Rescheduling is mainly performed in response to initial deterioration of the clients' financial position or for the prevention of further deterioration of the clients' financial position. The revised terms usually include extending the maturity, changing the timing of interest payments and when possible, obtaining additional instruments of collateral. Following the restructuring the loans remain graded as restructured until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash-flows and there are no other indicators of impairment. Gross carrying amount of loans with renegotiated terms amount to BAM 6,643 thousand for corporate loans and BAM 12,894 thousand for retail loans as of 31st December 2025 (2024: BAM 10,284 thousand for corporate and BAM 13,363 for retail loans).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.4 Allowance for expected credit losses (Continued)

(v) Expected Credit Loss Measurement (continued)

The breakdown of the gross and net exposure of renegotiated loans are as follows:

	Retail loans				Corporate loans		
	Consumer loans	Housing loans	Credit card loans and overdrafts	Total	Large	Other	Total
31 December 2025							
Gross exposure	11,663	1,231	-	**12,894**	-	6,643	**6,643**
Impairment	(6,587)	(137)	-	**(6,724)**	-	(2,020)	**(2,020)**
Net	5,076	1,094	-	**6,170**	-	4,623	**4,623**
Rate of impairment	*56%*	*11%*	-	*52%*	-	*30%*	*30%*

	Retail loans				Corporate loans		
	Consumer loans	Housing loans	Credit card loans and overdrafts	Total	Large	Other	Total
31 December 2024							
Gross exposure	12,489	874	-	**13,363**	-	10,284	**10,284**
Impairment	(8,120)	(133)	-	**(8,253)**	-	(2,538)	**(2,538)**
Net	4,369	832	-	**5,110**	-	7,746	**7,746**
Rate of impairment	*65%*	*15%*	-	*62%*	-	*25%*	*25%*

For the purpose of credit monitoring and the management of credit risk, the Bank divides its credit portfolio into the following groups:

- Performing loans – loans that are neither past due nor impaired
- Past due but unimpaired loans
- Non-performing loans for which impairment has been recognised.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.5 Concentration of credit risk per geographic location

Geographic risk is highly concentrated on the state of Bosnia and Herzegovina. Geographic risk concentrations on net amounts of balance sheet exposure are as follows:

	Bosnia and Herzegovina	EU countries	Non-EU countries	Total
31 December 2025				
FINANCIAL ASSETS				
Cash and cash equivalents	400,875	93,409	38,410	532,694
Financial assets at fair value through other comprehensive income	6,642	196,124	-	202,766
Financial assets at fair value through P&L	-	892	-	892
Financial assets at amortized cost	2,418,577	54,162	19,714	2,492,453
TOTAL FINANCIAL ASSETS	**2,826,094**	**344,587**	**58,124**	**3,228,805**

	Bosnia and Herzegovina	EU countries	Non-EU countries	Total
31 December 2024				
FINANCIAL ASSETS				
Cash and cash equivalents	385,750	211,233	46,971	643,954
Financial assets at fair value through other comprehensive income	26,307	128,538	-	154,845
Financial assets at fair value through P&L	-	956	-	956
Financial assets at amortized cost	2,099,606	3,643	-	2,103,249
TOTAL FINANCIAL ASSETS	**2,511,663**	**344,370**	**46,971**	**2,903,004**

5.1.6 Decision on temporary measures to mitigate the risk of interest rate increase

On 28 September 2022 Federal Banking Agency issued new Decision on temporary measures to mitigate risk of interest rate increase as a measure related to mitigating the risk caused by a possible increase in reference interest rates, inflationary pressures and other disturbances that may have adverse effects on the BiH market. The primary Decision's objectives are to avoid a sudden increase in interest rates in the Federation of Bosnia and Herzegovina, i,e, to protect financial service users, stabilize the banking system in terms of the Decision's effects on the banks' loan portfolio quality and achieve macroeconomic balance. According to FBA decision the Bank prepared Plan of management of interest-induced credit risk that includes

- comparison of existing interest rate level to the interest rate level as of the reference date,
- projection of interest rate increases and its effects to the credit risk,
- measures to be taken by the bank to reduce the credit risk and any consequences thereof to the borrower,

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (Continued)

5.1.6 Decision on temporary measures to mitigate the risk of interest rate increase (Continued)

Considering the fact that the Bank in the portfolio has a relatively small share of loans with a variable interest rate linked to EURIBOR in relation to the total loan portfolio, interest-induced credit risk is of low significance for the Bank, which was also determined during the annual risk identification during the ICAAP process.

In order to further reduce the credit risk and the consequences for loan users, the Bank undertake the following measures:

- offer to the clients the possibility of modifying their credit exposure with the aim of continuing to meet their obligations to the bank in an orderly manner. Credit exposure modifications may include one of the following measures: interest rate correction, interest rate type change, loan maturity extension, repayment plan changes, etc., (or a combination of the proposed measures). The treatment of modifications in terms of determining the level of credit risk is defined by the Rulebook for the Classification and Measurement of Credit Exposures

- when changing existing credit agreements, caused by a significant increase in the interest rate, the Bank will not charge fees associated with changing existing credit agreements, nor charge other fees and costs related to the change of the contractual relationship, e.g. fee for early loan repayment

- when amending existing credit agreements, in the event of a change in the type of interest rate, caused by a significant increase in the interest rate, the Bank will offer clients a fixed interest rate in accordance with the currently valid market conditions, i.e. the interest rate that the Bank currently offers to clients with a similar risk profile and product characteristics

- The Bank started to implement a product with a combination of fixed and variable interest rates (fixed to variable), which in the first years of loan repayment would have a fixed interest rate, and after that period the interest would be variable so that in the first years of repayment during the existence of significant interest rate fluctuations rates on the market, clients were protected from interest-induced credit risk.

- The Bank also introduced additional monitoring and reporting by the Credit Risk Management Committee on the quality of the portfolio with a variable interest rate in order to recognize potential vulnerabilities and deterioration of the portfolio in time.

As of 31 December 2025, the Bank recorded 865 loans in total amount of BAM 61,344 thousand with significant increase of interest rate in comparison with reference date from the FBA decision, i.e.30.06.2022. (2024 year: 790 loans; 72,054 thousand BAM).

5.2 Liquidity risk management

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the Banking Agency.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk managementk (Continued)

The table below summarizes the maturity profile of the Bank's financial assets and financial liabilities as of 31st December 2025 and 31st December 2024, except for financial assets at fair value through other comprehensive income which have been classified in accordance with their secondary liquidity characteristic as maturing within one month and obligatory reserves which have been classified in the maturity period within one month. Other items of assets and liabilities that have no contractual maturities are classified as having a remaining maturity of over 5 years.

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31st December 2025						
Financial Assets						
Cash and cash equivalents	532,694	-	-	-	-	532,694
Financial assets at fair value through profit and loss	892	-	-	-	-	892
Financial assets at fair value through other comprehensive income	182	31,187	138,121	33,276	-	202,766
Financial assets at amortized cost						
Reserves with Central Bank	379,060	146,362	760,416	806,199	400,416	2,492,453
Loans and receivables from customers	*274,113*	-	-	-	-	*274,113*
Debt instruments at amortized cost	*97,683*	*146,362*	731,573	*765,779*	*400,416*	*2,141,813*
Other financial assets at amortized cost	-	-	28,843	*40,420*	-	*69,263*
Prepaid profit tax	*7,264*	-	-	-	-	*7,264*
Total	**915,460**	**177,549**	**898,537**	**839,475**	**400,416**	**3,231,437**
Financial Liabilities						
Financial liabilities valued at amortized cost	1,783,439	48,296	312,405	696,250	46,523	2,886,913
Deposits from banks and other financial institutions	26,596	11,201	46,755	46,549	7,900	*139,001*
Deposits from customers	1,725,040	33,425	227,339	447,928	24,195	*2,457,927*
Liabilities for loans and other borrowings	13	3,020	35,514	190,181	6,857	*235,585*
Lease payables	307	650	2,797	11,592	7,571	*22,917*
Other financial liabilities valued at amortized cost	31,483	-	-	-	-	31,483
Total	**1,783,439**	**48,296**	**312,405**	**696,250**	**46,523**	**2,886,913**
Maturity gap	**(867,979)**	**129,253**	**586,132**	**143,225**	**353,893**	**344,524**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk managementk (Continued)

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
31st December 2024						
Financial Assets						
Cash and cash equivalents	635,670	8,284	-	-	-	643,954
Financial assets at fair value through profit and loss	956	-	-	-	-	956
Financial assets at fair value through other comprehensive income	20,129	44,620	75,753	14,180	163	154,845
Financial assets at amortized cost	371,836	192,404	879,351	354,811	304,847	2,103,249
Reserves with Central Bank	*243,896*	-	-	-	-	*243,896*
Loans and receivables from customers	*119,211*	*192,404*	879,351	*354,811*	*304,847*	*1,850,624*
Other financial assets at amortized cost	*8,729*	-	-	-	-	*8,729*
Prepaid profit tax	3,750	-	-	-	-	3,750
Total	**1,032,341**	**245,308**	**955,104**	**368,991**	**305,010**	**2,906,754**
Financial Liabilities						
Financial liabilities valued at amortized cost	1,569,473	41,151	252,371	670,487	40,324	2,573,806
Deposits from banks and other financial institutions	27,053	5,800	44,300	44,968	-	*122,121*
Deposits from customers	1,510,179	31,971	170,174	446,993	14,719	*2,174,036*
Liabilities for loans and other borrowings	20	3,036	34,688	166,035	16,133	*219,912*
Lease payables	171	344	3,209	12,491	9,472	*25,687*
Other financial liabilities valued at amortized cost	32,050	-	-	-	-	32,050
Total	**1,569,473**	**41,151**	**252,371**	**670,487**	**40,324**	**2,573,806**
Maturity gap	**(537,132)**	**204,157**	**702,733**	**(301,496)**	**264,686**	**332,948**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.2 Liquidity risk managementk (Continued)

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called (Note 38).

