Acceleration in action

From potential to unlimited possibility

Empowering
Communities to Progress.

UniCredit Bank Banja Luka

UniCredit Bank a.d. Banja Luka

Annual Report on Operations and Financial Statements for the Year That Ended as of December 31, 2025 and Independent Auditor's Report

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“A reliable partner focused on sustainable growth, innovation and community support.

Spas Vidarkinsky
President of the Management Board of UniCredit Bank a.d. Banja Luka

Address by the President of the Bank's Management Board

Dear clients and partners, colleagues,

In 2025, UniCredit Bank a.d. Banja Luka confirmed its position as one of the leading banks in the Republic of Srpska and opened a new era of trust, innovation and sustainable growth. As part of the pan-European UniCredit Group, we use the best resources and knowledge for the continuous transformation of our Bank.

We concluded the business year 2025 with a net profit of BAM 32.8 million and growth in key indicators. Thanks to revenue growth and disciplined cost management, gross operating profit recorded an increase of 6.0% y/y. The Bank's assets amounted to BAM 1,547 million with a growth of +7.5% y/y. At the same time, gross loans and receivables from clients increased by +18.9% and amounted to BAM 972 million, while client deposits increased to BAM 1,207 million, which represents a growth of +5.9% y/y. The net loan-to-deposit ratio is at 77.2%. Our capital position remains strong with capital of BAM 262 million and a capital adequacy ratio of 21.7%, which together provide the basis for the long-term stability and sustainability of the Bank.

Strong risk management shows a high quality of assets, with an adequate level of impairment coverage, a balanced balance sheet and liquidity. On these foundations, we continue to build a solid basis for the stability of the Bank and the market in which we operate.

In 2025, we improved digital processes and were among the first on the market to introduce the Apple Pay service, while we adapted mobile banking and the website for blind and partially sighted people, confirming that we put clients at the center of everything we do, especially taking care of the inclusion of sensitive categories of society.

We actively invest in green projects and ESG initiatives, promote fiscal transparency and encourage clients to comply with ESG standards. For the fourth year in a row, we are part of the Mastercard Priceless Planet Coalition initiative, through which we have, so far, helped plant 30,000 seedlings.

Through socially responsible business in 2025, for the eighth time in a row, we implemented the "First Big Chance" program for students, volunteered in the education for more than 700 young people, equipped the students of the Day Center of the Association "New Generation" and arranged the space that these children use every day. We supported the fight against violence against women, donated to the Association of Women Patients with Breast Cancer "Iskra", prepared more than 100 New Year's packages for children from the "Iskra" Parents' House, and helped prepare 500 meals for users of the Mosaic Friendship Soup Kitchen.

Our employees remain the key to the Bank's success, nurturing a culture of dedication and excellence, with the values of integrity, responsibility and care, not only within our organization, through mutual cooperation and support, but also directly aimed at clients.

In the year ahead, we remain a reliable partner, focused on sustainable growth, innovation and community support, with a strategy of continuous growth and setting new standards of excellence.

On behalf of the Bank's Management Board and personally, I would like to thank our clients and business partners for their trust, as well as the Bank's employees for their effort, dedication and commitment during 2025.

Respectfully yours,

UniCredit Bank a.d. Banja Luka

Spas Vidarkinsky
President of the Management Board
of UniCredit Bank a.d. Banja Luka

"UniCredit Unlimited" Strategic Plan

Following the completion of the five year transformation under UniCredit Unlocked, which delivered 20 consecutive quarters of profitable growth, UniCredit is entering a new strategic phase – **UniCredit Unlimited**.

This phase reflects the Bank's ambition to exceed industry standards, enhance the quality of its growth, and redefine its operating model through technology and AI. UniCredit Unlimited goes beyond the foundations set by the previous strategy, combining the strength of a universal bank with the agility of a fintech and the dynamism of a technology company, enabling us to meet – and surpass – the expectations of our clients and all our stakeholders.

UniCredit Unlimited will focus on accelerating our quality top-line growth and doubling down on transformation. It is built on two key pillars:

Unlimited Acceleration

We intend to gain quality market share and grow revenues profitably faster than peers, through quality NII and Fees and Net Insurance.

Unlimited Transformation

In parallel, we are determined to re-set our efficiency frontier. UniCredit Unlocked focused on fixing what was inherited, streamlining and simplifying our bank. UniCredit Unlimited is about rethinking the operating model at its core, and the key enablers of this shift are technology and AI.

To translate this ambition into action, four key levers will drive our **Unlimited Acceleration.**

People – our linchpin

Our people remain the engine of our success. We will continue to invest in you and empower you with personal growth opportunities and the skills and capabilities needed for the next phase, while continuing to attract the best talents to drive growth.

Factories – a powerful engine of capital-light growth

We will strengthen the connectivity between our product factories and our distribution, ensuring every capability we build translates directly into meeting client needs. At the same time, we will expand our offering, internalise more of the value chain, and scale innovative solutions across our geographies.

Channels – a single, seamless client experience

Our omnichannel set-up is one of our strongest competitive advantages. We will leverage our physical, remote and digital platforms and use AI to enhance every touchpoint for our clients – improving speed, accuracy and personalisation.

Digital & Data – pushing boundaries with AI

We are accelerating AI adoption across client service and advisory, technology and operations - and will continue to use this to deepen relationships, improve efficiency, increase speed and unlock new value.

These core levers of our strategy are how we turn scale and innovation into sustained competitive advantage and accelerate faster than ever before.

Macroeconomic Environment

The result of the presidential elections in the USA increased the high geopolitical uncertainty in 2025. The global economy has proved resilient to the shock caused by tariffs, and the latest indicators indicate that global economic activity has increased slightly. Better economic growth results than originally expected were initially the result of increased exports ahead of expected tariff increases, but also investments in equipment and intangible assets, which were also stronger than expected. However, the outlook remains uncertain, primarily due to ongoing global trade disputes and geopolitical tensions.

Global GDP is expected to grow by 3.1% in 2026 and 3.2% in 2027, after 3.2% in 2025. Although higher protectionism will cause some negative effects on demand, the private sector continues to show remarkable adaptability.

The Eurozone is likely to remain trapped in a low-growth environment next year, continuing to lag significantly behind the US in terms of economic activity. While foreign trade and fiscal policy are likely to hold back economic growth, monetary policy normalization and household spending are expected to support economic growth. In 2026, the economic recovery is likely to gain some momentum.

Economic growth in Central and Eastern Europe should accelerate in most countries in 2026, driven by a recovery in external demand and stronger investment, supported by increased absorption of EU funds. Consumption remains the key engine of growth.

The ECB has aligned inflation with a target of 2% and is likely to stabilize around that level for the foreseeable future. In 2025, the European Central Bank (ECB) implemented five consecutive reductions in interest rates. Each reduction was by an additional 25 basis points. The deposit rate is expected to remain at 2% until the end of 2026. According to the latest data, the interest rate on the cash deposit is 2.00%, the interest rate for the main refinancing operations is 2.15%, and the interest rate for the credit option at the end of the day is 2.40%.

GDP growth forecasts for Bosnia and Herzegovina amount to 2.2% in 2025 and 3.0% in 2026. The main driver of growth in 2025 and 2026 should remain personal consumption, boosted by rising wages, remittances and improving employment. In 2025 and 2026, the contribution of external demand should strengthen, but it has been reassessed on the basis of slower growth in the EU and neighboring economies, Croatia and Serbia compared to the previous forecast. Regulating public investments should also contribute to growth.

Real GDP growth in the Republic of Srpska in the third quarter of 2025 compared to the same quarter of the previous year was 2.0%. The seasonally adjusted data series shows GDP growth in the third quarter of 2025 of 0.6 % compared to the previous quarter. Observed by areas of activity classification in the third quarter of 2025, compared to the same quarter of the previous year, significant real growth in gross added value was recorded in the following activities: Information and communications by 4.5% and Art, entertainment and recreation by 4.4%.

In contrast to GDP, the inflation forecast for BIH has been changed compared to previous expectations and accelerated towards almost 5% in mid-2025 due to rising food and service prices, falling unemployment and pressures on the labor market, as well as rising real incomes (increasing the minimum wage as one of the drivers), but should slow down to around 3.5% by the end of the year. The growth of domestic demand (both consumption and investments, dominantly public capital expenditures) is one of the factors that will influence the trend of growth and inflation. However, we expect the high consumer price base in 2025 to be reflected in inflation indicators in 2026, when inflation should fall towards levels of 2% (the influence of the Eurozone and the currency board should help moderate inflation as in the past).

The average monthly paid net salary for October 2025 at the level of BIH compared to October 2024 is higher by 13.4%. At the same time, the gross salary is higher by 13.7%. The average net salary for November 2025 in the Republic of Srpska amounts to BAM 1,563 and compared to the same month last year, it is 10.1% higher. In the Republic of Srpska, a completely new system of differentiated minimum wages was introduced, set in the range of BAM 900 to 1,300, depending on the level of professional education. In addition, salaries in the public sector were increased in the Republic of Srpska. Unemployment rate in BIH without major changes in recent months (the average unemployment rate for the first ten months of 2025 amounted to 27.2%, while according to the latest Labor Force Survey from 3Q 2025 is 11.2%). From a banking perspective, we are also witnessing an increase in consumer credit in the market, as household incomes do not keep pace with price dynamics. We are also seeing an increase in overall costs in the banking sector as a result of increased input costs.

Bosnia and Herzegovina continues its path towards the European Union. The Council of Ministers approved and submitted to the European Commission the Draft Reform Program in 2025. The European Commission finally approved the Reform Agenda of Bosnia and Herzegovina on December 4, 2025, which represents a key step towards the release of millions of euros under the EU Instrument for Reforms and Growth. The Reform Agenda is a list of reforms that the country should gradually complete by 2027 in order to access funds from the EU Growth Plan for the Western Balkans. This is an important step to unlocking the EU's Growth Plan. The reform agenda defines a number of priority reforms aimed at accelerating the green and digital transition, strengthening the private sector, retaining young and qualified experts, and improving basic rights and the rule of law.

During 2025, the international rating agency S&P Global Ratings maintained the credit rating of Bosnia and Herzegovina, 'B+' with a stable outlook. An increase in the credit rating may occur if consensus-based policy-making accelerates structural reforms, including those related to the country's accession to the European Union.

Macroeconomic Expectations

In 2026, further acceleration of economic growth is expected, fueled by the recovery of external demand, on top of further improvement in private consumption and public investment. An important step forward in unlocking the EU's Growth Plan should contribute to the additional growth momentum of the economy of Bosnia and Herzegovina.

Banking Sector

The banking sector of Bosnia and Herzegovina remained strong, stable and adequately capitalized in 2025, with the lowest ratio of non-performing loans in the total in the last decade (2.7%, Q3 2025).

The number of banks on the market of Bosnia and Herzegovina did not change during 2025 and amounts to a total of 21. Of these, 13 are headquartered in the Federation of BiH, while 8 are based in Republic of Srpska. The number of employees in the banking sector remained almost the same as at the end of 2024YE (+0.02% compared to 2024YE).

The latest available financial indicators of the banking sector of Bosnia and Herzegovina for 3Q 2025 show that the banking sector is stable and profitable. The total realized profit before tax in the nine months of 2025 was BAM 730 million, which is a growth of 0.8% compared to the same period of the previous year. The total income of the sector recorded an annual growth of 2.5%, driven by a significant increase in net non-interest and interest income (+5.5% y/y). Operating costs of the sector increased by 5.7% y/y, while provisioning costs recorded a decrease of -17.8% y/y.

In November 2025, loan volumes in the BIH market recorded an increase of +9.6% compared to the end of 2024, driven by growth in both segments, Retail +11.4% y/y, and Legal Entities +7.9% y/y. At the same time, deposit volumes recorded an increase of +8.6% compared to the end of 2024, driven by faster growth in Retail deposits of +9.2%, while Legal Entities deposits grew by +8.0%.

The total realized profit before taxes in the Republic of Srpska in the nine months of 2025 was BAM 227 million, which is a growth of 6% compared to the same period of the previous year. The total income of the banking sector in the Republic of Srpska in the third quarter of 2025 recorded an increase compared to the previous year, driven by a significant increase in non-interest income (+8% y/y). Operating costs of the banking sector in the Republic of Srpska increased by 3% y/y.

In the Republic of Srpska in the third quarter of 2025, there was an increase in total loans compared to the end of 2024, while the percentage of non-performing loans decreased to 3.0% from 3.7% (end of 2024).

In November 2025, gross loans in the Republic of Srpska increased by 8% compared to the end of 2024, in both segments (retail loans +12.2% y/y, and loans to legal entities +4.1%).

Deposit volumes in Republic of Srpska also recorded an increase in both segments compared to the end of 2024 (retail deposits +10.4% y/y, and loans to legal entities +14.4%). In 2025, the banking sector in Bosnia and Herzegovina responded in a timely manner to all the challenges that occurred, taking into account security and timely reactions to changes in the global environment.

In the course of 2025, the Banking Agencies adopted certain legal and by-laws to harmonize the operations of banks with the needs of the business environment. Some of the main changes that took place were amendments to the Law on Banks in both entities. Additional amendments to the by-laws by the Banking Agency of Republic of Srpska related to the following - Decision on the Management of Interest Rate Risk in the Banking Book, Decision on the Methodology for Determining Systemically Important Banks and the Buffer of Capital for Systemically Important Banks, Decision on the Management of the Information System and Risks of Information and Communication Technology (ICT) in the Bank. In addition, the new Law on the Protection of Personal Data, harmonized with the GDPR, entered into force at the BIH level in 2025 and further strengthened the competences of the Agency for the Protection of Personal Data.

Expectations for the Banking Sector

GDP growth is expected in BIH in 2026, which will be reflected in the loan growth rate. Forecasts indicate that the loan growth rate will be lower compared to 2025. On the deposit side, at the BIH level, a further increase in volume is expected in line with the improvement of macroeconomic indicators, which will lead to an increase in the deposits of private individuals and a slowdown in the accumulation of deposits by legal entities.

Business Description

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

As the legal successor of the first bank built in this area, “Privileged Land Bank for BIH - Banja Luka Branch”, founded in 1910, UniCredit Bank a.d. Banja Luka has the longest tradition of banking business in Bosnia and Herzegovina. In its 116-year history, this Bank has gone through several different transformations and successfully operated in different legal and organizational forms.

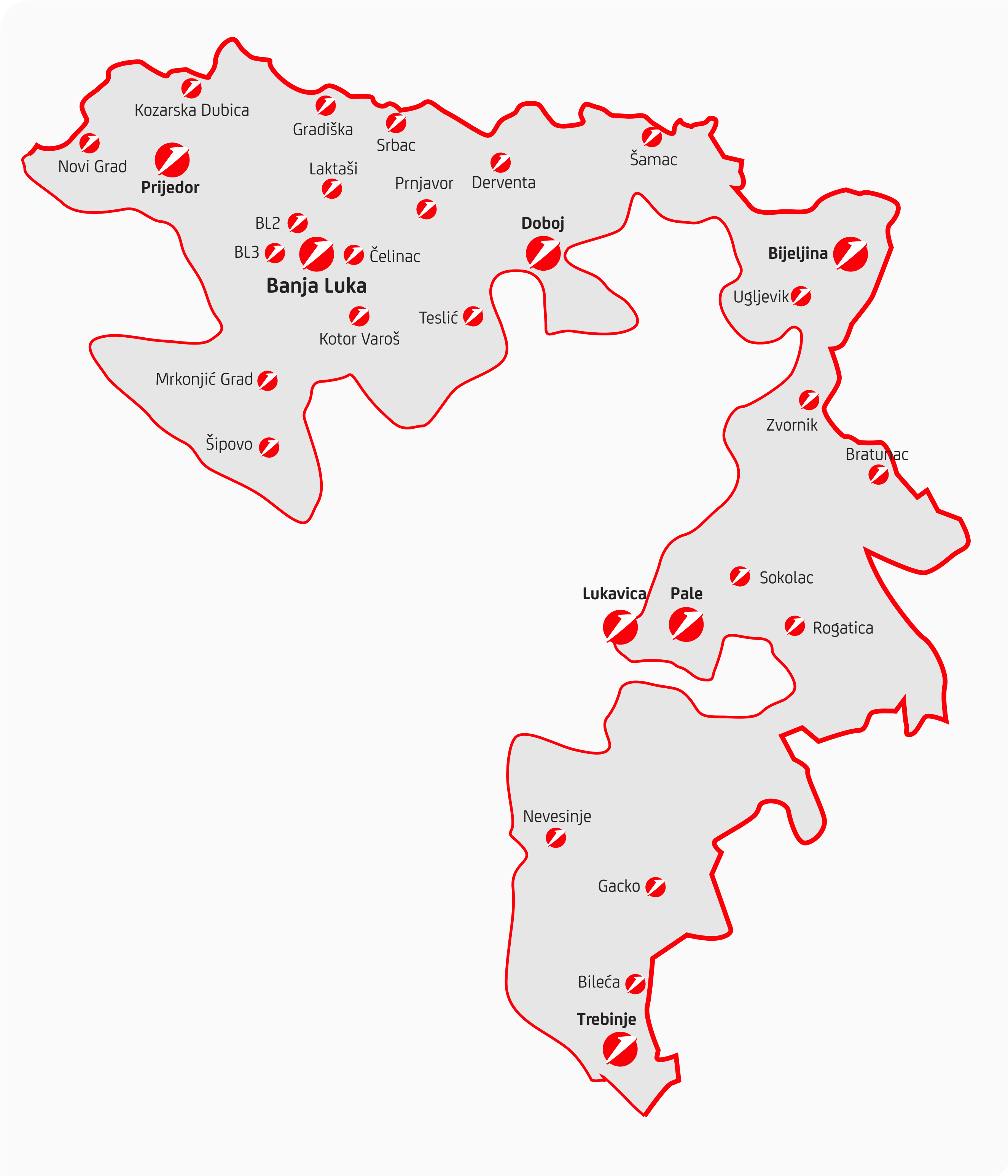
The Bank provides a full range of financial services to legal entities and private individuals in the Republic of Srpska, one of the two entities in Bosnia and Herzegovina. The set of banking products and services provided by the Bank includes all types of business with private individuals, small and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

The Bank actively participates in the implementation of new, development projects in the banking sector and with its engagement contributes to the promotion of responsible business in terms of compliance and operational risks, as well as the application of the highest standards in reporting and the exchange of knowledge and experience gained through rich experience and belonging to the UniCredit Group.

Using the best practices of UniCredit Group member banks, and taking into account the specifics and true needs of our clients, we strive to provide them with integrated access to our products and services through the simplification of procedures. In this way, in addition to increasing work efficiency, we strive to provide clients with simplicity and ease in doing business with the Bank.

Constant improvement of our business model and product offering for individuals and legal entities, long-term and partnership relations with our clients, and support for the development of our economy, through projects of public and social importance, remain the basic priorities of our business.

Map of the Network of Branches and Agencies



Overview of Business Segments

Retail Segment

ORGANIZATION

The Retail segment provides clients with a wide range of products and services through two business areas - Personal and Corporate banking. It manages a network of business units and direct distribution channels such as ATMs, mobile and electronic banking.

During 2025, the Bank's business network was divided into three geographically and economically connected regions (Banja Luka-Prijedor, Doboj-Gradiška, Sarajevo-Trebinje) with a total of 30 organizational units at the end of 2025.

Retail has 115 thousand active clients in its portfolio within the segment of private individuals and micro businesses.

The objectives of Retail are constantly focused on improving relations with existing and acquiring new clients, along with continuous improvement and development of products and services, but also a clear focus on digital products and further development of alternative channels, acceleration of the digital transformation process, as well as synergy in access to clients together with the Corporate Banking segment. Retail analyzes and improves key processes and adapts to new conditions on the market, which increasingly indicate the need for an accelerated transition of clients from traditional to digital channels, their education about them, but also the improvement of service speed and client satisfaction.

BUSINESS ACTIVITIES IN 2025

The volume of Retail loans at the end of 2025 was BAM 562.7 million (+16.5% compared to the end of 2024). The market share in loans to private individuals in the Republic of Srpska at the end of November 2025 is 14.9% (+54bp compared to the end of 2024).

Retail deposits amount to BAM 756.1 million at the end of 2025 (+15.4% compared to the end of 2024). The market share in deposits of private individuals in the Republic of Srpska at the end of November 2025 is 12.2% (+19bp compared to the end of 2024).

The development of the Bank's products continued during 2025, with a focus on improving the quality of services, as well as through simplification and acceleration of the process. The key areas of development included increasing the degree of digitization, optimizing the loan approval process, and introducing new products and tools that are adapted to the needs of clients.

Special emphasis is placed on digitization, which is recognized as a basic pillar of modern banking operations. Within this segment, the Bank continued to develop mobile and internet banking, as well as services related to ATMs and card operations. The modernization of digital channels enabled users to have easier and faster access to their accounts, with the possibility of performing transactions at any time and from any place, which improved the user experience and availability of services.
During the year, a re-approval process for micro clients was implemented, which significantly accelerated and simplified the loan approval process. During the whole year, activities were carried out to improve "End-to-end" applications for approving loans through the Consumer Finance platform with the aim of increasing their efficiency and adaptability to the needs of different user segments. On this platform, the modules for approving loans to legal entities, loans to private individuals and credit cards, which were developed on the same technological basis, have been further improved.

The full implementation of the Contact Center tool, which is integrated with the oCRM and aCRM systems, has been completed. This connection enables the Bank to provide personalized services and better understand the needs of its clients, which contributes to strengthening their satisfaction and loyalty.

A special step forward was made when we were among the first banks in Bosnia and Herzegovina to make the Apple Pay service available to our clients, users of UniCredit Mastercard cards. By introducing this modern and secure service that enables quick and easy payment via Apple devices (iPhone, Apple Watch, iPad and Mac) in stores, applications and online, we continued to lead the market with innovation and offer only the best digital solutions to our clients.

Corporate Banking Segment

ORGANIZATION

The Corporate Banking segment operates with domestic business entities, the public and financial sectors, as well as with international clients to whom, in addition to financing products, it also offers products from the domain of global transaction banking and financial markets.

Through the business centers Small Enterprises and Medium Enterprises, the Bank covers the entire territory of the Republic of Srpska and conducts business relations with more than eight hundred and fifty clients, large and medium in terms of income.

BUSINESS ACTIVITIES IN 2025

The key focus of the Corporate Banking segment in 2025 was on participation in the financing of significant projects in the private sector, more intensive use of guarantee lines from the funds of the Guarantee Fund and directing clients to greater use of direct channels.

The balance of corporate clients' loans, with the total gross amount of loans at the end of 2025, amounts to BAM 409.6 million (+22.3% compared to the end of 2024), while corporate clients' deposits amounted to BAM 450.9 million (-6.8% compared to the end of 2024). As of November 2025, the market share in corporate loans on the Republic of Srpska market was 11.8% (+161bp compared to the end of 2024), and in the deposit segment, the market share was 12.4% (-333bp compared to the end of 2024).

In the coming period, the Bank continues to provide support to domestic companies through projects in the field of renewable energy and energy efficiency improvement, as well as to small and medium-sized enterprises.

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

Financial Overview of Bank's Business Operations

During the reporting period, the Bank operated in accordance with the RS Law on Banks and the decisions prescribed by the Banking Agency of the Republic of Srpska (hereinafter: BARS), as well as other valid legal and by-law regulations, and compiled reports prescribed by the BARS and other domestic institutions, as well as reports for the majority owner (management and for the purposes of preparing consolidated reports at the UniCredit Group level).

Financial Indicators

The Bank achieved positive business results in 2025.

Overview of financial indicators, in thousands of BAM	2025	2024	+/-
Profit and loss			
Total operating income	76 783	74 185	3.5%
Total operating costs	(41 559)	(40 943)	1.5%
Net impairment losses/recoveries on financial instruments	(1.924)	1.395	-
Profit before tax	35 872	36 759	-2.4%
Net profit for the year	32 810	33 265	-1.4%
Balance sheet			
Net loans and receivables from clients	931 593	774 198	20.3%
Deposits and loans from clients	1 206 987	1 139 295	5.9%
Capital and reserves	261 540	261 521	0.0%
Total assets	1 547 502	1 439 269	7.5%
Capital adequacy			
Total risk assets	1 012 547	861 769	17.5%
Recognized capital (regulatory capital)	219 997	219 769	0.1%
Capital adequacy ratio	21.7%	25.5%	-3.8pp
Business indicators			
C/I ratio, Total operating costs/total operating income	54.1%	55.2%	-1.1pp
ROAE Return on average equity	12.5%	13.1%	-0.5pp
ROAA Return on Average Net Assets	2.2%	2.5%	-0.3pp
L/D ratio, Loan to client deposit ratio	77.2%	68.0%	9.2pp
Number of employees	376	383	-7
Number of branches	30	30	0

BUSINESS DESCRIPTION » CONTINUED

Profit and Loss

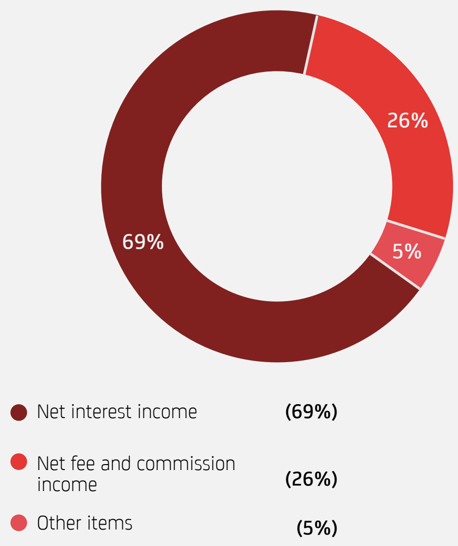
The net profit achieved in 2025 amounted to BAM 32.8 million and was 1.4% lower than the profit achieved in the previous year, mostly due to higher costs of impairment for credit risks.

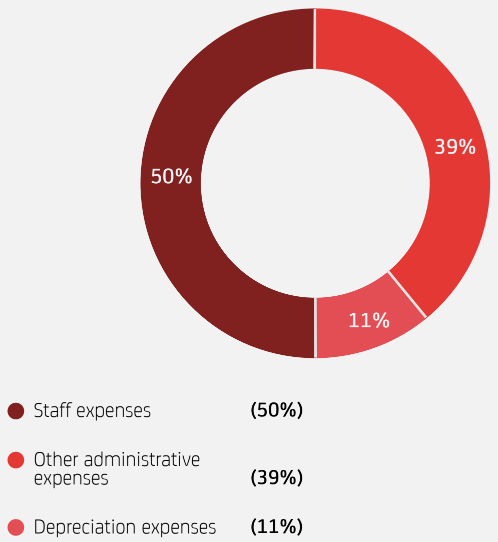
The total operating income in 2025 amounts to BAM 76.8 million, which is 3.5% more compared to the previous year as a result of higher income from interest, and higher income from fees and commissions and exchange rate differences.

Total operating costs in 2025 amount to BAM 41.6 million and record a growth of 1.5% compared to the previous year, mainly as a result of the growth of other administrative costs while the costs of employees were lower.

Bearing in mind that Operating income had a higher growth rate than Operating expenses, the key efficiency parameter C/I ratio (cost and income ratio) is 54.1% and has improved by 1.1 pp compared to the previous year.

Graph: Structure of operating income and structure of operating expenses





Net interest income was realized in the amount of BAM 53.2 million, which is 1.5% more compared to the same period of the previous year, and makes up 69% of the Bank's total operating income. The growth of net interest income compared to the previous year is the result of a 2.8% increase in interest income, the positive effect of which was partially neutralized by a 14.7% increase in interest expenses y/y.

Net income from fees and commissions amounts to BAM 19.9 million, which is 5.9% more compared to the same period of the previous year, and makes up 26% of the Bank's total operating income. The increase in fees is mainly the result of higher payment transaction fees, fees on current accounts and fees based on guarantees.

Other income items refer to net gains from trading and exchange rate differences in the amount of BAM 3.6 million, which make up 5% of the Bank's total operating income and are up by 23.9% y/y.

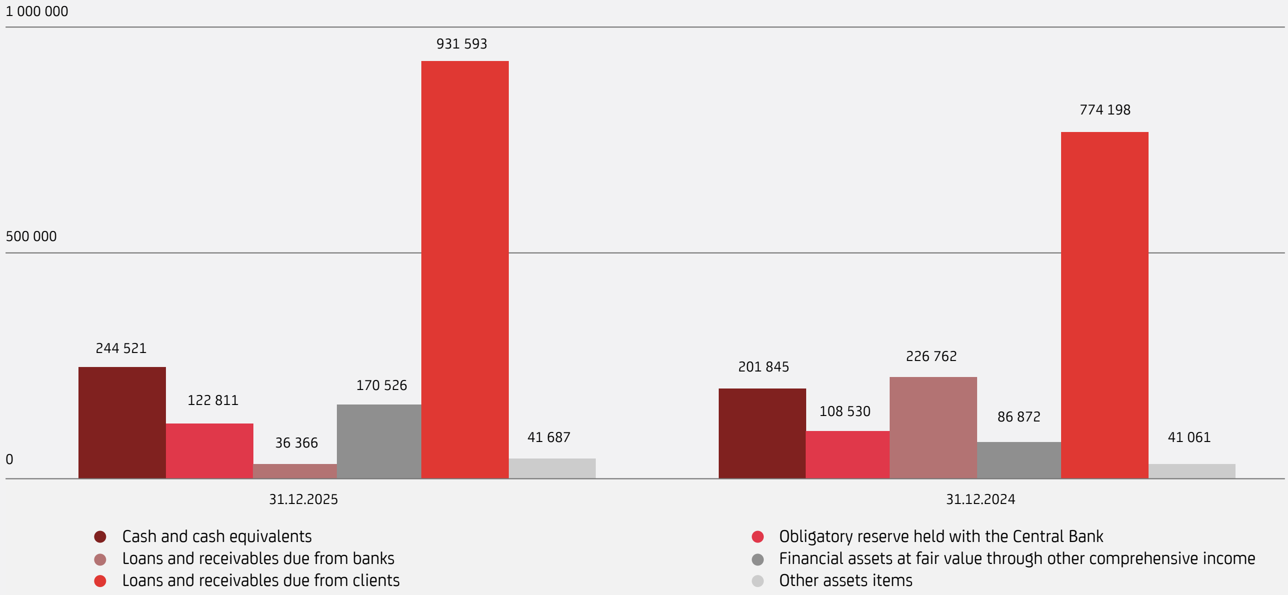
Total operating costs amount to BAM 41.6 million, which is 1.5% more than in the same period of the previous year. Employee costs amount to BAM 20.8 million and record a decrease of 2.4% compared to the previous year, and make up 50% of total operating costs. Other administrative costs with BAM 16.3 million account for 39% of the total operating costs, while depreciation costs of tangible and intangible assets amount to BAM 4.5 million and make up 11% of the total operating costs. The recorded increase in total operating costs compared to the previous year is mostly the result of the increase in other administrative costs (information technology costs, deposit insurance costs and security costs).

Statement of the Financial Position

ASSETS

At the end of 2025, the total assets of the Bank amount to BAM 1.5 billion and are higher by 7.5% compared to the same period last year due to the growth of loans and receivables from clients, financial assets at fair value through OCI (securities), and cash and cash equivalents.

Chart: Bank's asset structure



In the structure of the Bank's assets, the most significant share of 60.2% is net loans and receivables from clients, which amount to BAM 931.6 million and record a growth of 20.3% compared to the end of the previous year. Loans and receivables from banks amount to BAM 36.4 million, and together with the mandatory reserve at the Central Bank of BIH in the amount of 122.8 million BAM, cash and cash equivalents in the amount of BAM 244.5 million make up 26.1% of the Bank's total assets.

Financial assets at fair value through OCI account for 11% of the Bank's total assets. It amounts to BAM 170.5 million, and recorded significant growth compared to the previous year.

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

In the structure of net loans and receivables from clients, loans to legal entities account for 43%, and loans to private individuals account for 57% of the share. Net loans to legal entities as of December 31, 2025, amount to BAM 396.0 million, while net loans to private individuals amount to BAM 535.5 million, and portfolio growth was recorded in both segments.

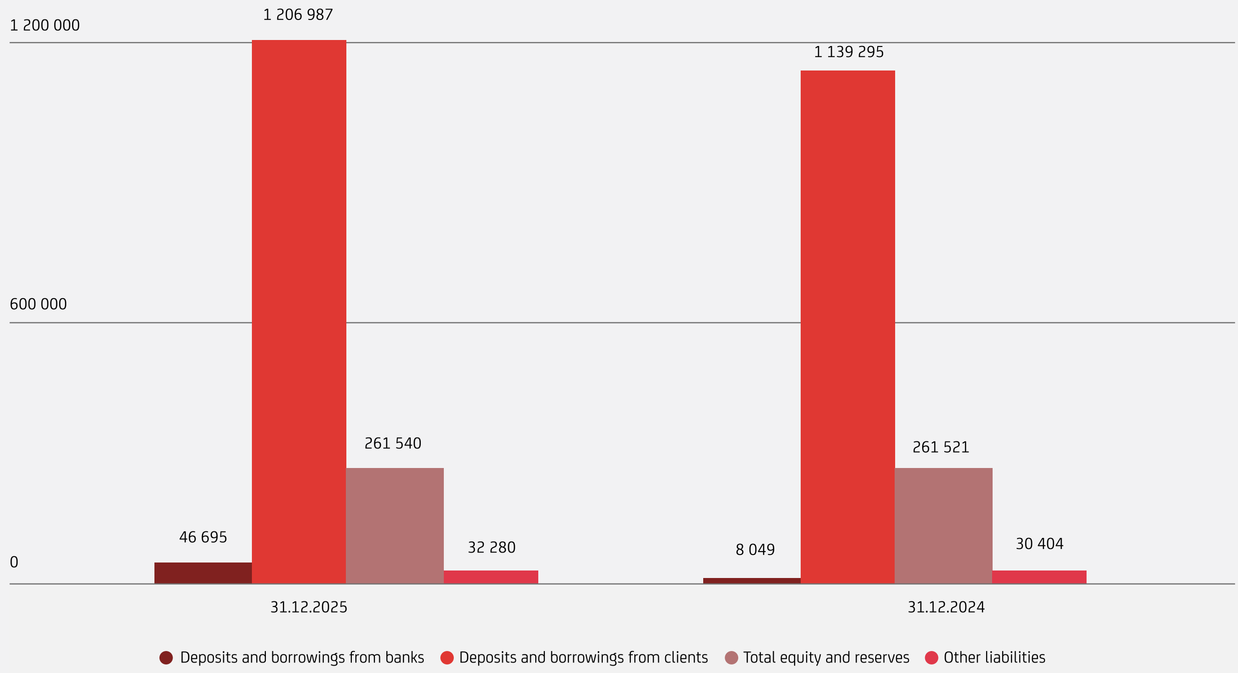
Gross loans extended to legal entities increased by 20.6%, while gross loans extended to private individuals increased by 17.6% compared to the end of the previous year.

LIABILITIES

In the structure of the Bank's liabilities, deposits and loans from clients have the most significant share (78%). Total deposits and loans from clients amount to BAM 1,206.9 million and are 5.9% higher than at the end of the previous year.

Deposits and loans from banks amount to BAM 46.7 million, which is six times more than at the end of the previous year.

Chart: Structure of Bank's liabilities

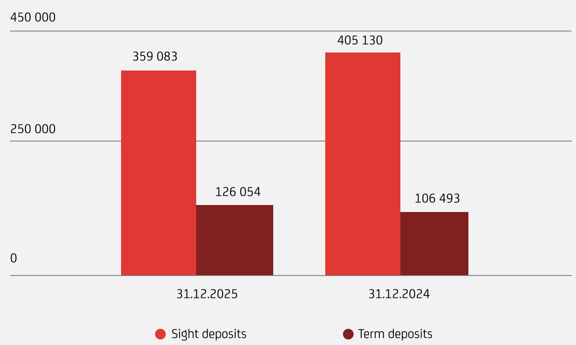


In the structure of deposits and loans from clients, deposits and loans from legal entities make up 42.6%, while deposits from private individuals make up 54.7%.

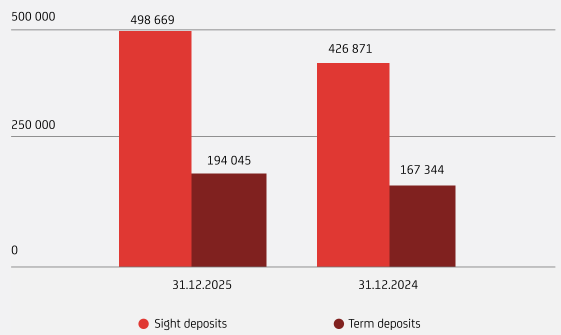
Deposits of legal entities, which also include deposits of entrepreneurs, amounted to BAM 485.1 million at the end of 2025, which is 5.2% lower than at the end of the previous year. Demand deposits of legal entities make up 74.0%, while term deposits make up 26.0% of total deposits of legal entities.

Deposits of private individuals amounted to BAM 692.7 million, which is 16.6% more compared to the previous year. Demand deposits of private individuals make up 72.0%, while time deposits make up 28.0% of total deposits of private individuals.

Deposits from legal entities, BAM ths



Deposits from individuals, BAM ths



The L/D ratio as the ratio of loans and deposits of clients is 77.2% and is higher by 9.2 pp compared to the same period last year as a result of the higher growth rate of loans from clients compared to the growth of the deposit portfolio.

CAPITAL AND RESERVES

The Bank's capital and reserves at the end of 2025 amount to BAM 261.5 million, unchanged from the end of the previous year.

Capital adequacy as of December 31, 2025 is 21.7% (2024: 25.5%) and is significantly above the regulatory minimum of 12% and is lower by 3.8 pp compared to the same period last year due to the higher growth rate of credit net risk assets compared to regulatory capital.

Governance and Management Organization

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

SHAREHOLDERS' MEETING

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

As of December 31, 2025, the Bank had a total of 54 shareholders, of which UniCredit S.p.A., Milan, holds the largest share with 99.64% of the Bank's total capital.

Share capital of the Bank as of December 31, 2025 amounted to BAM 97,055 thousand, and consists of 138,650 ordinary shares of class "B", nominal value BAM 700.00 per share.

According to the ownership structure of the shareholders, private capital participates with 100% in the total capital of the Bank, and according to the origin of the capital, 99.66% is foreign capital, and 0.34% is domestic capital.

Class "B" ordinary shares give the right to one vote in the Bank's Shareholders' Meeting. Owners of ordinary shares have the right to manage the Bank, the right to participate in profits and other rights established by the Articles of Association, legal and other regulations.

SUPERVISORY BOARD

The Supervisory Board supervises the operations of the Bank and the work of the Management Board, determines the proposal of the Bank's business policy and strategy, as well as the business plan and submits them to the Bank's Shareholders' Meeting for final approval. It passes general acts and has other competences regulated by the Law on Banks of the Republic of Srpska and the Articles of Association of the Bank. The Supervisory Board has a chairman and four members, who are elected by the shareholders at the Bank's Shareholders' Meeting for a period of four years.

The members of the Bank's Supervisory Board in 2025 are:

1.	Massimo Francese	President from 14.10.2025	UniCredit S.p.A
	Pasquale Giamboi	President until 13.10.2025	UniCredit S.p.A.
2.	Zlatan Raković	Deputy President from 14.10.2025	UniCredit S.p.A.
	Daniel Svoboda	Deputy President until 13.10.2025	UniCredit S.p.A.
3.	Margherita Giulia Cerqui	member	UniCredit S.p.A.
4.	Vedran Stanetić	member	Independent member
5.	Zoran Vasiljević	member	Independent member

BANK BOARD

The Bank Board organizes work, manages operations and represents the Bank. The Bank Board is appointed by the Supervisory Board, with the prior consent of the Banking Agency of the Republic of Srpska.

The members of the Bank's Management Board in 2025 are:

1.	Spas Blagovestov Vidarkinsky	Bank Board President
2.	Jasminka Bajić	Bank Board Member in charge of Finance
3.	Dragana Janjić	Bank Board Member in charge of Risk Management
4.	Željko Kišić	Bank Board Member in charge of Retail and Corporate Banking
5.	Diana Bevanda	Bank Board Member in charge of People and Culture

AUDIT COMMITTEE

The audit committee is responsible for overseeing the implementation of the internal audit and the engagement of an external audit firm, which will audit the financial statements, and has other responsibilities regulated by the Law on Banks of the Republic of Srpska and the Bank's Statute.

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

The members of the Bank's Audit Committee in 2025 are:

1.	Jelena Poljašević	president	Independent member
2.	Ante Križan	member	Zagrebačka Banka d.d. Zagreb
3.	Graziana Mazzone	member	UniCredit S.p.A.

EMPLOYEES

As of December 31, 2025, the Bank has a total of 376 employees.

We are committed to our role in society and strive to act as an engine of social progress to help and empower the local community and provide our employees with the best place to work.

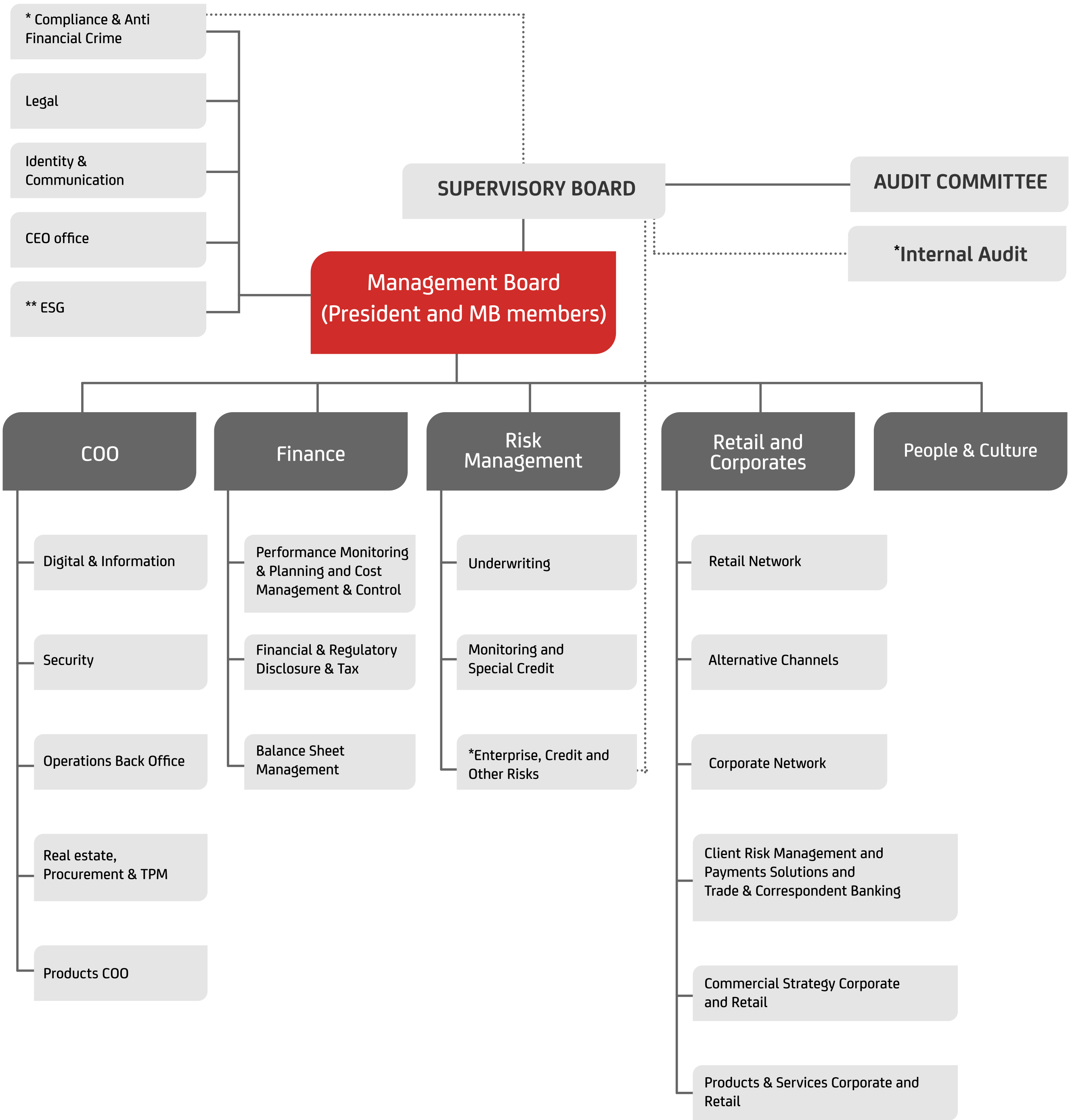
From the aspect of human resource management, we strive to create a friendly working environment, full of support, where personal values are key in order to bring about change. We value the balance between work and what is outside of it, therefore we invest a lot in creating a flexible work environment, adapted to the needs of our colleagues.

Through various programs, the Bank monitors and improves activities that significantly affect the experience of employees. Our further development and success depends on the quality and dedication of our employees, and we continuously work on improving knowledge and competences, as well as improving the working conditions of all employees. Through development activities, we pay special attention to the training of sales staff, managers and employees of high potential, identified as talents. Due to the exceptional importance of introducing new employees and newly appointed managers to the job, in the course of 2025 we continued with the implementation of the so-called onboarding. In accordance with the needs and dynamics within the Bank, in the course of 2025, we had 74 newly employed workers, and a certain number of colleagues were appointed to management positions within the Bank. The Bank regularly works on succession planning for all management positions, development of potential candidates, which enables us to fill management positions without major difficulties in case of changes.

All of the previously listed activities embody our core values: integrity, responsibility, and care for employees, which guide us in everything we do every day.

GOVERNANCE AND MANAGEMENT ORGANIZATION » CONTINUED

Organizational Structure of the Bank as of December 31, 2025



**In accordance with the local regulation of the control functions: Internal Audit, Compliance and Anti-Money Laundering, Enterprise, Credit and Other risks report directly to the Supervisory Board.*

***ESG – Environment, Society and Governance is an organizational unit directly responsible to the Bank Board President with the aim of ensuring sustainability. Banking with social impact is in the structure of ESG.*

GOVERNANCE AND MANAGEMENT ORGANIZATION » CONTINUED

Business Network of UniCredit Bank a.d. Banja Luka as of December 31, 2025

BRANCH	ADDRESS	CITY	PHONE NUMBER:
FREE INFO LINE			**080/051-051**
BANJALUCA-PRIJEDOR REGION			
BANJA LUKA BRANCH	Marije Bursać 7	Banja Luka	051/243-200
BANJA LUKA BRANCH 2	Jevrejska 50	Banja Luka	051/246-662
BANJA LUKA AGENCY 3	Carice Milice 2	Banja Luka	051/246-645
ČELINAC BRANCH	Kralja Petra I Karađorđevića 65	Čelinac	051/551-144
KOTOR VAROS BRANCH	Cara Dušana 28	Kotor Varoš	051/783-260
MRKONJIĆ GRAD AGENCY	Svetog Save 13	Mrkonjić Grad	050/212-948
ŠIPOVO BRANCH	Prve šipovačka brigade 1	Šipovo	050/490-338
PRIJEDOR BRANCH	Vožda Karađorđa 9	Prijedor	052/240-385
NOVI GRAD BRANCH	Karađorđa Petrovića 33	Novi Grad	052/751-756
KOZARSKA DUBICA BRANCH	Svetosavska 41	Kozarska Dubica	052/416-346
TESLIC AGENCY	Svetog Save 77	Teslić	053/431-501
DOBOJ-BIJELJINA REGION			
LAKTAŠI BRANCH	Karađorđeva 63	Laktaši	051/491-215
GRADIŠKA BRANCH	Vidovdanska bb	Gradiška	051/491-953
SRBAC AGENCY	Mome Vidovića 17	Srbac	051/491-219
DOBOJ BRANCH	Karađorđeva 1	Doboj	053/490-351
DERVENTA BRANCH	Kralja Petra 1 Karađorđevića bb	Derventa	053/312-212
ŠAMAC AGENCY	Svetosavska 9	Šamac	054/490-116
PRNJAVOR BRANCH	Svetog Save 25	Prnjavor	051/660-295
BIJELJINA BRANCH	Patrijarha Pavla 3a	Bijeljina	055/221-285
UGLJEVIK BRANCH	Ulica Ćirila i Metodija bb	Ugljevik	055/490-303
ZVORNIK BRANCH	Karađorđeva bb	Zvornik	056/214-147
BRATUNAC AGENCY	Svetog Save bb	Bratunac	056/411-214
SARAJEVO-TREBINJE REGION			
PALE BRANCH	Milana Simovića bb	Pale	057/203-024
LUKAVICA BRANCH	Spasovdanska 31	Lukavica	057/318-294
SOKOLAC AGENCY	Cara Lazara bb	Sokolac	057/401 062
ROGATICA AGENCY	Srpske Sloge bb	Rogatica	058/417-484
TREBINJE BRANCH	Kralja Petra Prvog Oslobodioca br. 22	Trebinje	059/270-626
BILEĆA BRANCH	Kralja Aleksandra 14	Bileća	059/370-066
GACKO BRANCH	Trg Save Vladislavića bb	Gacko	059/471-530
NEVESINJE BRANCH	Nevesinjskih Ustanika 27	Nevesinje	059/610-471

Responsibility for Financial Statements

Management is responsible for ensuring that financial statements are prepared for each financial period in accordance with applicable accounting standards, which give a true and fair view of the financial position of UniCredit Bank a.d. Banja Luka ("the Bank") and the results of its operations and cash flows, and is responsible for keeping appropriate accounting records, in order to enable the preparation of such financial statements at any time. The Bank's management has general responsibility for taking steps reasonably available to it to protect the Bank's assets and to prevent and detect fraud and other irregularities.

When preparing these financial statements, the responsibilities of the Bank's Management include ensuring:

- that appropriate accounting policies are selected and then applied consistently;
- that judgments and estimates are reasonable and prudent;
- that valid accounting standards are respected, whereby all materially significant deviations are disclosed and explained in the financial statements; and
- that the financial statements are prepared on a going concern basis, unless it is appropriate to assume that the Bank will continue operating.

The Management Board is responsible for submitting the Bank's annual report to the Supervisory Board together with the annual financial statements, after which the Supervisory Board is obliged to approve the financial statements. The financial statements have been approved by the Management Board for issuance to the Supervisory Board, and are signed below on behalf of the Bank:

For and on behalf of the Management

UniCredit Bank a.d. Banja Luka 1

Bank Board President
Spas Blagovestov Vidarkinsky

Bank Board member
Jasminka Bajić

UniCredit Bank ad Banja Luka
Marije Bursać 7
78000 Banja Luka
Bosnia and Herzegovina

February 11, 2026

Independent Auditors' report

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

KPMG

Opinion

We have audited the financial statements of UniCredit Bank a.d. Banja Luka ("the Bank"), which comprise the statement of financial position as at 31 December 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory 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 the statutory accounting requirements applicable to banks in the Republic of Srpska.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audit of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in the Republic of Srpska, 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.

Impairment of loans and receivables from customers

As at 31 December 2025, gross loans and receivables from customers: BAM 972,3 million, related impairment allowance: BAM 40,7 million and, for the year then ended, net impairment release recognised in the statement of profit or loss: BAM 0,4 million (31 December 2024: gross loans and receivables: BAM 818,0 million, related impairment allowance: BAM 43,8 million and, for the year then ended, impairment loss recognised in the statement of profit or loss: BAM 0,1 million).

Refer to Accounting policies, Note 2.10 Use of estimates and assumptions and key sources of uncertainty estimation, Note 5.5 Loans and receivables from customers, and Note 7.1 Credit risk.

Key audit matter	How our audit addressed the matter
Impairment allowances represent Management Board's best estimate of the expected credit losses ("ECLs") within loans and receivables from customers (collectively, "loans", "exposures") at the reporting date. We focused on this area as the measurement of impairment allowances requires the Management Board to make complex and subjective judgements and assumptions. The Bank calculates allowances for credit losses in accordance with the requirements of the Banking Agency of the Republic of Srpska ("ABRS"), which combine the requirements of IFRS 9 "Financial Instruments" with the ABRS prescribed minimum requirements for provisioning. The impairment allowances for performing exposures (Stage 1 and Stage 2 in the framework's hierarchy) and non-performing (Stage 3) exposures below BAM 50 thousand individually are determined by modelling techniques relying on key parameters such as the probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account historical experience, identification of exposures with a significant deterioration in credit quality and forward-looking information, as well as specific rules of the ABRS regarding various minimum provisioning requirements (together "collective impairment allowance").	Our audit procedures in this area, performed, where applicable, with the assistance of our own financial risk management ("FRM") and information technology ("IT") specialists included, among others: • Inspecting the Bank's ECL methods, and assessing their compliance with the relevant requirements of the regulatory and financial reporting frameworks. As part of the above, we identified the relevant models, assumptions and sources of data, and assessed the appropriateness of the application of such models to the assumptions and data. We also challenged whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level factors; • Testing the design, implementation and operating effectiveness of selected internal controls over the approval, recording and monitoring of loans, including those relating to the identification of significant increase in credit risk, loss events and default, appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, collateral valuations and calculation of the impairment allowances. As part of the procedure, we also tested the Bank's IT control environment for data security and access;

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

Key audit matter (continued)	How our audit addressed the matter (continued)
In the wake of the above factors, we considered impairment of loans and receivables to be associated with a significant risk of material misstatement in the financial statements, which required our increased attention in the audit. Accordingly, we considered this area to be our key audit matter.	• For loss allowances calculated on a collective basis: » Challenging the key risk parameters (PD, EAD and LGD) applied in the collective ECL model, by reference to the Bank's data on historical defaults and realized losses on those defaults, and also considering any required adjustments to reflect expected changes in circumstances; » Obtaining the relevant forward-looking information and macroeconomic projections used in the Bank's ECL assessment and independently assessing the information by means of corroborating inquiries of the Management Board and inspecting publicly available information; » Evaluating management overlays to the ECL model used by the Bank, by applying our knowledge of the industry and our understanding of the macro-economic situation; • For impairment allowances calculated individually: » For a sample of exposures determined taking into account customer's business, market conditions and debt service; critically assessing, by reference to the underlying documentation (loan files) and through discussion with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3; • For loan exposures in totality: » Assessing the adequacy of the recognized ECL against the various minimum provisioning requirements prescribed by the ABRS; » Challenging the overall reasonableness of the impairment allowances, including both the share of the gross non performing exposures in total gross exposure and the non-performing loans provision coverage. » Examining whether the Bank's loan impairment and credit risk-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.

Other Information

Management is responsible for the other information. The other information comprises the Management report but does not include the financial statements and our auditors' report thereon.
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.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the statutory accounting requirements applicable to banks in the Republic of Srpska, 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.
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditors' 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 auditors' 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.

Independent Auditors' report (CONTINUED)

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 charged with governance, 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 auditors' 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 Vedran Vukotić.

KPMG B-H d.o.o. za reviziju
Branch office Banja Luka
Registered Auditors

11 February 2026

Kpmg

KPMG B-H D.O.O. ZA REVIZIJU PODRUŽNICA BANJA LUKA

Svetozara Markovića 5
78000 Banja Luka
Bosna i Hercegovina

Statement of Profit or Loss and Other Comprehensive Income

STATEMENT OF PROFIT OR LOSS

	Note	31.12.2025 BAM 000	31.12.2024 BAM 000
Interest income calculated using the effective interest rate method		59,901	58,258
Interest expense		(6,660)	(5,806)
Net interest income	4.1.	**53,241**	**52,452**
Fees and commission income		25,119	22,487
Fees and commission expenses		(5,194)	(3,676)
Net fee and commission income	4.2.	**19,926**	**18,811**
Dividend and equity investment income		-	4
Gains and losses on financial assets and liabilities held for trading		3,616	2,919
Net trading income	4.3.	**3,616**	**2,923**
Total operating income		**76,783**	**74,185**
Staff expenses	4.4.	(20,811)	(21,316)
Depreciation on tangible assets	4.5.	(1,909)	(1,896)
Depreciation on intangible assets	4.5.	(2,575)	(2,863)
Other administrative expenses	4.6.	(16,263)	(14,868)
Total operating expenses		**(41,559)**	**(40,943)**
Operating result before impairment and provision		**35,224**	**33,242**
Net impairment (losses)/recoveries on financial instruments	4.7.	**(1,924)**	**1,395**
Financial assets at amortized cost		(1,817)	1,651
Financial assets at fair value through other comprehensive income		(107)	(256)
Provisions for risks and expenses	4.8.	**(230)**	**(246)**
Other operating income	4.9.	**2,987**	**2,068**
Other operating expenses	4.9.	**(629)**	**(618)**
Gains from the sale of investment property	4.10.	**444**	**918**
Result before tax		**35,872**	**36,759**
Income tax	4.11.	(3,062)	(3,494)
Result after tax		**32,810**	**33,265**

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

STATEMENT OF OTHER COMPREHENSIVE INCOME

	Note	31.12.2025 BAM 000	31.12.2024 BAM 000
Result after tax		**32,810**	**33,265**
Other comprehensive income		**474**	**3,767**
Items that may not be re-classified to profit or loss:			
Effects of tangible assets revaluation - net of taxes		250	236
Net (loss)/gain of the period recognized directly in capital - net of taxes		97	99
Items that may be re-classified to profit or loss:			
Net (losses) in provisions for credit risks of financial assets at fair value through other comprehensive income		107	256
Net (losses)/gains from change in fair value of financial assets through other comprehensive income – debt instruments – net of taxes		21	3.176
Total comprehensive income for the year		**33,284**	**37,032**

Basic/Diluted earnings per share

	Note	31.12.2025 BAM 000	31.12.2024 BAM 000
Income after tax attributable to ordinary shareholders		**32,810**	**33,265**
Number of regular shares		138,650	138,650
Earnings per share in BAM	4.12.	**236.64**	**239.92**

These financial statements were determined by the Bank's Management Board on February 11, 2026.

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

Bank Board President
Spas Blagovestov Vidarkinsky

UniCredit Bank a.d. Banja Luka
1

Bank Board member
Jasminka Bajić

Statement of the Financial Position

	Note	31.12.2025 BAM 000	31.12.2024 BAM 000
Assets			
Cash and cash balances	5.1.	**244,521**	**201,845**
Financial assets at fair value through profit or loss		**14**	**-**
Financial assets at fair value through other comprehensive income	5.2.	**170,526**	**86,872**
Financial assets at amortised cost		**1,090,769**	**1,109,491**
Obligatory reserve held with the Central Bank	5.3.	122,811	108,530
Loans and receivables with banks	5.4.	36,366	226,762
Loans and receivables from customers	5.5.	931,593	774,198
Tangible assets	5.6.	**22,467**	**22,195**
Intangible assets	5.7.	**7,159**	**8,100**
Current tax assets		**508**	**-**
Deferred tax assets	5.12.	**736**	**743**
Other assets	5.8.	**10,803**	**10,023**
Total assets		**1,547,502**	**1,439,269**
Liabilities			
Financial liabilities at fair value through profit and loss		**9**	**-**
Financial liabilities at amortised cost		**1,255,047**	**1,148,925**
Deposits and borrowings from banks	5.9.	46,695	8,049
Deposits and borrowings from customers	5.10.	1,206,987	1,139,295
Lease liabilities	5.11.	1,364	1,581
Tax liabilities		**855**	**2,179**
Current tax liabilities		-	1,410
Deferred tax liabilities	5.12.	855	769
Other liabilities	5.13.	**24,186**	**22,902**
Provisions for credit risks and guarantees	5.14.	**4,869**	**2,791**
Provisions for risks and charges	5.15.	**998**	**951**
Total liabilities		**1,285,963**	**1,177,748**
Capital and reserves			
Share capital	5.16.	97,055	97,055
Share premium		373	373
Legal reserves		9,706	9,706
Capital reserves		43,654	43,555
Revaluation reserves		1,373	995
Retained earnings		76,570	76,573
Net profit for the year		32,810	33,265
Total capital and reserves		**261,540**	**261,521**
Total liabilities, equity and reserves		**1,547,502**	**1,439,269**

Statement of Changes in Equity

	Note	Share capital	Share premium	Legal reserves	Capital reserves	Valuation reserves	Retained earnings	Net profit for the year	Total
		BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Balance as of January 1, 2024		**97,055**	**373**	**9,706**	**43,294**	**(2,673)**	**76,735**	**22,775**	**247,264**
Profit distribution		-	-	-	-	-	22,775	(22,775)	-
Dividend payment	4.12.	-	-	-	-	-	(22,775)	-	(22,775)
Transfer to reserves		-	-	-	261	-	(261)	-	-
Net profit for the year		-	-	-	-	-	-	33,265	33,265
Total other results									
Net change in fair value of financial assets at fair value through other comprehensive income - net of taxes		-	-	-	-	3,176	-	-	3,176
Net change in impairment of financial assets at fair value through other compre-hensive income		-	-	-	-	256	-	-	256
Net (loss)/profit of the period recognized directly in equity - net of taxes		-	-	-	-	-	99	-	99
Effects of revaluation of tangible assets - net of taxes		-	-	-	-	236	-	-	236
Total other result		**-**	**-**	**-**	**-**	**3,668**	**99**	**-**	**3,767**
Balance as of December 31, 2024		**97,055**	**373**	**9,706**	**43,555**	**995**	**76,573**	**33,266**	**261,521**
Profit distribution		-	-	-	-	-	33,265	(33,265)	-
Dividend payment	4.12.	-	-	-	-	-	(33,265)	-	(33,265)
Transfer to reserves		-	-	-	99	-	(99)	-	-
Net profit for the year		-	-	-		-	-	32,810	32,810
Total other results									
Net change in fair value of financial assets at fair value through other comprehensive income - net of taxes		-	-	-	-	21	-	-	21
Net change in impairment of financial assets at fair value through other compre-hensive income		-	-	-	-	107	-	-	107
Net (loss)/profit of the period recognized directly in equity - net of taxes		-	-	-	-	-	97	-	97
Effects of revaluation of tangible assets - net of taxes		-	-	-	-	250	-	-	250
Total other result		-	-	-	-	378	97	-	474
Balance as of December 12, 2025		**97,055**	**373**	**9,706**	**43,654**	**1,372**	**76,570**	**32,810**	**261,540**

Statement of Cash Flows

	Note	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Cash flows from operating activities			
Interest income and similar income		60,028	58,226
Interest expenses and similar expenses		(6,660)	(5,806)
Fee and commission income		25,049	22,452
Fee and commission expenses		(5,194)	(3,676)
Dividend and equity investment income		-	4
Net trading profits and exchange rate translation difference monetary property and obligation		3,616	2,919
Administrative business expenses		(37,075)	(36,186)
Other inflows/(outflows)		2,802	2,370
a) Net cash from operating activities before changes in financial assets and liabilities at amortized cost		**42,567**	**40,302**
Changes in financial assets at amortized cost			
Mandatory reserve with the Central Bank		(14,280)	(11,227)
Loans and receivables from banks		190,397	(3,764)
Loans and receivables from clients		(156,834)	(96,933)
Other assets		(1,638)	(2,311)
b) Net changes in financial assets at amortized cost		**17,643**	**(114,235)**
Changes in financial liabilities at amortized cost			
Deposits and loans from banks		38,646	(6,214)
Deposits and loans from clients		67,692	158,986
Repayment of long-term leases		(216)	(186)
Other liabilities		1,283	(1,621)
c) Net changes in financial liabilities at amortized cost		**107,405**	**150,966**
Net cash flows from operating activities before tax (a+b+c)		**167,616**	**77,033**
Income tax		(4,929)	(1,893)
1. Net cash flows from operating activities		**162,686**	**75,140**
Cash flows from investing activities			
Investments in tangible assets		(1,443)	(1,632)
Investments in intangible assets		(1,681)	(1,550)
Investments in financial assets at fair value through other comprehensive income		(83,630)	(30,000)
Inflows from financial assets at fair value through other comprehensive income		-	29,630
2. Net cash flows from investing activities		**(86,754)**	**(3,553)**
Cash flows from financial activities			
Dividend payment		(33,257)	(22,787)
3. Net cash flows from financial activities		**(33,257)**	**(22,787)**
4. Net increase/(decrease) in cash (1+2+3)		**42,675**	**48,801**
5. Cash and cash equivalents at the beginning of the period		**201,845**	**153,044**
6. Cash and cash equivalents at the end of the period (4+5)		**244,521**	**201,845**

V Notes to the Financial Statements

1. The Reporting Entity

UniCredit Bank a.d. Banja Luka (hereinafter: the Bank) is a joint-stock company registered with its headquarters in Banja Luka, Marije Bursać Street number 7, for the performance of payment transactions, credit, deposit and other banking operations in the country and abroad, in accordance with the regulations of the Republic of Srpska and Bosnia and Herzegovina.

The Bank was founded in 1910 and throughout the long history of its existence has gone through numerous transformations in the form of organization, ownership structure and name, and has been operating under its current name since June 1, 2008.

The majority owner of the Bank, with over 99% of the capital, is UniCredit Spa, headquartered in Italy, the holding company of the UniCredit Group (hereinafter: UniCredit).

The Bank is an open joint-stock company and its shares are listed on the Banja Luka Stock Exchange under the symbol "NBLBRB"; ISIN: BA100NBLBRB5.

As of December 31, 2025, the Bank consisted of the head office in Banja Luka and 30 branches (December 31, 2024: 30 branches).
As of December 31, 2025, the Bank had 376 employees (December 31, 2024: 383 employees).

The Bank's tax identification number is 4400958880009, and VAT number is 400958880009.

2. Basis of the Preparation and Presentation of Financial Statements

2.1. Reporting Framework

The Bank's financial statements are prepared in accordance with the legal accounting regulations applicable to banks in the Republic of Srpska ("RS"), which is based on the Law on Accounting and Auditing of the RS, the Law on Banks of the RS and by-laws of the Banking Agency of the RS adopted on the basis of the aforementioned laws.

The Law on Accounting and Auditing of the RS stipulates the preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").
The Law on Banks of the RS stipulates the preparation of annual financial statements in accordance with the above-mentioned Law on Accounting and Auditing of the RS, this law, and by-laws adopted on the basis of both laws.

2.2. Compliance with IAS and IFRS

The Decision on Credit Risk Management and Determination of Expected Credit Losses ("Decision"), prescribed by the Banking Agency of the Republic of Srpska, which is applied from January 1, 2020, resulted in certain differences and deviations in these financial statements in accordance with IAS and IFRS, which the Bank compiles for the purposes of consolidation at the UniCredit Group level.

The Decision on Credit Risk Management and Determination of Expected Credit Losses:

a) rules for credit risk management,
b) method of assigning exposure to credit risk levels and determining expected credit losses,
c) acceptable collateral for the purposes of determining expected credit losses,
d) eligible collateral for the purposes of limiting the maximum permissible exposure in relation to eligible capital,
e) treatment of tangible assets acquired in the debt collection process,
f) accounting and permanent write-off, etc.

The decision stipulates that the amount of expected credit losses is recognized in the statement of profit or loss at the higher of the following two: calculated according to the internal methodology in accordance with IFRS 9 or the prescribed minimum rate of expected credit losses for a certain level of credit risk.

As of December 31, 2025 In accordance with the provisions of the Decision, the Bank recognized higher allowances and provisions for credit losses in the amount of BAM 6,083 thousand compared to the amount obtained by calculation according to the Bank's internal model, developed in accordance with the requirements of IFRS 9 (as of December 31, 2024: BAM 5,526 thousand) (see note 3.17).

Of the stated amount for the items of other assets, as of December 31, 2025, in accordance with the provisions of the Decision, the Bank recognized higher allowances and provisions for credit losses in the amount of BAM 3,033 thousand compared to the amount obtained by calculation according to the Bank's internal model (see note 5.8).

Considering the poorly developed real estate market in the Republic of Srpska, the Decision prescribes the recognition of tangible assets acquired in the debt collection process at the lower of the following two values:

2. Basis of the Preparation and Presentation of Financial Statements (continued)

2.2. Compliance with IAS and IFRS (continued)

a) the net book value of the Bank's receivables, whereby in the event that the net book value is equal to zero, the acquired tangible assets are recognized at their technical value in the amount of BAM 1, or
b) estimated fair values performed by an independent appraiser, less expected selling costs.

If the Bank does not sell the acquired tangible assets within three years from the date of initial recognition, it must reduce its value to BAM KM through the income statement.

The accounting write-off of the balance sheet exposure is performed after two years from the last date of the following two events: after the formation of expected credit losses in the amount of 100% of the gross carrying amount and the declaration of the receivable in question as fully due.

2.3. Business Continuity

The financial statements have been prepared in accordance with the principle of going concern, which implies that the Bank will continue to operate in the foreseeable future.

2.4. Basis of the Preparation

Annual financial reports include:
- Statement of the overall result,
- Statement of the financial position,
- Statement of changes in equity,
- Statement of cash flows (prepared using the direct method) and
- Notes to the financial statements.