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total gross cash flows	Total carrying amount
31 December 2025							
Financial committments and contingencies							
Undrawn credit lines	8,251	38,453	171,190	262,202	-	480,096	480,096
Contigent liabilities	9,500	21,971	84,996	42,903	4,126	163,496	163,496
Total contingent liabilities and commitments	**17,751**	**60,424**	**256,186**	**305,105**	**4,126**	**643,592**	**643,592**
31 December 2024							
Financial committments and contingencies							
Undrawn credit lines	17,737	32,620	151,227	276,772	-	478,356	478,356
Contigent liabilities	8,164	31,586	64,108	46,215	3,411	153,484	153,484
Total contingent liabilities and commitments	**25,901**	**64,206**	**215,335**	**322,987**	**3,411**	**631,840**	**631,840**

Total expected outflow

The estimated future cash flows for the Bank's interest-bearing liabilities, including expected interest as at 31 December 2025 and as at 31 December 2024 are shown in the following table:

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total	Carrying value
31 December 2025							
Liabilities							
Due to banks and other financial institutions	26,800	11,556	48,629	50,660	8,230	**145,875**	**139,001**
Due to borrowings	36	4,335	38,855	200,686	6,890	**250,802**	**235,585**
Due to customers	1,725,596	35,056	234,939	465,098	24,548	**2,485,237**	**2,174,036**
Lease Liabilities	369	772	3,305	13,335	8,060	**25,841**	**22,917**
Total expected outflow	**1,752,801**	**51,719**	**325,728**	**729,779**	**47,728**	**2,907,755**	**2,855,430**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk managementk (Continued)

	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total	Carrying value
31 December 2024							
Liabilities							
Due to banks and other financial institutions	27,120	6,174	45,989	47,987	-	**127,270**	**122,121**
Due to borrowings	63	3,813	37,681	173,710	16,250	**231,517**	**219,912**
Due to customers	1,511,273	33,230	175,354	467,101	15,286	**2,202,244**	**2,174,036**
Lease Liabilities	238	476	3,772	14,506	10,252	**29,244**	**25,687**
Total expected outflow	**1,538,694**	**43,693**	**262,796**	**703,304**	**41,788**	**2,590,275**	**2,541,756**

5.3 Market risk

The Bank is exposed to market risk which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, foreign currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The Management Board sets limits and guidelines for monitoring and mitigating market risks which is regularly monitored by the Risk Management Department.

5.3.1 Foreign exchange risk

Exposure to currency risk arises from credit, deposit-taking and trading activities and is controlled on a daily basis in accordance with legal and internal limits for each currency as well as in total amounts for assets and liabilities denominated in or linked to foreign currencies.

In order to manage foreign exchange rate risk more efficiently, the Bank monitors economic and other business changes in the environment in order to predict possible changes in foreign currency activities, exchange rates, and foreign currency risk.

Overall exposure to foreign exchange risks is monitored within Risk Management Department using techniques such as Value-at-Risk ("VaR") and stress testing.

FX Value-at-Risk is an individual, concise, statistical measurement of possible losses in the portfolio, VaR is a measurement of loss under normal movements of risk factors on the market. The likelihood of losses higher than VaR occurring is expected to be low.

The main model assumptions are:

- Being based on the historical methodology
- 99 percent as a confidence interval for Value-at-Risk computation
- One-day held period

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

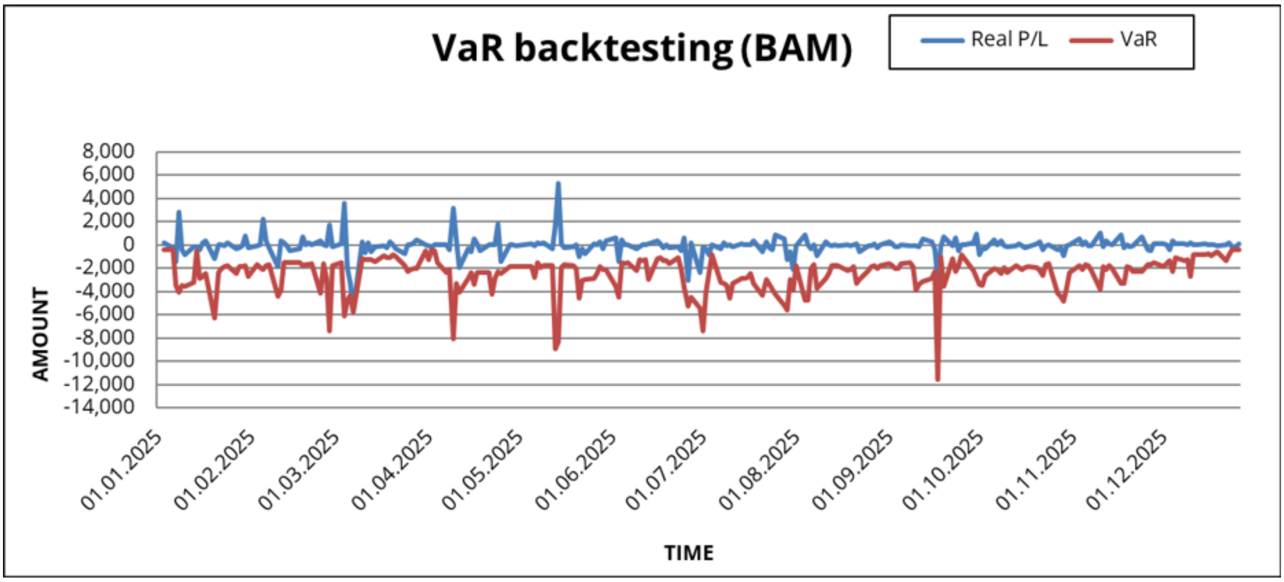
5.3 Market risk (Continued)

5.3.1 Foreign exchange risk (Continued)

The model covers foreign currency risk – valid for foreign currency transactions and positions denominated on foreign currencies; resulting from foreign currency rate volatility.

The model can compute VaR at different aggregation levels – from a single position to any sub-portfolio level. Therefore, the model allows a detailed analysis of risk profiles for the multi-level portfolio hierarchy and diversity effects occurring. Furthermore, VaR measurement can be expounded based on risk source (risk factors). These features of a more detailed risk monitoring system allow the determination of an efficient limit structure which can be compared through different organisational units.

The quality of the implemented risk measurement model is constantly assessed. The Bank performs back-testing of the computed VaR measures with the actual gain and losses for the same period.



**The table above shows Value at Risk (VaR) and i tis stated in BAM*

During 2025, the Bank improved the model for calculation of VaR in accordance with best practices and as a result, the Bank recorded zero exceptions (results for 2024: there was one exception) when actual losses exceeded the daily VAR amount.

The Bank is exposed to foreign currency risk when there is no matching between assets and liabilities and off-balance sheet positions due to cash flows denominated in foreign currencies. Portfolio exposure to foreign currency risk arises from portfolio sensitivity to fluctuations in exchange rate values. The degree of foreign currency risk depends on the amount of open positions and the degree of potential change in foreign currency rates.

The Bank considers that it is not currently exposed to foreign currency risk related to EUR due to the fact that Convertible Mark is pegged to EURO (1 EUR = BAM 1,955830). Exposure is more prominent for USD and CHF. The Bank performs stress testing based on the assumption of a 10% increase or decrease in foreign currency rates against the relevant local currency. The sensitivity rate of 10% is used when reporting internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. Stress testing is performed on an annual basis. The results of the most recent test performed are presented here below:

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.1 Foreign exchange risk (Continued)

31st December 2025

Currency	Open position (in BAM)	Stress Test	
		10% Move Up	10% Move Down
CHF	(6,299)	(630)	630
GBP	3,278	328	(328)
USD	(61,800)	(6,180)	6,180
CAD	2,266	227	(227)
SEK	1,995	195	(195)
Other	(1,030)	(103)	103
EUR	(697,871)	(69,787)	69,787

31st December 2024

Currency	Open position (in BAM)	Stress Test	
		10% Move Up	10% Move Down
CHF	(986)	(99)	99
GBP	3,040	304	(304)
USD	(9,983)	(998)	998
CAD	959	96	(96)
SEK	(617)	(62)	62
Other	(4,398)	(440)	440
EUR	2,406,724	240,672	(240,672)

The analysis outlined above is based on the open foreign currency position of the Bank, which includes all asset and liability and off-balance-sheet positions, in absolute value.

If the currency position of a foreign currency is “long” (assets exceeding liabilities) and the exchange rate for this currency increases/(decreases) in relation to the BAM, the Bank will experience a foreign exchange gain/(loss).

If the currency position of a foreign currency is “short” (liabilities exceeding assets) and the exchange rate for this currency (increases)/decreases in relation to BAM, the Bank will experience a foreign exchange (loss)/gain.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank monitors its foreign exchange (FX) position for compliance with the regulatory requirements of the Banking Agency of the Federation of Bosnia and Herzegovina established in respect of limits on open positions. The Bank seeks to match assets and liabilities denominated in foreign currencies to avoid foreign currency exposures.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.1 Foreign exchange risk (Continued)

Foreign exchange position

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2025 and 31 December 2024. Included in the table are the Bank's financial assets and financial liabilities at carrying amounts categorised by currency. The Bank has a number of agreements governed by a foreign currency clause. The BAM value of principal in such agreements is determined by the movement in foreign exchange rates. The principal balance of the related exposure is included in the table below in the column "EURO linked".

The Bank had the following significant currency positions:

31st December 2025	EUR	EUR Linked	EUR Total	USD	Other FX	BAM	Total
Financial Assets							
Cash and cash equivalents	87,351		87,351	38,435	12,836	394,072	**532,694**
Financial assets at fair value through profit and loss	892		892	-	-	-	**892**
Financial assets at fair value through other comprehensive income	195,538		195,538	-	-	7,228	**202,766**
Financial assets at amortized cost	119,273	663,401	782,074	-	-	1,709,779	**2,492,453**
Reserves with Central Bank	5,492		5,492	-	-	*268,621*	***274,113***
Loans and receivables from customers	69,082	*663,401*	*732,483*	-	-	*1,409,330*	**2,141,813**
Debt securities at amortized cost	40,419		40,419		-	*28,844*	**69,263**
Other financial assets at amortized cost	*4,280*		*4,280*	-	-	*2,984*	***7,264***
Prepaid profit tax	-	-	-	-	-	2,632	***2,632***
Total	**403,054**	**663,401**	**1,066,455**	**38,435**	**12,836**	**2,113,711**	**3,231,437**
Financial Liabilities							
Financial liabilities valued at amortized cost	738,219	323,954	1,062,173	38,628	12,833	1,773,279	2,886,913
Deposits from banks and other financial institutions	*19,041*	*93,598*	*112,639*	217	-	*26,145*	139,001
Deposits from customers	*480,055*	*230,356*	*710,411*	*38,333*	*12,833*	*1,696,350*	*2,457,927*
Liabilities for loans and other borrowings	*235,585*	-	*235,585*	-	-	-	*235,585*
Obligations based on leases	-	-	-	-	-	22,917	*22,917*
Other financial obligations valued at amortized cost	*3,538*	-	*3,538*	*78*	-	*27,867*	*31,483*
Total	**738,219**	**323,954**	**1,062,173**	**38,628**	**12,833**	**1,773,279**	**2,886,913**
Maturity gap	**(335.165)**	**339.447**	**4.282**	**(193)**	**3**	**340.432**	**344.524**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.1 Foreign exchange risk (Continued)