These financial statements are prepared according to the principle of historical cost, except for land and buildings that are measured and reported at revalued value and financial assets that are measured and reported at fair value (debt securities and share in the capital of other legal entities). Business events are recorded on the day they occur.

Fair value is the price that would be received for sale or paid for the transfer of liabilities in a regular transaction between market participants on the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In assessing the fair value of assets or liabilities, the Bank takes into account the characteristics of assets or liabilities when market participants would take these characteristics into account when determining the price of assets or liabilities on the measurement date.

The fair value of an asset or liability is measured using assumptions that would be applied by market participants when defining the price of an asset or liability, assuming that market participants act in their economic interest. The principles of fair value measurement are described in note 3.10.

The adopted measurement criteria are aligned with the principles of accrual accounting, the relevance and significance of accounting information, as well as the predominance of economic substance over legal form. Compliance with these criteria has not changed since the previous year, except for the changes described below, which refer to the introduction of new standards and interpretations, as well as the implementation of the Decision on Credit Risk Management and Determination of Expected Credit Losses.

According to IFRS, management makes judgments, estimates and assumptions, which affect the application of accounting principles and the amounts of assets and liabilities, reported revenues and expenses, as well as the disclosure of potential assets and liabilities. Estimates and related assumptions are based on past experience and other factors, which are considered reasonable under the circumstances, and were used to estimate the book value of assets and liabilities, which are not readily available from other sources.

Estimates and assumptions are regularly revised. All changes resulting from these revisions are recognized in the period for which the revision was made, if the change concerns only that period. If the change concerns both the current and future periods, it is recognized accordingly for both current and future periods.

2. Basis of the Preparation and Presentation of Financial Statements (continued)

2.5. Functional Currency and Presentation Currency

The financial statements are presented in convertible marks (hereinafter: BAM), which is also the functional currency. Data in the tables and explanations are given in thousands of convertible marks (BAM), unless otherwise indicated. Due to rounding of amounts, the data in the tables may contain differences.

The Central Bank of Bosnia and Herzegovina (hereinafter: "Central Bank") implements exchange rate policy based on the principle of the Currency Board, according to which BAM is fixedly linked to EUR in the ratio BAM 1 = EUR 0.51129, which was used for 2025 and 2024.

2.6. Subsidiaries, Joint Ventures and Associated Entities

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

- subsidiaries, i.e. entities over which it has direct or indirect control,
- joint arrangements with other entities, which in accordance with IFRS 11 include joint control, joint operations and joint ventures, nor
- associated entities.

2.7. Impact and Application of New and Revised IAS and IFRS

The following new standards, interpretations and amendments to existing standards, which may be applicable to the Bank, are mandatory for periods beginning on January 1, 2025:

Effective date	New standards or amendments
1 January 2025	*Lack of Exchangeability – Amendments to IAS 21*

Application of new or amended standards did not have a significant impact of the Bank's financial statements.

2.8. New Standards not yet Effective

The following new standards, interpretations and amendments to existing standards issued by the IASB are not yet effective and have not been early adopted by the Bank:

Effective date	New standards or amendments
1 January 2027	*IFRS 18 Presentation and Disclosure in Financial Statements* *IFRS 19 Subsidiaries without Public Accountability: Disclosures*
Available for optional adoption/effective date deferred indefinitely	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)*

New IFRS 17 Insurance contracts will replace IFRS 4. It applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted. Application of this standard in Republic of Srpska has been prolonged until 2027. This new standard as well as its amendments are not expected to result in any significant changes within the Bank.
Application of these standards is not expected to have a significant impact of the Bank's financial statements.

2. Basis of the Preparation and Presentation of Financial Statements (continued)

2.9. Use of Estimates and Assumptions and Key Sources of Uncertainty Estimation

When applying accounting policies, described in Note 3, the Bank makes estimates and assumptions of certain items of assets and liabilities, which cannot be derived from other sources. Estimates and assumptions are based on historical experience and other factors such as planning and anticipated future events that appear probable from the current perspective. Given that such estimates and assumptions are subject to uncertainty, they may lead to results that will require adjustments to the book value of the subject assets and liabilities in future periods.
Estimates and assumptions and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods are set out below.

Expected Credit Losses (Ajustments to the Value of Balance Sheet Exposure and Provisions for Off-Balance Sheet Exposure)
Expected credit losses include corrections (reductions) of values that are mainly recognized in relation to the book value of balance sheet exposure based on credit and other receivables and provisions arising from off-balance sheet exposure to clients, mainly in the form of unused framework loans and guarantees (detailed in note 3.12).

Fair Value of Financial Instruments
The Bank uses estimation in selecting the appropriate valuation technique for financial instruments that are not quoted on the active market. Valuation techniques commonly used in the market are applied. Financial instruments, except for loans and receivables, are valued on the basis of the regulatory Instructions for the classification and valuation of financial assets, whereby, depending on the level of fair value of the instrument, the appropriate valuation method is used - at market price, at a price obtained on the basis of a model or by discounting cash flows. The fair value determined in this way is additionally harmonized with the value calculated by the Group - application of the principle of independent price verification (IPV - Independent Price Verification). (Note 3.10).

Provisions for Risks and Costs
These provisions are also based on an assessment of the extent to which the Bank has an obligation arising from a past event and what is the probability that the fulfillment of this obligation will require an outflow of economically useful resources. In addition, it is necessary to estimate the amount and maturity of future cash flows.
These provisions include provisions for: court cases, severance pay for retirement, jubilee awards and other liabilities and expenses.

Taxes
The Bank recognizes the tax liability in accordance with the tax regulations of the Republic of Srpska and Bosnia and Herzegovina. Tax returns are approved by the tax authorities that are responsible for the subsequent control of taxpayers.

In order to reduce the risk due to deficiencies in the regulations, the Bank uses the possibility of obtaining tax opinions from competent institutions.

All tax calculations and transactions are subject to tax controls, and with regard to the previously mentioned tax regulations, there is room for different interpretations of tax provisions. As a result of the above, calculations and transactions may be contested by the tax authorities (for direct and indirect taxes) and this could possibly lead to the exposure of the Bank to additional obligations. In accordance with the law, the statute of limitations for tax liability is 5 years. In this regard, tax risks are more significant than those in countries with more modern and developed tax systems.

Regulatory Requirements
The Banking Agency of Republic of Srpska is allowed to conduct regulatory reviews of the Bank's operations and order changes in the book value of assets and liabilities, in accordance with applicable regulations.

3. Significant Accounting Policies

The accounting policies set out below have been consistently applied to the years included in these statements.

3.1. Interest Income and Expenses

Interest income means accrued interest, the basis of which is the placement shown in the assets of the balance sheet. Interest income can also be negative in the event that the Bank pays interest on the placement given to the other party, in which case it is shown in the position of interest expense.

Interest expenses imply the calculated interest, the basis of which is the basis for the calculation of liabilities shown in the liabilities of the balance sheet. Interest expense can also be positive in the event that the other party pays the Bank interest on the given deposit, in which case it is shown in the position of interest income.

Interest income and expenses are recognized in the income statement for the accounting period to which they relate using the effective interest rate method for all interest-bearing financial instruments, including those calculated at amortized cost and at fair value through the profit or loss statement, or calculated at fair value through other comprehensive income. The effective interest rate is the rate that discounts estimated future cash flows (including all paid or received transaction costs and fees that are an integral part of the effective interest rate) during the expected duration of financial assets and liabilities.

Interest income and expenses also include income and expenses from commissions and fees related to loans and receivables from clients and banks, loans taken, financial leases, premium or discount amortization, as well as other differences between the initial book value of an interest-bearing financial instrument and its value at maturity, which are recognized using the effective interest rate method.

Interest on financial assets, classified in level 3 credit risk, is recognized by the Bank as interest income in the income statement at the time of its collection, and claims for these interests are evidently kept off-balance sheet, in accordance with Article 25, paragraph (8) of the Decision on Credit Risk Management and Determination of Expected Credit Losses (“Official Gazette of the Republic of Srpska”, number 48/19, 109/19, 73/21, 35/23, 101/23, 106/25).

Collected income from agency commission on loan insurance policies is recognized as interest income if they meet the conditions to form an integral part of the effective interest rate, i.e. if the agency commission is included in the calculation of the nominal interest rate, the result of which is that loans without an insurance policy have a higher nominal interest rate than loans with an insurance policy. The difference between these nominal interest rates is charged in the form of an agency commission, and accordingly represents an integral part of the effective interest rate of the loan.

Due and unpaid interest, calculated on exposures in the status of settlement of obligations, a value adjustment is made, calculated in the same way as the principal, to which the interest claims relate.

3. Significant Accounting Policies (continued)

3.2. Fee and Commission Income and Expenses

Income and expenses based on fees and commissions (except those that form an integral part of the effective interest rate for financial assets or financial liabilities) are treated in accordance with IFRS 15 Income from contracts with clients. The Bank earns income from contracts with clients for the transfer of services over time and at a certain point in time in business segments.

In accordance with IFRS 15, income is recognized when the Bank fulfills the assumed obligation and delivers the promised service to the client. Income is measured by the fair value of the compensation received or to be claimed, taking into account the terms of payment defined by the contract, but not taxes and other duties.

Fees earned by providing services in a certain period of time are calculated during that period.

In contrast, fee income earned from the provision of certain services to third parties or the occurrence of a certain event is recognized upon completion of the underlying transaction. Taking into account the types of products of the Bank, the following service fees are accrued during the period:

- Accounts and packages, this category includes income and expenses from monthly regular fees for the account/package, including monthly fees for stand-alone internet banking, mobile banking, SMS services and other services (not related to credit cards),
- Loans and deposits, which represent income and expenses from fees that are not an integral part of the effective interest rate that is directly related to credit operations, and which are not treated as interest income,
- Custody duties for securities include expenses for fees from asset management,
- Representation in insurance includes income from fees and commissions from mediation in insurance, except for fees on this basis included in interest income, as part of the effective interest rate.

Fees that are calculated during the execution of a certain transaction, which include:

- transaction services that represent income from fees charged to clients for internal and external payment transactions, standing orders, etc., except for credit cards,
- cards, which represent all income and expenses from fees related to debit, prepaid and credit cards,
- purchase and sale of effectives and foreign exchange, which represent income from fees related to foreign exchange transactions such as fees from foreign exchange spot transactions or dynamic currency conversions,
- other expenses based on fees and commissions mostly refer to fees for transactions and services that are recognized as an expense upon receipt of each service (fees for issuing various certificates, etc.).

Income from the issuance of guarantees and other sureties as well as other fees and commissions are presented as a separate item.
In note (4.2) Income and expenses from fees and commissions, the presentation of products is used as the basis for the presentation.

3.3. Conversion of Foreign Currencies

The conversion of foreign currencies is done in accordance with the provisions of IAS 21, whereby all monetary assets and liabilities are converted at the exchange rate valid on the reporting date. Exchange rate differences that arise during this conversion are recognized in the statement of profit or loss, except in the case of exchange rate differences on non-monetary financial assets at fair value through other comprehensive income, which are recognized in equity. Open forward transactions are recalculated at forward exchange rates on the date of re-reporting.
Transactions that are not expressed in convertible marks are initially recorded by conversion at the current exchange rate on the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are recalculated on the balance sheet date using the exchange rate valid on that date. Non-monetary items in foreign currency stated at fair value are recalculated using the exchange rate valid on the fair value measurement date. Non-monetary items in foreign currency stated at historical cost are not recalculated at the balance sheet date. Gains and losses resulting from recalculation are included in the statement of profit or loss for the period.
The Bank values its assets and liabilities according to the central exchange rate of the Central Bank of Bosnia and Herzegovina, which is applied on the reporting date.
The official exchange rate, applied for the recalculation of balance sheet positions as of December 31, 2025 and December 31, 2024, for the following major currencies, was:

	December 31, 2025	December 31, 2024
USD	1.663545	1.872683
CHF	2.104627	2.072952
EUR	1.955830	1.955830

3. Significant Accounting Policies (continued)

3.4. Net Income from Financial Instruments

Net income from financial instruments includes the following items:

- Net gains and losses from trading and exchange rate differences on translation of monetary assets and liabilities (realized and unrealized gains and losses from trading and exchange rate differences of derivative financial instruments, gains and losses on translation of monetary assets and liabilities) and
- Income from dividends, which are recognized in the statement of profit or loss when the Bank's right to receive dividends is established.

3.5. Staff Benefits

Gross salary costs are recorded in the profit or loss statement in the period in which they were incurred. Gross wages include net income of employees, income tax and contributions at prescribed rates, which are calculated on gross wages. The aforementioned contributions are paid by the Bank to the benefit of mandatory funds.

Transportation to and from work, meal allowances, holiday pay and other benefits are paid to employees in accordance with local legal regulations. These costs are recognized in the income statement in the period in which they are incurred.

3.6. Long-term Provisions for Employees

The Bank pays jubilee bonuses to its employees who have exercised their right. Jubilee awards are paid in the amount of one average monthly salary of the Bank calculated in the month preceding the payment for completed 20 years of work at the Bank, or two average monthly salaries of the Bank for completed 30 years of work at the Bank.

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

The calculation of long-term provisions for employees (severance pay and jubilee bonuses) is done annually by an authorized actuary, using the projected monetary unit method. The method of projected monetary units takes into account each year of employment, which the employee spends in the Bank, which in the sum of all special units make up the final obligation, which is measured individually for each unit. The obligation is measured by the present value of the estimated future cash flows discounted by an econometrically modeled interest rate, which is more appropriate to the existing market conditions than the interest rate on government long-term debt securities.

3.7. Cash and Cash Equivalents

Cash and cash equivalents mean: cash in domestic and foreign currency, funds in the reserve account with the Central Bank above the required reserve amount and funds in nostro accounts with other banks.

The required reserve with the Central Bank is shown separately and is not shown through the cash position.

3.8. Financial Instruments

Financial assets and financial liabilities are recognized when the Bank becomes a party to a contract related to a financial instrument. Financial assets and liabilities are initially recognized at fair value plus transaction costs, which can be directly attributed to the acquisition or issuance, except for financial assets and financial liabilities at fair value through the profit or loss statement.

Transaction costs, which are directly attributable to the acquisition of financial assets, i.e. the creation of financial liabilities (except for financial assets and financial liabilities at fair value through the income statement), are added to, or subtracted from, the fair value of financial assets, i.e. financial liabilities, upon initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities classified at fair value through the income statement are recognized in the income statement at the time of their occurrence.

3. Significant Accounting Policies (continued)

3.9. Classification and Measurement

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

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

In this sense, the business areas, which make up the Bank's portfolio, have been assigned the business models "held for collection" or "held for collection and sale", in accordance with the holding intentions and the expected turnover of financial instruments.
For the purpose of classifying financial instruments into the categories provided for in IFRS 9, the analysis of the business model is supplemented by the analysis of contractual flows ("SPPI Test").

Accordingly, the Bank has established processes for the analysis of debt securities and loans portfolios, in which it assesses whether the characteristics of the contractual cash flows allow measurement at amortized cost (portfolio, which is held for collection) or at fair value through other total results (portfolio, which is held for collection and sale).

The analysis is carried out both by contract and by defining specific clusters based on transaction characteristics and by using a specific tool, ("SPPI tool"), for the analysis of contract characteristics in relation to the requirements of IFRS 9.

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

3.9.1. Financial Assets at Fair Value through Profit and Loss Account

Financial assets are classified at fair value through the profit and loss account if:

- they were acquired or created principally for the purpose of selling or repurchasing in the short term;
- they are part of a portfolio of identified financial instruments, which are managed together and for which there is evidence of a recent actual short-term pattern;
- they are held for profit;
- they are a contract on derivatives, which is not defined by hedge accounting, including derivatives with a positive fair value embedded in financial liabilities, except those that are valued at fair value with the recognition of income effects through profit or loss.

Like other financial instruments, financial assets held for trading are initially measured at fair value on the settlement date, which is usually equal to the amount paid, excluding transaction costs and revenues, which are recognized in the income statement, if they can be directly attributed to the financial asset. Derivatives from the trading book are recognized on the trade date.

After initial recognition, this financial asset is measured at fair value through the profit and loss account.
Gain or loss arising from the sale or purchase or change in the fair value of financial assets held for trading, including gains or losses from financial derivatives, related to financial assets and/or financial liabilities marked at fair value or other financial assets, which must be kept at fair value, is recognized in the profit and loss account under the position "Net trading income" (note 4.3).

If the fair value of the financial instrument falls below zero, which can happen with derivative contracts, it is recognized in the position "financial liabilities, held for trading".

These assets are measured in a similar way to "financial assets at fair value through profit and loss", but gains and losses, whether realized or unrealized, are recognized under the heading "Net trading income".

3.9.2. Financial Assets at Fair Value Through Other Comprehensive Income

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

- they reflect the business model for collection and sales;
- their cash flows are solely payments of principal and interest.

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

At initial recognition, on the settlement date, the financial asset is measured at fair value, which is usually equal to the fee paid plus transaction costs and income directly attributable to the instrument.

3. Significant Accounting Policies (continued)

3.9.2. Financial Assets at Fair Value Through Other Comprehensive Income (continued)

After initial recognition, interest accrued on interest-bearing instruments is recorded in the income statement according to the amortized cost criterion in the position "interest income and similar income".
Gains and losses, resulting from changes in fair value, are recognized in the statement of comprehensive income and shown in equity under the position "valuation reserve".

In case of disposal of debt instruments, gains or losses are recognized in the income statement, and in case of disposal of equity instruments, accumulated gains or losses are recorded through other comprehensive income. Also, in accordance with the provisions of IFRS 9, losses from value adjustments of equity instruments are recognized through other comprehensive income.

3.9.3. Financial Assets at Amortized Cost

Financial assets are classified at amortized cost if:

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

On initial recognition, at the settlement date, a financial asset at amortized cost is measured at fair value, which is usually equal to the consideration paid plus transaction costs and income directly attributable to the instrument.
After initial recognition at fair value, this asset is measured at amortized value, which requires the recognition of interest on an accrual basis using the effective interest rate method over the life of the loan. Such interest is recognized in the position "interest income and similar income". The book value of financial assets at amortized cost is adjusted to take into account reductions/write-offs resulting from the valuation process.

Losses from value adjustments are recorded in the income statement, in the item "net losses/returns from loan value adjustments, which refer to financial assets at amortized cost".
In case of disposal, accumulated gains and losses are recorded in the income statement under the item "gains (losses) from disposal and redemption of financial assets at amortized value".

Amounts resulting from the adjustment of the book value of financial assets, gross accumulated write-offs, to reflect changes in contractual cash flows, which do not lead to the cessation of accounting recognition, are recognized in the income statement as gains/losses from modification, such cash flow does not include the impact of contractual modifications on the amount of expected loss recognized in the position "net losses/recovery from impairment of financial instruments", which refer to the item "financial assets at amortized value".

3.9.4. Financial Liabilities Valued at Amortized Cost

Financial liabilities, which are valued at amortized cost, include financial instruments (except for liabilities that are held for trading or those that are determined at fair value), which represent different forms of financing from third parties. These financial liabilities are recognized on the settlement date initially at fair value, which is usually received, less transaction costs, which can be directly attributed to the financial liability. After that, these instruments are valued at amortized cost using the effective interest rate method. Such interest is recognized in the position "interest expenses and similar expenses".

3.9.5. Financial Liabilities Held for Trading

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

These liabilities are valued at fair value upon initial recognition and during the duration of the transaction.
The gain or loss arising from the sale or purchase or change in the fair value of financial liabilities, which are held for trading, is recognized in the income statement in the position "net income from financial instruments".

3. Significant Accounting Policies (continued)

3.10. Qualitative Information on Fair Value

Disclosure of fair value is made in accordance with the requirements of IFRS 13. Fair value is the price that can be obtained for the sale of an asset or is paid for the transfer of a liability in a regular transaction between participants in the main market on the measurement date (i.e. exit price). For financial instruments, which are quoted on active markets, the fair value is determined on the basis of official prices on the main market where the Bank operates and has access (*Mark to Market*).

A financial instrument is considered quoted in an active market, if quoted prices are easily and regularly available from a pricing service, distributor, broker, pricing agency or regulatory agency, and these prices represent real and regular market transactions on an arm's length basis. If the published price quotation on the active market does not exist for the financial instrument in its entirety, but for active markets for its components, the fair value can be determined on the basis of the relevant market prices for the components.

3.10.1. Principles of Fair Value Measurement

The fair value of financial assets and financial liabilities, which are traded on active markets, is based on quoted market prices. For all other financial instruments, the Bank determines the fair value using valuation techniques.

Fair value estimation techniques include models of discounting cash flows to net present value, comparisons with similar instruments, for which marketable prices exist, and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, bond and stock prices, exchange rates, index prices, and volatilities and correlations. The goal of valuation techniques is to calculate the fair value, which best reflects the price of the financial instrument on the reporting date, that is, the price that would be determined by other market participants under normal market conditions.
When calculating the fair value, the Bank takes into account the IFRS 13 rules of the fair value hierarchy, which reflect the significance of the input parameters used in the valuation process. Each instrument is individually evaluated in detail. The levels of the fair value hierarchy are determined based on the lowest level of input data significant for determining the instrument's fair value.

3.10.2. Fair Value Estimation Models

Financial instruments carried at fair value are categorized into three levels of the IFRS 13 fair value hierarchy, as follows:

- level 1 instruments, which are valued using quoted prices in active markets. These are instruments whose fair value can be determined directly on the basis of prices quoted on active, liquid markets;
- level 2 instruments, which are valued using valuation techniques, which use available market data. These are instruments, whose fair value is determined in relation to similar instruments, which are traded on active markets, or where all input data, used in valuation techniques, are available on the market;
- level 3 instruments, which are valued using valuation techniques, which use market data, which are not available in an active market. These are instruments whose fair value cannot be determined directly on the basis of available market information and where slightly different valuation techniques are used to calculate the value.

3.10.3. Debt Securities

Debt securities are valued through a two-part process, which depends on the liquidity of the respective market. Liquid instruments on active markets are valued at market value ("*mark to market*"), and are therefore assigned level 1 of the fair value hierarchy. Instruments, which are not traded on active markets, are valued in relation to models ("*mark to model*"), which use relevant and available parameters to the greatest extent possible, and to the least extent parameters, which are unrecognizable by the market. In view of the above, depending on the significance of the input parameters, which are unrecognizable on the market, the bonds are assigned an appropriate level.

3.11. Netting of Financial Instruments

Financial assets and liabilities are netted, and are reported in the net amount in the statement of financial position, only in the case when there is a legally enforceable right to set off recognized amounts and there is an intention to settle on a net basis, or the realization of assets and settlement of liabilities takes place simultaneously.
Income and expenses are reported in the net amount only if this is allowed by accounting standards, or for gains and losses arising from a group of similar transactions, such as, for example, the Bank's trading activities.

3. Significant Accounting Policies (continued)

3.12. Impairment (Expected Credit Losses/ECL)

3.12.1. General

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

In this sense, these instruments are classified into credit risk levels: 1, 2 or 3 according to their absolute or relative credit quality in relation to the initial payment.

Specifically:

- level 1 (low level of credit risk): includes (i) newly approved or acquired credit exposures, (ii) exposures for which the credit risk has not significantly worsened compared to initial recognition, (iii) exposures with low credit risk;
- level 2 (medium level of credit risk): includes credit exposures, which have a significant worsening of credit risk since initial recognition;
- level 3 (high level of credit risk): includes reduced credit exposures.

For level 1 exposures, the allowance for expected credit losses is equal to the expected loss, which is calculated over a time period of up to one year.

For exposures in level 2, the allowance is equal to the expected loss, which is calculated over a time period corresponding to the entire life of the exposure.

For level 3 exposures, the allowance is calculated on a collective approach or an individual approach, depending on the client's characteristics, and is calculated over a period of time, which corresponds to the entire life of the exposure.

With the Decision on Credit Risk Management and Determination of Expected Credit Losses (hereinafter referred to as the Decision), BARS prescribed minimum rates of expected credit losses at the transaction level, depending on the level of credit risk.
The Bank is obliged to determine and book-entry the expected credit losses for exposures assigned to **level 1** at least in the following amounts:

1) for low-risk exposures [1]0.1% of exposure,
2) for exposures to central governments and central banks outside of Bosnia and Herzegovina, for which there is a credit assessment by a recognized external credit rating assessment institution, which, in accordance with Article 73 of the Decision on the Calculation of Bank Capital, is allocated to credit quality levels 3 and 4 0.1% of the exposure,
3) for exposures to banks and other entities of the financial sector, for which there is a credit assessment by a recognized external credit rating assessment institution, which, in accordance with Article 73 of the Decision on the Calculation of Bank Capital, is allocated to credit quality level 1, 2 or 3 0.1% of the exposure,
4) for other exposures 0.5% of exposure.
5) The base on which the minimum rates of expected credit losses for credit risk level 1 are applied is the total amount of on-balance sheet and/or off-balance sheet exposure multiplied by the credit conversion factor (CCF).
6) The Bank reduces the basis by the amount of the cash deposit deposited with the Bank, which serves as collateral for that exposure, and is pledged in the competent pledge registry, only if that deposit has the same or longer maturity than the exposure.
7) The Bank can make a reduction only when it has concluded a deposit pledge agreement, which stipulates that the Bank is the only privileged person who has a secured interest under the respective pledge, that the pledge is irrevocable, that the only prerequisite for the application of the bank's right to the pledge is that the user fails to fulfill their obligation to the bank and that the pledge is given in a way that does not provide the possibility of establishing additional interests on it.

For exposures assigned to **level 2**, the Bank is obliged to determine and book-record the expected credit losses in the amount of 5% of the exposure.

For exposures assigned to **level 3**, the Bank is obliged to determine and book-entry the expected credit losses at least in the amounts defined in table 1 or table 2.

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

3. Significant Accounting Policies (continued)

3.12. Impairment (Expected Credit Losses/ECL)

3.12.1. General

Table 1 **Table 2**

Secured exposure		Unsecured exposure	
Days overdue	**Min ECL**	**Days overdue**	**Min ECL**
≤ 180	15%	≤ 180	15%
181-270	25%	181-270	45%
271-365	40%	271-365	75%
366-730	60%	366-456	85%
731-1460	80%	> 456	100%
> 1460	100%		

The Bank has developed specific models for calculating expected loss based on PD, LGD and EAD parameters, which are used for regulatory purposes and adjusted to ensure consistency with accounting regulations.

3. Significant Accounting Policies (continued)

3.12. Impairment (ECL – Expected Credit Loss) (continued)

3.12.1. General (continued)

In this context, information relating to the future is included through the elaboration of specific scenarios.
The allocation model into credit risk levels is a key aspect of the accounting model required for the calculation of expected credit losses, which is aimed at transferring credit exposure from level 1 to level 2. Level 3 includes exposures in default status.

IFRS 9 guidance is quite extensive in terms of principles when it comes to assessing a significant increase in credit risk. At the same time, the standard does not specify the term "significant", so banks have discretion regarding the definition of a significant increase in credit risk.

Qualitative criteria, which the Bank uses in recognizing a significant increase in credit risk, are:

- classification into *Forbearance* status results in automatic classification into level 2 for the next 24 months (starting from the date of classification into that status);
- 30 days of delay when a transaction reaches 30 days of delay it is allocated to level 2;
- late payment of due obligations of 30+ days in the previous 12 months;
- classification into restructured non-problematic exposures are automatically classified into phase 2 (PSC 651);
- classification on the Watch List (*Watch list*; PSC 600 and 601);
- manual adjustments of clients, where a significant increase in credit risk was recognized, but were not classified through basic qualitative criteria;
- The criteria used by the Bank when compiling the list of contracts/clients for manual level adjustment are:
  - the client did not comply with the obligation to register a mortgage for housing loans within the defined terms;
  - employed clients of legal entities with recognized signals of deteriorating credit risk;
  - other, individual cases of recognized credit risk deterioration.

Financial assets, consisting of securities (Sec), are classified in level 1 of credit risk in accordance with local regulations, which define that all placements to central governments are assigned to level 1, while in accordance with the group approach, in reports to the Group, the Bank classified them in level 2, given that they do not have an investment grade ("non-investment grade"), because they are all placed with the central government of Republic of Srpska, BIH.

The calculation of the allowance for assets classified as non-performing assets includes an adjustment based on forward-looking information and the inclusion of multiple scenarios applicable to a given asset class.

The definition of the status of default is aligned with the principles incorporated in the guideline on the status of default published by the EBA (*European Banking Authority*), whereby the total exposure of the client is classified as exposure in the status of default, if at least one transaction is in the status of default (the so-called client approach).

The quantitative approach for determining a significant increase in credit risk is based on the clustering method and the introduction of a stabilizing mechanism of the minimum duration of the S2 phase from the initial classification. Detailed instructions for the application of two quantitative backstop indicators, which are binding for all members of the Group, are below:

- Threefold deterioration in lifetime credit risk, measured by the change in lifetime IFRS9 PD
- Clients with an identified one-year IFRS9 PD ≥ 20%[2] are automatically classified in stage 2

[2] The 20% threshold is determined based on the ECB's "Asset Quality Review Manual"

3. Significant Accounting Policies (continued)

3.12. Impairment (ECL – Expected Credit Loss) (continued)

3.12.1. General (continued)

Migration to a better level of credit risk is possible if the conditions that classify a financial instrument in a worse level are no longer met.

Exposures assigned to level 2 are assigned to level 1 when the following conditions are met:

1) when all the reasons that indicated a significant increase in credit risk ceased to exist and
2) when the debtor during the defined period of recovery has continuously demonstrated regularity in repayment, namely:
    1. for restructured exposures that were assigned to level 2 at the time of restructuring within 24 months from the date of restructuring,
    2. for restructured exposures that at the time of restructuring were assigned to level 3 within 24 months from the date of assignment to level 2; otherwise, the restructured exposure is reassigned to level 3,
    3. for non-restructured exposures within three months from the date when all reasons indicating a significant increase in credit risk ceased.

Exposures assigned to level 3 cannot be directly assigned to level 1.

Exposures assigned to level 3 are assigned to level 2 when the following conditions are met:

1) when all conditions for assigning the client to level 3 have ceased to apply and
2) when the debtor during the defined period of recovery has continuously demonstrated regularity in repayment[3] , namely:
    1. for restructured exposures and POCI assets within 12 months from the date of restructuring, i.e. upon initial recognition of POCI assets,
    2. for non-restructured exposures within six months from the date on which all conditions for assigning the client to level 3 ceased to apply.

[3] The debtor is not late with repayment for 1 or more days in a materially significant amount during the defined recovery period.

3. Significant Accounting Policies (continued)

3.12. Impairment (Expected Credit Loss/ECL) (continued)

3.12.1. General (continued)

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

- PD (probability of default) represents the probability of default of credit obligations in a certain period;
- LGD (loss given default) represents the loss due to the occurrence of the default status of credit obligations;
- EAD (exposure at default) represents the exposure at the moment of occurrence of the default status of credit obligations;
- The effective interest rate is a discount rate that expresses the time value of money.

In addition, special adjustments have been applied to the credit parameters – probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are used to calculate expected credit loss (ECL). The model was developed for the division of performing assets by levels: level 1 and level 2 at the transaction level.

The main difference between the two levels refers to the time period for which the expected credit loss is expected to be calculated. In fact, for transactions in level 1, the calculation of one-year expected loss is applied, while for transactions in level 2, the calculation of multi-year expected credit loss is applied.

The basic adjustments to credit parameters are in the following section:

- including a "*point in time*" approach in the calculation of parameters instead of "*through the cycle*" (TTC),
- inclusion of forward looking information (FLI),
- calculation of credit parameters taking into account the duration of the assets.

When it comes to calculating the multi-year PD, the TTC PD curves obtained on the basis of the established cumulative default rates are further calibrated to reflect the current and future expectations regarding the default rate of the portfolio.

3.12.2. Parameters and Risk Definitions Used for Impairment Calculation

The recovery rate included in the calculation of the TTC LGD is adjusted to reflect the observed trend in the movement of the recovery rate, as well as expectations regarding the future trend, and is discounted on the basis of the effective interest rate or the best approximation.

The multi-year EAD is calculated based on an extension of the one-year management model including expectations regarding future cash flows.

The expected credit loss obtained on the basis of adjusted parameters takes into account the assessment of macroeconomic indicators applying multiple scenarios with the aim of compensating the partial non-linearity embedded in the correlation between macroeconomic changes and the key components of the expected loss. In this sense, the Bank has developed the so-called "*overlay factor*", which is directly applied to the expected loss. The same scenario is used for other relevant risk management processes (EBA stress test and ICAAP). In the aforementioned process, the Bank supplies the necessary data in the required volume and prescribed format.

The methodology for calculating the allowance for expected credit losses must be aligned with group standards and corrected in accordance with local regulatory requirements and approved by the Bank's Management. The analysis and testing of the parameter methodology is regularly carried out by the Bank and is the responsibility of the internal validation function.

3.12.3. Definition of Default

The definition of credit default is crucial for determining expected credit losses. The default definition is used in measuring the amount of expected credit losses and in determining whether the loss is based on a 12-month or lifetime expected credit loss.

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

1) the debtor is late with the payment of due obligations to the Bank for more than 90 days in a materially significant amount,
2) the Bank considers it certain that the debtor will not fully settle their obligations to the Bank, not taking into account the possibility of collection from the collateral (Unlikeliness to pay UTP).

3. Significant Accounting Policies (continued)

3.12. Impairment (ECL – Expected Credit Loss) (continued)

3.12.3. Definition of Default

For exposures of legal entities and private individuals, the Bank determines the default status at the level of the client, taking into account all their exposures. The number of days in arrears with the settlement of obligations starts to be counted after the overdue obligations at the client level exceed the defined thresholds. The materiality threshold for legal entities is: overdue obligations in the amount of 1% of the client's total exposure and BAM 1,000. The materiality threshold for private individuals is: due obligations in the amount of 1% of the total exposure of the client and BAM 200.

3.12.4. Significant Increase in Credit Risk

The Bank monitors all financial assets, which are subject to the request for impairment, in order to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank measures the loss based on the expected credit loss for the lifetime, instead of 12-month expected credit loss.

When assessing whether the credit risk on a financial instrument has significantly increased since initial recognition, the Bank compares the risk of default occurrence on the financial instrument on the reporting date based on the remaining maturity of the instrument, with the risk of default foreseen for the remaining term until maturity on the reporting date when the financial instrument was first recognized. When making this assessment, the Bank considers both quantitative and qualitative information, which is reasonable and evident, including historical experience and forward looking information, which is available without undue cost or effort, based on the Bank's historical experience and professional credit assessment including forward-looking information.