31st December 2024	EUR	EUR Linked	EUR Total	USD	Other FX	BAM	Total
Finansijska Aktiva							
Cash and cash equivalents	191,295	-	191,295	46,639	26,573	379,447	**643,954**
Financial assets at fair value through profit and loss	956	-	956	-	-	-	**956**
Financial assets at fair value through other comprehensive income	128,539	-	128,539	-	-	26,306	**154,845**
Financial assets at amortized cost	11,748	609,488	621,236	1	2	1,482,010	**2,103,249**
Reserves with Central Bank	5,874	-	5,874	-	-	*238,022*	***243,896***
Loans and receivables from customers	-	*609,488*	*609,488*	-	-	*1,241,136*	***1,850,624***
Other financial assets at amortized cost	*5,874*	-	*5,874*	1	2	*2,852*	***8,729***
Prepaid profit tax	-	-	-	-	-	3,750	***3,750***
Total Assets	**332,538**	**609,488**	**942,026**	**46,640**	**26,575**	**1,891,513**	**2,906,754**
Financial Liabilities							
Financial liabilities valued at amortized cost	758,407	209,573	967,980	46,636	24,470	1,534,720	2,573,806
Deposits from banks and other financial institutions	*5,298*	*65,823*	*71,121*	14,176	-	*36,824*	122,121
Deposits from customers	*530,193*	*143,750*	*673,943*	*32,073*	*24,450*	*1,443,570*	*2,174,036*
Liabilities for loans and other borrowings	*219,912*	-	*219,912*	-	-	-	*219,912*
Obligations based on leases	-	-	-	-	-	25,687	*25,687*
Other financial obligations valued at amortized cost	*3,004*	-	*3,004*	*387*	*20*	*28,639*	*32,050*
Total	**758,407**	**209,573**	**967,980**	**46,636**	**24,470**	**1,534,720**	**2,573,806**
Maturity gap	**(425,869)**	**399,915**	**(25,954)**	**4**	**2,105**	**356,793**	**332,948**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.2 Interest rate risk

Interest rate risk is defined as the exposure of a Bank's financial condition to adverse movements in interest rates, referring to the banking book, meaning the set of on- and off-balance-sheet financial assets and liabilities which are part of the core lending and deposit collecting activities performed by the Bank.

The Bank is exposed to interest rate risk as the Bank borrows and lends funds at both fixed and floating interest rates. The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings and lending.

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

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

The investment component is a consequence of the inverted relationship between price and interest rate fluctuations of securities.

The Bank strives to protect itself from interest rate risk by harmonizing the type of interest rate (fixed and floating), currency, related interest rate and the date of interest rate change for all products for which it concludes contracts (which are sensitive to interest rate changes).Any mismatch among the abovementioned elements results in exposure of the Bank to interest rate risk.

The adopted system operates at an analytical level commensurate to the complexity and risk of the banking book, and ensures that the risk profile can be examined from two separate, but complementary, perspectives:

- The economic value perspective, which considers the impact of changes in interest rates and related volatilities on the present value of all future cash flows;
- The earnings perspective, focused on analysing the impact that changes in interest rates and related volatilities generate on the net interest income and, therefore, on the related effects on interest margin.

The Bank uses the following methods to measure interest rate risks:

- Shift sensitivity of fair value;
- Shift sensitivity of the interest margin.

The shift sensitivity of fair value measures the changes in economic value of a financial portfolio resulting from a parallel shift in the discount curves. The total value of shift sensitivity is broken down by time bucket (bucket analysis), in order to identify the distribution of risk over the time axis. The operating limit currently in force for shift sensitivity of fair value (by +100 bp parallel shift of yield curves) amounts is 0 thousand BAM / -24,448 thousand BAM (0 thousand EUR / 12,500 thousand EUR). The limit is set up by the Bank with the aim of keeping exposure within low levels.

If changes in interest rates had been 100 basis points higher and all other variables were held constant at 31 December 2025, the effect, in terms of economic value of interest risk-sensitive balance-sheet portfolios, would have been BAM -22,276 thousand (31 December 2024: BAM -12,467 thousand).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.2 Interest rate risk (Continued)

In 2025 the Bank established the limit by time-buckets on the following way:

Shift Sensitivity Limit (+100 bp)

TOTAL	0-18 months	18 months - 5 years	above 5 years
BAM 0 thousand / BAM -24,448 thousand (0 mio EUR/ - 12,5 mio EUR)	BAM 3,912 thousand / BAM -9,779 thousand (2 mio EUR/ -5 mio EUR)	BAM 3,912 thousand / BAM -9,779 thousand (2 mio EUR / -5 mio EUR)	BAM 3,912 thousand / BAM -15,647 thousand (2 mio EUR / -8 mio EUR)

The results of the analysis of the shift sensitivity of fair value are below the current operating limit and are presented in the table below:

	31st December 2025				31st December 2024			
	TOTAL	0-18 month	18 months - 5 years	over 5 years	TOTAL	0-18 month	18 months - 5 years	over 5 years
EUR	(10,640)	83	(857)	(9,866)	(3,815)	339	3,224	(7,378)
USD	184	77	104	3	268	35	228	5
CHF	9	8	1	-	1	(2)	3	-
BAM	(11,830)	(3,000)	(6,001)	(2,829)	(8,922)	(2,527)	(3,637)	(2,758)
Other currencies	1	1	0	0	1	1	-	-
Total	**(22,276)**	**(2,831)**	**(6,753)**	**(12,692)**	**(12,467)**	**(2,154)**	**(182)**	**(10,131)**

The sensitivity of the interest margin quantifies instead the short-term (twelve months) impact on the interest margin of a parallel, instantaneous and permanent shock in the interest rate curve. This measure highlights the effect of changes in interest rates on the portfolio being measured, excluding assumptions on future changes in the mix of assets and liabilities and, therefore, it cannot be considered a predictor of the future levels of the interest margin. The operating limit currently in force for shift sensitivity of interest margin (by -50 bp parallel shift of yield curves) amounts to BAM -5,867 thousand (EUR -3,000 thousand).

The result of shift sensitivity of the interest margin, if changes in interest rates market moving had been 100 basis points higher and all other variables were held constant at 31 December 2025 is an increase of BAM 4,007 thousand (31 December 2024: BAM 10,167 thousand), while if changes in interest rates market moving had been 100 basis points lower the result is decrease of BAM 5,434 thousand as of 31 December 2025 (31 December 2024: decrease of BAM 11,132 thousand). In addition, the Bank also prepares shift sensitivity of the interest margin based on the sensitivity range of +50/-0 bps. Increase by 50 bps of interest rates would increase the result for the year by BAM 2,079 thousand, while a decrease by 50 bps in interest rates would decrease result for the year by BAM 2,727 thousand as of 31 December 2025 (31 December 2024: BAM 5,152 thousand for +50 bps and decrease of BAM 5,552 thousand for -50 bps).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Market risk (Continued)

5.3.2 Interest rate risk (Continued)

In order to measure the Bank's vulnerability under stressful market conditions the interest rate risk measurement system adopted by the Bank allows a meaningful evaluation of the effect of stressful market conditions on the Bank ("scenario analysis"), or rather abrupt changes in the general level of interest rates, changes in the relationships among key market rates (i,e, basis risk), changes in the slope and the shape of the yield curve (i,e, yield curve risk), changes in the liquidity of key financial markets or changes in the volatility of market rates.

5.4 Capital management

The Bank's objectives for capital management, which is a broader concept, in the opinion of the Management Board, than the 'equity' shown in the statement of financial position, are as follows:

- to comply with the capital requirements set by the regulators of the banking markets in the local environment;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital position to support the development of its business activities.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by Banking Agency of Federation of Bosnia and Herzegovina for supervisory purposes. The required information is filed with the Agency on a quarterly basis.

The Bank's regulatory capital for monitoring adequacy according to the Agency's methodology consists of:

- Tier 1 Capital or Core Capital: share capital (net of the carrying value of treasury shares and priority shares), share premium, retained earnings and reserves created by appropriations of retained earnings; amount of revaluation reserves arising from the effects of changes in the fair value of assets and audited profit for the current period, upon approval and retention by the General Shareholders Assembly;
- Tier 2 Capital or Supplementary Capital: priority shares, qualifying principal amounts of subordinated loan capital;
- Deductible items.

Risk-weighted assets are measured by means of a hierarchy of weightings in accordance with FBA regulation classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, considering any eligible collateral or guarantees. A similar treatment is adopted for off-balance-sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.4 Capital management (Continued)

The table below summarises the computation of regulatory capital and the capital adequacy ratio of the Bank as of 31 December 2025 and 31 December 2024, taken from the calculations submitted to the Agency in respect of those period-ends.

	31 December 2025	31 December 2024
Tier 1 capital		
Share capital	44.776	44.776
Share premium	57.415	57.415
Reserves	254.393	241.936
Intangible assets	(2.937)	(2.036)
Total qualifying Tier 1 Capital	**353.647**	**342.091**
Tier 2 capital		
Priority shares	6	6
Total qualifying Tier 2 Capital	**6**	**6**
Total regulatory capital	**353.653**	**342.097**
Capital requirements (*)		
Risk weighted assets	1.857.860	1.721.052
Operational risk	116.137	111.664
Total	**1.973.997**	**1.832.716**
Capital adequacy ratio (unaudited)	**17,92%**	**18,67%**

(*) Capital requirements stated above are calculated in accordance with FBA regulatory requirements. Capital adequacy ratio will be audited during the audit for the regulatory requirements,

Leverage ratio reached 10,24% as of 31 December 2025 (regulatory limit: 6,0%), calculated in accordance with FBA Decision on the Bank's Capital Calculation as ration between Tier 1 Capital and Exposure in accordance with FBA Decision.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Climate changes risk

Climate change and environmental degradation give rise to structural changes that affect economic activity and, consequently, the financial system. Banks have a key role to play in the area of climate change as they are able to direct funding and investments towards environmentally sustainable transactions and companies in order to limit the risks associated with climate change.

Climate and environmental risks are the two main risk factors that cut across all traditional risk families:

- physical risk, means the economic/financial impact resulting from tangible events related to climate change, including more frequent extreme weather events and gradual climate change, as well as environmental degradation, i.e. air, water and soil pollution, water stress, loss of biodiversity and deforestation. Physical risk is classified as "acute" if caused by extreme events such as floods, storms and fires, and "chronic" if caused by progressive changes such as rising temperatures leading to droughts, rising sea levels, water stress, loss of biodiversity, land-use change, habitat destruction and resource scarcity. This risk can lead directly to, for example, material damage or a drop-in productivity, or have indirect impact such as disruption of production chains;

- transition risk means the economic/financial loss that an institution may incur, directly or indirectly, as a result of failing to adjust to a low-carbon and more environmentally sustainable economy. This could be caused, for example, by the relatively sudden adoption of climate and environmental policies, technological progress or changing market confidence and preferences.

The impact that climate and environmental risks have on the activities may occur directly, e.g. through reduced profitability of companies or devaluation of assets, or indirectly, e.g. through legal challenges (legal risk) or reputational damage that arises if the public, the institution's counterparties and/or investors associate the institution with adverse environmental effects (reputational risk).

The Bank takes into account the environmental, social and governance risks associated with the activities of client companies and the economic activities in which they invest, also in relation to the context in which they operate. In particular, these factors can be considered according to the principle of double materiality in the:

- financial area, in terms of the impact of ESG risk factors on the "performance, development and position" of the economic activity considered
- social and environmental area, in terms of the impact that economic and financial activities have on the environmental and social context in which they take place.

The Chief Risk Officer Division has a particular focus on the impacts that environmental and climate risk factors generate, integrating them into the various risk management areas and carrying out monitoring and coordination of ESG risks in order to guarantee vision and consistency in terms of approaches and methodologies adopted.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

6.1 Valuation models

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

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

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

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

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

The fair value of foreign currency forward derivatives is estimated using available market data for FX spot and cash curves of relevant currencies. Based on such inputs, forward points and forward rates are computed, which are then used for daily mark-to-market of outstanding deals.

The fair value of equity securities classified through other comprehensive income and at fair value through profit or loss traded on an active market is based on closing bid prices at the reporting date for these securities.

The Bank did not estimate the fair value of short-term financial instruments because it believes that the carrying amount correspond to their fair value. An exception is debt securities at amortized cost, for which the Bank made an assessment based on the price of the last trade of the same.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.2 Financial instruments at fair value - fair value hierarchy

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

31 December 2025	*Note*	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	*24*				
Treasury bills issued by the Spain		9,729	-	-	**9,729**
Treasury bills issued by the FBiH		-	1,905	-	**1,905**
Bonds issued by the Luxembourg		58,259	-	-	**58,259**
Bonds issued by the Belgium		39,663	-	-	**39,663**
Bonds issued by the Spain		29,662	-	-	**29,662**
Bonds issued by the Germany		19,965			**19,965**
Bonds issued by the Austria		19,754			**19,754**
Bonds issued by the Croatia		18,964	-	-	**18,964**
Bonds issued by the FBiH		-	4,683	-	**4,683**
Equity securities issued by non-resident legal entities		-	128	-	**128**
Equity securities issued by resident legal entities		-	54	-	**54**
Financial assets at fair value through profit and loss	23				
Equity shares		892	-	**-**	**892**
Derivatives held for trading – OTC product	*26*	-	1	-	**1**
Total		**196,888**	**6,771**	-	**203,659**

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.2 Financial instruments at fair value - fair value hierarchy (continued)

31 December 2024	*Note*	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income	*24*				
Treasury bills issued by the Belgium		19,768	-	-	**19,768**
Treasury bills issued by the FBiH		-	17,589	-	**17,589**
Treasury bills issued by the Spain		10,075	-	-	**10,075**
Bonds issued by the Croatia		40,096	-	-	**40,096**
Bonds issued by the Luxembourg		28,996	-	-	**28,996**
Bonds issued by the Spain		19,763	-	-	**19,763**
Bonds issued by the France		9,730	-	-	**9,730**
Bonds issued by the FBiH		-	8,665	-	**8,665**
Equity securities issued by non-resident legal entities		-	109	-	**109**
Equity securities issued by resident legal entities		-	54	-	**54**
Financial assets at fair value through profit and loss					
Equity shares	23	956	-	**-**	**956**
Derivatives held for trading – OTC product	*26*	-	27	-	**27**
Total		**129,384**	**26,444**	-	**155,828**

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.3. Financial instruments not measured at fair value

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

31 December 2025	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets					
Cash and cash equivalents (Note 22)	-	48,188	484,506	532,694	532,694
Reserves with the Central Bank (Note 25)	-	-	274,113	274,113	274,113
Loans and receivables from customers (Note 25)	-	497,353	1,510,266	2,007,619	2,072,780
Other financial assets at amortized cost – REPO (Note 25)	-	49,319	-	49,319	49,319
Loans from banks over 30 days (Note 25)	-	19,714	-	19,714	19,714
Debt instruments at amortized cost (Note 25)	**40,575**	29,629	-	70,204	69,263
Other assets at amortized cost (Note 25)	-	-	7,264	7,264	7,264
Total	**40,575**	**644,203**	**2,276,149**	**2,960,926**	**3,025,147**
Liabilities					
Due to banks and other financial institutions	-	64,914	67,903	132,817	139,001
Due to customers	-	1,732,601	720,260	2,452,861	2,457,927
Borrowings	-	-	221,169	221,169	235,585
Lease Liabilities	-	-	22,917	22,917	22,917
Total	-	**1,797,515**	**1,032,250**	**2,829,764**	**2,855,430**

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.3 Financial instruments not measured at fair value (continued)

31 December 2024	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets					
Cash and cash equivalents	-	144,654	499,300	643,954	643,954
Reserves with the Central Bank	-	-	243,896	243,896	243,896
Loans and receivables from customers	-	444,325	1,360,342	1,804,667	1,850,624
Other assets at amortized cost	-	-	8,729	8,729	8,729
Total	**-**	**588,979**	**2,112,267**	**2,701,246**	**2,747,203**
Liabilities					
Due to banks and other financial institutions	-	56,522	64,396	120,918	122,121
Due to customers	-	1,529,042	639,310	2,168,352	2,174,036
Borrowings	-	-	181,543	181,543	219,912
Lease Liabilities	-	-	25,687	25,687	25,687
Total	**-**	**1,585,564**	**910,936**	**2,496,500**	**2,541,756**

In estimating the fair value of the Bank's financial instruments and in assigning the instruments to the relevant level of fair value hierarchy, the methods, assumptions and limitations described below apply in accordance with the approach revised at Intesa Sanpaolo Group.

Cash and cash equivalents

The carrying values of cash and balances with banks are generally deemed to approximate their fair value. Obligatory reserve with the Central Bank is classified as Level 3, as well as, on demand balances versus financial institutions in consideration of the fact that the setting of their exit price could include subjective valuations of the counterparty's credit risk difficult to quantify.

Placements with other banks

Placements with banks mostly represent overnight and short-term deposits; hence there is no significant difference between the fair value of these deposits and their carrying value. Their classification to Level 2 of the fair value hierarchy depends on the absence, or low relevance, of non-observable parameters in setting their exit price.

Loans and receivables from customers, amounts due to customers, banks and other financial institutions

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, net of collective impairment/individual adjustment in case of short-term loans, loans payable on demand or with an indefinite maturity for impaired loans.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

6.3 Financial instruments not measured at fair value (continued)

For the purpose of division by fair value level, non-performing/impaired assets are classified in Level 3, since the exit price is significantly influenced by the forecasts for losses determined by the credit officer based on future cash flow expectations and the related collection schedules. This entity specific assessment component outweighs other components (as, for example market interest rates), leading to attribution of Level 3 in the hierarchy.

Performing loans with original maturity equal or lower than 12 months, as well as short-term liabilities to customers and banks are classified into Level 2 of the fair value hierarchy, due to the absence or low relevance of non-observable parameters in setting their exit prices.

Medium-long term loans and liabilities with customers, banks and other financial institutions are classified into Level 3 of the fair value hierarchy, considering the relevance of entity specific assessment components in estimating the exit price.

7. OPERATING SEGMENTS

On a regular basis, the Bank's management analyses the overall results of the Bank with reference to the contributions by individually significant operating segments. Corporate, Retail and Treasury business lines have been identified as relevant operating segments, insofar as financial products managed by each of them and the respective counterparties with whom each segment enters into negotiation are specific for each segment and are not managed by / related to any of the others.

Even though lending and fund collection are actually performed by all operating segments, the financial characteristics of the loans, deposits and credit lines managed are specifically designed for each of them and are applicable only to counterparties related to each specific segment.

The financial results of each operating segment are recorded through a combined methodology of "direct" and "indirect" allocation of income and cost. Income is mainly directly allocated to the respective segment where it was generated, while costs are directly allocated whenever they are identified as immediately generated within the operating segment and are indirectly charged to the operating segments whenever they are sustained by central organisational units. Indirect cost allocation is performed according to pre-determined allocation keys with the aim of comprehensive cost allocation to identified business segments (legal entities, citizens, funds and financial markets). The most important keys of distribution are: amount of assets, number of employees, area of space, number of cards, etc. Indirect distribution of costs refers, among other things, to the operating costs of the central organizational unit, information technology, maintenance, rent and communication.

An internal transfer rate methodology is also applied for allocation of the cost of funding to the operating segments.

Profit or loss statement items in the tables presented below on segment information are in the format used for management reporting purposes.

7. OPERATING SEGMENTS (CONTINUED)

Segmental information for the year ended 31st December 2025

	Retail	Corporate	Treasury	Total
PROFIT AND LOSS				
Income from interest and similar income at the effective interest rate	47,855	30,283	13,697	91,835
Interest expenses and similar expenses at the effective interest rate	(10,524)	(11,547)	(4,122)	(26,193)
Net income/(expenses) from interest and similar income at the effective interest rate	**37,331**	**18,736**	**9,575**	**65,642**
Income from fees and commissions	32,055	13,791	302	46,148
Expenses from fees and commissions	(6,269)	(5,113)	(518)	(11,900)
Net income/(expenses) from fees and commissions	**25,786**	**8,678**	**(216)**	**34,248**
Impairments and provisions	1,429	(4,253)	(1,858)	(4,682)
Other gains and (losses) from financial assets	-	-	424	424
Net gains/(losses) from derivative financial instruments	-	-	597	597
Net positive/(negative) exchange rate differences	-	-	4,204	4,204
Gains and (losses) from long-term non-financial assets	-	-	70	70
Income from dividends	-	-	49	49
Other income	2,524	1,085	-	3,609
Personnel expenses	(23,842)	(7,080)	(743)	(31,665)
Depreciation costs	(6,494)	(974)	(144)	(7,612)
Other costs and expenses	(22,751)	(7,093)	(1,993)	(31,837)
PROFIT/(LOSS) FROM REGULAR BUSINESS BEFORE TAX	**13,983**	**9,099**	**9,965**	**33,047**
Current income tax				(3,832)
Deferred income tax				383
TOTAL TAX FOR THE YEAR				**(3,449)**
NET PROFIT FOR THE YEAR				**29,598**

7. OPERATING SEGMENTS (CONTINUED)

Segmental information as of 31st December 2025.