For more details, see note 7 Risk Management.

3.13. Purchased or Originated Credit Impaired (POCI)

POCI financial assets are those financial assets whose credit value has been reduced at the time of initial recognition. The standard and the local regulator define special rules for these items regarding their valuation, recognition of allowance for expected credit losses.

POCI assets include:

- loans and debt securities, which were purchased at an economic loss (discount) greater than 5% of the net book value, except in the case that the seller sells financial assets in cases not related to credit risk,
- purchased financial assets or refinanced exposures (partially or completely), which were assigned to credit risk level 3 in another bank,
- new loans placed with clients, which are already with a reduced credit value, whereby the new financing is significant in relation to the total exposure of the client,
- exposures, which are assigned to credit risk level 3, and for which a significant modification is made in accordance with the Instruction for the Classification and Valuation of Financial Assets.

Relative and absolute thresholds are applied in determining new significant funding. New funding is considered significant if it meets the following conditions:

- amounts to 20% of the total exposure in default of the borrower or amounts to ≥ BAM 100,000.

When determining the POCI status of an asset, the Bank is obliged to observe it at the level of individual exposure, not at the level of the client.

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

3. Significant Accounting Policies (continued)

3.14. Write-offs

The Bank writes off non-performing exposures in cases where the exposure is fully due and when it has recorded expected credit losses in the amount of 100% of the gross book value. The Bank has defined two types of write-offs: accounting and permanent write-offs.

Accounting write-off is the transfer of balance sheet exposure to off-balance sheet records, whereby the Bank reserves the right to take further measures to collect claims from debtors. The Bank carries out an accounting write-off of the balance sheet exposure, which is in default status, i.e. non-quality exposure assigned to credit risk level 3, two years after the last of the two events: accounting recording of expected credit losses in the amount of 100% of the gross book value, and the exposure and transfer of the exposure in its entirety to the overdue receivable.

A permanent write-off is a write-off of balance sheet exposure, which leads to the cessation of recognition of all or part of the exposure in the Bank's business books (on-balance sheet and off-balance sheet records). If there is any indication that a certain amount will be charged from the client, the Bank does not permanently write off the exposure. A permanent write-off is carried out in the case when the Bank stops taking measures for the collection of receivables from debtors.

3.15. De-recognition of Financial Assets

In the event of a significant change in terms, the Bank ceases to recognize a financial asset, such as a loan to a client, when the agreed terms have changed to such an extent that the contract becomes a new loan, whereby the difference is recognized in profit or loss on de-recognition, but to the extent that the impairment loss has not already been recorded. A newly recognized loan is classified in level 1 for the purposes of ECL measurement, except in the case that the new loan represents POCI.

When evaluating the termination of recognition of a loan to a client, the Bank, among other things, takes into account the following factors: change in the currency of the loan, introduction of provisions on the ownership share, change of the other contractual party, or in the event that the change results in the instrument no longer meeting the SPPI test criteria.

If the change does not result in significantly different cash flows, the change does not result in de-recognition. Based on the change in cash flows discounted by the original EIR, the Bank records a profit or loss on that change, to the extent that the loss from impairment has not yet been recorded.

A financial asset (or any part thereof or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired or when they have been transferred, and or

- The Bank transfers almost all the risks and benefits associated with ownership, or
- The Bank neither transfers nor retains substantially all of the risks and benefits associated with ownership and the Bank does not retain control.

The Bank considers that control is transferred if and only if the acquirer has the practical ability to sell the asset to a completely unrelated third party and is able to exercise that ability unilaterally and without introducing additional transfer restrictions.

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

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

- for financial assets measured at amortized cost: correction or impairment, as a deduction from the gross book value of the asset;
- for debt instruments measured at fair value through other comprehensive income: it is not recognized as a reduction of assets, but as an item of valuation reserves in equity;
- for obligations under unused loans and agreements on financial guarantees (guarantees, letters of credit and other guarantees): as a provision for unused loans and guarantees in liabilities.

3. Significant Accounting Policies (continued)

3.17. Difference between ECL in accordance with the BARS Decision and ECL according to the Internal IFRS 9 Methodology

The following table shows the differences in the determined expected credit losses (ECL) calculated in accordance with the BARS Decision and in accordance with the internal methodology based on IFRS 9 and the requirements of the Group at the reporting date:

	ECL according to the BARS Decision December 31, 2025 BAM 000	**ECL according to IFRS 9 December 31, 2025 BAM 000**	**DIFFERENCE December 31, 2025 BAM 000**
Impairment			
1. Cash and cash equivalents	**522**	**507**	**15**
2. Financial assets at amortized cost	**41,058**	**37,615**	**3,443**
Mandatory reserve with the Central Bank	327	327	-
Loans and receivables from banks	37	3	34
Loans and receivables from clients	40,694	37,285	3,409
3. Other assets	**3,638**	**605**	**3,033**
4. Provisions for credit risks and guarantees	**4,869**	**4,051**	**817**
TOTAL (1+2+3+4)	**50,087**	**42,778**	**7,309**
5. Financial assets at fair value through other comprehensive income	455	1,681	(1,226)
TOTAL (1+2+3+4+5)	**50,542**	**44,459**	**6,083**

	ECL according to the BARS Decision December 31, 2024 BAM 000	**ECL according to IFRS 9 December 31, 2024 BAM 000**	**DIFFERENCE December 31, 2024 BAM 000**
Impairment			
1. Cash and cash equivalents	**475**	**436**	**39**
2. Financial assets at amortized cost	**44,595**	**41,685**	**2,910**
Mandatory reserve with the Central Bank	426	426	-
Loans and receivables from banks	392	251	141
Loans and receivables from clients	43,777	41,007	2,769
3. Other assets	**3,070**	**562**	**2,508**
4. Provisions for credit risks and guarantees	**2,791**	**1,745**	**1,046**
TOTAL (1+2+3+4)	**50,930**	**44 427**	**6 503**
5. Financial assets at fair value through other comprehensive income	**348**	**1,326**	**(977)**
TOTAL (1+2+3+4+5)	**51,279**	**45,753**	**5,526**

3. Significant Accounting Policies (continued)

3.18. Financial Guarantees and Loan Commitments

Financial guarantees are contracts that oblige the Bank to make specific payments related to the reimbursement of funds to the beneficiary of the guarantee for losses that arise due to the inability of a certain debtor to make the payment due in accordance with the terms of the debt instrument. Liabilities under financial guarantees are initially recognized at fair value, which is amortized over the duration of the financial guarantee. Obligations under guarantees are subsequently valued at the amortized amount or the present value of expected cash flows (when payment under the guarantee is probable), depending on which amount is greater.
Undertaken credit commitments are firm commitments to approve loans under previously agreed terms.

3. Significant Accounting Policies (continued)

3.19. Tangible Assets

Tangible assets, which are valued in accordance with IAS 16 Property, Plant and Equipment, consist of:

- and and buildings,
- furniture and equipment,
- plants and machines,
- other machinery and equipment.

The item "Tangible assets" in the Statement of Financial Position includes:

- assets used in business,
- assets held for investment (investment real estate),
- assets arising from the collection of collateral and
- long-term leases that are valued in accordance with IFRS 16.

Assets Used in Business

Assets used in business are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used for more than one year.

The item "property, plant and equipment" includes property, which the Bank uses as a lessee under a lease agreement (right-of-use), or which the Bank grants on an operating lease, as well as leasehold improvements related to the property, which can be separately identified. Leasehold improvements are typically executed to adapt the leased premises for anticipated use.
Assets held for investment purposes are real estate covered by IAS 40, i.e. real estate owned for the purpose of obtaining rent and/or capital gain.
Property, plant and equipment are initially recognized at cost, including all costs directly attributable to bringing the asset into use (transaction costs, professional fees, direct transportation costs incurred in bringing the asset to the desired location, installation costs and dismantling costs).

Subsequent costs are added to the carrying amount or recognized as a separate asset only when it is probable that future economic benefits greater than those originally anticipated will flow to the entity and the cost can be measured reliably. Other costs that arise later (e.g. normal maintenance costs) are recognized in the year in which they are incurred, in profit or loss:

- "other administrative expenses", if they relate to assets used in business; or
- "other operating income and expenses", if they refer to assets held for investment.

After initial recognition, tangible assets are measured as follows:

- buildings and land, which are used in business, are measured according to the revaluation model;
- tangible assets used in business, other than land and buildings, are measured according to the cost model;
- buildings and land held for investment (investment real estate) are valued according to the fair value model.

The revaluation model requires tangible assets to be carried on the balance sheet at value, which does not differ significantly from fair value. Revaluation is carried out by independent external appraisers through "office" or "on-site appraisal", based on the relevance of the property.
Positive changes in fair value are recognized in the statement of other comprehensive income, item "tangible assets" and accumulated in the item "valuation reserves", unless these changes compensated for previous negative changes recorded in the income statement, in the item "other operating income and expenses".

Negative changes in fair value are recorded in the item "other operating income and expenses", unless they offset previous positive changes recorded in the statement of other comprehensive income, item "tangible assets" and cumulated in the item "valuation reserves".

The cost model requires that the gross carrying amount be amortized over its useful life.
And tangible assets, which are measured according to the revaluation model and the cost model, are subject to straight-line depreciation during their useful life, to the extent that they have a limited useful life.

Depreciation rates for tangible assets are given in the following table:

	2025	2024
Buildings	2.0% - 5.0%	2.0% - 5.0%
Electronic systems	12.5% - 25.0%	12.5% - 25.0%
Office furniture and appliances	12.5% - 20.0%	12.5% - 20.0%
Other	12.5% - 25.0%	12.5% - 25.0%
Leasehold investments	20.0%	20.0%

3. Significant Accounting Policies (continued)

3.19. Tangible Assets (continued)

Depreciation is calculated monthly and recognized in the item “depreciation costs of tangible assets”.
Items with an indefinite useful life are not depreciated. Assets whose individual purchase value is less than BAM 1,000 can be depreciated at a rate of 100% in the year of purchase.

Land and buildings are recognized separately, even if acquired together. Land is not depreciated because it usually has an indefinite useful life, while buildings and business premises have a finite useful life and are therefore subject to depreciation.
The estimate of the useful life of the asset is reviewed at the end of the accounting period based on, among other things, the conditions of use of the asset, maintenance conditions and expected obsolescence, and if expectations differ from previous estimates, the amount of depreciation for the current and subsequent financial years is adjusted accordingly.

In accordance with the regulations of the banking sector regulator of the Republic of Srpska, revaluation reserves based on changes in the value of tangible assets cannot be included in the calculation of regulatory capital.

De-recognition

Property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from its use or sale in the future, and any difference between the selling price or recoverable amount and the carrying amount is recognized in the position “gains (losses) of the corresponding tangible asset”.
For tangible assets, which are measured according to the revalued amount, any profit from the sale, including the amounts accumulated in the item “valuation reserves”, is classified in “capital reserves”, without affecting the income statement.

Tangible Assets Acquired by Collateral Foreclosure

Tangible assets acquired by taking over collateral (real estate and equipment) are recognized, with the aim of preventing losses from credit operations, when the competent court issues a judgment or other equivalent document, and the same becomes final, or on the date when the asset is acquired through an out-of-court settlement.

In the event that the Bank does not intend to use the acquired tangible assets for business purposes, such assets are initially recognized at the lower of the following values:

1) the amount of the net book value of the Bank’s receivables; if the amount of expected losses recorded in the books is equal to the amount of the receivables, the Bank records the acquired tangible assets at their technical value in the amount of BAM 1;
2) estimated fair value by an independent appraiser less costs to sell; Sales costs are costs that are directly related to the sale, such as notary fees, taxes, court fees, and the like.

If the Bank fails to sell the acquired tangible property within three years from the date of its initial recognition, it is obliged to reduce its value to BAM 1.

Right-of-use Assets

Leases, in which the Bank is the lessee, are recognized as assets, which represent the right to use the property in question and, at the same time, obligations for future payments of contracted rents.

3. Significant Accounting Policies (continued)

3.19. Tangible Assets (continued)

Right-of-use Assets (continued)

According to IFRS 16, a lease is defined as a contract, which transfers the right to use an asset for a certain period of time in exchange for consideration. Right-of-use assets are recognized if the following conditions are cumulatively met:

- that the asset, which is the subject of the lease, can be explicitly identified,
- that during the lease period all essential economic benefits from the use of the asset can be realized,
- that the use of the asset can be managed, that is, it can be decided in what way and for what purposes the asset will be used during the entire lease period.

The Bank applies the requirements of IFRS 16 to long-term leases (over one year) and to assets of higher value (over BAM 10 thousand per year). These assets are initially measured based on the cash flows from the lease agreement. After initial recognition, the right of use is measured based on the rules that apply to asset, which is measured according to IAS 16 using the cost model, less accumulated depreciation and all accumulated impairment losses.

The current value of this property as of December 31, 2025 amounts to BAM 1,319 thousand (December 31, 2024: BAM 1,434 thousand), which includes long-term real estate leases and vehicle leasing.

As of 31 December 2025, the Bank had 19 real estate lease agreements, which are managed in accordance with IFRS 16, with the following maturities:

	Maturity					
	2025	**2026**	**2027**	**2028**	**2029**	**Total**
Number of lease agreements	1	6	3	7	2	19

3.20. Intangible Assets

Intangible assets are valued at cost less accumulated depreciation and impairment. The acquisition cost includes all costs, which are directly related to the acquisition of the asset.

Intangible assets, with the exception of intangible assets in progress, are amortized on a straight-line basis over their estimated useful lives. The useful lives are reviewed and adjusted, if necessary, at least once a year in the last quarter.

The amortization rates of intangible assets are given in the following table:

	2025	**2024**
Intangible assets software and licenses	20.0% - 25.0%	20.0% - 25.0%

Assets whose individual purchase value is less than BAM 1,000 can be depreciated at a rate of 100% in the year of acquisition.

3.21. Provisions for Risks and Costs

Provisions are recognized when the Bank has a present legal or derivative obligation, as a result of past events, if it is likely that an outflow of economic resources, containing economic benefits, will be required to settle these obligations, and if their amount can be reliably estimated in accordance with IAS 37.

Provisions for liabilities and expenses are maintained at a level that the Bank's management believes is sufficient to cover future losses. The management determines the necessary provisions based on an insight into individual items, current macroeconomic indicators, risk characteristics of various transactions, as well as other relevant facts. Provisions are released only for those costs, for which the provision was originally recognized. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is released.

3. Significant Accounting Policies (continued)

3.22. Capital

Share capital includes regular (ordinary) shares and is expressed in BAM at nominal value.

Profit reserves are formed by distributing net profit in previous years and include legal reserves and capital reserves.
According to the Law on Business Companies, when distributing profits according to the annual calculation, joint-stock companies in the Republic of Srpska are obliged to allocate at least 5% of the profit to profit reserves, until the amount of reserves reaches the level of 10% of the company's share capital.

Issue premium represents the accumulated positive difference between the nominal value and the amount received for the issued shares.

Valuation reserves include changes in the fair value of real estate, reserves for credit risks and gains/losses from changes in the fair value of financial assets at fair value through other comprehensive income, net of deferred tax.

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

Retained earnings or accumulated profit includes retained earnings that cannot be paid out in accordance with the Decisions of the Bank's Shareholder's Meeting and undistributed profit, which may be subject to payment in the form of dividends in the following period.

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

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

The Bank manages funds in the name and for the account of third parties. The aforementioned funds do not form part of the Bank's assets, and are therefore excluded from the balance sheet. The Bank receives compensation for the work performed and commission services provided and does not bear any risk.

3.24. Segment Reporting

The Bank's segment reporting is based on IFRS 8 Operating Segments, and is based on the management principle. Accordingly, segment data is prepared based on internal management reporting.
Management uses the profit or loss report listed below, as well as the amount of gross interest-bearing loans, the volume of deposits and the related KPI, as the primary method of determining the business success of the segments. In the segment profit or loss report, interest income and interest expense are stated in the net amount in the net interest income position, which reflects the presentation of internal reporting and is the basis for further management of the Bank by the Management Board.

The Bank has identified three main segments: companies and the public sector, retail and others.
Basic information by segment is based on the internal reporting structure of business segments. Segment results are measured using internal prices (note 6).

3.25. Income Tax

Income tax is based on the taxable profit for the year and consists of current and deferred tax.

The current income tax represents the amount, which is calculated by applying the prescribed tax rate of 10% on the base determined by the tax balance sheet, which represents the amount of profit before taxation, corrected for the effects of income and expenditure reconciliation, and all corrections of the amount of tax liability for previous periods, in accordance with the tax regulations of the Republic of Srpska.

Deferred tax is recognized taking into account temporary differences between the book values of assets and liabilities, which are used for financial reporting purposes, and amounts, which are used for tax calculation purposes. Deferred taxes are not recognized on temporary differences during the initial recognition of assets and liabilities in a transaction, which is not a business combination and which does not affect accounting or taxable profit.
The amount of deferred tax assets or liabilities is recognized using the tax rate, which is expected to be applied to the taxable profit in the period, in which the realization or settlement of the book value of the assets and liabilities is expected, based on the tax rates valid on the reporting date.

The valuation of deferred tax liabilities and assets reflects the tax consequences, which follow from the manner in which the Bank expects, on the reporting date, the collection or settlement of the net book value of assets and liabilities.

3. Significant Accounting Policies (continued)

3.25. Income Tax (continued)

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

Deferred tax assets are recognized only to the extent that it is probable that they will be able to be used as a tax benefit. At the end of each reporting period, the possibility of recovering deferred tax assets based on carried forward tax losses and taxable temporary differences is checked. The recognition and reversal of tax assets and tax liabilities is shown in the Statement of Profit or Loss or the Statement of Other Comprehensive Income, shown in a separate position.

3.26. Litigation

The Bank conducts an individual assessment of all court cases and makes provisions in accordance with the assessment. The assessment is carried out by a special three-member commission, three of whose members are employed by the Bank and have graduated from the Faculty of Law. Provision proposals are verified after assessment by the Head of Legal, Board member in charge for People and Culture, the Head of Financial, Regulatory Reporting and Taxes, and the decision on the formation of provisions is made by the Bank's Management.

4. Notes to the Statement of the Comprehensive Income

4.1. Net Interest Income

Breakdown by Type of Financial Assets

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Interest income calculated using the effective interest rate method		
1. Financial assets at fair value through other comprehensive income	6,200	2,519
2. Financial assets at amortized cost		
a) Mandatory reserve with the Central Bank	484	444
b) Loans and receivables from banks	4,759	11,839
c) Loans and receivables from clients	48,458	43,457
Total interest income	**59,901**	**58,258**
Interest expenses		
Financial liabilities at amortized cost		
a) Deposits and loans from banks	(736)	(636)
b) Deposits and loans from clients	(5,924)	(5,171)
Total interest expense	**(6,660)**	**(5,806)**
Net interest income	**53,241**	**52,452**

Breakdown by Sectors

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Interest income calculated using the effective interest rate method		
Private individuals	31,639	28,621
Companies and entrepreneurs	12,751	9,157
Banks	5,243	12,282
Public sector	10,268	8,197
Total interest income	**59,901**	**58,258**
Interest expenses		
Private individuals	(3,061)	(3,045)
Companies and entrepreneurs	(2,252)	(1,535)
Banks	(736)	(636)
Public sector	(116)	(134)
Other organizations	(495)	(457)
Total interest expense	**(6,660)**	**(5,806)**
Net interest income	**53,241**	**52,452**

4. Notes to the Statement of the Comprehensive Income (continued)

4.2. Net Fee and Commission Income

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Fee and commission income		
Packages and account management	6,249	5,686
Payment transactions	8,785	7,818
Card business	5,272	4,834
Loan fees	1,107	954
Forex dealing fees	1,682	1,474
Other fees and commissions	300	260
Total fees in accordance with IFRS 15	**23,396**	**21,027**
Business of issuing guarantees and other sureties	1,724	1,460
Total fee and commission income	**25,119**	**22,487**
Fee and commission expenses		
Payment transactions	(1,144)	(1,024)
Card business	(3,725)	(2,448)
Fees for loan transactions	(14)	(21)
Cash transactions	(8)	(8)
Other fees and commissions	(304)	(176)
Total fee and commission expenses	**(5,194)**	**(3,676)**
Net fee and commission income	**19,926**	**18,811**

4.3. Net Income from Financial Instruments

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Dividend income	-	4
Trading income/loss	1	(1)
Net gains from exchange differences	3,615	2,919
Net income from financial instruments	**3,616**	**2,923**

4.4. Staff Expenses

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Regular income (gross salary)	(14,660)	(14,469)
Variable remuneration (bonuses)	(3,000)	(2,622)
Other employee expenses	(2,383)	(2,439)
Severance pay expenses	(385)	(1,442)
Other expenses (service contracts)	(382)	(343)
Total employee expenses	**(20,811)**	**(21,316)**

Employee expenses include pension and disability insurance contributions paid in 2025 in the amount of BAM 3,884 thousand (2024: BAM 3,796 thousand).

	December 31, 2025	December 31, 2024
Number of employees on the reporting date	376	383
Average number of employees during the year based on working hours	376	393

4. Notes to the Statement of the Comprehensive Income (continued)

4.5. Depreciation Costs

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Depreciation costs of own business premises	(355)	(344)
Equipment depreciation costs	(971)	(903)
Intangible assets amortization costs	(2,575)	(2,863)
Depreciation costs of investment in leasehold improvements	(44)	(107)
Depreciation costs of long-term leases	(539)	(542)
Total depreciation costs	**(4,484)**	**(4,759)**

4.6. Other Administrative Costs

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Information & communication technologies	(6,662)	(5,872)
Operating activities and costs of AOD	(3,442)	(3,244)
Business premises costs	(1,268)	(1,235)
Consulting services and BARS fees	(1,789)	(1,693)
Securing and transporting money	(1,462)	(1,329)
Advertising, marketing and promotion	(484)	(374)
Office operations	(421)	(388)
Other costs for employees	(320)	(346)
Indirect taxes and contributions	(239)	(232)
Loan underwriting and monitoring	(177)	(156)
Total other administrative costs	**(16,263)**	**(14,868)**

4.7. Net Impairment Losses/Recoveries on Financial Instruments

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Cash assets	(48)	154
Mandatory reserve	100	141
Loans and receivables with banks	355	(168)
Loans and receivables with clients	394	90
Financial assets at fair value through other comprehensive income	(107)	(256)
Provision costs for undrawn loans and guarantees	(2,078)	2,418
Other assets	(540)	(984)
Net impairment losses/recoveries on financial instruments	**(1,924)**	**1,395**

4. Notes to the Statement of the Comprehensive Income (continued)

4.8. Provisions for Risks and Costs

	December 31, 2024 BAM 000	December 31, 2024 BAM 000
Costs/income of provisions for other liabilities	(208)	-
Long-term provisions for employees	(125)	(174)
Provision costs for court cases	103	(72)
Total	**(230)**	**(246)**

4.9. Fixed Operating Income and Expenses

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Other operating income		
Revenues based on the collection of accounts receivable written off	1,627	1,651
Other income	1,360	416
Total other operating income	**2,987**	**2,068**
Other operating expenses		
Expenses based on changes in the value of commercial properties that are carried at fair value	-	(11)
Other expenses	(629)	(605)
Total other operating expenses	**(629)**	**(616)**
Net other operating income	**2,358**	**1,452**

4.10. Gains from the Sale of Assets

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Gains from the sale of equipment that is carried at amortized cost	45	18
Gains and losses from the sale of SMI	399	900
	444	**918**

4. Notes to the Statement of the Comprehensive Income (continued)

4.11. Income Tax

Income tax recognized in the statement of profit or loss includes current and deferred tax.

Income Tax Expense Recognized in the Statement of Profit or Loss

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Income tax for the year		
Current income tax	3,011	3,519
Deferred income tax	51	(26)
Total income tax	**3,062**	**3,494**

Reconciliation of the Income Tax

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Result before tax	**35,872**	**36,759**
Current income tax calculated at a rate of 10%.	**3,587**	**3,676**
Adjustment of the tax base		
Tax reduction for excluded income	(2,244)	(1,804)
Tax increase for unrecognized expenses	1,668	1,647
Effects of changes in deferred taxes on temporary differences	51	(26)
Income tax	**3,062**	**3,494**
Average effective income tax rate	**8.54%**	**9.50%**

Tax regulations determine tax-recognized expenses and income for the purposes of calculating the tax base, as well as the amount of tax-recognized expenses/ income from the cancellation of indirect placement write-offs, whereby only expenses/income from the cancellation of indirect placement write-offs recorded in the Profit or Loss on exposures classified as credit risk level 2 and 3 are recognized in the Tax Balance.

4. Notes to the Statement of the Comprehensive Income (continued)

4.12. Earnings per Share

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Total number of shares	138,650	138,650
Average weighted number of shares	138,650	138,650
Current net profit in BAM 000	**32,810**	**33,265**
Earnings per share in BAM	**236.64**	**239.92**

In 2025, the Bank paid a dividend in the amount of BAM 33,257 thousand from the net profit realized in 2024 and back payments from previous years (BAM 22,787 thousand in 2024).

5. Notes to the Statement of Financial Position

5.1. Cash and Cash Equivalents

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Cash in domestic and foreign currency	35,850	35,090
Funds with the Central Bank	189,612	105,481
Transaction accounts with banks	19,581	61,749
Impairment	(522)	(475)
Total cash and cash equivalents	**244,521**	**201,845**

5.2. Financial Assets at Fair Value through Other Comprehensive Income

Financial assets at fair value through other comprehensive income by type

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Equity securities		
Domestic organizations - quoted	241	244
Foreign organizations - unquoted	55	47
Total equity securities	**296**	**292**
Debt securities		
Bonds of the Republic of Srpska - quoted	170,229	86,581
Total financial assets at fair value through other comprehensive income	**170,526**	**86,872**

5. Notes to the Statement of Financial Position (continued)

5.2. Financial Assets at Fair Value through Other Comprehensive Income (continued)

Overview of financial assets by fair value through other comprehensive income by fair value hierarchy

	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	Total BAM 000
December 31, 2025				
Equity securities	-	-	296	**296**
Republic of Srpska bonds - quoted	-	170,229	-	**170,229**
Total	**-**	**170,229**	**296**	**170,526**
December 31, 2024				
Equity securities	-	-	292	**292**
Republic of Srpska bonds - quoted	-	86,581	-	**86,581**
Total	**-**	**86,581**	**292**	**86,872**

Although the bonds of Republic of Srpska are listed on the stock exchange, based on the data on trading volume, they do not meet the requirements for classification in hierarchy level 1, but are classified in hierarchy level 2, in the fair value hierarchy.

External Rating of Debt Securities

For the external rating of debt securities, the external credit rating of the state of Bosnia and Herzegovina was applied.
As a result of its analysis in August 2025, the Standard & Poor's agency confirmed Bosnia and Herzegovina's sovereign credit rating of "B+ with stable outlook", while the rating by Moody's Investors Service as of August 2, 2024, "B3 with stable outlook" remained unchanged.
The securities are classified in exposure, assigned to credit risk level 1, and expected credit losses are determined accordingly.

Debt Instruments, measured at Fair Value through Other Comprehensive Income (FVOCI)

			December 31, 2025 Credit risk level			December 31, 2024
Gross exposure	**Level 1 BAM 000**	**Level 2 BAM 000**	**Level 3 BAM 000**	**POCI BAM 000**	**Total BAM 000**	**Total BAM 000**
Internal valuation level						
Performing loans	**170,229**	**-**	**-**	**-**	**170,229**	**86,581**
Low risk	170,229	-	-	-	170,229	86,581
Medium risk	-	-	-	-	-	-
Non-performing loans						
Default status	-	-	-	-	-	-
Total	**170,229**	**-**	**-**	**-**	**170,229**	**86,581**

5. Notes to the Statement of Financial Position (continued)

5.2. Financial Assets at Fair Value through Other Comprehensive Income (continued)

Gross Exposure Movement

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**86,581**	**-**	**-**	**-**	**86,581**
New funding	83,630	-	-	-	83,630
Assets that have been derecognized	-	-	-	-	**-**
Changes in fair value	19	-	-	-	19
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Repaid assets	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes (sales)	-	-	-	-	-
Balance as of December 31, 2025	**170,229**	**-**	**-**	**-**	**170,229**

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**348**	**-**	**-**	**-**	**348**
Assets that have been derecognized	-	-	-	-	**-**
Transfers to Level 1	-	-	-	-	**-**
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Impairment changes	107	-	-	-	**107**
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**455**	**-**	**-**	**-**	**455**

5. Notes to the Statement of Financial Position (continued)

5.2. Financial Assets at Fair Value through Other Comprehensive Income (continued)

Gross Exposure Movement

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**82,683**	**-**	**-**	**-**	**82,683**
New funding	30,000	-	-	-	30,000
Assets that have been derecognized	-	-	-	-	**-**
Changes in fair value	3,528	-	-	-	3,528
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Repaid assets	(29,630)	-	-	-	(29,630)
Amounts written off	-	-	-	-	-
Other changes (sales)	-	-	-	-	-
Balance as of December 31, 2024	**86,581**	**-**	**-**	**-**	**86,581**

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**92**	**-**	**-**	**-**	**92**
Assets that have been derecognized	-	-	-	-	**-**
Transfers to Level 1	-	-	-	-	**-**
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Impairment changes	256	-	-	-	256
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**348**	**-**	**-**	**-**	**348**

5. Notes to the Statement of Financial Position (continued)

5.3. Mandatory Reserve with the Central Bank

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Mandatory reserve with the Central Bank in domestic currency	123,138	108,957
Impairment	(327)	(427)
Total	**122,811**	**108,530**

The Central Bank of Bosnia and Herzegovina ("Central Bank") prescribes the method of calculating and maintaining the mandatory reserve, as well as the amount and method of payment of compensation for the amount of the mandatory reserve and the amount of funds above the mandatory reserve, which is kept in accounts with the Central Bank.

The basis for calculating the mandatory reserve is the average balance of deposits and borrowed funds in BAM, in BAM with currency clause and foreign currencies.

The reserve requirement rate is applied to the above-mentioned base and amounts to 10%.

From July 1, 2023, the Central Bank calculated and paid a fee at the rate of 50 basis points (0.50%) on required reserve funds based on the base in local currency (BAM), and on required reserve funds based on the basis in foreign currencies and domestic currency with a currency clause, calculated and paid a fee at the rate of 30 basis points (0.30%).

The Central Bank did not charge any fees for funds above the reserve requirement during 2025.
During 2025, the Bank was obliged to calculate the mandatory reserve in EUR and maintain it by keeping 95% of the KM equivalent of the calculated mandatory reserve in EUR in the reserve account in BAM with CBBH and to keep 5% of the calculated mandatory reserve in EUR in the reserve account in EUR with CBBH.

Gross Exposure

Gross exposure	December 31, 2025 Credit risk level					December 31, 2024
	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000	Total BAM 000
Internal valuation level						
Performing loans	**123,138**	**-**	**-**	**-**	**123,138**	**108,957**
Low risk	123,138	-	-	-	123,138	108,957
Medium risk	-	-	-	-	-	-
Non-performing loans	**-**	**-**	**-**	**-**	**-**	**-**
Default status	-	-	-	-	-	-
Total	**123,138**	**-**	**-**	**-**	**123,138**	**108,957**

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**108,957**	**-**	**-**	**-**	**108,957**
New funding	4,023,797	-	-	-	**4,023,797**
Assets that have been derecognized	-	-	-	-	**-**
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	**-**
Repaid assets	(4,009,616)	-	-	-	(4,009,616)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**123,138**	**-**	**-**	**-**	**123,138**

5. Notes to the Statement of Financial Position (continued)

5.3. Mandatory Reserve with the Central Bank (continued)

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**427**	**-**	**-**	**-**	**427**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Impairment changes	(100)	-	-	-	(100)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**327**	**-**	**-**	**-**	**327**

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**97,871**	**-**	**-**	**-**	**97,871**
New funding	3,712,903	-	-	-	3,712,903
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Repaid assets	(3,701,817)	-	-	-	(3,701,817)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**108,957**	**-**	**-**	**-**	**108,957**

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**568**	**-**	**-**	**-**	**568**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Impairment changes	(141)	-	-	-	(141)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**427**	**-**	**-**	**-**	**427**

5. Notes to the Statement of Financial Position (continued)

5.4. Loans and Receivables with Banks

	December 31, 2025	December 31, 2024
	BAM 000	BAM 000
Placements to foreign banks	36,403	227,154
Placements to domestic banks	-	-
Impairment	(37)	(392)
Total	**36,366**	**226,762**

From loans and receivables from banks with balance as of December 31, 2025 in the amount of BAM 36,403 thousand, there are no time deposits given with related banks (December 31, 2024: BAM 32,462 thousand).

Gross Exposure

Gross exposure	December 31, 2025 Credit risk level					December 31, 2024
	Level 1	Level 2	Level 3	POCI	Total	Total
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Internal rating grade*						
Performing loans	**36,403**	**-**	**-**	**-**	**36,403**	**227,154**
Low risk	36,403				36,403	227,154
Medium risk	-	-	-	-	-	-
Non-performing loans	**-**	**-**	**-**	**-**	**-**	**-**
Default status	-	-	-	-	-	-
Total	**36,403**	**-**	**-**	**-**	**36,403**	**227,154**

*The exposure-weighted 12-month PD for default risk varies as follows: 0.02%-1.09% for credit risk level 1 loans.