	Retail	Corporate	Treasury	Total
ASSETS				
Cash and cash equivalents	48,188	-	484,506	**532,694**
Financial assets at fair value through profit and loss	-	-	892	**892**
Financial assets at fair value through other comprehensive income	-	-	202,766	**202,766**
Financial assets at amortized cost	**873,769**	**1,206,134**	**412,550**	**2,492,453**
Reserves with Central Bank	-	-	*274,113*	*274,113*
Loans and receivables from customers	*868,449*	*1,204,331*	-	*2,072,780*
Other financial assets at amortized cost	-	-	*49,319*	*49,319*
Loans from banks over 30 days	-	-	*19,714*	*19,714*
Debt instruments at amortized cost	-	-	*69,263*	*69,263*
Other financial assets at amortized cost	*5,320*	*1,803*	*141*	*7,264*
Other unallocated amounts	-	-	-	**51,660**
TOTAL ASSETS	**921,957**	**1,206,134**	**1,100,714**	**3,280,465**
LIABILITIES				
Financial liabilities valued at amortized cost	**1,098,889**	**1,530,627**	**257,397**	**2,886,913**
Deposits from banks and other financial institutions	-	*117,382*	*21,619*	*139,001*
Deposits from customers	*1,075,971*	*1,381,956*	-	*2,457,927*
Liabilities for loans and other borrowings	-	-	*235,585*	*235,585*
Obligations based on leases	*2,275*	*20,642*	-	*22,917*
Other financial obligations valued at amortized cost	*20,643*	*10,647*	*193*	*31,483*
Other unallocated amounts	-	-	-	*4,778*
TOTAL LIABILITIES	**1,098,889**	**1,530,627**	**257,397**	**2,891,691**

7. OPERATING SEGMENTS (CONTINUED)

Segment information for the year ended 31st December 2024

	Retail	Corporate	Treasury	Total
PROFIT AND LOSS				
Income from interest and similar income at the effective interest rate	44,039	26,852	13,885	84,776
Interest expenses and similar expenses at the effective interest rate	(7,397)	(7,246)	(3,881)	(18,524)
Net income/(expenses) from interest and similar income at the effective interest rate	**36,642**	**19,606**	**10,004**	**66,252**
Income from fees and commissions	28,826	12,885	340	42,051
Expenses from fees and commissions	(6,278)	(4,417)	(387)	(11,082)
Net income/(expenses) from fees and commissions	**22,548**	**8,468**	**(47)**	**30,969**
Impairments and provisions	(3,310)	(947)	(458)	(4,715)
Other gains and (losses) from financial assets	-	-	137	137
Net gains/(losses) from derivative financial instruments	-	-	504	504
Net positive/(negative) exchange rate differences	-	-	4,716	4,716
Gains and (losses) from long-term non-financial assets	-	-	(6)	(6)
Income from dividends	-	-	47	47
Other income	1,802	353	-	2,155
Personnel expenses	(25,036)	(7,037)	(837)	(32,910)
Depreciation costs	(5,308)	(745)	(110)	(6,163)
Other costs and expenses	(21,929)	(6,580)	(2,099)	(30,608)
PROFIT/(LOSS) FROM REGULAR BUSINESS BEFORE TAX	**5,409**	**13,118**	**11,851**	**30,378**
Current income tax				(3,642)
Deferred income tax				(4)
TOTAL TAX FOR THE YEAR				**(3,646)**
NET PROFIT FOR THE YEAR				**26,732**

7. OPERATING SEGMENTS (CONTINUED)

Segment information as of 31st December 2024

	Retail	Corporate	Treasury	Total
ASSETS				
Cash and cash equivalents	50,082	-	593,872	**643,954**
Financial assets at fair value through profit and loss	-	-	956	**956**
Financial assets at fair value through other comprehensive income	-	-	154,845	**154,845**
Financial assets at amortized cost	**788,872**	**1,067,382**	**246,995**	**2,103,249**
Reserves with Central Bank	-	-	*243,896*	*243,896*
Loans and receivables from customers	*783,835*	*1,066,789*	-	*1,850,624*
Other financial assets at amortized cost	*5,037*	*593*	*3,099*	*8,729*
Other unallocated amounts	-	-	-	**49,126**
TOTAL ASSETS	**838,954**	**1,067,382**	**996,668**	**2,952,130**
LIABILITIES				
Financial liabilities valued at amortized cost	**986,828**	**1,349,078**	**237,900**	**2,573,806**
Deposits from banks and other financial institutions	-	*104,402*	*17,719*	*122,121*
Deposits from customers	*963,255*	*1,210,781*	-	*2,174,036*
Liabilities for loans and other borrowings	-	-	*219,912*	*219,912*
Obligations based on leases	*2,428*	*23,259*	-	*25,687*
Other financial obligations valued at amortized cost	*21,145*	*10,636*	*269*	*32,050*
Other unallocated amounts	-	-	-	*5,753*
TOTAL LIABILITIES	**986,828**	**1,349,078**	**237,900**	**2,579,559**

8. INTEREST AND SIMILAR INCOME AT THE EFFECTIVE INTEREST RATE

	2025	2024
Interest income from financial assets at amortized costs		
Retail clients	43,665	40,837
Corporate clients	34,462	30,027
Banks and other financial institutions	7,030	9,486
Interest income from financial assets at FVOCI		
Interest from securities	6,678	4,426
	91,835	**84,776**

9.INTEREST AND SIMILAR EXPENSE AT THE EFFECTIVE INTEREST RATE

	2025	2024
Interest expense from financial assets at amortized costs		
Retail clients	8,527	6,497
Corporate clients	10,002	6,450
Banks and other financial institutions	5,931	3,799
Negative interest on interest bearing assets	4	18
Interest expense on lease	782	375
Other	4	108
Interest expense from financial assets at FVOCI		
Interest from securities	943	1.277
	26.193	**18.524**

10. FEE AND COMMISSION INCOME

	2025	2024
Credit card business	16,404	14,939
Domestic payment transactions	7,245	7,165
Account service fee	6,227	5,691
Foreign payment transactions	4,815	4,525
Loans to clients	3,451	2,740
Guarantees	2,157	2,102
FX transactions	2,078	1,954
Agency services	48	57
Other	3,723	2,878
	46,148	**42,051**

Other fee and commission income include ATM and mobile banking fees from retail customers.

11. FEE AND COMMISSION EXPENSE

	2025	2024
Credit card operations	9,707	9,155
Banks services	1,184	1,065
Domestic payment transactions	542	394
Other	467	468
	11,900	**11,082**

12. IMPAIRMENT AND PROVISIONS

	2025	2024
Net credit losses/(releases) from financial assets at amortized cost (Note 22, 25.1, 25.2, 25.3, 25.4)	(3,679)	(2,516)
Net provisions from financial assets at fair value through other comprehensive income (Note 24)	126	(370)
Net provisions for off-balance-sheet credit risk (Note 33)	218	(303)
Net provisions for legal proceedings (Note 33)	(1,347)	(1,526)
	(4,682)	**(4,715)**
Net credit losses/ (net write-offs from financial assets at amortized cost		
for cash and cash equivalents (Note 22)	94	(15)
for reserves with placements with banks (Note 22)	-	(72)
for reserves with the Central bank (Note 25.1)	(30)	(19)
for Loans to customers (Note 25.2.a)	(1,471)	(2,248)
for other financial assets-REPO (Note 25.2.b)	(49)	-
for placements to banks over 30 days (Note 25.2.c)	(20)	-
for debt instruments at amortized costs (Note 25.3)	(1,988)	-
for Other financial assets (Note 25.4)	(215)	(162)
	(3,679)	**(2,516)**

13. OTHER GAIN/ (LOSSES) FROM FINANCIAL ASSETS

	2025	2024
Net gains/(losses) on financial instruments at fair value through profit or loss – Equity shares	424	137
Net gains/losses on financial instruments at FVOCI - bonds		
	424	**137**

14. NET POSITIVE/(NEGATIVE) EXCHANGE RATE DIFFERENCE

	2025	2024
Net gain/(losses) from foreign exchange spot trading	597	504
Net gains from currency translation of assets and liabilities	4,399	1,340
Operations with exchange and currency conversion	(195)	6,056
	4,801	**5,220**

15. GAIN /(LOSSES) FROM LONG-TERM NON-FINANCIAL ASSETS

	2025	2024
Net gain/(losses) from tangible assets	69	(6)
Net gain/(losses) from repossessed Assets held for sale	-	-
	69	**(6)**

16. INCOME FROM DIVIDENDS

	2025	2024
Income from dividends	49	47
	49	**47**

17. OTHER INCOME

	2025	2024
Collections of off balance accrued interest	1,479	1,516
Other income from previous periods	1,480	274
Other income from collections related to loans previously written off	37	42
Other income	613	323
	3,609	**2,155**

18. PERSONNEL EXPENSES

	2025	2024
Net salaries	20,739	19,759
Tax and contributions	10,006	11,026
Other expenses	785	1,948
Provisions for liabilities and charges (Note 33)	135	177
	31,665	**32,910**

19. OTHER COST AND EXPENSES

	2025	2024
Maintenance expenses	6,707	6,367
Savings deposit insurance	4,866	4,227
Telecommunication and post expense	3,192	3,333
Card business intermediation expenses	3,327	3,178
Security and transport costs	3,020	2,905
Consultancy and the Federal Banking Agency expenses	2,431	2,128
Rent and other rent-related expense	1,835	1,588
Representation and marketing expense	1,042	1,284
Consultancy expenses	785	1,205
Material expenses	834	809
Energy	866	801
Other insurance charges	555	572
Other expenses	2,377	2,211
	31,837	**30,608**

20. INCOME TAXES

	2025	2024
Current tax	3,832	3,642
Deferred tax (Note 33)	(383)	4
Total income tax	**3,449**	**3,646**

Income tax recognised in the profit or loss statement comprises current tax, Official corporate income tax rate is 10% (2023: 10%).

	2025	2024
Profit before income tax	33,047	30,378
Tax calculated at rate of 10%	3,305	3,038
Non-deductible expenses	527	604
Deferred tax (Note 33)	(383)	4
Income tax expense	**3,449**	**3,646**
Average income tax rate	**10,44%**	**12,00%**

21. BASIC AND DILUTED EARNINGS PER SHARE

	2025	2024
Net profit (BAM '000)	29,598	26,732
Weighted average number of ordinary shares outstanding	447,760	447,760
Basic and diluted earnings per share (BAM)	**66,10**	**59,70**

22. CASH AND CASH EQUIVALENTS

	31 December 2025	31 December 2024
Current account with the Central Bank	348,446	336,004
Current accounts with other banks	76,191	94,671
Placements with other banks	60,373	163,795
Cash in hand in domestic currency	42,076	43,055
Cash in hand in foreign currency	6,112	7,027
	533,198	**644,552**
Less: impairment allowance	(504)	(598)
	532,694	**643,954**
Balance as at 1 January	**598**	**511**
Net charge to profit or loss statement (Note 12)	(94)	87
Balance at the end of period	**504**	**598**

Placement with bank:	Original currency	Original currency	BAM
INTESA SANPAOLO SPA	EUR	30,002	58,678
INTESA SANPAOLO SPA	GBP	360	808
INTESA SANPAOLO SPA	CAD	435	529
INTESA SANPAOLO SPA	AUD	210	234
INTESA SANPAOLO SPA	SEK	685	124
TOTAL			**60,373**

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	31 December 2025	31 December 2024
Equity shares designated at fair value through profit or loss	892	956
	892	**956**

Equity shares designated at fair value through profit or loss as of December 31st 2025 and 2024, relate to shares in Intesa Sanpaolo S,p,A, amounting to BAM 892 thousand (31.12.2024: BAM 956 thousand).

24. FINANCIAL ASSETS AT FER VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2025	31 December 2024
Debt instruments		
Treasury bills issued by Spain	9,739	10,075
Treasury bills issued by Federation of Bosnia and Herzegovina	1,959	17,589
Treasury bills issued by Belgium	-	19,768
Bonds issued by the Luxembourg	58,553	28,996
Bonds issued by the Spain	29,692	19,763
Bonds issued by the Belgium	39,860	-
Bonds issued by the Germany	19,985	-
Bonds issued by the Austria	19,773	-
Bonds issued by the Croatia	18,983	40,096
Bonds issued by the Federation of Bosnia and Herzegovina	4,812	8,665
Bonds issued by the France	-	9,730
	203,356	154,682
Less: impairment allowance	(772)	
	202,584	154,682
Balance as at 1 January	(898)	-
Net charge to profit or loss statement, principal (Note 12)	118	(898)
Net charge to profit or loss statement, interest (Note 12)	8	-
Balance at the end of period	772	(898)
Equity instruments		
Equity securities at fair value	182	163
	182	163
	202,766	**154,845**

24. FINANCIAL ASSETS AT FER VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Changes in Fair Value and corresponding allowance for ECL for Financial Assets at fair value through other comprehensive income (Stage 1) is as follows:

	31 December 2025	31 December 2024
Beginning balance 1 January	**1,907**	**(282)**
Fair valuation effects (Note Changes in Equity)	(795)	1,819
Net charge to profit or loss statement (Note 12)	(118)	370
Other decreases	(12)	-
Total changes for the year on the capital	(925)	2,189
Balance as of 31 December	**982**	**1,907**

25. FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2025	31 December 2024
Reserves with Central bank	274,113	243,896
Loans and receivables from customer and banks	2,141,813	1,850,624
Debt instruments	69,263	-
Other financial assets at amortized cost	7,264	8,729
	2,492,453	**2,103,249**

25.1 RESERVES WITH CENTRAL BANK

	31 December 2025	31 December 2024
Obligatory reserve	274,387	244,140
	274,387	**244,140**
Less: impairment allowance	(274)	(244)
	274,113	**243,896**

25. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

25.1 RESERVES WITH CENTRAL BANK (continued)

Balance as at 1 January	**244**	**225**
Net charge to profit or loss statement (Note 12)	(30)	19
Balance at the end of period	**274**	**244**

The minimum obligatory reserve is calculated as a percentage of the average balance of total deposits and borrowed funds for each business day during the 10 calendar days, in arrears. The obligatory reserve rate is 10% at, deposits and borrowed funds regardless of the currency in which the funds are denominated.

In 2025, the CBBH kept the same amount of fees on the required reserve that it pays to commercial banks. Consequently, CBBH pays a fee of 50 basis points (0.50%) to commercial banks on required reserve funds based on the basis in the domestic currency BAM, and on required reserve funds based on the basis in foreign currencies and in the domestic currency with a currency clause at a rate of 30 basis points (0.30%).

Cash held as a mandatory reserve in an account with the CBBH is not available for use without the special approval of the CBBH and the Banking Agency of the Federation of Bosnia and Herzegovina (FBA).

25.2 LOANS AND RECEIVABLES FROM CUSTOMER AND BANKS

	31 December 2025	31 December 2024
Receivables from customers	2,072,780	1,850,624
Other financial assets	49,319	-
Loans from banks over 30 days	19,714	-
	2,141,813	**1,850,624**

25. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

25.2 LOANS AND RECEIVABLES FROM CUSTOMER AND BANKS (continued)

25.2.a LOANS AND RECEIVABLES FROM CUSTOMER

	31 December 2025	31 December 2024
Short-term loans		
Corporate		
- in BAM and BAM linked to foreign currency	527,505	479,818
Retail		
- in BAM and BAM linked to foreign currency	60,286	59,516
	587,791	**539,334**
Long-term loans		
Corporate		
-in BAM and BAM linked to foreign currency	705,362	613,792
Retail		
-in BAM and BAM linked to foreign currency	853,127	775,192
	1,558,489	**1,388,984**
Total loans	**2,146,280**	**1,928,318**
Less: impairment allowance	(73,500)	(77,694)
	2,072,780	1,850,624

25. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

25.2 LOANS AND RECEIVABLES FROM CUSTOMER AND BANKS (continued)

25.2.a LOANS AND RECEIVABLES FROM CUSTOMER (continued)

Loans and receivables from customers are presented including accrued interest in the amount of BAM 5,844 thousand (2024: BAM 5,727 thousand), and net of up-front fees in the amount of BAM 5,169 thousand (2024: BAM 5,436 thousand).

As of 31 December 2025, the net amount of short-term and long-term loans in domestic currency includes loans disbursed and repayable in domestic currency index-linked to the BAM: EUR exchange rate in the amount of BAM 3,865 thousand and BAM 682,464 thousand, respectively (31 December 2024: BAM 2,331 thousand and BAM 630,067 thousand, respectively).

Movements in the provision for impairment of loans and receivables are summarised as follows:

	2025	2024
Balance as of 1 January	**77,694**	**79,096**
Net charge to profit or loss statement (Note 12)	1,471	2,248
Unwinding of discount	(119)	(133)
Write-offs	(5,987)	(3,801)
Other	441	284
Balance as of 31 December	**73,500**	**77,694**

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

	31 December 2025	31 December 2024
Trade	458,916	420,749
Manufacturing, agriculture, forestry, mining and energy	370,040	349,081
Administrative and other public institutions	119,300	86,136
Services, finance, sport, tourism	104,852	85,418
Construction industry	102,802	67,070
Transport and telecommunications	57,120	60,608
Other	19,837	24,548
Citizens	913,413	834,708
	2,146,280	**1,928,318**

25. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

25.2 LOANS AND RECEIVABLES FROM CUSTOMER AND BANKS (continued)

25.2.b OTHER FINANCIAL ASSETS

	31 December 2025	31 December 2024
Other financial assets – REPO	49,368	-
	49,368	**-**
Less: impairment allowance	(49)	-
	49,319	**-**
Balance as at 1 January	**-**	**-**
Net charge to profit or loss statement (Note 12)	49	-
Balance at the end of period	**49**	**-**

	Original currency	Original currency	BAM
Other financial assets:			
PRIVREDNA BANKA ZAGREB	EUR	25,241	49,368
TOTAL			**49,368**

25. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

25.2 LOANS AND RECEIVABLES FROM CUSTOMER AND BANKS (continued)

25.2.c LOANS FROM BANKS OVER 30 DAYS

	31 December 2025	31 December 2024
Loans from banks over 30 days	19,734	-
	19,734	**-**
Less: impairment allowance	(20)	-
	19,714	**-**
Balance as at 1 January	**-**	**-**
Net charge to profit or loss statement (Note 12)	20	-
Balance at the end of period	**20**	**-**

	Original currency	Original currency	BAM
Loans from banks over 30 days			
ZUERCHER KANTONALBANK, SWITZERLAND	**EUR**	10,090	19,734
TOTAL			**19,734**

25.3 DEBT INSTRUMENTS AT AMORTIZED COST

31. DecembEr 2025.	Level 1	Level 2	Level 3	Total
Financial assets at AC				
Bond issued by the Federation Bosna and Herzegovina	**40,419**	28,844	-	69,263
Total	40,419	**28,844**	**-**	**69,263**

25. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

25.3 DEBT INSTRUMENTS AT AMORTIZED COST (continued)

	31 December 2025	31 December 2024
Bond issued by the Federation Bosna and Herzegovina	71,251	-
Total	**71,251**	**-**
Less: impairment allowance	(1,988)	-
	69,263	**-**

The movement in the impairment allowance for other assets are summarised as follows:

Balance as at 1 January	**-**	**-**
Net charge to profit or loss statement (Note 12)	1,988	-
Balance at the end of period	**1,988**	**-**

25.4 OTHER FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2025	31 December 2024
Receivables from card operations	4,645	4,490
Fees receivable	1,623	1,611
Other assets	2,255	3,873
Total other financial assets at amortized cost	**8,523**	**9,974**
Less: impairment allowance	(1,259)	(1,245)
	7,264	**8,729**

25. FINANCIAL ASSETS AT AMORTIZED COST (CONTINUED)

25.4 OTHER FINANCIAL ASSETS AT AMORTIZED COST (continued)

The movement in the impairment allowance for other assets are summarised as follows:

Balance as of 1 January	**1,245**	**1,109**
Net charge to profit or loss statement (Note 12)	215	162
Write-offs	(201)	(26)
Balance as of 31 December	**1,259**	**1,245**

26. DERIVATIVISE FINANCIAL INSTRUMENTS

	31 December 2025	31 December 2024
Derivatives held for trading	1	27
	1	**27**

Derivatives held for trading are represented by foreign currency swaps, details of which are presented in the table below:

	31 December 2025	31 December 2025	31 December 2024	31 December 2024
Financial assets	**Notional amount**	**Fair value**	**Notional amount**	**Fair value**
Derivatives classified as held for trading – OTC products	133	1	6,612	27
Forward foreign exchange contracts	**133**	**1**	**6,612**	**27**