Gross Exposure Movement

Gross exposure	Level 1	Level 2	Level 3	POCI	Total
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Balance as of January 1, 2025	**227,154**	**-**	**-**	**-**	**227,154**
New financing	28,685,228	-	-	-	28,685,228
Assets that have been derecognized	-	-	-	-	**-**
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	**-**
Repaid assets	(28,875,979)	-	-	-	(28,875,979)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**36,403**	**-**	**-**	**-**	**36,403**

5. Notes to the Statement of Financial Position (continued)

5.4. Loans and Receivables with Banks (continued)

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**392**	**-**	**-**	**-**	**392**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Impairment changes	(355)	-	-	-	(355)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**37**	**-**	**-**	**-**	**37**

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**223,222**	**-**	**-**	**-**	**223,222**
New funding	39,298,327	-	-	-	39,298,327
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Repaid assets	(39,294,395)	-	-	-	(39,294,395)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**227,154**	**-**	**-**	**-**	**227,154**

Loss Allowance Movements

Loss Allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**223**	**-**	**-**	**-**	**223**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Changes in loss allowance	168	-	-	-	168
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**392**	**-**	**-**	**-**	**392**

5. Notes to the Statement of Financial Position (continued)

5.5. Loans and Receivables from Clients

Loans and Receivables from Clients at Amortized Cost

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Legal entities		
in BAM	332,877	271,089
in foreign currency	18,396	2,452
with a currency clause	65,305	71,772
Total gross legal entities	**416,578**	**345,314**
Impairment on loan principal	(20,530)	(22,071)
Net loans to legal entities	**396,048**	**323,242**
Private individuals	**-**	**-**
in BAM	478,902	385,717
in foreign currency	-	-
with a currency clause	76,808	86,944
Total gross private individuals	**555,709**	**472,661**
Impairment on loan principal	(20,165)	(21,706)
Net loans to private individuals	**535,544**	**450,956**
Total gross loans	**972,287**	**817,975**
Total net loans	**931,593**	**774,198**

Gross Exposure

Gross exposure – Legal entities			December 31, 2025 Credit risk level			December 31, 2024
	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000	Total BAM 000
Internal rating level*						
Performing loans	343,859	67,153	-	-	411,011	325,844
Low risk	343,859	-	-	-	343,859	296,261
Medium risk	-	67,153	-	-	67,153	29,583
Non-performing loans	-	-	5,567	-	5,567	19,469
Default status	-	-	5,567	-	5,567	19,469
Total legal entities	**343,859**	**67,153**	**5,567**	**-**	**416,578**	**345,314**
Gross exposure – private individuals						
Internal rating level*						
Performing loans	489,896	53,907	-	-	543,803	458,983
Low risk	489,896	-	-	-	489,896	416,224
Medium risk	-	53,907	-	-	53,907	42,759
Non-performing loans	-	-	11,906	-	11,906	13,679
Default status	-	-	11,906	-	11,906	13,679
Total private individuals	489,896	53,907	11,906	-	555,709	472,661
Total loans to clients	**833,755**	**121,060**	**17,473**	**-**	**972,287**	**817,975**

5. Notes to the Statement of Financial Position (continued)

5.5. Loans and Receivables from Clients (continued)

*The 12-month PD, weighted by exposure, for the risk of default varies as follows: 0.12% - 5.71% for loans in credit risk level 1, and 0.12% - 44.23% for loans in credit risk level 2, depending on the type of product and the number of days the client is in arrears.

Loans and Receivables from Clients at Amortized Cost - Legal entities

Gross exposure by internal rating level

December 31, 2025	Gross exposure					Average IFRS9 PD weighted by balance sheet exposure			
Gross exposure	Level 1	Level 2	Level 3	POCI	Total	Level 1	Level 2	Level 3	POCI
Internal rating level									
Performing loans	**343,859**	**67,153**	**-**	**-**	**411,011**	**1.00%**	**1.83%**	**-**	**-**
Rating 1	-	-	-	-	-	-	-	-	-
Rating 2	-	-	-	-	-	-	-	-	-
Rating 3	28,519	166	-	-	28,686	0.19%	0.21%	-	-
Rating 4	74,567	6,514	-	-	81,081	0.39%	0.41%	-	-
Rating 5	137,691	13,030	-	-	150,721	0.91%	0.88%	-	-
Rating 6	102,924	44,970	-	-	147,893	1.77%	2.27%	-	-
Rating 7	146	2,472	-	-	2,619	4.53%	2.77%	-	-
Rating 8	12	-	-	-	12	0.0%	0.0%	-	-
Non-performing loans	**-**	**-**	**5,567**	**-**	**5,567**	**-**	**-**	**100.00%**	**-**
Rating 8	-		5,567	-	5,567	-	-	100.00%	-
Rating 9	-	-	-	-	-	-	-	-	-
Rating 10	-	-	-	-	-	-	-	-	-
Total	**343,859**	**67,153**	**5,567**	**-**	**416,578**	**-**	**-**	**-**	**-**

Gross Exposure Movement

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**296,261**	**29,583**	**19,469**	**-**	**345,314**
New funding	202,249	15,707	126	-	218,082
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	1,881	(1,881)	-	-	-
Transfers to Level 2	(22,541)	40,836	(18,295)	-	-
Transfers to Level 3	(39)	(5,158)	5,197	-	-
Repaid assets	(133,952)	(11,934)	(931)	-	(146,818)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**343,859**	**67,153**	**5,567**	**-**	**416,578**

5. Notes to the Statement of Financial Position (continued)

5.5. Loans and Receivables from Clients (continued)

Loss Allowance Movements

	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**4,452**	**4,853**	**12,766**	**-**	**22,071**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	92	(92)	-	-	-
Transfers to Level 2	(1,549)	8,873	(7,324)	-	-
Transfers to Level 3	(28)	(2,610)	2,638	-	-
Changes in loss allowance	2,141	1,452	(5,135)	-	(1,542)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**5,108**	**12,477**	**2,945**	**-**	**20,530**

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**246,036**	**27,658**	**20,106**	**-**	**293,800**
New funding	158,202	-	-	-	158,202
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	55	(55)	-	-	-
Transfers to Level 2	(14,197)	14,197	-	-	-
Transfers to Level 3	-	-	-	-	-
Repaid assets	(93,835)	(12,217)	(317)		(106,369)
Amounts written off	-	-	(319)	-	(319)
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**296,261**	**29,583**	**19,469**	**-**	**345,314**

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**3,755**	**4,406**	**13,191**	**-**	**21,352**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	4	(4)	-	-	-
Transfers to Level 2	(271)	271	-	-	-
Transfers to Level 3	-	(254)	254	-	-
Changes in loss allowance	964	434	(359)	-	1,039
Amounts written off	-	-	(319)	-	(319)
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**4,452**	**4,853**	**12,766**	**-**	**22,071**

5. Notes to the Statement of Financial Position (continued)

5.5. Loans and Receivables from Clients (continued)

Loans and Receivables from Clients at Amortized Cost - Private Individuals

Gross exposure by internal rating level

December 31, 2025		Gross exposure				Average IFRS9 PD weighted by balance sheet exposure			
Gross exposure	**Level 1**	**Level 2**	**Level 3**	**POCI**	**Total**	**Level 1**	**Level 2**	**Level 3**	**POCI**
Internal rating level									
Performing loans	489,896	53,907	-	-	543,803	0.48%	1.65%	**-**	**-**
0 days past due	448,071	43,564	-	-	491,634	0.38%	0.32%	-	-
1-29 days past due	41,825	8,202	-	-	50,027	1.48%	1.68%	-	-
30-90 days past due	-	2,142	-	-	2,142	0	28.73%	-	-
Non-performing loans	-	-	11,906	-	11,906	-	-	100.00%	-
Default status	-	-	11,906	-	11,906	-	-	100.00%	-
Total	**489,896**	**53,907**	**11,906**	**-**	**555,709**	**-**	**-**	**-**	**-**

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**416,224**	**42,759**	**13,679**	**-**	**472,661**
New funding	198,710	18,254	260	-	217,223
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	9,260	(9,253)	(6)	-	-
Transfers to Level 2	(14,037)	14,403	(365)	-	-
Transfers to Level 3	(1,268)	(1,800)	3,068	-	-
Repaid assets	(118,992)	(10,455)	(2,351)	-	(131,797)
Amounts written off	-	-	(2,378)	-	(2,378)
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**489,896**	**53,907**	**11,906**	**-**	**555,709**

Loss Allowance Movements

Value correction	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**4,080**	**4,721**	**12,904**	**-**	**21,706**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	67	(67)	(0)	-	-
Transfers to Level 2	(941)	949	(8)	-	-
Transfers to Level 3	(1,077)	(1,709)	2,786	-	-
Changes in loss allowance	1,169	1,479	(1,811)	-	837
Amounts written off	-	-	(2,378)	-	(2,378)
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**3,298**	**5,373**	**11,493**	**-**	**20,165**

5. Notes to the Statement of Financial Position (continued)

5.5. Loans and Receivables from Clients (continued)

Loans and Receivables from Clients at Amortized Cost – Private Individuals (continued)

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**385,237**	**29,318**	**14,743**	**-**	**429,298**
New funding	175,184	-	-	-	175,184
Assets that have been derecognized	-	-	-	-	**-**
Transfers to Level 1	5,351	(5,351)	-	-	-
Transfers to Level 2	(27,497)	28,258	(762)	-	-
Transfers to Level 3	(1,973)	(1,750)	3,724	-	-
Repaid assets	(120,079)	(7,716)	(2,317)	-	(130,112)
Amounts written off	-	-	(1,730)	-	(1,730)
Other changes	-	-	21	-	21
Balance as of December 31, 2024	**416,224**	**42,759**	**13,679**	**-**	**472,661**

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**5,805**	**4,693**	**14,001**	**-**	**24,499**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	75	(75)	-	-	**-**
Transfers to Level 2	(1,701)	1,751	(50)	-	-
Transfers to Level 3	(1,352)	(1,548)	2,900	-	-
Changes in loss allowance	1,254	(100)	(2,217)	-	**(1,063)**
Amounts written off	-	-	(1,730)	-	(1,730)
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**4,080**	**4,721**	**12,904**	**-**	**21,706**

5.6. Tangible assets

Tangible assets include:

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Property used for own business purposes		
Buildings and land	16,424	16,300
Equipment and other resources	2,977	2,811
Tangible assets under construction	**1,538**	**1,397**
Leasehold improvements	209	253
Right-of-use assets and cars	1,319	1,434
Total assets used for own business purposes	**22,467**	**22,195**
Total tangible assets	**22,467**	**22,195**

5. Notes to the Statement of Financial Position (continued)

5.6. Tangible Assets (continued)

Changes in tangible assets used for business purposes are given in the table below:

	Buildings and land	Equipment and other resources	Fixed assets in preparation	Investments in other people's fixed assets	Property with right of use*	Acquired tangible assets	Total property and equipment
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Purchase price							
Balance as of January 1, 2024	30,149	19,278	1,101	2,421	3,809	-	56,758
Revaluation	361	-	-	-	-	-	361
New investments	-	-	1,632	-	293	-	1,925
Transfers	54	1,218	(1,272)	2		-	2
Sales, write-offs and other changes	(11)	(219)	(64)	(18)	(1)	-	(313)
Balance as of December 31, 2024	**30,553**	**20,277**	**1,397**	**2,405**	**4,101**	**-**	**58,733**
Balance as of January 1, 2025	30,553	20,277	1,397	2,405	4,101	-	58,733
Revaluation	385	-	-	-	-	-	385
New investments	-	-	1,442	-	424	-	1,866
Transfers	94	1,138	(1,232)	-		-	0.00
Sales, write-offs and other changes	-	(616)	(70)	-	-	-	(685)
Balance as of December 31, 2025	**31,032**	**20,799**	**1,537**	**2,405**	**4,525**	**-**	**60,299**
Impairment							
Balance as of January 1, 2024	13,906	16,696	-	2,044	2,125	-	34,771
Amortization	344	902	-	107	543	-	1,896
Sales, write-offs and other changes	3	(132)	-	1	(1)	-	(129)
Balance as of December 31, 2024	**14,253**	**17,466**	**-**	**2,152**	**2,667**	**-**	**36,538**
Balance as of January 1, 2025	14,253	17,466	-	2,152	2,667	-	36,538
Amortization	355	972	-	44	539	-	1,910
Sales, write-offs and other changes	-	(616)	-	-	-	-	(616)
Balance as of December 31, 2025	**14,608**	**17,822**	**-**	**2,196**	**3,206**	**-**	**37,832**
Net book value:							
Balance as of December 31, 2024	**16,300**	**2,811**	**1,397**	**253**	**1,434**	**-**	**22,195**
Balance as of December 31, 2025	**16,424**	**2,977**	**1,537**	**209**	**1,319**	**-**	**22,467**

*Right-of-use assets includes long-term contracts for leasing business premises and leasing vehicles

The carrying amount of land, which is not depreciated, within buildings and land as of December 31, 2025 amounts to BAM 3,412 thousand (December 31, 2024: BAM 3,379 thousand).

Fixed assets in progress as of December 31, 2025 in the amount of BAM 1,537 thousand (December 31, 2024: BAM 1,379 thousand) refer to investments in the reconstruction of business premises in the amount of BAM 147 thousand, hardware and ATMs in the amount of BAM 763 thousand and other equipment in the amount of BAM 627 thousand BAM.

In 2025, the positive effect of revaluation amounted to BAM 385 thousand (in 2024, the positive effect of the revaluation amounted to BAM 391 thousand).

5. Notes to the Statement of Financial Position (continued)

5.6. Tangible Assets (continued)

Assets Acquired in the Process of Loan Collection

Assets acquired in loan collection process consist of real estate and equipment. The method of valuation of this property is described in note 3.19.

	December 31, 2025		December 31, 2024	
	Amount	BAM 000*	Amount	BAM 000*
Land	1	-	1	-
Commercial and residential space	29	-	31	-
Machinery and equipment	2	-	2	-
Total	**32**	**-**	**34**	**-**

*The value in the Bank's books of each individual acquired tangible asset is BAM 1.00 (technical value).

5.7. Intangible assets

	Software BAM 000	Other BAM 000	Investments in progress BAM 000	Total BAM 000
Purchase price				
Balance as of January 1, 2024	30,279	2,240	2,725	35,244
New investments	-	-	1,550	1,550
Transfers	2,599	33	(2,633)	-
Sales, write-offs and other changes	(565)	(1,790)	-	(2,355)
Balance as of December 31, 2024	**32,313**	**483**	**1,642**	**34,438**
Balance as of January 1, 2025	32,313	483	1,642	34,438
New investments	-	-	1,681	1,681
Transfers	1,511	-	(1,511)	-
Sales, write-offs and other changes	(627)	(12)	(48)	(687)
Balance as of December 31, 2025	**33,197**	**471**	**1,764**	**35,432**
Impairment				
Balance as of January 1, 2024	23,770	2,061	-	25,831
Amortization	2,689	174	-	2,863
Sales, write-offs and other changes	(566)	(1,790)	-	(2,356)
Balance as of December 31, 2024	**25,893**	**445**	**-**	**26,338**
Balance as of January 1, 2025	25,893	445	-	26,338
Amortization	2,564	11	-	2,575
Sales, write-offs and other changes	(627)	(13)	-	(640)
Balance as of December 31, 2025	**27,830**	**443**	**-**	**28,273**
Net book value:				
Balance as of December 31, 2024	**6,420**	**38**	**1,642**	**8,100**
Balance as of December 31, 2025	**5,367**	**28**	**1,764**	**7,159**

Intangible asset investments in progress as of December 31, 2025 in the amount of BAM 1,764 thousand (December 31, 2024 BAM 1,642 thousand) refer to software and other intangible assets, which have not yet been put into use.

5. Notes to the Statement of Financial Position (continued)

5.8. Other Assets

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Receivables based on the sale of the Bank's assets	15	0
Fee receivables	258	189
Receivables for employees' salaries	1,129	1,197
Receivables from card operations	8,175	7,548
Receivables from operating activities	223	241
Receivables for paid VAT	3,033	2,511
Other receivables	1,550	1,407
Total other assets - gross	**14,384**	**13,092**
Impairment - VAT paid	(3,033)	(2,511)
Impairment of other assets	(548)	(559)
Total other assets - net	**10,803**	**10,023**

Card receivables include an amount of BAM 2,901 thousand relating to cash withdrawals from ATMs after the cut-off time (2024: BAM 2,130 thousand), and are temporarily recognized in a suspense account within Other assets. The aforementioned ATM transactions relate to:

- reduction of deposits from clients in the amount of BAM 1,994 thousand
- loans based on overdrafts on current accounts and credit cards in the amount of BAM 194 thousand
- receivables from other banks in the amount of BAM 713 thousand.

Gross Exposure by Credit Risk Levels

Gross exposure	December 31, 2025 Credit risk levels					December 31, 2024
	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000	Total BAM 000
Internal rating level						
Performing	**10,809**	**47**	**-**	**-**	**10,856**	**10,094**
Low risk	10,809	-	-	-	10,809	9,996
Medium risk	-	47	-	-	47	98
High risk	-	-	-	-	-	-
Non-performing	**-**	**-**	**3,528**	**-**	**3,528**	**2,999**
Default status	-	-	3,528	-	3,528	2,999
Total	**10,809**	**47**	**3,528**	**-**	**14,384**	**13,092**

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**9,996**	**98**	**2,999**	**-**	**13,092**
New funding	814	-	529	-	1,343
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Repaid assets	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes	-	(51)	-	-	(51)
Balance as of December 31, 2025	**10,809**	**47**	**3,528**	**-**	**14,384**

5. Notes to the Statement of Financial Position (continued)

5.8. Other Assets (continued)

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**203**	**8**	**2,859**	**-**	**3,070**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	**-**
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Changes in loss allowance	15	(3)	502	-	513
Amounts written off	-	-	-	-	-
Other changes	(2)	-	-	-	(2)
Balance as of December 31, 2025	**216**	**4**	**3,360**	**-**	**3,581**

Changes in gross exposure

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**9,211**	**8**	**2,523**	**-**	**11,743**
New financing	894	90	476	-	1,459
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	-
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Repaid assets	-	-	-	-	-
Amounts written off	-	-	-	-	-
Other changes	(110)	-	-	-	(110)
Balance as of December 31, 2024	**9,996**	**98**	**2,999**	**-**	**13,092**

Loss Allowance Movements

Loss allowance	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**183**	**1**	**1,941**	**-**	**2,124**
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	-	-	-	-	**-**
Transfers to Level 2	-	-	-	-	-
Transfers to Level 3	-	-	-	-	-
Changes in loss allowance	23	7	918	-	949
Amounts written off	-	-	-	-	-
Other changes	(3)	-	-	-	(3)
Balance as of December 31, 2024	**203**	**8**	**2,859**	**-**	**3,070**

5. Notes to the Statement of Financial Position (continued)

5.9. Deposits and Borrowings from Banks

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Demand deposits		
in BAM	4	4
in foreign currency	-	-
Total demand deposits	**4**	**4**
Term deposits		
Total term deposits	-	-
Total deposits	**4**	**4**
Loans taken	**-**	**-**
in foreign currency	46,691	8,045
Total loans taken	**46,691**	**8,045**
Total deposits and loans received from banks	**46,695**	**8,049**

Within the deposits and borrowings taken from banks, loans taken from related parties in 2025 amount to BAM 43,104 thousand (2024: 0 KM).

Overview of Borrowings from Banks

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
EBRD - European Bank for Reconstruction and Development	2,806	5,619
EIB - European Investment Bank	782	2,354
MCI – Microcredit Fund for the Stabilization of the Balkans	-	72
SPA - UniCredit S.p.A. Milan	43,104	-
Total	**46,691**	**8,045**

5. Notes to the Statement of Financial Position (continued)

5.10. Deposits and Borrowings from Clients

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Legal entities and entrepreneurs		
Demand deposits		
in BAM	275,946	294,820
with a currency clause	-	-
in foreign currency	83,137	110,311
Total demand deposits of legal entities	**359,083**	**405,130**
Term deposits		
in BAM	76,793	11,861
with a currency clause	29,313	63,695
in foreign currency	19,948	30,937
Total term deposits of legal entities	**126,054**	**106,493**
Total deposits of legal entities and entrepreneurs	**485,137**	**511,624**
Private individuals		
Demand deposits		
in BAM	361,597	307,421
with a currency clause	70	20
in foreign currency	137,001	119,430
Total demand deposits of private individuals	**498,669**	**426,871**
Term deposits		
in BAM	58,941	55,436
with a currency clause	-	2
in foreign currency	135,103	111,906
Total term deposits of private individuals	**194,045**	**167,344**
Total deposits of private individuals	**692,714**	**594,215**
Total deposits received	**1,177,850**	**1,105,838**
Loans received from clients		
in BAM		
with a currency clause	29,137	33,457
in foreign currency	-	-
Total loans received from clients	**29,137**	**33,457**
Total deposits and loans received from clients	**1,206,987**	**1,139,295**

Deposits from clients on the reporting date December 31, 2025 were not reduced by the amount of cash related to ATM withdrawals in the amount of BAM 1,994 thousand.

5. Notes to the Statement of Financial Position (continued)

5.10. Deposits and Borrowings from Clients (continued)

Overview of Borrowings from Clients

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
IRBRS - Investment and Development Bank of RS (Funds)	29,079	33,361
MFRS – IFAD Project	58	95
Total	**29,136**	**33,457**

5.11. Long-term Lease Liabilities

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Long-term leases from legal entities	580	570
Long-term leases from private individuals	784	1,011
Total	**1,364**	**1,581**

5.12. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are calculated on temporary differences according to the balance sheet method using the statutory tax rate of 10% (2024: 10%).

Changes in Deferred Tax Assets and Liabilities

	Deferred tax assets BAM 000	Deferred tax liabilities BAM 000
Balance as of January 1, 2025	**743**	**769**
Effects of increase of deferred tax assets	(15)	-
Effect of increase of deferred tax assets	8	-
Effects of increase of deferred tax liabilities	-	85
Effects of decrease of deferred tax liabilities	-	-
Balance as of December 31, 2025	**736**	**855**
Balance as of January 1, 2024	**1,115**	**777**
Effects of decrease of deferred tax assets	(374)	-
Effects of increase of deferred tax assets	2	-
Effects of increase of deferred tax liabilities	-	26
Effects of decrease of deferred tax liabilities	-	(34)
Balance as of December 31, 2024	**743**	**769**

5. Notes to the Statement of Financial Position (continued)

5.13. Other Liabilities

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Liabilities due to employees	6,175	5,513
Advances received for collection of acquired tangible assets	9	27
Liabilities to suppliers	3,148	3,238
Liabilities for the execution of payment transaction orders in the country	898	1,600
Liabilities based on non-nominated deposits	657	657
Accrued expenses and deferred income	722	874
Liabilities for card operations	5,886	4,513
VAT liabilities	443	489
Liabilities based on termination of business relationship	3,833	3,690
Other liabilities	2,415	2,301
Total other liabilities	**24,186**	**22,902**

5.14. Provisions for Credit Risk on Loan Commitments and Guarantees

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Provisions for loan commitments	2,580	1,452
Provisions for guarantees and other sureties	2,289	1,339
Total provisions for credit risks and guarantees	**4,869**	**2,791**

5.15. Provisions for Other Risks and Expenses

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Long-term provisions for employees	612	531
Provisions for litigation	248	420
Provisions for other liabilities	138	-
Total provisions for liabilities and expenses	**998**	**951**

Changes in Provisions for Risks and Expenses

	Long-term provisions for employees BAM 000	Litigation BAM 000	Provisions for other liabilities BAM 000	Total BAM 000
Balance as of January 1, 2024	**357**	**1,447**	**-**	**1,804**
Net gain/(loss) recognized in the statement of profit or loss	174	72	-	246
Provisions used during the period and transfers	-	(1,099)	-	(1,099)
Balance as of Dec 31, 2024	**531**	**420**	**-**	**951**
Net gain/(loss) recognized in the statement of profit or loss	125	(103)	208	230
Provisions used during the period and transfers	(44)	(69)	(70)	(183)
Balance as of Dec 31, 2025	**612**	**248**	**138**	**998**

5. Notes to the Statement of Financial Position (continued)

5.15. Provisions for Other Risks and Costs (continued)

A total of 29 passive litigation cases are currently pending against the Bank, of which 23 involve property-related claims.

In court disputes with property legal claims, the dispute that was initiated against the Bank in July 2019 by the company "Bitminer Factory" d.o.o. Gradiška (hereinafter: "Bitminer") is included. Bitminer filed a lawsuit before the District Commercial Court in Banja Luka with a request for damages due to the closure of the transaction accounts by the Bank, stating that the cancellation of the account obstructed its initial offering (ICO) in connection with the initial project of investing in renewable energy sources and cryptocurrency mining in Bosnia and Herzegovina.

On December 30, 2021, the court of first instance accepted most of Bitminer's claims and obliged the Bank to pay compensation in the amount of BAM 256.3 million (approx. EUR 131 million) ("Verdict"). The Bank filed an appeal in January 2022.

On April 18, 2023, the Bank received a verdict in which the Higher Commercial Court fully accepted the Bank's appeals, changed the first-instance verdict and rejected the plaintiff's claim as unfounded, and that verdict is final, legally binding and enforceable ("second-instance verdict"). The court of second instance found that Bitminer's claim is groundless and that the Bank is not liable for any damage. Bitminer declared revisions, an extraordinary legal remedy, to the Supreme Court of Republic of Srpska.

In April 2024, the Supreme Court of Republic of Srpska issued a verdict and rejected Bitminer's revisions in their entirety. This confirms the second-instance verdict, which finally resolved the dispute in favor of the Bank.

On June 3, 2024, Bitminer submitted an appeal to the Constitutional Court of Bosnia and Herzegovina against the decision of the Supreme Court of Republic of Srpska and the second instance verdict. The procedure is conducted exclusively between Bitminer and the courts that made the decisions (the Supreme Court of the RS and the Higher Commercial Court). The Bank is not a party in this proceeding, and may be invited to submit its response to the appeal, given that it is an interested party that participated in lower-level proceedings.

In accordance with the Decision of the Bank's Management Board, provisions have been recognized for those legal cases assessed as likely to result in a loss for the Bank or in significant costs, in the total amount of BAM 248 thousand (2024: BAM 420 thousand in total).

5.16. Share Capital

	Regular shares BAM 000
Balance as of January 1, 2024	**97,055**
Changes	-
Balance as of December 31, 2024	**97,055**
Changes	-
Balance as of December 31, 2025	97,055
Nominal value (BAM)	700
Number of ordinary shares (the Bank does not have priority shares)	138,650

As of December 31, 2025, the Bank's shareholders consist of 1 majority shareholder and 53 minor shareholders: domestic and foreign legal entities and private individuals with the share of:

	% share
UniCredit S.p.A. Italy	**99.638%**
Small shareholders	0.362%
	100.00%

As of December 31, 2025, the members of the Supervisory Board, the Audit Committee and the Bank's Management Board do not own shares in the Bank.

All shares of the Bank are listed on the Banja Luka Stock Exchange. The price of shares on the last trading day in 2025 (November 13, 2025) was BAM 1,990.00 (2024: BAM 2,000.00).

5. Notes to the Statement of Financial Position (continued)

5.17. Loan Commitments and Financial Guarantees

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Payable guarantees		
in BAM	10,027	9,167
in foreign currency	15,306	13,755
Total payable guarantees	**25,333**	**22,922**
Performance guarantees		
in BAM	59,437	54,842
in foreign currency	73,277	34,145
Total performance guarantees	**132,714**	**88,987**
Loan commitments and guarantees		
in BAM	165,140	98,828
in foreign currency	-	-
Total loan commitments and guarantees	**165,140**	**98,828**
Letters of credit in foreign currency	302	436
Total contingent liabilities on undrawn credit lines and guarantees, given guarantees and other sureties	**323,489**	**211,173**

As of December 31, 2025, provisions for credit risk of assumed obligations and given financial guarantees amounted to BAM 4,869 thousand (December 31, 2024: BAM 2,791 thousand).

Gross Exposure by Credit Risk Levels

			December 31, 2025 Credit risk levels			December 31, 2024
Gross exposure	**Level 1 BAM 000**	**Level 2 BAM 000**	**Level 3 BAM 000**	**POCI BAM 000**	**Total BAM 000**	**Total BAM 000**
Internal rating level						
Performing loans						
Low risk	286,014	-	-	-	286,014	205,902
Medium risk	-	37,440	-	-	37,440	5,248
Non-performing loans						
Default status	-	-	35	-	35	23
Total	**286,014**	**37,440**	**35**	**0**	**323,489**	**211,173**

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**205,903**	**5,248**	**23**	**0**	**211,173**
New funding	147,894	11,551	-	-	159,445
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	288	(288)	-	-	-
Transfers to Level 2	(21,943)	21,946	(3)	-	-
Transfers to Level 3	(19)	(17)	37	-	-
Repaid assets	(46,108)	(999)	(22)	-	(47,129)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**286,014**	**37,441**	**35**	**-**	**323,489**

5. Notes to the Statement of Financial Position (continued)

5.17. Loan Commitments and Financial Guarantees (continued)

Loss allowance movement

Provision	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2025	**2,310**	**461**	**20**	**-**	**2,791**
New funding	1,260	1,549	-	-	2,810
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	30	(30)		-	-
Transfers to Level 2	(300)	303	(3)	-	-
Transfers to Level 3	-	(16)	16	-	-
Repaid assets	(571)	(156)	(4)	-	(732)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2025	**2,728**	**2,111**	**30**	**-**	**4,869**

Gross Exposure Movements

Gross exposure	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**157,774**	**21,910**	**19**	**-**	**179,703**
New financing	103,500	3.198	4	-	106,702
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	(718)	715	3	-	-
Transfers to Level 2	2,868	(2,868)	-	-	-
Transfers to Level 3	2	-	(2)	-	-
Repaid assets	(57,524)	(17,707)	(1)	-	(75,232)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	-
Balance as of December 31, 2024	**205,902**	**5,248**	**23**	**-**	**211,173**

Loss allowance movement

Provisions	Level 1 BAM 000	Level 2 BAM 000	Level 3 BAM 000	POCI BAM 000	Total BAM 000
Balance as of January 1, 2024	**1,288**	**3,904**	**17**	**-**	**5,209**
New financing	1,502	207	4	-	1,713
Assets that have been derecognized	-	-	-	-	-
Transfers to Level 1	(15)	15	-	-	-
Transfers to Level 2	210	(212)	2	-	-
Transfers to Level 3	1	1	(2)	-	-
Repaid assets	(676)	(3,454)	(1)	-	(4.131)
Amounts written off	-	-	-	-	-
Other changes	-	-	-	-	
Balance as of December 31, 2024	**2,310**	**461**	**20**	**-**	**2,791**

6. Segment Reporting

In accordance with the internal business organization, the Bank segments clients as follows:

- “Companies and the public sector”: large, medium and small companies and the public sector,
- “Retail”: private individuals, entrepreneurs and micro-companies,
- “Other”: capital and reserves, asset and liability management, other centralized operations, and other assets and liabilities, which are not associated with other segments.

Segment reports are prepared in accordance with the Bank’s internal management reports and are additionally harmonized with the financial statements in these notes.

When measuring business results, internal prices are applied based on specific prices of products and services, specific currency and maturity in accordance with the internal methodology.

Since the Bank operates in the Republic of Srpska, secondary (geographic) segments are not presented.

6. Segment Reporting (continued)

Profit or Loss Statement by Segments

December 31, 2025	Companies and the public sector BAM 000	Retail BAM 000	Other BAM 000	Total by segment reports BAM 000	Adjustments BAM 000	Total according to financial statements BAM 000
Net interest income	**16,511**	**35,489**	**1,244**	**53,244**	**(2)**	**53,241**
Net fee and commission income	**8,165**	**14,851**	**(117)**	**22,899**	**(2,973)**	**19,926**
of which packages and account management	155	5,759	-	5,913	336	6,249
of which payment transactions	3,038	4,785	-	7,823	(182)	7,642
of which card operations	192	1,457	-	1,649	(102)	1,547
of which loan fees	127	1,033	-	1,160	(66)	1,094
of which transactions of purchase and sale are effective	2,997	1,649	(33)	4,613	(2,938)	1,675
of which operations related to issuing guaran-tees and other sureties	1,653	70	-	1,723	1	1,724
of which other fees and commissions	4	98	(84)	18	(22)	(4)
Net income from financial instruments	642	-	-	642	2,974	3,616
Total operating income	**25,318**	**50,339**	**1,127**	**76,784**	**(1)**	**76,783**
Staff expenses	(2,895)	(6,419)	(11,500)	(20,814)	3	(20 811)
Depreciation costs	(367)	(2,291)	(1,780)	(4,438)	(47)	(4 484)
Other administrative expenses	(332)	(1,250)	(11,665)	(13,246)	(3,017)	(16 263)
Indirect and other allocated expenses	(5,871)	(17,762)	23,633	(0)	0	-
Total operating costs	**(9,464)**	**(27,722)**	**(1,312)**	**(38,498)**	**(3,061)**	**(41,559)**
Profit before impairment and provisions	**15,854**	**22,617**	**(186)**	**38,285**	**(3,062)**	**35,224**
Net (losses)/recoveries from impairment for credit risks	**(994)**	**(155)**	**160**	**(988)**	**(936)**	**(1,924)**
Financial assets at amortized cost	(994)	(155)	160	(988)	(830)	(1,817)
Financial assets at fair value through other comprehensive income	-	-	-	-	(107)	(107)
Provisions for risks and costs	**(1,289)**	**(2,236)**	**782**	**(2,742)**	**2,512**	**(230)**
Other operating income and expenses	22	2,484	(4)	2,502	(143)	2,358
Gains/losses from the sale of investment property	-	-	88	88	356	444
Integration costs	-	-	(714)	(714)	714	-
Result before tax	**13,593**	**22,711**	**127**	**36,431**	**(559)**	**35,872**
Income tax	(1,123)	(1,700)	(297)	(3,120)	57	(3,062)
Result after tax	**12,470**	**21,011**	**(170)**	**33,312**	**(502)**	**32,810**

6. Segment Reporting (continued)

Profit or Loss Statement by Segments

December 31, 2024	Companies and the public sector	Retail	Other	Total by segment reports	Adjustments	Total according to financial statements
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Net interest income	**15,420**	**32,619**	**4,412**	**52,451**	**0**	**52,452**
Net fees and commissions income	**6,609**	**14,469**	**(70)**	**21,008**	**(2,197)**	**18,811**
of which packages and account management	119	5,249	-	5,369	317	5,686
of which payment transactions	2,623	4,363	-	6,986	(192)	6,795
of which card operations	274	2,320	-	2,593	(207)	2,386
of which loan fees	65	915	-	980	(46)	933
of which transactions of purchase and sale are effective	2,163	1,504	(10)	3,657	(2,191)	1,466
of which operations related to issuing guarantees and other sureties	1,363	96	-	1,459	1	1,460
of which other fees and commissions	2	22	(61)	(37)	122	84
Net income from financial instruments	716	-	4	720	2,203	2,923
Total operating income	**22,744**	**47,089**	**4,346**	**74,179**	**6**	**74,185**
Staff expenses	(2,516)	(6,228)	(12,572)	(21,316)	0	(21,316)
Depreciation costs	(384)	(2,402)	(1,865)	(4,651)	(108)	(4,759)
Other administrative expenses	(954)	(5,807)	(5,615)	(12,375)	(2,493)	(14,868)
Indirect and other allocated expenses	(5,202)	(13,296)	18,498	-	-	-
Total operating costs	**(9,056)**	**(27,733)**	**(1,553)**	**(38,342)**	**(2,600)**	**(40,943)**
Profit before impairment and provisions	**13,688**	**19,355**	**2,793**	**35,837**	**(2,594)**	**33,242**
Net (losses)/recoveries from impairment for credit risks	**1,381**	**1,064**	**94**	**2,539**	**(1,144)**	**1,395**
Financial assets at amortized cost	1,381	1,064	94	2,539	(888)	1,651
Financial assets at fair value through other comprehensive income	-	-	-	-	(256)	(256)
Provisions for risks and costs	**(1,244)**	**(2,036)**	**499**	**(2,781)**	**2,535**	**(246)**
Other operating income and expenses	6	1,426	(799)	633	817	1,450
Gains/losses from the sale of investment property			918	918	-	918
Integration costs	-	-	(65)	(65)	65	-
Result before tax	**13,831**	**19,809**	**3,440**	**37,081**	**(322)**	**36,759**
Income tax	(1,316)	(1,878)	(332)	(3,526)	33	(3,494)
Result after tax	**12,515**	**17,931**	**3,108**	**33,554**	**(289)**	**33,265**

6. Segment Reporting (continued)

Statement of Financial Position by Segments

December 31, 2025	Companies and the public sector BAM 000	Retail BAM 000	Other BAM 000	Total by segment reports BAM 000	Adjustments BAM 000	Total according to financial statements BAM 000
Assets						
Cash and cash equivalents	-	-	244,535	244,535	(15)	244,521
Financial assets at fair value through the profit and loss account	-	-	14	14	-	14
Financial assets at fair value through other comprehensive income	-	-	170,526	170,526	-	170,526
Financial assets at amortized cost	**391,505**	**543,496**	**159,211**	**1,094,213**	**(3,443)**	**1,090,769**
Reserve requirement at the CB	-	-	123,138	123,138	(327)	122,811
Loans and receivables from banks	-	-	36 073	36 073	293	36 366
Loans and receivables from clients	391,505	543,496	-	935,002	(3,409)	931,593
Tangible and intangible assets	-	-	22,255	22,255	7,371	29,626
Deferred tax assets	-	-	7,159	7,159	(5,914)	1,245
Other assets	-	-	14,944	14,944	(4,141)	10,803
Total assets	**391,505**	**543,496**	**618,644**	**1,553,646**	**(6,143)**	**1,547,502**
Liabilities						
Financial liabilities at fair value through the profit and loss account	-	-	-	-	-	-
Financial liabilities at amortized cost	**451,232**	**756,891**	**46,695**	**1,254,819**	**228**	**1,255,047**
Deposits and loans from banks	-	-	46,695	46,695	-	46,695
Deposits and loans from clients	450,879	756,107	-	1,206,986	1	1,206,987
Lease liabilities	353	784	-	1,137	227	1,364
Financial liabilities held for trading	-	-	9	9	-	9
Tax liabilities	-	-	1,115	1,115	(260)	855
Other liabilities	-	-	24,412	24,412	(227)	24,186
Provisions for credit risks and guarantees	-	-	4,051	4,051	817	4,869
Provisions for risks and costs	-	-	998	998	-	998
Total liabilities	**451,232**	**756,891**	**77,280**	**1,285,404**	**558**	**1,285,963**
Total capital and reserves	**12,470**	**21,011**	**234,759**	**268,241**	**(6,702)**	**261,540**
Of which net profit for the current year	12,470	21,011	(170)	33,312	(502)	32,810
Total liabilities, capital and reserves	**463,702**	**777,903**	**312,040**	**1,520,334**	**(6,143)**	**1,547,502**

6. Segment Reporting (continued)

Statement of Financial Position by Segments

December 31, 2024	Companies and the public sector BAM 000	Retail BAM 000	Other BAM 000	Total by segment reports BAM 000	Adjustments BAM 000	Total according to financial statements BAM 000
Assets						
Cash and cash equivalents	-	-	201,884	201,884	(39)	201,845
Financial assets at fair value through other comprehensive income	-	-	86,872	86,872	-	86,872
Financial assets at amortized cost	**315,498**	**461,448**	**335,434**	**1,112,380**	**(2,890)**	**1,109,491**
Reserve requirement at the CB	-	-	108,531	108,531	(1)	108,530
Loans and receivables from banks	-	-	226,903	226,903	(141)	226,762
Loans and receivables from clients	315,498	461,448	-	776,946	(2,748)	774,198
Tangible and intangible assets	-	-	30,040	30,040	256	30,296
Deferred tax assets	-	-	403	403	340	743
Other assets	-	-	12,808	12,808	(2,785)	10,023
Total assets	**315,498**	**461,448**	**667,441**	**1,444,387**	**(5.118)**	**1,439,269**
Obligations						
Financial liabilities at amortized cost	**484,449**	**656,426**	**8,049**	**1,148,925**	**-**	**1,148,925**
Deposits and loans from banks	-	-	8,049	8,049	-	8,049
Deposits and loans from clients	483,879	655,416	-	1,139,295	-	1,139,295
Lease liabilities	570	1,011	-	1,581	-	1,581
Tax liabilities	-	-	2,392	2,392	(213)	2,179
Other liabilities	-	-	22,902	22,902	-	22,902
Provisions for credit risks and guarantees	-	-	1,745	1,745	1,046	2,791
Provisions for risks and costs	-	-	951	951	-	951
Total liabilities	**484,449**	**656,426**	**36,039**	**1,176,915**	**833**	**1,177,748**
Total capital and reserves	**12,517**	**17,867**	**237,089**	**267,472**	**(5,951)**	**261,521**
Of which net profit for the current year	12,517	17,867	3,170	33,554	(289)	33,265
Total liabilities, capital and reserves	**496,966**	**674,293**	**273,128**	**1,444,387**	**(5,118)**	**1,439,269**

Revenues and results of the segments shown in the previous tables (for the years ending on December 31, 2025 and December 31, 2024) represent revenues generated from the products sold and services provided to clients from these segments.

The result of each segment includes the specified revenues generated from business with the associated group of clients, as well as the associated costs. This represents an approach by which reports are made to managers responsible for making key decisions, with the aim of allocating adequate resources to the segments, as well as analyzing their results. The Bank's revenues from main services are detailed in notes 4.1 and 4.2 with financial statements.

7. Risk Management

Risk management, which the Bank undertakes in its business activities, is carried out through a system of strategies, policies, programs, work procedures and established limits, which are continuously upgraded in accordance with changes in legislation, changes in business activities based on market trends and the development of new products, as well as through the adoption of Group standards regarding risk management. At the level of the Group, there is an entire risk management system based on defined risk appetite, risk strategies and operational policies and procedures, as well as set risk limits.

The Supervisory Board and the Management Board of the Bank prescribe the principles of overall risk management and adopt risk strategies that cover that area of operations. The Risk Committee considers and reports to the Supervisory Board on the implementation of the strategy, the adequacy and method of implementation of adopted policies and other risk management procedures, as well as the adequacy and reliability of the entire risk management system.

In accordance with the Group's policies, the Bank has implemented a standard approach to credit risk according to the Basel III agreement, through an IT platform that complies with the requirements of those standards.

Risk management is the responsibility of the member of the Bank's Management Board in charge of risk management and is organized through the following organizational units:

- Credit Risk Underwriting,
- Monitoring and Special Credit Management and
- Enterprise, Credit and Other Risks.

Within Enterprise, Credit and Other Risks, there are two teams: Integrated Risk, Planning and Reporting and Financial and Non-financial risks. Management of Collaterals, Policies and Procedures is a function that operates within the Enterprise, Credit and Other risks.

The most significant types of risks to which the Bank is exposed are:

- credit risk,
- liquidity risk,
- market risk and
- operational risk.

7.1. Credit Risk

The Bank is exposed to credit risk, which can be defined as the possibility that the debtor will not fulfill their obligations under credit agreements, which results in a financial loss for the Bank. The assumption of credit risk is regulated by specific rules and principles defined by the Group and the local regulator for the areas of credit strategies, policies, model development, risk concentration, collateral management, introduction of new products, monitoring and reporting. Exposure to credit risk is managed in accordance with the Bank's current strategies and policies, as well as other internal acts, prescribed by the Supervisory Board and the Bank's Management Board. Credit risk strategies define the main strategic goals and certain limits in taking credit risk in business with all segments of clients.

The general principles and rules of credit risk management are defined by Group policies, and the Bank applies them in its operations in accordance with the requirements of the regulator and Group standards and best practices.

Credit Risk Measurement

In the measurement of credit risk, the following factors are mainly represented: the risk of loss, which results from the debtor's insolvency, and the risk of loss, which results from a change in the client's risk rating. Factors that are taken into account are the total credit exposure, which includes the Bank's balance sheet and off-balance sheet positions, and the quality and value of collateral instruments.

Credit risk is measured at the level of the individual credit user/transaction and at the level of the overall portfolio. The Bank, with the support of the Group, develops and establishes a system for measuring credit risk on a portfolio basis, applying Basel III basic parameters of credit risk to calculate the expected loss from the credit portfolio, as well as the calculation of risky assets and internal capital requirements to cover unexpected losses due to credit risk based on the calculation of credit VaR ("*Value at Risk* "). Credit VaR as a measure of economic/internal capital is also the basic input for defining credit strategies, analyzing credit limits and risk concentration.

The established reporting system analyzes the main drivers and components of credit risk and their dynamics in order to take corrective activities when necessary and on time. The reports contain information on changes in the size and quality of the loan portfolio at the level of the client segment and for the Bank.

7. Risk management (continued)

7.1. Credit Risk (continued)

Risk Control Policies

The Bank manages, limits and controls concentrations of credit risk wherever such risk is identified, especially with regard to individual clients and/or groups, and industrial sectors.

The Bank establishes the level of credit risk, which it assumes, by setting limits on the amount of risk accepted in relation to one borrower or group, that is, industrial sectors. Such risks are monitored on a regular quarterly basis through a report on the concentration of exposure by industrial sector and compliance with the adopted industrial strategy, which is reported to the Bank's Credit Committee.

In addition, through the regular monthly report for the Financial and Credit Risks Committee, Risk Management reports to the Financial and Credit Risks Committee about the defined limits at the level of the Bank. The Risk Committee and the Supervisory Board are regularly informed about the concentration of credit risk.

The Financial and Credit Risks Committee, the Management Board and the Supervisory Board of the Bank are regularly informed of all significant changes in the amount and quality of the portfolio.

Credit risk is also managed by regular analysis of borrowers' ability and potential repayment of principal and interest obligations, and by changing credit limits where necessary.

In order to minimize risks in credit operations, the Bank has established a system with policies for defining, evaluating and treating collateral, which serves to ensure the collection of claims, and takes acceptable collateral as security for the collection of its claims. Acceptable collateral is a pledge, which has a known active market and stable prices, the value of which is satisfactory in relation to the Bank's claims and which is sufficient to protect the Bank from possible loss of principal, interest, fees and collection costs.

7. Risk Management (continued)

7.1. Credit Risk (continued)

Maximum Gross Credit Risk Exposure for On- and Off-Balance Sheet Items

	Note	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Balance sheet assets			
Cash and cash equivalents	5.1.	244,521	201,845
Financial assets at fair value through other comprehensive income	5.2.	170,526	86,872
Financial assets at amortized cost		**1,090,769**	**1,109,491**
Mandatory reserve with the Central Bank	5.3.	122,811	108,530
Loans and receivables from banks	5.4.	36,366	226,762
Loans and receivables from clients	5.5.	931,593	774,198
Other assets	5.8.	10,803	10,023
Total balance sheet assets exposed to credit risk		**1,516,618**	**1,408,231**
Off-balance sheet assets	5.17.		
Guarantees and other sureties		158,046	111,909
Approved overdrafts, credit lines and guarantees		165,442	99,264
Total off-balance sheet assets exposed to credit risk		**323,489**	**211,173**
Maximum exposure to credit risk		**1,840,107**	**1,619,404**

The Bank takes collateral for loans and claims in the form of cash deposits, guarantees, real estate mortgages, and other property insurance and guarantees. Initial assessments of the value of collateral, i.e. real estate, are already done when approving a credit application, i.e. they are an integral part of the process of approving credit applications from clients.

Re-evaluations are made in accordance with the defined principles and rules of the collateral management system.

In order for real estate to be recognized as collateral, it is necessary to regularly monitor and revise the value of residential real estate once every three years, and business real estate once a year. More frequent monitoring and verification is necessary in case of significant changes in market conditions.

In order to comply with group credit risk reduction techniques, the Bank has implemented the functionality of automatic monitoring of expired real estate insurance policies and expired appraisals, and corrective factors have been introduced in case of currency mismatch of collateral and placement. Corrective factors are not applied if the collateral is real estate or movable property in the EUR/BAM currency during the time the currency board is in effect.

Allocation of loan collateral is done in accordance with prioritization rules. The allocation of collateral to an individual exposure does not exceed the exposure of that placement. Reductions are applied to the market value of the collateral (depending on the type of collateral - residential real estate 30%, commercial real estate 40%-50%, depending on whether there is a currency mismatch, the haircut depends on the type of currency, and depending on whether there is a maturity mismatch between the maturity date of the loan and the collateral). Pledged deposits are in the collateral provider's account at the Bank and are blocked for the entire duration of the pledge.

7. Risk Management (continued)

7.1. Credit Risk (continued)

The Bank's gross and net exposure to credit risk is shown below:

December 31, 2025	Exposures in performing status			Exposures in non-performing status			Total		
Financial instruments	Gross BAM 000	ECL BAM 000	Net BAM 000	Gross BAM 000	ECL BAM 000	Net BAM 000	Gross BAM 000	ECL BAM 000	Net BAM 000
Financial instruments that are decreased by ECL									
Cash and cash equivalents	245,043	(522)	244,521	-	-	-	245,043	(522)	244,521
Financial assets at amortized cost	**1,114,355**	**(26,620)**	**1,087,735**	**17,473**	**(14,438)**	**3,034**	**1,131,827**	**(41,058)**	**1,090,769**
Mandatory reserve with the Central Bank	123,138	(327)	122,811	-	-	-	123,138	(327)	122,811
Loans and receivables from banks	36,403	(37)	36,366	-	-	-	36,403	(37)	36,366
Loans and receivables from clients	954,814	(26,256)	928,558	17,473	(14,438)	3,034	972,287	(40,694)	931,593
Other assets	10,856	(221)	10,635	3,528	(3,360)	168	14,384	(3,581)	10,803
Financial instruments which are not decreased by ECL									
Financial assets at fair value through OCI*	170,526	(455)	170,071	-	-	-	170,526	(455)	170,071
Total balance sheet assets exposed to credit risk	**1,540,779**	**(27,817)**	**1,512,962**	**21,001**	**(17,799)**	**3,202**	**1,561,780**	**(45,616)**	**1,516,164**
Total foreign assets exposed to credit risk	**323,454**	**(4,838)**	**318,616**	**35**	**(30)**	**5**	**323,489**	**(4,868)**	**318,620**

** ECL goes through capital and does not reduce exposure on assets*

December 31, 2024	Exposures in performing status			Exposures in non-performing status			Total		
Financial instruments	Gross BAM 000	ECL BAM 000	Net BAM 000	Gross BAM 000	ECL BAM 000	Net BAM 000	Gross BAM 000	ECL BAM 000	Net BAM 000
Financial instruments that are decreased by ECL									
Cash and cash equivalents	202,320	(475)	201,845	-	-	-	202,320	(475)	201,845
Financial assets at amortized cost	**1,121,081**	**(18,859)**	**1,102,222**	**33,006**	**(25,737)**	**7,269**	**1,154,087**	**(44,596)**	**1,109,491**
Mandatory reserve with the Central Bank	108,957	(427)	108,530	-	-	-	108,957	(427)	108,530
Loans and receivables from banks	227,154	(392)	226,762	-	-	-	227,154	(392)	226,762
Loans and receivables from clients	784,969	(18,040)	766,929	33,006	(25,737)	7,269	817,975	(43,777)	774,198
Other assets	7,235	(211)	7,024	5,858	(2,859)	2,999	13,093	(3,070)	10,023
Financial instruments which are not decreased by ECL									
Financial assets at fair value through OCI*	86,872	(348)	86,524	-	-	-	86,872	(348)	86,524
Total balance sheet assets exposed to credit risk	**1,417,508**	**(19,893)**	**1,397,615**	**38,864**	**(28,596)**	**10,268**	**1,456,372**	**(48,489)**	**1,407,883**
Total foreign assets exposed to credit risk	**211,150**	**(2,771)**	**208,379**	**23**	**(20)**	**3**	**211,173**	**(2,791)**	**208,382**

7. Risk Management (continued)

7.1. Credit Risk (continued)

Received Collaterals and Other Credit Security Instruments

The Bank defines a policy for managing credit risk mitigation techniques, which aims to ensure optimal management of security instruments and mitigate potential losses on placements in the event of default.
The efficient application of credit risk mitigation techniques in the Bank's business processes leads to the optimization of the use of capital.
Collateral assessment is one of the basic elements of the loan approval process, in addition to assessing the client's creditworthiness.
The quality of the client is based on the assessment of creditworthiness and the quality of the business relationship with the Bank. Collateral can never be a substitute for a client's rating. If the rating or creditworthiness of the client is not adequate, the loan cannot be approved. Collateral instruments serve the Bank to protect itself in case of default, when the debtor is unable to make payments.

The basic condition for accepting security instruments is legal execution. It is necessary to make careful efforts and work diligently to ensure that the possibility of collection from security instruments is not jeopardized for legal reasons.

Careful and adequate collateral management is required, in terms of continuous monitoring and assessment. The estimated collateral must be monitored regularly, at least once a year. More regular monitoring and supervision is necessary in case of significant changes in market conditions.

In applying the credit risk mitigation technique, the Bank emphasizes the importance of the process and control of legal protection requirements, as well as the assessment of the suitability of collateral.

December 31, 2025	Gross exposure	Allocated collateral value					
		Deposits	Guarantees received	Mortgages	Other	Total hedging instruments	Net exposure
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Balance sheet assets							
Cash and cash equivalents	244,521	-	-	-	-	-	244,521
Financial assets at fair value through OCI	170,526	-	-	-	-	-	170,526
Financial assets at amortized cost	**1,090,769**	**3,746**	**42,950**	**199,061**	**45,075**	**290,832**	**799,937**
Reserve requirement at the CB	122,811	-	-	-	-	-	122,811
Loans and receivables from banks	36,366	-	-	-	-	-	36,366
Loans and receivables from clients	931,593	3,746	42,950	199,061	45,075	290,832	640,760
Other assets	10,803					-	10,803
Total balance sheet assets exposed to credit risk	**1,516,618**	**3,746**	**42,950**	**199,061**	**45,075**	**290,832**	**1,225,786**
Off-balance sheet assets						**-**	**-**
Guarantees and other sureties	158,046	599	-	10,326	23,623	34,549	123,498
Approved overdrafts, credit lines and guarantees	165,442	-	-	-	-	-	165,442
Total off-balance sheet assets exposed to credit risk	**323,489**	**599**	**-**	**10,326**	**23,623**	**34,549**	**288,940**
Total on-balance sheet and off-balance sheet exposure	**1,840,107**	**4,346**	**42,950**	**209,387**	**68,698**	**325,381**	**1,514,726**

7. Risk Management (continued)

7.1. Credit Risk (continued)

Received Collateral and Other Credit Security Instruments (continued)

December 31, 2024	Gross exposure	Allocated collateral value					Net exposure
		Deposits	Guarantees received	Mortgages	Other	Total hedging instruments	
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Balance sheet assets							
Cash and cash equivalents	201,845	-	-	-	-	-	201,845
Financial assets at fair value through other comprehensive income	86,872	-	-	-	-	-	86,872
Financial assets at amortized cost	**1,109,491**	**3,695**	**59,250**	**168,211**	**10,380**	**241,536**	**867,954**
Reserve requirement at the CB	108,530	-	-	-	-	-	108,530
Loans and receivables from banks	226,762	-	-	-	-	-	226,762
Loans and receivables from clients	774,198	3,695	59,250	168,211	10,380	241,536	532,662
Other assets	10,023	-	-	-	-	-	10,023
Total balance sheet assets	**1,408,231**	**3,695**	**59,250**	**168,211**	**10,380**	**241,536**	**1,166,694**
Off-balance sheet assets							
Guarantees and other sureties	111,909	6,053	-	10,836	8,023	24,912	86,998
Approved overdrafts, credit lines and guarantees	99,264	-	-	-	-	-	99,264
Total off-balance sheet assets	**211,173**	**6,053**	**-**	**10,836**	**8,023**	**24,912**	**186,262**
Total balance sheet and off-balance sheet exposure to credit risk	**1,619,404**	**9,748**	**59,250**	**179,047**	**18,403**	**266,448**	**1,352,956**

7. Risk Management (continued)

7.1. Credit Risk (continued)

Allowance for Expected Credit Losses (ECL)

With each reporting date, the Bank checks whether there are objective signs of impairment of financial assets, as previously explained in Note 3.12. For the purposes of credit monitoring and credit risk management, the Bank divides the credit portfolio into the following groups:

- Level 1 and 2: performing loans and
- Level 3: non-performing loans.

Financial assets, consisting of securities (Sec), are classified in level 1 of credit risk, in accordance with the BARS regulation, which defines that all placements to central governments are assigned to level 1, while, in accordance with the group approach, in reports to the Group, the Bank classified them in level 2, considering that they do not have an investment grade ("*noninvestment grade*").

The value correction for expected credit losses also includes the FLI (forward looking information) component, that is, it takes into account the impact of macroeconomic trends on the credit risk to which the Bank is exposed.

Definition of Default Status and Recovery

The client is in default if they are late in paying the material amount for more than 90 consecutive calendar days or when it is unlikely that they will pay one of their obligations in full (UTP event).
The Bank and the Group apply days past due counter that takes into account the materiality threshold. Significant material liability is assumed when the Bank's claims from legal entities are greater than BAM 1,000 and 1% of the debtor's exposure, and from private individuals greater than 1% of the debtor's exposure and BAM 200.
The collection period is defined as an indicator of the borrower's ability and willingness to fulfill contractual collection conditions.
This period is also intended to prevent repeat defaults by the debtor shortly after the payment / agreement / entry into force of the postponement.
The collection period (reacting) implies that no new event of non-fulfillment of obligations can occur during this period and that the amount of overdue receivables must not exceed the defined materiality threshold.

PD Assessment Process

Probability of default (PD) is an assessment of the probability of default, that is, of the client's transition into default status. It gives an estimate of the probability that the client will not be able to settle his obligations within a certain period of time.
The probability of default (PD) reflects the 12-month probability of default based on a long-term average of the one-year default rate which is then adjusted to a point in time, as described in more detail below.
There are two approaches to determining PD for the purposes of calculating impairment.
For the low-risk portfolio (sovereign, banks), the Group coefficient is applied to PD based on the group's rating model, and for the rest of the portfolio, the Bank's internal data is used, i.e. PD created based on data on the historical default rate of individual exposure groups based on days past due and types of products.

EAD

EAD (Exposure at Default) is a measure of exposure at the time of the event of default. The duration of the EAD is obtained taking into account the expected changes in future periods, based on the repayment plan.
The above estimate includes balance and off-balance items (guarantees, letters of credit and the unused part of loans and guarantee frameworks), later weighted so-called CCF factor (credit conversion factor).
Minimum rates Expected credit losses prescribed by the Decision on Credit Risk Management and Determination of Expected Credit Losses are calculated on the total exposure, which represents the gross carrying value of the balance sheet and off-balance sheet asset item.

7. Risk Management (continued)

7.1. Credit Risk (continued)

LGD

LGD (Loss Given Default) represents the percentage of the estimated loss, and thus the expected rate of return, on the date of occurrence of the default event.
To estimate the LGD, the Bank segmented the portfolio for Corporate and Retail into homogeneous portfolios based on key characteristics that are relevant for the assessment of future cash flows. The data used is based on historically collected loss data and includes a broader set of transaction characteristics (e.g. product type).
LGD is calculated on the basis of the recovery rate and discounted values of the collateral after applying the haircut and the efficiency factor (calculated on the basis of historical information on collateral indebtedness).
PD and LGD adjustments are applied according to the requirements of IFRS 9:

- Applying PIT adjustments instead of TTC;
- Inclusion of FLI information;
- Expanding credit risk parameters in a multi-year perspective.

Incorporation of Forward-looking Information

Since IFRS 9 requires the use of point-in-time PDs as well as forward-looking PDs, the lifetime PD TTC curves are adjusted using the default rate delta (forward-looking component) provided by Group (Satellite models), which is applied on top of the most recent default rate (Default Rate, PIT component).
The Group has a special team that develops models for obtaining estimates of forward-looking parameters, i.e. PD/LGD deltas by country, which are then incorporated into local PD/LGD models. The Bank's role in the development of satellite models is reflected in the delivery of time series data that is used as model input. Estimates of forward-looking parameters are obtained at the country level, whereby the Group aggregates the data, thus creating a unified sample for Bosnia and Herzegovina used in modeling. The time series are updated every two years, which results in a new parameterization of the satellite models. The key step in the development of satellite models is the selection of independent variable models (macro-economic variables, e.g. GDP, unemployment rate, oil and other natural resource prices, consumer price index, etc.) - and the same is done through various statistical processes in combination with domain knowledge in order to obtain simple, intuitive and robust assessments of forward-looking parameters. Model validation is performed by the Group before submitting the final deltas that the Bank applies.
The selection of satellite models aims to ensure appropriate alignment between the various processes within the Bank that foresee the use of macroeconomic assessments (e.g. portfolio strategy, budgeting, stress testing).

7. Risk Management (continued)

7.1. Credit Risk (continued)

Incorporation of forward-looking information (continued)

Satellite models are based on internal estimates of macroeconomic indicator forecasts and are developed according to well-known econometric models. The key drivers of credit risk are: GDP growth, unemployment rate, inflation, average salary and real estate price index, on the basis of which the list of variables used for the satellite model is created.
IFRS 9 requires that the estimate of expected credit losses reflect an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.
The chosen approach involved the use of three different macroeconomic scenarios and probability weights for each, namely one basic, one negative and one positive scenario. UniCredit Research Department prepares semi-annual macroeconomic forecasts according to basic and alternative negative scenarios. Each scenario provides three-year forecasts including all relevant macroeconomic factors considered in the satellite models (as shown in the table below). Each scenario is assigned a probability of occurrence, defined by the UniCredit Research Department, ensuring that the probability of negative scenarios is not biased towards extreme scenarios, otherwise the range and severity of scenarios would not be representative. The "average" scenario is defined as the weighted average of the DR deltas given in each of the previously mentioned scenarios.
Consideration of multiple scenarios is relevant if there is a non-linear relationship between the key components of the ECL and the relevant economic parameter.
Meeting the requirements of the standard explained above would require calculating the ECL under multiple scenarios and deriving a weighted average ECL based on the probability of each scenario occurring. Alternatively, banks are allowed to perform a multi-scenario overlay factor to take into account the non-linearity of the ECL risk components and relevant economic parameters. Running multiple scenarios as part of the loss provisioning process would not fit the loss provisioning timeline and was considered an unnecessary expense and effort for the Bank. Therefore, it was decided to take into account multiple macroeconomic scenarios based on the assessment of the annual overlay factor (multi-scenario overlay factor) that will be applied to the ECL calculated according to the base scenario.
A simple and straightforward approach to obtain the overlay factor consists in determining the ratio between the weighted probability of the ECL and the ECL under the base scenario as shown below:

$$Overlay\ factor = \frac{ECL_{weighted}}{ECL_{basic}}$$

The weighted ECL is calculated based on the probability of the scenario (for 2025, 60% basic, 35% negative and 5% positive):

$$\text{ECL weighted} = 60\%\text{*ECL basic} + 35\%\ \ \text{ECL negative} + 5\%\ \text{ECL positive}$$

Overlay factor (multi-scenario overlay factor) is calibrated on a semi-annual basis as soon as new forecasts and weights for multiple scenarios are available.
Multi-scenario overlay factors on portfolios across the Group (sovereign, banks) are assessed centrally and shared with the Bank in time for local application in the monthly provisioning process for loan losses.

Finally, it is underlined that the multi-scenario overlay factor is not an estimated parameter, but a multiplicative factor applied to the basic ECL to obtain the final ECL, which is a probability-weighted amount determined by evaluating a range of possible outcomes.
The final ECL is calculated as follows:

$$ECL_{final} = ECL_{basic} \times Overlay\ factor$$

The following table provides a list of macroeconomic assumptions used in the base and negative scenarios during the three-year period.

				Baseline scenario (weight 60%)				Negative scenario (weight 35%)				Positive scenario (weight 5%)			
Macroeconomic scenario	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2025**	**2026**	**2027**	**2028**	**2025**	**2026**	**2027**	**2028**
Real GDP, yoy % change	3,9	1,6	2,5	2,5	3,0	3,2	3,2	2,5	2,0	0,6	1,8	2,5	4,0	4,0	3,7
Inflation (CPI) yoy, eop	14,8	2,2	2,2	3,5	2,0	2,0	2,0	3,5	1,5	1,6	1,9	3,5	2,5	2,5	2,2
Inflation (CPI) yoy, average	14,0	6,1	1,7	4,0	1,8	2,0	2,0	4,0	1,5	1,5	1,8	4,0	2,3	2,5	2,2
Monthly Wage, nominal EUR	880,7	994,0	1091,0	1233,1	1289,8	1356,4	1427,8	1233,1	1273,1	1296,7	1338,2	1233,1	1304,5	1372,5	1434,8
Unemployment rate, %	30,1	29,1	27,8	27,0	25,5	24,0	22,5	27,0	26,5	27,5	25,5	27,0	25,0	23,5	22,0
House Price Index, yoy % change	10,0	0,5	12,7	7,0	6,0	6,0	6,0	7,0	4,0	2,0	3,0	7,0	7,0	7,0	7,0

7. Risk Management (continued)

7.1. Credit Risk (continued)

Sensitivity of ECL to Future Economic Conditions

The displayed values refer to ECL for total EAD by portfolio segments for the purposes of group consolidation (based on internal models) and are not adjusted for minimum coverage rates defined for local reporting purposes in accordance with the Decision on Credit Risk Management and Determination of Expected Credit Losses.

The sensitivity of ECL was estimated as the ratio between:

- differences between ECL according to the alternative scenario (negative); according to the positive scenario and according to the basic scenario;
- deviations of GDP (on a cumulative three-year basis) between the negative and base scenarios (in % points) and between the positive and base scenarios (in % points).

The following assumptions are implied:

- GDP forecast (over 3 years) is assumed to be the most relevant economic factor that is an indicator of the severity of the scenario.

The analysis of the sensitivity of ECL to changes in GDP based on the presented scenarios showed that for a 1% drop in GDP, the ECL portfolio that is affected increases by 0.1%.

										IFRS9 25q4	
Cumulative 3-year GDP growth in %			ECL amount (KM/million)			ECL difference compared to Basic	ECL difference compared to Basic	% ECL difference compared to Basic	% ECL difference compared to Basic	Sensitivity of ECL to 3-year cumulated GDP (in KM)	Sensitivity of ECL to 3-year cumulated GDP (in %)
Baseline scenario	Negative Scenario	Positive scenario	Baseline scenario	Negative Scenario	Positive scenario	Negative Scenario	Positive scenario	Negative Scenario	Positive scenario	For a 1 bp GDP decline (based on a 3-year cumulative)	
8,7	5,1	10,5	38,13	38,45	37,97	-0,32	0,16	0,8%	0,4%	0,16	0,14%

Geopolitical Overlay as a Result of the Russian-Ukrainian Crisis

Since 2022, UniCredit has dealt with the growing geopolitical risks caused by the crisis between Russia and Ukraine in a timely manner, applying additional (overlay) measures to corporate and retail segments that were considered to be vulnerable in the event of a negative development scenario. Intensifying geopolitical and trade tensions – including renewed global protectionism, fragmentation of supply chains and prolonged market uncertainty – have heightened the risk of adverse credit outcomes. Geopolitical risks are increasingly evolving towards trade tensions, while the risks underlying existing overlays are gradually receding due to the easing of previous tensions in energy supply and the stabilization of inflation and interest rates. As a consequence, existing management overlays related to geopolitical risk must be re-evaluated to provide a more consistent and forward-looking quantification of potential losses.

The development of the overlay framework envisages more detailed, sector-based quantification to capture the level of sensitivity of different industries to export vulnerability, including proactive staging classification for clients identified through overlay segment monitoring.

The methodological approach of the reassessment of the corporate geopolitical overlay is based on the IFRS9 “Adverse” scenario, which serves as a starting point. This scenario, which already includes worsening global trade and geopolitical tensions, provides a robust and internally validated framework on which to base the revised analysis.

The forecasts of macro factors included in the IFRS9 scenario are further supplemented by sectoral dynamics. Namely, the Group’s forecasts for the investment strategy include projections of only key macro factors (e.g. GDP, interest rates, etc.), but not sector dynamics. In order to adequately take into account the expected sectoral changes, in addition to the IFRS9 “Adverse” scenario, sector-specific impacts are also included in order to cover the vulnerabilities arising from:

- trade tensions and supply chain disruptions, including spillover effects on interconnected industries
- movements of the euro-US dollar exchange rate, which affect external demand

In this way, the evolution of the default rate (DR) by sector is modeled as a combined result of satellite and sector models, which includes both macroeconomic and sector-specific drivers.

As with the existing geopolitical overlay, the methodological approach is centrally designed, formalized and forwarded to local risk management functions for application in their competent segments.

Loan loss provisions as of December 31, 2025 include the effect of geopolitical overlay in the amount of BAM 3,099 thousand and consist of the following items:

- Legal entities: an overlay effect for legal entities belonging to energy-intensive industry sectors that are more likely to be more affected by spillover effects related to the crisis in Russia and Ukraine, especially from the aspect of energy supply and related price growth.

7. Risk Management (continued)

7.1. Credit Risk (continued)

Sensitivity of ECL to Future Economic Conditions

As far as calculations are concerned, credit exposures belonging to the mentioned categories are identified according to their specific, described characteristics. Starting from this, the satellite models are guided by the application of macroeconomic indicators from the recessionary scenario used for the preparation of the Bank's three-year business plan, in order to determine the necessary adjustment of the existing default rate.