27. TANGIBLE ASSETS

	Land and buildings	Computers and other equipment	Assets under construction	Leasehold improvements	Buildings Right of Use	Equipment Right of Use	Total
Cost							
As of 1st January, 2024	**12,606**	**16,194**	**393**	**8,678**	**14,931**	**2,842**	**55,644**
Additions	-	-	1,923	-	19,604	869	22,396
Disposals	-	(1,270)	-	(294)	(3,406)	(485)	(5,455)
Value adjustment	(4,901)	-	-	-	-	-	(4,901)
Transfers	72	2,018	(2,248)	158	-	-	-
As of 31st December, 2024	**7,777**	**16,942**	**68**	**8,542**	**31,129**	**3,226**	**67,684**
Additions	-	-	7,237	-	2,047	1,352	10,636
Disposals	-	(632)	-	(11)	(4,852)	(1,282)	(6,777)
Transfer to IFRS 5 (Note 29)	(4,152)	-	-	-	-	-	(4,152)
Transfers	36	2,176	(7,046)	4,834	-	-	-
As of 31st December, 2025	**3,661**	**18,486**	**259**	**13,365**	**28,324**	**3,296**	**67,391**
Accumulated depreciation							
As of 1st January, 2024	**4,902**	**12,407**	-	**8,168**	**7,513**	**717**	**33,707**
Depreciation for the year	270	1,213	-	218	2,591	679	4,971
Value adjustment	(4,901)	-	-	-	-	-	(4,901)
Disposals	-	(1,263)	-	(294)	(2,053)	(204)	(3,814)
As of 31st December, 2024	**271**	**12,357**	-	**8,092**	**8,051**	**1,192**	**29,963**
Depreciation for the year	129	1,337	-	409	3,719	703	6,297
Transfer to IFRS 5 (Note 29)	(143)	-	-	-	-	-	(143)
Disposals	-	(625)	-	(8)	(3,339)	(312)	(4,344)
As of 31st December, 2024.	**257**	**13,069**	-	**8,493**	**8,371**	**1,583**	**31,773**
Net carrying value							
As of 31st December, 2025	**3,404**	**5,417**	**259**	**4,872**	**19,953**	**1,713**	**35,618**
As of 31st December, 2024	**7,506**	**4,585**	**68**	**450**	**23,078**	**2,034**	**37,721**

27. TANGIBLE ASSETS (CONTINUED)

Gross value of Property and Equipment that is in use and 100% depreciated at the end of 2025 amounts to BAM 9,507thousand (31.12.2024: BAM 8,868 thousand).

Lease Liabilities	31 December 2025	31 December 2024
Liabilities based on Asset with Right of Use – IFRS 16		
- Obligation for renting office space	21,197	23,655
- Obligation for renting other equipment	1,720	2,032
Total Liabilities - IFRS 16	**22,917**	**25,687**

Maturity analysis - Contractual undiscounted cash flows, of Lease Liabilities are presented as follows:

	Buildings	Equipment	Total
Less than one year	3,161	594	3,755
Between one and five years	10,466	1,126	11,592
More than five years	7,570	-	7,570
As of 31st December, 2024	**21,197**	**1,720**	**22,917**
Less than one year	3,091	633	3,724
Between one and five years	11,153	1,337	12,490
More than five years	9,411	62	9,473
As of 31st December, 2023	**23,655**	**2,032**	**25,687**

28. INTANGIBLE ASSETS

	Software and licence	Assets under development	Total
Cost			
As of 1st January, 2024	**20,117**	**233**	**20,350**
Additions	-	1,028	1,028
Transfers	1,261	(1,261)	-
As of 31st December, 2024	**21,378**	**-**	**21,378**
Additions	-	1,614	1,614
Transfers	1,614	(1,614)	-
Disposals	(48)	-	(48)
As of 31st December, 2025	**22,944**	**-**	**22,944**
Amortization			
As of 1st January, 2024	**16,412**	-	**16,412**
Amortization for the year	1,192	-	1,192
As of 31st December, 2024	**17,604**	-	**17,604**
Amortization for the year	1,315	-	1,315
Disposals	(49)		(49)
As of 31st December, 2025	**18,870**	-	**18,870**
Net carrying value			
As of 31st December, 2025	**4,074**	**-**	**4,074**
As of 31st December, 2024	**3,774**	**-**	**3,774**

Value of Intangible Assets that is in use and 100% depreciated at the end of 2024 is in the amount of BAM 15,800 thousand (31.12.2024: BAM 15,220 thousand).

29. LONG TERM ASSETS FOR SALE

	31 December 2025	31 December 2024
Assets held for sale – property	5,919	1,030
Assets acquired upon foreclosure of loans	45	34
Total assets	**5,964**	**1,064**
Less: impairment allowance	(1,074)	(1,064)
Net carrying value	**4,890**	**-**

The movement in Assets held for sale - property

Balance as of 1 January	**1,030**	**1,030**
Transfer from tangible Assets (note 27)	4,009	-
Revaluation reserves (Note movement in Capital)	880	-
Balance as of 31 December	**5,919**	**1,030**

In line with the strategy followed, the Bank relocated the Bank's Head Office Building to a new location in Sarajevo in the middle of 2025. The existing Head Office Building is classified as intended for sale, and has been reclassified from the position *Tangible assets* to the position *Long Term Assets for Sale.*

30. OTHER ASSETS AND RECEIVABLES

	31 December 2025	31 December 2024
Prepaid expenses	3,290	3,078
	3,290	**3,078**

Prepaid expenses mostly related to prepaid lease costs, credit line fees and insurance costs.

31. FINANCIAL LIABILITIES VALUED AT AMORTIZED COST

	31 December 2025	31 December 2024
Due to banks and other financial institutions	139,001	122,121
Due to customers	2,457,927	2,174,036
Borrowings	235,585	219,912
Lease liabilities	22,917	25,687
Other financial liabilities at amortized cost	31,483	32,050
	2,886,913	**2,573,806**

31.1 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
Current accounts and term deposits		
Demand deposits		
-in BAM	73	176
-in foreign currencies	1,177	529
Term deposits		
-in BAM	10,001	3,000
-in foreign currencies	10,367	14,046
	21,618	**17,751**
Due to other financial institutions		
Current accounts and term deposits		
Demand deposits		
-in BAM	15,069	10,125
-in foreign currencies	108	142
Term deposits		
-in BAM	94,599	89,384
-in foreign currencies	7,607	4,719
	117,383	**104,370**
Total Due to Banks and other financial institutions	**139,001**	**122,121**

Due to banks presented above include accrued interest in the amount of BAM 240 thousand (31.12.2024: BAM 1 thousand).
Due to other financial institutions are presented including accrued interest in the amount of BAM 239 thousand (31.12.2024: BAM 33 thousand).

31. FINANCIAL LIABILITIES VALUED AT AMORTIZED COST (CONTINUED)

31.2 DUE TO CUSTOMERS

	31 December 2025	31 December 2024
Demand deposits:		
Retail clients:		
-in BAM	498,467	442,570
-in foreign currencies	106,964	106,930
Corporate clients:		
-in BAM	914,943	764,082
-in foreign currencies	123,585	178,063
Total demand deposits	**1,643,959**	**1,491,645**
Term deposits:		
Retail clients:		
-in BAM	206,237	162,921
-in foreign currencies	264,363	250,834
Corporate clients:		
-in BAM	307,058	217,747
-in foreign currencies	36,310	50,889
Total term deposits	**813,968**	**682,391**
Total Due to customers	**2,457,927**	**2,174,036**

Amounts due to customers are presented including accrued interest in the amount of BAM 8,326 thousand (2024: BAM 4,878 thousand).

In Retail banking, interest rates on demand deposits are 0,01% (2024: 0,01%), The interest rates on time deposits are in the range of 0,01% to 0,30% (2024: 0,01% to 0,30%) and for other time deposits (kids saving CRISPY, Step saving, saving with premium) up to 1% (2024: up to 1%).

For Small Corporate clients, interest rates on demand deposits are 0,00% (2024: 0,00%). The interest rates on time deposits are in the range of 0,00% to 2,20% (2024: 0,00% to 2,20%).

In Corporate banking, interest rates on demand deposits are from 0,00% to 0,53% (2024: from 0,00% to 0,10%). The interest rates on time deposits are in the range of 0,00% to 3,50% (2024: 0,00% to 3,50%).

31. FINANCIAL LIABILITIES VALUED AT AMORTIZED COST (CONTINUED)

31.3 BORROWINGS

	31 December 2025	31 December 2024
Long-term borrowings		
- Foreign banks	235,585	219,912
Total Borrowings	**235,585**	**219,912**

	31 December 2025	Average interest rate	31 December 2024	Average interest rate
The Bank had borrowings from below institutions:				
Borrowings to banks				
Intesa Sanpaolo SPA	113,243	3,79%	59,946	4,28%
European Investment bank -EIB	74,530	0,77%	92,991	0,81%
European bank for Reconstruction and Development - EBRD	47,570	2,53%	66,689	2,51%
	235,343		**219,626**	

Borrowings from banks presented above include accrued interest in the amount of BAM 242 thousand (2024: BAM 286 thousand).

As of December 31st 2025, undrawn borrowings amount to a total of BAM 85,079 thousand, and relate to Social Impact Loan from EIB, amounting to BAM 39,117 thousand, that can be withdrawn until 25.11.2027, Low Carbon Energy Facility from KfW amounting to BAM 39,117 thousand that can be withdrawn until 28.04.2028, and BAM 6,845 thousand BAM in cooperation with EBRD (Go Green) that can be withdrawn until 12.06.2026.

31.4 LEASE LIABILITIES

	31 December 2025	31 December 2024
Lease liabilities – Buildings	21,197	23,655
Lease liabilities - Equipment	1,720	2,032
	22,917	**25,687**

31. FINANCIAL LIABILITIES VALUED AT AMORTIZED COST (CONTINUED)

31.5 OTHER FINANCIAL LIABILITIES AT AMORTIZED COST

	31 December 2025	31 December 2024
Loan repayments before due dates	13,335	12,268
Liabilities for employees' bonuses	5,628	6,081
Credit card liabilities	4,465	5,826
Liabilities to vendors	2,227	2,689
Liabilities to shareholders	146	146
Other liabilities	5,682	5,040
	31,483	**32,050**

32. DEFFERED TAX ASSETS / LIABILITIES

The movement of deferred tax balances is presented in the table below:

	Deferred tax liabilities	Deferred tax assets
As of 1st January, 2024	**76**	**779**
Recognised in other comprehensive income		
Recognised in profit or loss		
Decrease in deferred tax assets for provisions for litigations	-	(40)
Increase in deferred tax assets / liabilities for other provisions	1	37
As of 31st December, 2024	**77**	**776**
As of 1st January, 2025	**77**	**776**
Recognised in profit or loss		
Decrease in deferred tax assets for provisions for litigations	-	(22)
Decrease in deferred tax liabilities for other provisions	(3)	-
Increase in deferred tax assets for other provisions	-	402
As of 31st December, 2025	**74**	**1,156**

33. PROVISIONS

	31 December 2025	31 December 2024
Provisions for off-balance-sheet credit risk (Note 39)	2,264	2,482
Provisions for legal proceedings (Note 12)	368	1,256
Provisions for retirement employee benefits (Note 18)	1,201	1,097
	3,833	**4,835**

Movement in provisions for liabilities and charges for the year ended 31 December 2025 and 31 December 2024 are summarized as follows:

	Provisions for legal proceedings (Note 12)	Provisions for retirement employee benefits (Note 18)	Provisions for off-balance- sheet credit risk (Note 39)	Total
Balance as of 1st January 2024	**1,653**	**983**	**2,179**	**4,815**
Net charge to profit or loss statement	1,526	177	303	2,006
Reductions arising from payments - legal disputes	(949)	(63)	-	(1,012)
Reductions arising from payments – tax disputes	(974)	-	-	(974)
Balance as of 31st December 2024	**1,256**	**1,097**	**2,482**	**4,835**
Balance as of 1st January 2025	**1,256**	**1,097**	**2,482**	**4,835**
Net charge to profit or loss statement	1,347	135	(218)	1,264
Reductions arising from payments - legal disputes	(462)	(31)	-	(493)
Reductions arising from close disputes – tax disputes	(671)	-	-	(671)
Reductions arising from payments – tax disputes	(1,102)	-	-	(1,102)
Balance as of 31st December 2025	**368**	**1,201**	**2,264**	**3,833**

The calculation of provisions for retirement benefits of BAM 862 thousand as of 31st December 2025 (31st December 2024: BAM 809 thousand) is performed by an independent actuary, applying a discount rate of 3% over the working life and average salary of each employee.

Provisions for unused days of vacation of BAM 339 thousand as of 31st December 2025 (31st December 2024: BAM 288 thousand) are calculated for every employee, taking as a basis his/her salary and unused days of vacation.

34. OTHER LIABILITIES

	31 December 2025	31 December 2024
Accrued income	649	633
Liabilities in respect of managed funds (Note 40)	25	22
Other liabilities	197	186
	871	**841**

35. SHARE CAPITAL

	31 December 2025 and 31 December 2024		
	Klasa ES Obične dionice	Klasa EP Prioritetne dionice	Ukupno
Number of shares	447,760	60	447,820
Pair value (BAM)	100	100	100
Total	**44,776**	**6**	**44,782**

Each registered ordinary share carries the right of one vote per share, while preference shares are non-voting.

Preference shareholders are entitled to receive dividends when declared, non-cumulatively, with priority rights over the ordinary shareholders in receipt of dividends.

The shareholding structure of the Bank as of 31st December 2025 is as follows:

Privredna banka Zagreb d.d.	**99,99%**
Other	**0,01%**

The shareholding structure of the Bank as of 31st December 2024 was as follows:

Privredna banka Zagreb d.d.	**99,99%**
Other	**0,01%**

36. SHARE-BASED PAYMENTS

In 2025, there were 49.544 transfer of shares, so at the end of 2025 the Bank had 77.034 equity shares. The residual shares will be assigned to beneficiaries when vesting conditions are met.

In 2024, there were 32.727 transfer of shares, and purchased 107.021 shares, so at the end of 2024 the Bank had 126.578 equity shares. The residual shares will be assigned to beneficiaries when vesting conditions are met.

37. ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT

The table below presents the movements in the position Deposits from banks and other financial institutions (Note 31.1) that have an impact on the movement of cash and cash equivalents:

	31 December 2025	31 December 2024
Balance as of 1st January	**122,121**	**93,650**
Inflows from deposit receipts	11,084,126	11,475,882
Outflows from deposit withdrawals	(11,065,850)	(11,447,289)
Net increase / (decrease) in deposits from banks and other financial institutions	**18,276**	**28,593**
Other changes:		
Effect of exchange rate changes on deposits from banks and other financial institutions	(1,396)	(122)
Balance as of 31st December (Note 31.1)	**139,001**	**122,121**

The table below presents the movements in the position of Deposits due to customers (Note 31.2) that have an impact on the movement of cash and cash equivalents:

	31 December 2025	31 December 2024
Balance as of 1st January	**2,174,036**	**1,948,848**
Inflows from deposit receipts	28,690,720	24,352,630
Outflows from deposit withdrawals	(28,404,358)	(24,128,655)
Net increase / (decrease) in deposits due to customers	**286,363**	**223,975**
Other changes:		
Effect of exchange rate changes Deposits due to customers	(2,472)	1,213
Balance as of 31st December (Note 31.2)	**2,457,927**	**2,174,036**

37. ADDITIONAL INFORMATION ON THE CASH FLOW STATEMENT (CONTINUED)

The table below presents the movements in the position of Borrowings (Note 31.3) that have an impact on the movement of cash and cash equivalents:

	31 December 2025	31 December 2024
Balance as of 1st January	**219,912**	**175,570**
Repayments of principal regarding loans granted by banks	63,740	88,599
Repayments of principal regarding loans granted by other financial institutions	(48,067)	(44,257)
Net increase / (decrease) in borrowings	**15,673**	**44,342**
Balance as of 31st December (Note 31.3)	**235,585**	**219,912**

38. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

	31 December 2025	31 December 2024
Contingent liabilities		
Performance guarantees	103,157	93,510
Payment guarantees	44,997	42,792
Letters of credit	15,342	17,182
Total contingent liabilities	**163,496**	**153,484**
Commitments		
Undrawn lending commitments	480,096	478,356
Total commitments	**480,096**	**478,356**
Total contingent liabilities and commitments	**643,592**	**631,840**

38. FINANCIAL COMMITMENTS AND CONTINGENCIES (CONTINUED)

The following table shows reconciliation from the opening to the closing balance by class of financial instruments for Contingent liabilities and Commitments.

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January	**604,431**	**27,032**	**377**	**631,840**	**551,707**	**17,380**	**528**	**569,615**
Transfers to Stage 1	15,665	(15,654)	(11)	-	14,105	(14,102)	(3)	-
Transfers to Stage 2	(20,472)	20,582	(110)	-	(21,782)	21,910	(128)	-
Transfers to Stage 3	(3)	(237)	(240)	-	(15)	(187)	(202)	-
Increases of new loans	451,256	5,958	3	457,217	494,741	24,961	8	519,710
increases of existing loans	563,563	29,209	402	593,174	446,288	26,258	514	473,060
Decrease due to reimbursements	(989,021)	(49,021)	(568)	(1,038,610)	(880,613)	(49,188)	(744)	(930,545)
Other decrease/increase	(29)	-	-	(29)	-	-	-	-
Balance as at 31 December	**625,390**	**17,869**	**333**	**643,592**	**604,431**	**27,032**	**377**	**631,840**

Kretanje umanjenja vrijednosti preuzetih i potencijalnih obaveza po klasama izloženosti dato je kao u nastavku:

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January	**1,469**	**842**	**171**	**2,482**	**1,497**	**412**	**270**	**2,179**
Transfers to Stage 1	219	(217)	(2)	-	236	(236)	-	-
Transfers to Stage 2	(115)	140	(25)	-	(78)	92	(14)	-
Transfers to Stage 3	-	(15)	15	-	(1)	(10)	11	-
New financial assets originated or purchased	3,712	694	143	4,549	3,085	1,354	148	4,587
Net remeasurement of loss allowance	(748)	219	96	(433)	(284)	308	80	104
Financial assets that have been reimbursement	(3,084)	(1,018)	(232)	(4,334)	(2,986)	(1,078)	(324)	(4,388)
Total effect through Profit and Loss (Note 12)	**(120)**	**(105)**	**7**	**(218)**	**(185)**	**584**	**(96)**	**303**
Balance as at 31 December	**1,453**	**645**	**166**	**2,264**	**1,469**	**842**	**171**	**2,482**

39. RELATED-PARTY TRANSACTIONS

The Bank is a member of the Intesa Sanpaolo S,p,A Group ("Intesa Sanpaolo Group"). The key shareholder of the Bank is Privredna banka Zagreb d,d, with 99,99% of the Bank's shares (2024: Privredna banka Zagreb d,d, with 99,99% of the Bank's shares) and the ultimate parent company is Intesa Sanpaolo S,p,A. The Bank considers that it has an immediate related-party relationship with its key shareholders and their subsidiaries; its associates; Supervisory Board members and Management Board members and other executive management ("key management personnel"); and close family members of key management personnel.

Related party transactions are part of the Bank's regular operations.

The overview of related party transactions as of 31st December 2025 and as of 31st December 2024 is presented below:

	31 December 2025	31 December 2024
Assets		
Receivables from key management personnel and their close family members	1,061	378
Bank accounts and loans – Intesa Sanpaolo Group	72,314	61,515
Other financial assets – REPO	49,368	-
Financial assets at fair value through profit or loss – Intesa Sanpaolo Group	-	24
Other receivables – Intesa Sanpaolo Group	37	30
	122,780	**61,947**
Liabilities		
Deposits – key management personnel and their close family members	1,492	915
Borrowings and term deposits – Intesa Sanpaolo Group	114,301	60,584
Other liabilities – Intesa Sanpaolo Group	786	918
	116,579	**62,417**
Financial commitments and contingencies		
Financial Guarantees	3,125	4,543
Undrawn lending commitments – key management personnel and close family members	104	98
	3,229	**4,641**

39. RELATED-PARTY TRANSACTIONS (CONTINUED)

	2025	2024
Income		
Interest income – key management personnel and close family members	32	18
Interest income – Intesa Sanpaolo Group	1,531	1,778
Other Income – Intesa Sanpaolo Group	320	240
	1,883	**2,036**
Expenses		
Interest expense – key management personnel and close family members	101	3
Interest expense – Intesa Sanpaolo Group	3,340	1,254
Other expenses – Intesa Sanpaolo Group	5,008	4,720
	8,449	**5,977**

The remuneration of key management personnel was as follows:

	2025	2024
Net salaries for key management personnel	1,057	1,316
Taxes and contributions on net salaries	826	1,029
Payments based on shares	119	250
Bonuses to management and employees	593	601
Other management benefits	649	1,481
	3,245	**4,677**

40. MANAGED FUNDS

The Bank manages assets on behalf of third parties, These assets are recorded separately from the Bank's assets.

	31 December 2025	31 December 2024
Liabilities		
Banks and insurance companies	4,279	6,349
Government organisations	7,298	7,461
Associations and Agencies	255	255
Total	**11,832**	**14,065**
Assets		
Loans to companies	11,624	13,860
Loans to citizens	183	183
Total	**11,807**	**14,043**
Amounts due to original creditors – managed funds (Note 34)	**25**	**22**

41. EVENTS AFTER THE REPORTING DATE

As of 31st December 2025, until the date of the financial statements, there were no events that could significantly influence the financial statements for 2025 or were of significant importance for the Bank's operations to require disclosure within the financial statements' notes for 2025 or their adjustments.