The re-evaluated geopolitical corporate overlay will apply to the relevant portfolio starting from the end of 2025 (YE25). In accordance with the re-evaluated geopolitical corporate overlay assessment approach, which ensures full alignment between the assessment perimeter and the application perimeter, the amount of overlay to be allocated to each industry sector corresponds to the amount estimated based on its specific parameters.
In addition, the attribution process still aims to allocate LLP by focusing on riskiness in terms of staging, relying on the ability of the SICR framework to be sensitive to all the risk signals that are currently present. As such, given the PD results obtained from the model and the different levels of default risk built into the staging framework, this approach is used to allocate the LLP resulting from the geopolitical corporate overlay.
In more detail, taking into account the latest portfolio included in the application of the geopolitical corporate overlay, it is necessary to calculate the following ratio:

x% = (avg IFRS9 1Y PD_Stage2) / (avg IFRS9 1Y PD_Stage1 + avg IFRS9 1Y PD_Stage2)

Where:

- avg IFRS9 1Y PD_Stage2 is the average IFRS9 one-year PD for positions in Stage 2 that belong to the scope of the application of the geopolitical corporate overlay on the latest portfolio,
- avg IFRS9 1Y PD_Stage1 is the average IFRS9 one-year PD for Stage 1 positions in the same scope.

After that, at least x% of the total additional LLP due to the geopolitical corporate overlay should be allocated to Stage 2 positions in each sector of the relevant portfolio, while the remaining (1 – x%) is allocated to Stage 1 positions.
This procedure provides a risk-based allocation, whereby the greater part of the overlay is allocated to positions that have already shown a significant increase in credit risk — proportional to the values of IFRS9 1Y PD. Thus, the higher the risk of Stage 2 positions relative to Stage 1, the greater the geopolitical corporate overlay will be applied to those positions.

7. Risk Management (continued)

7.1. Credit Risk (continued)

Geopolitical Overlay as a Result of the Russian-Ukrainian Crisis (continued)

Such adjusted default rate is then applied to the relevant categories to estimate the expected new exposure inflows into the default status, the additional provisions of which are then calculated according to the average coverage rate applied to loans classified as "Unlikely to pay".

The geopolitical overlay is a multiplicative overlay that is applied to the calculated ECL following the formula

$$ECL_{Geo-political} = ECL \times Overlay_{Geo-political}$$

Grouping of Financial Resources Measured on a Collective and Individual Approach

In order to determine the impairment of loans and receivables, the Bank differentiates between two approaches:
- loans, which are assessed individually
- loans, which are assessed on a portfolio basis.

Loans, which are Assessed Individually

Individually significant loans are assessed individually, in order to determine whether there are objective signs of impairment. There are many factors that can affect the ability and willingness of each individual debtor to fulfill their obligation to the Bank, and they are divided into strong and weak conditions of UTP ("*unlikely to pay*"), and some of them are given below:
- default or delay in payment of interest or principal,
- failure to comply with the terms of the contract,
- changes in enforcement or bankruptcy proceedings,
- specific information about business difficulties (e.g. expressed in the client's insufficient liquidity),
- significant changes in the client's market environment, and
- global economic situation.

A detailed overview and description of UTP conditions is defined in the Guideline on the Default Event Definition.

Loans, which are assessed on a Portfolio Basis

For the purpose of assessing loan impairment, which are not individually significant, loans are grouped based on similar credit risk characteristics. The Bank segmented the portfolio and, within it, divided it into risk groups based on the rating for legal entities and types of products and days of delay for private individuals, and accordingly, by applying the parameters (probability of default, loss given default and the amount the Bank claims in the event of default) established by Basel III standards and harmonized with IFRS requirements, as well as the BARS Decision, it creates impairment.

The rating of the client class of legal entities implies a certain range of PD at the inception. The final rating of the client is influenced by financial and qualitative ratings. The financial rating is determined on the basis of financial indicators available in the client's financial statements, such as the ratio of capital, liquidity, ROI, and the size of the client. The qualitative rating is determined on the basis of qualitative data such as the management structure, accounting and information systems, technical equipment, and the state of the market and competition.

7. Risk Management (continued)

7.1. Credit Risk (continued)

Manual Adjustments for Clients with Significantly Increased Credit Risk

For clients, for whom a significantly increased exposure to credit risk has been identified, i.e. clients classified in credit risk level 2, in exceptional cases, where it has been established that the calculation on a portfolio basis does not reflect the identified level of credit risk of the client, the Bank reserves the right to individual assessment of ECL. This is especially true for clients classified as clients on the Watch List (WL), performance status code (*PSC CODE* 600 and 601) and clients classified as restructuring (PSC 651), who are still in the income portfolio.

The proposed amount of ECL is determined by Monitoring and Special Credits Management for legal entities, whereby the amount of ECL cannot be higher than the minimum defined amount of ECL for exposures in default status, for which the ECL calculation is determined according to the principle of individual assessment. The approval of the proposed ECL amounts is the responsibility of the Bank's Credit Committee.

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

The analysis of the loan portfolio in accordance with the mentioned categories is given below:

	December 31, 2025			December 31, 2024		
	Gross loans	Impairment	%	Gross loans	Impairment	%
	BAM 000	BAM 000		BAM 000	BAM 000	
Level 1 credit risk						
loans to legal entities	343,859	5,108	1.5%	296,261	4,452	1.5%
loans to private individuals	489,896	3,298	0.7%	416,224	4,080	1.0%
Total level 1	**833,755**	**8,406**	**1.0%**	**712,485**	**8,532**	**1.2%**
Level 2 credit risk						
loans to legal entities	67,153	12,477	18.6%	29,583	4,853	16.4%
loans to private individuals	53,907	5,373	10.0%	42,759	4,721	11.0%
Total level 2	**121,060**	**17,850**	**14.7%**	**72,342**	**9,575**	**13.2%**
Level 3 credit risk						
loans to legal entities	5,567	2,945	52.9%	19,469	12,766	65.6%
loans to private individuals	11,906	11,493	96.5%	13,679	12,904	94.3%
Total level 3	**17,473**	**14,438**	**82.6%**	**33,148**	**25,670**	**77.4%**
Total loans	**972,287**	**40,694**	**4.2%**	**817,975**	**43,777**	**5.4%**

The coverage of the non-performing loans portfolio by impairment (ECL) is 82.6% (2024: 77.4%).

7. Risk Management (continued)

7.1. Credit Risk (continued)

Below is an analysis of gross and net loans and receivables from clients:

	December 31, 2025			December 31, 2024		
	Undue	Due	Total	Undue	Due	Total
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Legal entities						
Credit risk level 1	340,590	3,268	343,859	293,277	2,984	296,261
(Loss allowance)	(5,050)	(57)	(5,108)	(4,411)	(41)	(4,452)
Credit risk level 2	66,453	700	67,153	28,249	1,334	29,583
(Loss allowance)	(12,395)	(82)	(12,477)	(4,663)	(190)	(4,853)
Credit risk level 3	5,071	496	5,567	19,377	92	19,469
(Value adjustment)	(2,621)	(324)	(2,945)	(12,698)	(68)	(12,766)
Gross exposure of legal entities	**412,114**	**4,464**	**416,578**	**340,903**	**4,411**	**345,314**
(Loss allowance)	**(20,067)**	**(463)**	**(20,530)**	**(21,772)**	**(299)**	**(22,071)**
Net exposure of legal entities	**392,047**	**4,001**	**396,048**	**319,131**	**4,111**	**323,242**
Private individuals						
Credit risk level 1	488,553	1,343	489,896	414,370	1,854	416,224
(Loss allowance)	(3,284)	(15)	(3,298)	(4,048)	(32)	(4,080)
Credit risk level 2	53,594	313	53,907	42,392	367	42,759
(Loss allowance)	(5,325)	(48)	(5,373)	(4,659)	(62)	(4,721)
Credit risk level 3	6,933	4,973	11,906	7,830	5,849	13,679
(Loss allowance)	(6,614)	(4,879)	(11,493)	(7,219)	(5,685)	(12,904)
Gross exposure to private individuals	**549,080**	**6,629**	**555,709**	**464,591**	**8,070**	**472,661**
(Loss allowance)	**(15,223)**	**(4,941)**	**(20,165)**	**(15,927)**	**(5,779)**	**(21,706)**
Net exposure of private individuals	**533,857**	**1,688**	**535,544**	**448,665**	**2,291**	**450,956**
Total gross loans	**961,194**	**11,093**	**972,287**	**805,494**	**12,480**	**817,975**
(Total loss allowance)	**(35,290)**	**(5,404)**	**(40,694)**	**(37,699)**	**(6,078)**	**(43,777)**
Total net loans	**925,904**	**5,689**	**931,593**	**767,796**	**6,402**	**774,198**

Level 1 and 2: undue performing loans

The quality of the portfolio of loans to clients that have not matured can be assessed on the basis of internal standard monitoring. Client loans are regularly monitored and systematically reviewed to detect irregularities or warning signs. They are the subject of constant monitoring with the aim of taking timely activities, which are aligned with the improvement/deterioration of the client's risk profile.

7. Risk Management (continued)

7.1. Credit Risk (continued)

An overview of the gross exposure of overdue loans executed by type of client is as follows:

	Loans to private individuals				Loans to legal entities			
	Consumer loans	Housing loans	Credit cards and overdrafts on current accounts	Total	Public and financial sector and international clients	Domestic businesses	Business banking	Total
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
December 31, 2025								
Level 1 Standard Monitoring	338,999	133,398	16,156	488,553	82,349	252,513	5,728	340,590
Level 2 Standard Monitoring	30,224	21,852	1,518	53,594	7,739	57,930	784	66,453
December 31, 2024								
Level 1 Standard Monitoring	295,211	102,063	17,095	414,370	103,113	180,812	9,351	293,277
Level 2 Standard Monitoring	29,293	11,517	1,582	42,392	15,960	12,063	225	28,249

7. Risk Management (continued)

7.1. Credit Risk (continued)

Level 1 and 2: due performing loans

The gross amount of overdue loans that are executed and receivables from clients are shown in the table below:

	Consumer loans	Housing loans	Credit cards and overdrafts on current accounts	Total	Public and financial sector and international clients	Domestic businesses	Business banking	Total
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
December 31, 2025								
Due – Level 1								
up to 30 dpd	804	261	278	1,343	439	2,657	172	3,268
from 30 to 60 dpd	-	-	-	-	-	-	-	-
from 60 to 90 dpd	-	-	-	-	-	-	-	-
over 90 dpd	-	-	-	-	-	-	-	-
Total	**804**	**261**	**278**	**1,343**	**439**	**2 657**	**172**	**3,268**
Collateral value	**494**	**32,275**	**-**	**32,769**	**9,199**	**61,191**	**1,282**	**71,672**
Due – Level 2								
up to 30 dpd	148	28	23	199	87	527	16	629
from 30 to 60 dpd	70	11	10	91	-	71	-	71
from 60 to 90 dpd	11	-	12	24	-	-	-	-
over 90 dpd	-	-	-	-	-	-	-	-
Total	**229**	**39**	**45**	**313**	**87**	**598**	**16**	**700**
Collateral value	**65**	**2,857**	**-**	**2,921**	**898**	**7,136**	**-**	**8,034**
December 31, 2024								
Due – Level 1								
up to 30 dpd	1,161	282	411	1,854	419	2,128	437	2,984
from 30 to 60 dpd	-	-	-	-	-	-	-	-
from 60 to 90 dpd	-	-	-	-	-	-	-	-
over 90 dpd	-	-	-	-	-	-	-	-
Total	**1,161**	**282**	**411**	**1,854**	**419**	**2,128**	**437**	**2,984**
Collateral value	**171**	**38,982**	**-**	**39,153**	**12,503**	**31,832**	**2,797**	**47,132**
Due – Level 2								
up to 30 dpd	195	43	31	269	147	365	13	525
from 30 to 60 dpd	46	7	17	70	-	8	2	10
from 60 to 90 dpd	22	1	5	28	-	799	-	799
over 90 dpd	-	-	-	-	-	-	-	-
Total	**263**	**52**	**53**	**367**	**147**	**1,173**	**14**	**1,334**
Collateral value	**46**	**4,249**	**-**	**4,295**	**5,797**	**5,198**	**85**	**11,080**

7. Risk management (continued)

7.1. Credit Risk (continued)

Level 3: non-performing loans

The breakdown of non-performing loans from clients, together with the allocated value of related collateral, is as follows:

	Loans to individuals				Loans to legal entities			
	Consumer loans	Housing loans	Credit cards and overdrafts on current accounts	Total	Public and financial sector and international clients	Domestic businesses	Business banking	Total
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
December 31, 2025								
Level 3 credit risk	10,162	951	792	11,906	5,096	205	266	5,567
Collateral value	6	733	-	739	4,077	-	-	4,077
December 31, 2024								
Level 3 credit risk	11,352	1,384	943	13,679	-	19,215	254	19,469
Collateral value	8	1,237	-	1,245	-	12,835	-	12,835

7. Risk Management (continued)

7.1. Credit Risk (continued)

Restructured Loans and Receivables

During the year, the Bank restructured certain loans to clients, with the aim of improving their ultimate collectability. Restructuring is mainly carried out due to the deterioration or prevention of further deterioration of the client's financial position based on the analysis of the possibility of successful restructuring, with the aim of eliminating difficulties in the client's business within a defined period and returning the client to a profitable portfolio.

Restructured loans as of December 31, 2025 (exposure to all restructured placements, regardless of whether they are under the jurisdiction of Business segments or Monitoring and Special Credit Management) totaled BAM 19,334 thousand (December 31, 2024: BAM 20,428 thousand).

The reduction of the total exposure of restructured placements is the result of regular repayment.

	December 31, 2025	December 31, 2024
	BAM 000	BAM 000
Restructured loans	19,334	20,428
Gross loan portfolio	972,287	817,975
The share of restructured loans in the gross loan portfolio	**2.0%**	**2.5%**

Restructured exposures by credit risk levels are shown in the table below:

	Restructured exposures (credit risk level)					
	Level 1		Level 2		Level 3	
	Restructured exposure gross	Loss allowance	Restructured exposure gross	Loss allowance	Restructured exposure gross	Loss allowance
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
December 31, 2025						
Individuals	-	-	207	11	325	309
Legal entities	-	-	18,552	7,384	250	250
Total	-	-	18,759	7,395	575	559
December 31, 2024						
Private individuals	-	-	388	29	431	415
Legal entities	-	-	130	41	19,479	12,755
Total	-	-	518	70	19,910	13,170

Geographic Concentration of Credit Risk

The geographic concentration of the risk of the loan portfolio fully refers to legal entities and private individuals and other entities located in Bosnia and Herzegovina.

7. Risk management (continued)

7.1. Credit Risk (continued)

Concentration of Credit Risk by Industry

The Bank's loan portfolio as of December 31, 2025 and December 31, 2024 is analyzed according to economic branches in the following table:

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Legal entities and entrepreneurs		
Agriculture, forestry and fishing	4,535	3,430
Mining of ores and stones	1,552	1,771
Manufacturing industry	106,310	81,298
Production and supply of electricity and gas	9,614	1,285
Water supply and environmental remediation activities	3,208	231
Construction	34,423	21,062
Wholesale and retail trade	84,206	62,377
Transportation and storage	26,107	28,729
Hotel and catering activities	17,344	75
Information and communications	1,013	4,035
Financial activities and insurance activities	34,288	10,924
Real estate business	-	3
Professional, scientific and technical activities	3,893	15,544
Administrative and support service activities	5,099	5,490
Public administration and defense, mandatory social insurance	64,841	83,189
Education	-	2
Health and social protection activities	19,670	25,664
Arts, entertainment and recreation	50	50
Other service activities	425	155
Total loans to legal entities and entrepreneurs	**416,578**	**345,314**
Total loans to private individuals	**555,709**	**472,661**
Total gross loans	**972,287**	**817,975**
Loan impairment	(40,694)	(43,777)
Total net loans	**931,593**	**774,198**

The structure of the loan portfolio is regularly monitored in Risk Management in order to identify possible events that could have a major impact on the loan portfolio (common risk factors) and, if necessary, mitigate the Bank's exposure to certain sectors of the economy.

Large credit risk exposures*	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Number of clients with exposure greater than 10% of recognized capital	3	2
Balance sheet and off-balance sheet exposure gross	237,623	111,974
Impairment and provision on off-balance sheet items (ECL)	(385)	(476)
Balance sheet and off-balance sheet exposure net	237,238	111,498

** refers to individual clients and does not include exposures to banks*

Exposure to the public sector (central institutions)*	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Balance sheet and off-balance sheet exposure gross (loans and investments in debt securities)	216,366	149,088
Impairment and provision on off-balance sheet items (ECL)	(3,456)	(2,944)
Balance sheet and off-balance sheet exposure net	212,910	146,144

** does not include exposure to the Central Bank*

7. Risk Management (continued)

7.2. Liquidity Risk

Liquidity risk represents the risk that the Bank will not be able to settle its financial obligations completely and without delay. In this sense, the main goal of the Bank in liquidity risk management, as a central risk present in banking operations, is to harmonize its business activities and ensure optimal liquidity, in accordance with the minimum standards and limits prescribed by the Banking Agency of the Republic of Srpska, the Central Bank of BIH and the Group.

The Bank has access to various sources of financing, which include various types of deposits from individuals and legal entities, banks (within and outside the Group), and credit lines. The mentioned sources enable the flexibility of financing sources, and limit dependence on any single source, thereby ensuring a high level of self-sustainability in possible crisis periods.

The Bank has implemented the Group's liquidity policies, which define the methods and procedures for analyzing liquidity parameters, and which cover the management and control of liquidity risk, both in normal business conditions and in crisis situations. In accordance with the Group's guidelines and the requirements of the local regulator, the exposure to liquidity risk is kept at a level where the Bank can meet its payment obligations on a regular basis, but also in periods of crisis.

Regular business operations include normal daily activities, for which it is common not to activate any phase of the Liquidity Plan for unforeseen cases of liquidity disruption.

The most important activities are focused on performing usual market transactions, within the prescribed risk exposure limits, in accordance with the defined financing plan, as well as the decisions of competent authorities and operational functions.
These activities mainly boil down to managing short-term and long-term liquidity, managing the execution of the financing plan, regular monitoring and analysis of liquidity risk stress test results, as well as consistent application of internal pricing principles.

Short-term liquidity risk is measured through operational baskets with maturities of up to one year (OML), through net cash flows (inflows/ outflows), as well as through the liquidity coverage ratio (LCR), where the Bank is obliged to provide an appropriate level of liquidity buffer, in order to meet liquidity needs for a liquidity stress scenario of 30 calendar days.

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

Short-term liquidity stress testing measures whether the available liquidity reserves can ensure that the Bank can withstand a hypothetical shortage of short-term funding sources. The scenarios are based on the concept of a basket of asset maturities and their depreciation. Relevant scenarios are defined with the aim of presenting possible events with a potentially negative impact on liquidity. Given the nature of the liquidity stress test, a combined stress scenario is used to assess the various liquidity risks.

The Bank has defined liquidity management in emergency situations with the document Liquidity Policy of UniCredit Bank a.d. Banja Luka, Annex 1: Liquidity plan for unforeseen cases of liquidity disruption of UniCredit Bank a.d. Banja Luka.

The Bank has an obligation to maintain liquidity within the framework prescribed by the Banking Agency of the Republic of Srpska and the Central Bank of Bosnia and Herzegovina:

- maintaining reserve requirements,
- maintaining daily liquidity,
- liquidity coverage ratio (LCR),
- net stable funding ratio (NSFR).

The Bank is obliged to report to the Banking Agency of the Republic of Srpska on the liquidity coverage ratio on a monthly basis, while the obligation to report on the ratio of net stable financing is on a quarterly basis.

The liquidity coverage ratio at the end of the year was:

	December 31, 2025	December 31, 2024
Liquidity Coverage Ratio (LCR)	246.82%	210.83%
Net Stable Funding Ratio (NSFR)	159.30%	164.18%

7. Risk Management (continued)

7.2. Liquidity Risk (continued)

The goal of structural liquidity management is to ensure the Bank's financial stability. The main goal is to avoid excessive and unexpected pressures on the financing needs of the short-term liquidity position and to ensure optimal sources of financing and related costs. This can be achieved by establishing a balance between medium and long-term stable assets and appropriate stable sources of financing.

Structural liquidity risk is monitored through structural liquidity ratios (SLR) with time baskets over one and over three years. The structural liquidity ratio is an indicator from an economic perspective (it takes into account behavioral assumptions), in contrast to the NSFR, which represents a regulatory perspective. It is calculated as the ratio of medium-term/long-term liabilities and assets.

SLR (structural liquidity rate)	December 31, 2025		December 31, 2024	
	(in million BAM)	(in million BAM)	(in million BAM)	(in million BAM)
	>1G	>3G	>1G	>3G
Cumulative liabilities	918	745	737	650
Cumulative assets	924	576	785	484
Warning level	92%	100%	90%	100%
Value	**99%**	**129%**	**94%**	**134%**

Structural liquidity is also monitored individually by currency, through the foreign exchange (FX) structural liquidity gap indicator. The foreign exchange (FX) structural liquidity gap also relies on the economic aspect, based on behavioral models and management assumptions, with the aim of adequately showing the structural position of the Bank in a certain currency.

The indicator is based on a behaviorally adjusted maturity profile of balance sheet positions, instead of the contractual maturity. Financial positions treated in this way are medium/long-term assets and liabilities, required reserves, securities and derivatives.

EUR FX SLG >1G	December 31, 2025 (in million BAM)	December 31, 2024 (in million BAM)
Cumulative liabilities	232	123
Cumulative assets	132	153
Warning level	(2)	(41)
Value	**99**	**(30)**

OTHER FX SLG >1G	December 31, 2025 (in million BAM)	December 31, 2024 (in million BAM)
Cumulative liabilities	0.15	0.18
Cumulative assets	0.01	0.00
Warning level	(2)	(2)
Value	**0.14**	**0.17**

The following tables show the liquidity structure as of December 31, 2025 and December 31, 2024, which represents an overview of assets and liabilities by appropriate time baskets based on the period remaining until the agreed maturity.

7. Risk Management (continued)

7.2. Liquidity Risk (continued)

The presented liquidity structure does not take into account the stability of demand deposits, and all demand deposits are presented in the maturity basket of up to 30 days. The following table set out the remaining contractual maturities of the Bank's financial liabilities and financial assets.

December 31, 2025	Up to a month BAM 000	From 1 to 3 months BAM 000	From 3 to 12 months BAM 000	From 1 to 5 years BAM 000	Over 5 years BAM 000	Total BAM 000
Cash and cash equivalents	244,521	-	-	-	-	**244,521**
Financial assets at fair value through the profit and loss account	14	-	-	-	-	**14**
Financial assets at fair value through other comprehensive income	-	302	65,299	104,629	296	170,526
Financial assets at amortized cost	**181,891**	**73,306**	**208,861**	**411,632**	**215,078**	**1,090,769**
Reserve requirement at the CB	122,811	-	-	-	-	122,811
Loans and receivables from banks	36,366	-	-	-	-	36,366
Loans and receivables from clients	22,714	73,306	208,861	411,632	215,078	931,593
Other assets and taxes	6,737	1,969	2,824	518	-	12,047
Total receivables	**433,162**	**75,577**	**276,984**	**516,779**	**215,374**	**1,517,877**
Financial liabilities at fair value through the profit and loss account	9	-	-	-	-	9
Financial liabilities at amortized cost	**882,474**	**49,711**	**117,298**	**148,116**	**57,448**	**1,255,047**
Deposits and loans from banks	-	873	2,794	-	43,028	46,695
Deposits and loans from clients	882,433	48,756	114,135	147,244	14,419	1,206,987
Lease liabilities	41	82	369	872	-	1,364
Tax liabilities	-	-	855	-	-	855
Other obligations	9,528	4,942	6,880	2,836	-	24,186
Liabilities for guarantees and letters of credit	22,934	1,853	21,634	111,928	-	158,348
Liabilities for unused loans	2,246	12,805	66,235	83,854	-	165,140
Total liabilities	**917,191**	**69,311**	**212,901**	**346,734**	**57,448**	**1,603,584**

7. Risk Management (continued)

7.2. Liquidity Risk (continued)

December 31, 2024	Up to a month BAM 000	From 1 to 3 months BAM 000	From 3 to 12 months BAM 000	From 1 to 5 years BAM 000	Over 5 years BAM 000	Total BAM 000
Cash and cash equivalents	201,845	-	-	-	-	**201,845**
Financial assets at fair value through other comprehensive income	-	302	1.128	55.048	30,395	**86.872**
Financial assets at amortized cost	**353,927**	**57,644**	**160,342**	**374,260**	**163,318**	**1,109,491**
Reserve requirement at the CB	108,530	-	-	-	-	**108,530**
Loans and receivables from banks	226,762	-	-	-	-	**226,762**
Loans and receivables from clients	18,634	57,644	160,342	374,260	163,318	**774,198**
Other assets and taxes	6,083	2,030	2,764	(111)	-	**10,766**
Total receivables	**561.855**	**59.976**	**164.233**	**429.197**	**193,713**	**1.408.974**
Financial liabilities at amortized cost	**868,874**	**17,554**	**132,705**	**114,223**	**15,569**	**1,148,925**
Deposits and loans from banks	60	849	3,570	3,570	-	**8,049**
Deposits and loans from clients	868,752	16,581	128,573	109,820	15,569	**1,139,295**
Lease liabilities	62	125	561	832	-	**1,581**
Tax liabilities	-	-	2,179	-	-	**2,179**
Other liabilities	9,543	4,757	5,871	2,731	-	**22,902**
Liabilities for guarantees and letters of credit	3.157	1,754	8,738	98,697	-	**112,346**
Liabilities for unused loans	2,978	7,997	43,690	44,163	-	**98,828**
Total liabilities	**884,552**	**32,063**	**193,184**	**259,813**	**15,569**	**1,385,180**

The Bank expects to meet obligations from operating cash flows and inflows from overdue financial assets and assets at fair value through other comprehensive income.

7. Risk Management (continued)

7.3. Market Risks

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

Management of exposure to market risks includes activities related to client risk management and bank balance sheet management, and is regulated through a system of internal acts and a network of defined limits and warning signals, which are monitored on a daily basis. Therefore, the market risk in the Bank is assessed, controlled and limited mainly through two sets of measures, within the framework of the market risk strategy and CSRBB strategy:

- Global risk measures should set a limit on regulatory capital absorption and economic loss accepted for FVOCI and/or FVTPL exposures. The limits of global market risk measures must be reviewed at least once a year in the context of developing market risk strategies and must be in line with the budget and the defined risk appetite. There are three global measures of market risk defined for management:
    1. Value at Risk (VaR): estimated potential loss of portfolio value during one day with a confidence level of 99%; VaR is calculated using a historical simulation approach over the last 250 days of time series. It is calculated daily and is defined on the basis of fair value through profit and loss (FVtPL) and fair value through other comprehensive income (FVOCI);

Overview of the Bank's VaR metrics:

Var FVtOCI	2025 BAM 000	2024 BAM 000
average for the period	780	210
maximum for the period	1,068	508
minimum for the period	118	119

Var FVtPL	2025 BAM 000	2024 BAM 000
average for the period	0.64	0.33
maximum for the period	4.08	0.84
minimum for the period	0.00	0.06

2. Loss Warning Level (LWL): defined for each risk taker as the cumulative economic P&L for the period of the last 60 calendar days without cancellation at the end of the year. The metric is defined for the positions of fair value through profit and loss (FVtPL) and fair value through other comprehensive income (FVtOCI);
3. Stress Test Warning Level (STWL): the maximum conditional loss on a certain portfolio to which risk takers can be exposed based on a predefined set of scenarios.

- Granular risk measures are metrics intended to assess market risk arising from specific risk factors or products. Limits of granular market risk measures complement global measures and represent a transparent, in-depth and strict control of risk exposure, as they are set for individual sensitivities, nominal exposures or stress scenarios. The GML complements the Market Risk Management Framework in those areas where global market risk measures cannot take into account certain risk factors due to the complexity of calculations or the availability of historical data.

Starting from 2024, UniCredit Group, following the EBA guidelines that define credit margin risk in the banking book (CSRBB) as a new type of risk within financial risks, defined credit margin risk in the banking book.
CSRBB's risk strategies are determined by the Holding at least once a year, in accordance with the definition of the Group's overall risk appetite and in accordance with the framework of CSRBB's limits.
The Financial Risk function of the Holding Company initiates an iterative process with the respective risk functions of the member banks, supported by the business line functions, to identify the metrics to be restricted, the scope of application and the level of granularity.

7. Risk management (continued)

7.3. Market Risks (continued)

In this sense, the RAF KPIs that are relevant for monitoring credit margin risk in the banking book have been defined:

- CSRBB EV sensitivity, which measures the maximum acceptable percentage of capital (Tier 1) that the Bank can lose due to credit spread shocks that affect securities sensitive to the credit spread in the banking book. KPI covers only assets;
- Exposure to government securities, which includes the amount of nominal exposure to the government in the banking book in the form of securities issued by central and local governments, central banks, supranational authorities, government-guaranteed bonds and government agencies/authorities.

In addition to the RAF KPIs mentioned above, CSRBB is also limited by the granular metric CPV (Credit Point Value), which measures the sensitivity of the instrument in the event of a change in the credit spread by 1 basis point.

Factors, which are also important for assessing the impact of market risks on the Bank's portfolio, are stress-oriented warning levels and limits, and the results are included in regular FCRC reports (reports presented to the Financial and Credit Risk Committee).

The revision of market risk limits is carried out by the Bank in close cooperation with UniCredit Group. These activities are carried out at least on an annual basis, and if necessary more often, in accordance with business changes caused by changes in legal regulations, development of business strategy goals, as well as the targeted risk profile.

A set of documents with rules for business activities, which is performed by Client Risk Management for market risk management, was created in the form of internal acts of Financial Markets and Market Risk Strategy. Only permitted risk bearers are allowed to enter risky positions.

In addition to the implemented Group techniques, methods and models for measuring market risks, the Bank continuously works to improve business processes and data quality.

7. Risk Management (continued)

7.3. Market Risks (continued)

Currency Risk

Currency risk is the risk of possible negative effects on the Bank's financial result and capital due to changes in the exchange rate. Exposure to currency risk arises from credit, deposit and trading activities and is monitored daily, according to legal and Group-determined limits for individual currencies, and in the total amount for all assets and liabilities denominated in foreign currency or related to foreign currency.

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

In accordance with the regulator's decision, which regulates the minimum standards for foreign exchange risk management, the Bank is obliged to maintain the relationship between assets and liabilities in each individual currency so that its total open foreign exchange position at the end of each working day does not exceed 40% of its recognized (regulatory) capital.

The Bank directs its business activities in the direction of minimizing mismatches between asset and liability items in foreign currencies or with the agreed currency clause, maintaining daily operations within the set limits.

All sensitivities arising from currency positions are also covered by the daily VaR FVtP limit, which, among other risks, also limits the maximum allowable loss on open positions in foreign currencies.

	2025	2024
Currency risk indicators:		
As of December 31	0.10%	0.48%
maximum for the period – month of December	57.35%	20.39%
minimum for the period – month of December	0.10%	0.29%

The foreign exchange position is calculated as the ratio of the sum of the values of all long and short individual foreign exchange positions of the Bank and its recognized (regulatory) capital on the reporting date (maximum allowed up to 40% of the recognized capital) for the total open foreign exchange position and foreign currency position in EUR, while for other currencies the maximum allowed is up to 20% of the recognized capital of the Bank).

Considering the presence of the Currency Board (under the regime of the Central Bank of Bosnia and Herzegovina), according to which the relationship between the domestic currency and the euro is fixed, it can be considered that there is no exposure of the Bank to the risk of changes in the EUR/BAM exchange rate.

The Bank protects itself from the risk of exposure to currency risk in foreign currencies other than EUR by managing the foreign exchange position within the framework of the Market strategy in such a way that the positions opened through business with clients are closed with opposite transactions, so that the Bank's open position is reduced to a minimum.

The analysis of assets and liabilities expressed in foreign currency amounts as of December 31, 2025 and December 31, 2024 is presented in the following tables.

7. Risk management (continued)

7.3. Market Risks (continued)

Currency Risk (continued)

December 31, 2025	EUR BAM 000	EUR-linked items BAM 000	USD BAM 000	Other currencies BAM 000	Total currencies BAM 000	BAM BAM 000	Total BAM 000
Assets							
Cash and cash equivalents	10 578	-	851	14 035	25 464	219 056	244 521
Financial assets at fair value through the profit and loss account	-	-	-	-	-	14	14
Financial assets at fair value through other comprehensive income	52 922	24 402	-	-	77 324	93 201	170 526
Financial assets at amortized cost	**43 785**	**131 226**	**10 471**	**2 448**	**187 930**	**902 839**	**1 090 769**
Reserve requirement at the CB	2 382	-	-	-	2 382	120 429	122 811
Loans and receivables from banks	23 447	-	10 471	2 448	36 366	-	36 366
Loans and receivables from clients	17 955	131 226	-	-	149 182	782 411	931 593
Tangible assets	-	-	-	-	-	22 467	22 467
Intangible assets	-	-	-	-	-	7 159	7 159
Current tax asset	-	-	-	-	-	508	508
Deferred tax assets	-	-	-	-	-	736	736
Other assets	113	-	2	3	118	10 685	10 803
Total assets	**107 398**	**155 629**	**11 324**	**16 486**	**290 836**	**1 256 666**	**1 547 502**
Liabilities							
Financial liabilities at fair value through the profit and loss account	-	-	-	-	-	9	9
Financial liabilities at amortized cost	**394 356**	**58 516**	**11 220**	**16 305**	**480 397**	**774 650**	**1 255 047**
Deposits and borrowings from banks	46 691	-	-	-	46 691	4	46 695
Deposits and borrowings from clients	347 665	58 516	11 220	16 305	433 705	773 282	1 206 987
Lease liabilities	-	-	-	-	-	1 364	1 364
Current tax liabilities	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	855	855
Other obligations	2 630	-	77	70	2 777	21 409	24 186
Provisions for credit risks and costs	255	85	-	-	340	5 527	5 867
Total liabilities	**397 241**	**58 600**	**11 297**	**16 375**	**483 513**	**802 450**	**1 285 963**
Capital and reserves	**- 1 510**	**69**	**-**	**-**	**- 1 441**	**262 981**	**261 540**
Total liabilities, capital and reserves	**395 731**	**58 669**	**11 297**	**16 375**	**482 072**	**1 065 430**	**1 547 502**
Net foreign exchange position	**(288 333)**	**96 959**	**27**	**111**	**(191 236)**	**191 236**	**-**

7. Risk Management (continued)

7.3. Market Risks (continued)

Currency Risk (continued)

December 31, 2024	EUR BAM 000	EUR-linked items BAM 000	USD BAM 000	Other currencies BAM 000	Total currencies BAM 000	BAM BAM 000	Total BAM 000
Assets							
Cash and cash equivalents	52,165	-	1,100	14,982	68,256	133,589	201,845
Financial assets at fair value through other comprehensive income	33,550	23,031	-	-	56,581	30,292	86,872
Financial assets at amortized cost	**222,018**	**143,811**	**8,981**	**-**	**374,811**	**734,680**	**1,109,491**
Reserve requirement at the CB	2,244	-	-	-	2,244	106,286	108,530
Loans and receivables from banks	217,781	-	8,981	-	226,762	-	226,762
Loans and receivables from clients	1,993	143,811	-	-	145,805	628,393	774,198
Tangible assets	-	-	-	-	-	22,195	22,195
Intangible assets	-	-	-	-	-	8,100	8,100
Current tax asset	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	743	743
Other assets	171	-	2	1	175	9,848	10,023
Total assets	**307,905**	**166,842**	**10,093**	**14,983**	**499,822**	**939,447**	**1,439,269**
Obligations							
Financial liabilities at amortized cost	**355,815**	**97,173**	**10,022**	**14,794**	**477,804**	**671,121**	**1,148,925**
Deposits and borrowings from banks	8,045	-	-	-	8,045	4.	8,049
Deposits and borrowings from clients	347,771	97,173	10,022	14,794	**469,760**	669,535	1,139,295
Lease liabilities	-	-	-	-	-	1,581	1,581
Current tax liabilities	-	-	-	-	-	1,410	1,410
Deferred tax liability	-	-	-	-	-	769	769
Other liabilities	2,685	-	72	103	2,860	20,042	22,902
Provisions for risks and costs	114	5	-	-	119	3,623	3,742
Total liabilities	**358,614**	**97,178**	10,094	**14,897**	**480,783**	**696,965**	**1,177,748**
Capital and reserves	(729)	102	-	-	(627)	262,148	261,521
Total liabilities, capital and reserves	**357,885**	**97,280**	**10,094**	**14,897**	**480,156**	**959,113**	**1,439,269**
Net foreign exchange position	**(49,980)**	**69,561**	**(1)**	**86**	**19,666**	**(19,666)**	**-**

7. Risk Management (continued)

7.3. Market Risks (continued)

Interest Rate Risk

Interest rate risk is the risk of possible negative effects on the Bank's financial result and capital due to unfavorable changes in interest rates. The Bank's operations are affected by the risk of changes in interest rates to the extent that interest-sensitive positions of assets and liabilities mature differently or their interest rates change at different times or in different amounts. Interest rate margins can increase as a result of these fluctuations, but at the same time they can also be reduced and cause losses due to unexpected fluctuations.

The main sources of interest rate risk are:

- gap risk, which arises from the term structure of interest-sensitive instruments, i.e. from differences in the periods of changes in their interest rates, and includes changes in the term structure of interest rates consistently on the yield curve (parallel risk) or differently by period (non-parallel risk),
- basis risk arising from the application of different reference interest rates for instruments with similar maturity or time until the next interest rate change (e.g. EURIBOR),
- optionality risk, which results from options, including embedded options in interest-sensitive positions (e.g. loans with the possibility of early repayment, deposits with the possibility of early withdrawal, etc.).

Exposure to the risk of interest rate changes is monitored based on the requirements of the regulator and in accordance with the Group's guidelines.
Exposure to interest rate risk in accordance with the requirements of the regulator is monitored for significant currencies individually and for all other currencies together, through monitoring changes in the economic value of the banking book for: items with a fixed interest rate, variable interest rate, total weighted position, as well as the impact of interest rate risk on net interest income.
The methodology used to assess interest rate risk is based on time difference analysis.
The differences between the interest-bearing sensitive positions of assets and liabilities in different time baskets show how the two sides of the balance sheet react differently to changes in interest rates:

- in the event of a positive difference, the Bank is exposed to the risk of loss if interest rates for a given maturity for the currency in question fall,
- in the event of a negative difference, the Bank is exposed to the risk of loss if interest rates for a given maturity for the currency in question increase.

In accordance with the Group's requirements, interest rate risk is measured from the perspective of the impact of interest rate changes on the Bank's economic capital (EV metric) and from the perspective of earnings, i.e. the impact of interest rate changes on the Bank's net interest income (NII metric). In addition to the above metrics, interest rate risk is monitored on the basis of a defined granular metric of interest rate risk - BP01, which measures changes in the net present value of the banking book in the event of a shift in the reference rate curve by 0.01% (1 basis point) and is limited by the BP01 limit (base point value limit) as a measure of sensitivity.

Presentation of the impact of a shift in the reference rate curve by 0.01% (1 basis point) on the net present value of the portfolio (BP01):[4]

(in BAM) BP01 bank book December 31, 2025							
	03M	**3M1Y**	**1Y3Y**	**3Y10Y**	**>10Y**	**Noise**	**EUR**
TOTAL BP01	1,897	4,539	13,173	20,924	11,371	10,056	60,788
Limit	19,558	39,117	58,675	58,675	19,558	97,792	58,675
Limit utilization	**10%**	**12%**	**22%**	**36%**	**58%**	**10%**	**104%**

(in BAM) BP01 bank book December 31, 2024							
	03M	**3M1Y**	**1Y3Y**	**3Y10Y**	**>10Y**	**Noise**	**EUR**
TOTAL BP01	2,418	1,604	19,972	1,396	4,681	17,916	28,392
Limit	19,558	39,117	39,117	68,454	19,558	78,233	78,233
Limit utilization	**12%**	**4%**	**51%**	**2%**	**24%**	**23%**	**36%**

[4] Exceeding the value of the defined BP01 limit in EUR caused by the currency mismatch of assets and liabilities from the point of view of interest rate risk. Bearing in mind the established fixed exchange rate BAM/EUR, the above did not lead to the actual exposure of the Bank to interest rate risk (total utilization of BP01 limit 10%). Defined mitigation measures to reduce exposure within limits.

7. Risk Management (continued)

7.3. Market Risks (continued)

Interest Rate Risk (continued)

Stress testing, which the Bank conducts for the interest rate risk category, includes scenarios of various shocks on the interest rate curves. Shocks include changes in the level of interest rates (parallel shifts), rotations of curves, changes in the slope of curves and jumps in certain segments of interest curves.
Presentation of the Bank's exposure to interest rate risk according to the local regulatory requirement through the interest "gap" as of December 31, 2025, and December 31, 2024 is shown in the following tables. [5]
Period of interest rate changes, analysis of interest rate risk and amounts to which fixed interest rates are applied

December 31, 2025	Up to a month BAM 000	From 1 to 3 months BAM 000	From 3 to 12 months BAM 000	From 1 to 5 years BAM 000	Over 5 years BAM 000	Non-interest bearing BAM 000	Total BAM 000	Fixed interest rate BAM 000
Assets								
Cash and cash equivalents	208 671	-	-	-	-	35 850	**244 521**	208 671
Financial assets at fair value through the profit and loss account	-	-	-	-	-	14	**14**	-
Financial assets at fair value through other comprehensive income	-	-	63 380	106 850	-	296	**170 526**	170 229
Financial assets at amortized cost	**211 827**	**122 509**	**224 718**	**346 073**	**185 643**	**-**	**1 090 769**	**940 631**
Reserve requirement at the CB	122 811	-	-	-	-	-	**122 811**	122 811
Loans and receivables from banks	36 366	-	-	-	-	-	**36 366**	36 366
Loans and receivables from clients	52 650	122 509	224 718	346 073	185 643	-	**931 593**	781 454
Tangible assets	-	-	-	-	-	22 467	**22 467**	-
Intangible assets	-	-	-	-	-	7 159	**7 159**	-
Current tax asset plus paid income tax	-	-	-	-	-	508	**508**	-
Deferred tax assets	-	-	-	-	-	736	**736**	-
Other assets	-	-	-	-	-	10 803	**10 803**	-
Total assets	**420 497**	**122 509**	**288 098**	**452 922**	**185 643**	**77 833**	**1 547 502**	**1 319 531**
Obligations								
Financial liabilities at fair value through the profit and loss account	-	-	-	-	-	9	**9**	-
Financial liabilities at amortized cost	**488 569**	**77 605**	**139 438**	**366 751**	**181 319**	**1 364**	**1 255 047**	**1 220 624**
Deposits and borrowings from banks	5 964	24 246	2 794	-	13 691	-	**46 695**	13 695
Deposits and borrowings from clients	482 605	53 359	136 644	366 751	167 629	-	**1 206 987**	1 206 929
Lease liabilities	-	-	-	-	-	1 364	**1 364**	-
Deferred tax liabilities	-	-	-	-	-	855	**855**	-
Other obligations	-	-	-	-	-	24 186	**24 186**	-
Provisions for credit risks and costs	-	-	-	-	-	5 867	**5 867**	-
Total liabilities	**488 569**	**77 605**	**139 438**	**366 751**	**181 319**	**32 280**	**1 285 963**	**1 220 624**
Capital and reserves	**-**	**-**	**-**	**-**	**-**	**261 540**	**261 540**	**-**
Total liabilities, capital and reserves	**488 569**	**77 605**	**139 438**	**366 751**	**181 319**	**293 820**	**1 547 502**	**1 220 624**
Interest rate mismatch	**(68 071)**	**44 904**	**148 660**	**86 171**	**4 324**	**(215,987)**	**0**	**98 907**

5 Application of the new Decision on interest rate risk management in the banking book dated June 30, 2025.

7. Risk Management (continued)

7.3 Market Risks (continued)

Interest Rate Risk (continued)

December 31, 2024	Up to a month BAM 000	From 1 to 3 months BAM 000	From 3 to 12 months BAM 000	From 1 to 5 years BAM 000	Over 5 years BAM 000	Non-interest-bearing BAM 000	Total BAM 000	Fixed interest rate BAM 000
Assets								
Cash and cash equivalents	166,755	-	-	-	-	35,090	201,845	61,686
Financial assets at fair value through other comprehensive income	-	-	-	86,447	134	292	86,872	86,581
Financial assets at amortized cost	293,451	128,959	297,063	266,852	123,166	-	1,109,491	794,425
Reserve requirement at the CB	-	-	108,530	-	-	-	108,530	-
Loans and receivables from banks	226,762	-	-	-	-		226,762	226,762
Loans and receivables from clients	66,688	128,959	188,532	266,852	123,166	-	774,198	567,663
Tangible assets	-	-	-	-	-	22,195	22,195	-
Intangible assets	-	-	-	-	-	8,100	8,100	-
Current tax asset plus paid income tax	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	743	743	-
Other assets	-	-	-	-	-	10,023	10,023	-
Total assets	**460,206**	**128,959**	**297,063**	**353,299**	**123,300**	**76,443**	**1,439,269**	**942,692**
Liabilities								
Financial liabilities at amortized cost	54,189	27,068	958,421	92,180	15,487	1,581	1,148,925	1,139,276
Deposits and borrowings from banks	4	2,426	5,619	-	-	-	8,049	77
Deposits and borrowings from clients	54,184	24,642	952,802	92,180	15,487		1,139,295	1,139,200
Lease liabilities	-	-	-	-	-	1,581	1,581	-
Current tax liabilities	-	-	-	-	-	1,410	1,410	-
Deferred tax liabilities	-	-	-	-	-	769	769	-
Other obligations	-	-	-	-	-	22,902	22,902	-
Provisions for credit risks and costs	-	-	-	-	-	3,742	3,742	-
Total liabilities	**54,189**	**27,068**	**958,421**	**92,180**	**15,487**	**30,404**	**1,177,748**	**1,139,276**
Capital and reserves	**-**	**-**	**-**	**-**	**-**	**261,521**	**261,521**	**-**
Total liabilities, capital and reserves	**54,189**	**27,068**	**958,421**	**92,180**	**15,487**	**291,925**	**1,439,269**	**1,139,276**
Interest rate mismatch	**406,017**	**101,891**	**(661,359)**	**261,119**	**107,813**	**(215,482)**	**-**	**(196,584)**

7. Risk Management (continued)

7.3. Market Risks (continued)

Interest Rate Risk (continued)

The following table shows the estimated future cash flow for the Bank's interest-bearing and non-interest-bearing liabilities as of December 31, 2025 and December 31, 2024:

December 31, 2025	Up to a month BAM 000	From 1 to 3 months BAM 000	From 3 to 12 months BAM 000	From 1 to 5 years BAM 000	Over 5 years BAM 000	Total BAM 000
Liabilities						
Bank transaction accounts and deposits	97	776	2,794	-	43,028	46,695
Transaction accounts and client deposits	482,605	53,359	136,644	366,751	167,629	1,206,987
Lease liabilities	1,364	-	-	-	-	1,364
Other liabilities	24,186	-	-	-	-	24,186
Total liabilities	**508,251**	**54,135**	**139,438**	**366,751**	**210,657**	**1,279,232**
December 31, 2024						
Bank transaction accounts and deposits	4	873	3,601	3,570	-	8,049
Transaction accounts and client deposits	54,184	24,642	952,802	92,180	15,487	1,139,295
Lease liabilities	1,581	-	-	-	-	1,581
Other liabilities	22,902	-	-	-	-	22,902
Total liabilities	**78,672**	**25,515**	**956,404**	**95,750**	**15,487**	**1,171,827**

Effective Interest Rates

The following table shows the effective interest rates, calculated as a weighted average of the period: for asset financial instruments, including interest expenses on assets, i.e. financial instruments liabilities, including interest income on liabilities:

	December 31, 2025 %	December 31, 2024 %
Assets		
Funds above the required reserves at the Central Bank	-	-
Loans and receivables from banks	1.53	3.68
Loans and receivables from clients	5.43	5.81
Financial assets at fair value through other comprehensive income	5.04	3.94
Liabilities		
Deposits and borrowings from banks	(4.17)	-
Deposits from clients	(0.52)	(0.49)

7. Risk Management (continued)

7.3. Market Risks (continued)

Interest Rate Risk in the Banking Book

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

The system of restrictions in accordance with the rules of the Group is defined through the division into limits and warning levels depending on the type of restrictions and the time required for corrective activities in case of violation of restrictions.

The Bank bases the management and control of interest rate risk in the banking book by calculating the exposure from the perspective of the Group and the local regulator on the analysis of metrics/indicators from two perspectives:

- Economic (present) value - EV SOT - supervisory test of atypical values, taking into account the worst result of six defined interest rate shock scenarios: “parallel growth shock”; “parallel shock falls”; “settlement shock”; “slope shock”; “short-term rate growth shock”; “shock of falling short-term rates”. The impact of economic sensitivity is measured in relation to basic capital (Tier 1).
- Earnings - sensitivity of net interest income - standard sensitivity of net interest income is calculated based on a scenario of immediate parallel shocks to rates with a maturity of up to one year and assuming a constant balance sheet and constant margin.

In addition to the above metrics, a granular metric of interest rate risk exposure is defined and monitored from the Group's perspective, which refers to economic value - **BP01 sensitivity**. The total sensitivity and sensitivity by time buckets is calculated as the change in the present value of interest rate-sensitive positions, resulting from a current shock of 1 basis point to each rate along the curve. The sum of all sensitivities by time buckets along the curve is BP01.

Indicators of interest rate risk in the banking book	**2025**	**2024**
Economic capital sensitivity (EV sensitivity) in %	-5.84%	-4.48%
Net interest income sensitivity (NII sensitivity) in %	-3.40%	-5.05%
Total BP01 in EUR	**10,056**	**17,916**

7.4. Operational Risk

Operational risk is the risk of possible negative effects on the Bank's financial result and capital due to employee failures, inappropriate internal procedures and processes, inadequate management of information and other systems in the Bank, as well as due to the occurrence of unpredictable external events, including legal risk.

In accordance with the Group's methodology, as well as the regulations of the RS Banking Agency, the Bank has established and is constantly improving the operational risk management system. The system includes tools and mechanisms for continuous monitoring of damages suffered by the Bank from operational risks and the Bank's exposure to operational risks, assessment of operational risks in processes and products, definition of an annual operational and reputational risk strategy to reduce the aforementioned risks, monitoring of key risk indicators, and definition of ways to avoid, control or transfer operational risks to third parties, as well as a reporting system.

The aforementioned processes and indicators, which make up the operational risk management system, are regularly informed and reported to the Non-Financial Risks and Controls Committee, the Management Board of the Bank and the Group, as well as the local regulator, and the operational risk management system is regularly harmonized with the Group's standards and local and international regulations.
Losses resulting from the following events can be considered an operational risk: internal or external fraud, employee relations and safety at work, client complaints, fines and penalties for violating regulations, damage to the Bank's material assets, work interruptions and system errors, process management.

The Bank uses the group tool “ARGO” for recording data on damages from operational risks, recording and monitoring the values of risk indicators, while the Bank uses the group tool “BO Tool” (“*Business Object Tool* “) for the reporting process and analysis of data related to operational risks.

7. Risk Management (continued)

7.4. Operational Risk (continued)

In the course of 2021, the Non-Financial Risks and Controls Committee of UniCredit Bank a.d. Banja Luka was formed. The Committee's responsibilities are:

- promoting the annual management process self-assessment activities and evaluating its results, in order to ensure a systematic approach to operational risk assessment and internal control system supervision;
- monitoring non-financial risks in the Bank, emerging threats, as well as the strength of the internal control system, through monitoring the most important events and incidents, weaknesses and deficiencies;
- defining and prioritizing the necessary corrective activities, the aim of which is to mitigate perceived weaknesses and deficiencies;
- making decisions on reputational risk for transactions related to sensitive sectors and other cases of proposals from the business side (other relevant sectors or clients);
- monitoring activities to mitigate risks, efficiency and implementation plans;
- discussions on relevant risks/ findings recognized by the Internal Audit function;
- making decisions related to crises, declaring a crisis situation as part of business continuity management;
- approval of risk-taking in terms of delay/ avoidance/ change of corrective actions, which implies delayed or incomplete reduction of risk.

Given that the Bank is exposed to operational risk in all its business activities, and in order to raise awareness of the concept, importance and responsibilities in the operational risk management process, the Bank has developed an electronic education system for all employees, as well as an education system for operational risk monitors via e-mail or by organizing meetings.

7.5. Reputational Risk

Taking into account the importance of reputational risk, which is defined as the risk of the possibility of negative effects on the Bank's financial result or capital due to a loss of confidence in the Bank's integrity, which occurs due to unfavorable public opinion about the Bank's business practices or the activities of members of the Bank's bodies, regardless of whether or not there is a basis for such public opinion, the Bank manages reputational risk through adopted and implemented special policies and procedures, which regulate the area of reputational risk management, and dealing with transactions in specific industries (nuclear energy, arms industry, water/dam infrastructure, coal/energy production in coal, oil and gas power plants, and in the mining sector), as well as by constantly raising employees' awareness of the importance of managing reputational risk through electronic training or training for all employees.

In the part of reputation risk management, the Non-Financial Risks and Controls Committee discusses and makes decisions on reputational risk for transactions related to sensitive sectors and other cases of proposals from the business side (other relevant sectors or clients), which are assessed as high-risk transactions.

In order to improve the process of assessing the reputational risk of requests from the business side and the reporting process, UniCredit Group has developed a tool in 2025 within the framework of which the entire process of assessing the reputational risk of requests is carried out.

7.6. Capital Management

The Bank's capital management objectives are:

- alignment with capital requirements, which are determined by the Bank and capital market regulators,
- maintaining the Bank's ability to continue its operations so that it can continue to provide returns to shareholders and benefits to other interested parties, and
- maintaining a strong capital base, which could support business development.

The decisions of the BARS prescribe the method of calculating capital requirements for credit, market and operational risk, the method of calculating capital, as well as the level of capital ratios that banks are required to maintain continuously, including capital buffers.

7. Risk Management (continued)

7.6. Capital Management (continued)

The minimum prescribed rates that banks must meet at all times are:
- common equity tier rate of 6.75%
- core capital rate of 9% and
- regulatory capital rate of 12%.

Each of the above rates is subject to the continuous maintenance of a capital buffer of 2.5%.
In addition to the stated prescribed rates, there are requirements for other buffers of capital, i.e. for a combined buffer, which represents the minimum regular basic capital, increased by a buffer for capital preservation and increased by the following buffer, depending on what is applicable and that:
- bank-specific countercyclical buffer (prescribed by the BARS in a special act if necessary),
- buffer for a systemically important bank (prescribed in the range from 0% to 3% and in accordance with a special BARS Decision applicable from 30.06.2025),
- buffer for systemic risk (defined by a special decision of the BARS, in accordance with the current methodology, the Bank does not have this requirement in 2025),
- an additional capital requirement for banks related to the results of the SREP control, which represents an additional buffer of capital (BARS defines the annual post-supervision).

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

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
REGULATORY CAPITAL	219,997	219,769
SHARE CAPITAL	219,997	219,769
REGULAR SHARE CAPITAL	219,997	219,769
Equity instruments that are recognized as regular equity capital	97,428	97,428
Paid-in capital instruments	97,055	97,055
Share premium	373	373
Retained earnings	76,473	76,473
Other comprehensive income	(2,653)	(2,781)
Other reserves	53,359	53,260
(–) Other intangible assets	(3,873)	(3,869)
(–) Deferred tax assets that are dependent on future profitability and do not arise from temporary differences minus related tax liabilities	(29)	(42)
(–)Deferred tax assets that are dependent on future profitability and do arise from temporary differences minus related tax liabilities	(707)	(701)
SUPPLEMENTARY CAPITAL	-	-
Common Equity Tier 1 (CET1) ratio	**21.7%**	**25.5%**
Core capital ratio (T1)	**21.7%**	**25.5%**
Regulatory capital ratio	**21.7%**	**25.5%**

The achieved capital ratios as of December 31, 2025 are significantly above the prescribed minimums.

V Notes to the Financial Statements

7. Risk Management (continued)

7.6. Capital Management (continued)

In addition to these ratios, banks are obliged to provide and maintain a financial leverage ratio, as an additional security and simple protection, at least in the amount of 6%.

The financial leverage ratio is calculated as the ratio of core capital and the Bank's total exposure to risk on the reporting date, expressed as a percentage and as of December 12, 2025 is significantly above the prescribed minimum and amounts to 13.3%.

On a monthly basis, the Bank updates its business plans through Forecast (balance sheet, income, capital, segment results, asset quality, costs, etc.) through which all key and regulatory business parameters are monitored and their compliance with prescribed and planned limits is ensured.

The financial leverage rate is shown in the table below:

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Financial derivatives: Present replacement cost	14	-
Off-balance sheet items with a conversion factor of 10%	6,988	2,560
Off-balance sheet items with a conversion factor of 20%	35,787	35,996
Off-balance sheet items with a conversion factor of 50%	69,844	14,202
Off-balance sheet items with a conversion factor of 100%	-	-
Other assets	**1,547,502**	**1,439,269**
() Amount of deductible item	(4,610)	(4,612)
Financial leverage rate exposures	**1,655,525**	**1,487,415**
Capital		
Share capital	**219,997**	**219,769**
Financial leverage		
Financial leverage ratio	**13.3%**	**14.8%**

The BARS regulation stipulates that banks are required to meet the minimum amount of regulatory capital and acceptable liabilities that provide sufficient amounts of instruments that can be written off or converted into capital in case of losses, after which operations could continue unhindered. The Bank meets the MREL parameter in accordance with the requirement.

8. Operations on Behalf of and for the Account of Third Parties

The Bank manages assets by business on behalf of and for the account of third parties and keeps them in off-balance sheet records separately from the Bank's assets. The Bank charges a fee for managing funds on behalf of and for the account of third parties. Income and expenses for these funds are credited or debited to the owner or user.

As of December 31, 2025 the Bank has no active obligations for placements on behalf of and for the account of third parties.

	December 31, 2025 **BAM 000**	**December 31, 2024** **BAM 000**
Consignment placement		
Principal-based liabilities	-	14
Interest-based liabilities	-	58
TOTAL	**-**	**72**

9. Analysis of Changes in Financing During the Year

Reconciliation of the movement of liabilities on borrowings and based on the lease of business premises

	Loans	Lease liabilities
Balance as of January 1, 2025	**41,501**	**1,581**
Paid lease liabilities	-	(587)
New lease liabilities	-	371
Loan proceeds	43,250	-
Loan repayment	(9,047)	-
Total changes in financial liabilities at amortized cost	**34,203**	**(216)**
Liabilities-related		
Interest expenses	1,068	55
Interest paid	(944)	(55)
Total liabilities-related other changes	**124**	**-**
Other changes	-	-
Balance as of December 31, 2025	**75,828**	**1,364**

	Loans	Lease liabilities
Balance as of January 1, 2024	**53,423**	**1,766**
Paid lease obligations	-	(533)
New lease obligations	-	348
Income from interest on loans	256	-
Repayment of interest on loans	(12,286)	-
Total changes in financial liabilities at amortized cost	**(12,030)**	**(185)**
Liabilities-related		
Interest expenses	1,006	55
Interest paid	(1,078)	(55)
Total liabilities-related other changes	**(72)**	**-**
Other changes	180	-
Balance as of December 31, 2024	**41,501**	**1,581**

10. Disclosure of Related Parties

In accordance with the International Accounting Standard (IAS) 24, persons related to the Bank and key management of the Bank are:

MRS 24.19	Name	Description
IAS 24.19 (a),(b)	Parent entity and entities with common control or significant influence over the entity	UniCredit S.p.A. Italy
IAS 24.19 (c)	Subsidiaries and other entities from the same Group	Affiliated banks and other legal entities within UniCredit Group
IAS 24.19 (c), (e)	Associated entities and joint ventures	The Bank had no subsidiaries or joint ventures in 2025
IAS 24.19 (f)	Key management of the institution or its parent entity	Members of the Supervisory Board and the Bank's Management Board; members of the Supervisory Board and Management Board of the parent entity, key management of the Bank, and persons related to the aforementioned members
IAS 24.19 (g)	Other related parties	The Bank had no other related parties in 2025

Positions included in the Profit or Loss Statement

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Interest income		
UniCredit S.p.A. Milan, Italy	410	1,267
Commerzbank AG	350	1,059
Total interest income	**760**	**2,326**
Fee and commission income		
UniCredit S.p.A. Milan, Italy	-	2
UniCredit Bank Austria AG Vienna, Austria	15	33
Total fee and commission income	**15**	**35**
Interest expenses		
UniCredit S.p.A. Milan, Italy	(491)	(95)
UniCredit Bank d.d. Mostar, Bosnia and Herzegovina	(8)	-
DUIF UniCredit Invest BH doo Mostar	(20)	-
Total interest expense	**(519)**	**(95)**
Fee and commission expense		
UniCredit S.p.A. Milan, Italy	(24)	(25)
UniCredit Bank AG Munich, Germany	(2)	(1)
Zagrebačka Banka d.d. Zagreb, Croatia	(280)	(269)
Total fee and commission expenses	**(306)**	**(295)**
Operating expenses		
UniCredit S.p.A. Milan, Italy	(2,650)	(463)
UniCredit Services GmbH Austria	-	(1,618)
UniCredit Bank d.d. Mostar, Bosnia and Herzegovina	(415)	(368)
UniCredit Bank Austria, AG Vienna	-	(5)
Total operating expenses	**(3,065)**	**(2,454)**
Other Operating Expenses		
UniCredit S.p.A Milan, Italy	142	-
Total other operating expenses	**142**	**-**
Net expenses	**(2,973)**	**(483)**

10. Disclosure of Related Parties (continued)

Positions included in the Statement of Financial Position

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Assets		
Foreign currency demand accounts		
UniCredit S.p.A. Milan, Italy	3,773	5,282
UniCredit Bank Austria AG Vienna, Austria	584	1,681
UniCredit Bank AG Munich, Germany	10,606	863
UniCredit Bank Serbia a.d. Belgrade, Serbia	127	472
Zagrebačka Banka d.d. Zagreb, Croatia	31	202
Commerzbank AG	565	40,703
Total foreign currency demand accounts	**15,686**	**49,203**
Term deposits given		
UniCredit S.p.A. Milan, Italy	-	32,462
Total term deposits given	**-**	**32,462**
Other receivables		
UniCredit S.p.A. Milan, Italy	60	716
UniCredit Bank AG Munich, Germany	28	28
UniCredit Bank Slovenia d.d. Ljubljana	277	273
UniCredit Bank Serbia a.d. Belgrade, Serbia	608	11
UniCredit Bulbank, Bulgaria	27	25
Total other receivables	**1,000**	**1,053**
Total assets	**16,686**	**82,718**
Liabilities		
Demand deposits		
UniCredit Bank Austria AG Vienna, Austria	4	4
Term deposits		
DUIF UniCredit Invest BH d.o.o. Mostar	7,505	-
Loans received		
UniCredit S.p.A. Milan, Italy	43,104	-
Other liabilities		
UniCredit Bank d.d. Mostar, Bosnia and Herzegovina	70	49
UniCredit S.p.A. Milan, Italy	138	216
Zagrebačka Banka d.d. Zagreb, Croatia	58	101
UniCredit Bank Serbia a.d. Belgrade, Serbia	455	570
UniCredit Bank Czech Republic and Slovakia	20	188
UniCredit Bank Austria AG Vienna, Austria	-	5
UniCredit Bulbank, Bulgaria	353	169
Total other liabilities	**1,094**	**1,298**
Total liabilities	**51,707**	**1,302**
Net liabilities	**(35,021)**	**81,416**

10. Disclosure of Related Parties (continued)

Transactions with Key Management

Salaries and fees paid to members of the Supervisory Board, the Bank's Management Board and other key management are as follows:

	December 31, 2025 BAM 000	December 31, 2024 BAM 000
Supervisory Board	106	91
Management Board		
Short-term compensation		
Fixed fees paid during the current year for the current year	1,837	2,656
Bonuses paid during the current year for the previous year gross	310	347
Long-term compensation		
Insurance policies paid during the current year gross	11	23
Payments during the current year based on previous years gross	116	300
Total Management Board	2,274	3,326
Other key management		
Short-term compensation		
Fixed fees paid during the current year for the current year	1,111	844
Bonuses paid during the current year for the previous year gross	217	198
Long-term compensations		
Insurance policies paid during the current year gross	10	20
Payments during the current year based on previous years gross	-	-
Total other key management	1,338	1,062

The Supervisory Board consists of 5 members, two of whom are employed by the Group, one is a former employee of the Group, and two are independent members. The Bank pays monthly remuneration only to members who are not affiliated with the Group. Supervisory Board members are not entitled to variable remuneration.

The Bank's Management consists of 5 members as of December 31, 2025. The amount within the framework of the long-term remuneration of members of the Management Board for gross payments during the current year based on previous years does not include payments to previous members of the Management Board.

The key management team includes 10 members.

As part of regular transactions, transactions with persons related to the Bank are carried out under standard and fair market conditions, which we consider to be "out of arm's length" and we estimate that the Bank has no tax risks related to transfer prices.

10. Disclosure of Related Parties (continued)

Transactions with Key Management (continued)

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

	2025 BAM 000	2024 BAM 000
Supervisory Board		
Loans as of December 31	-	-
Interest income for the year	-	-
Deposits as of December 31	101	3
Interest expense for the year	-	-
Management Board		
Loans as of December 31	2	7
Interest income for the year	-	1
Deposits as of December 31	338	33
Interest expense for the year	-	-
Other related parties (key management of the Bank and the Group)		
Loans as of December 31	741	194
Interest income for the year	22	10
Deposits as of December 31	478	243
Interest expense for the year	1	(2)
Total other related parties		
Total loans as of December 31	743	201
Total interest income for the year	22	11
Total deposits as of December 31	917	279
Total interest expense for the year	1	(2)

11. Fair Value of Financial Assets and Liabilities

Fair value is the amount for which an asset can be exchanged or a liability settled between informed and willing parties under normal market conditions. It can also be defined as the value at which an asset/ liability can be disposed of, that is, the estimated value of neutralizing the market risk, which arises from this asset/ liability in the appropriate time frame.
Assumptions used in the assessment and measurement of the fair value of financial instruments are based by the Bank on the application of a centralized calculation, developed at the Group level, which uses IFRS 13 as a unique source of guidelines for fair value measurement.

Financial instruments are considered to be quoted on an active market if the quoted prices are easily and regularly available and if these prices represent real and regular market transactions according to usual market conditions.

All financial instruments are classified in accordance with the criteria for division into levels of the fair value hierarchy, which contains three different levels:

All financial instruments are classified in accordance with the criteria for division into levels of the fair value hierarchy, which contains three different levels:

- hierarchy level 1: fair value taken on the basis of prices for an identical asset or liability, which can be accessed on the measurement date, i.e. if the financial instruments are represented on an active market;
- hierarchy level 2: fair value taken on the basis of the valuation model, for which data is taken from the active market when excluding the possibility of inputs used in the valuation of hierarchy level 1;
- hierarchy level 3: fair value taken on the basis of the valuation model, for which data are taken, which are not on the active market, i.e. when significant adjustments are required.

11. Fair Value of Financial Assets and Liabilities (continued)

The Group uses the following additional criteria in the methodology for determining the level of hierarchy for performing loans and deposits from banks and clients:

- hierarchy level 2: (risk-free rate i.e. *FV risk free* adjusted rate for credit spread for expected and unexpected loss i.e. *FV risk adjusted*)/ risk-free rate i.e. *FV risk free* ≤ 5%;
- hierarchy level 3: (risk-free rate i.e. *FV risk free* adjusted rate for credit spread for expected and unexpected loss i.e. *FV risk adjusted*)/ risk-free rate i.e. *FV risk free* > 5%.

Non-performing loans are classified by the Bank in accordance with the Group's instructions by equating their book value and fair value.
All assets and liabilities of the Bank are classified on hierarchy level 2 and hierarchy level 3.
The Bank classifies debt securities at hierarchy level 2, and fair value adjustments are made in accordance with the Group's centralized calculation.
The Bank classifies equity securities in hierarchy level 3.

The Bank monthly calculates the fair value of the bonds in its portfolio and reconciles the book value with the calculated fair value. The fair value calculation takes place in several steps:

- the first step is to calculate local prices, taking into account regulatory regulations,
- in the second step, the Group independently performs an independent price calculation (IPV - *Independent Price Verification*),
- in the third, last step, a comparison of local and IPV prices is made and, in the event that IPV prices are lower than local prices, an adjustment is made (FVA - *Fair Value Adjustment*).

The calculation of IPV prices is based on the model (Mark-to-Model). The bond valuation effect amounted to BAM 3.6 million at the end of 2024, and remained at the same level as of December 31, 2025. Although new purchases of bonds during the previous year (BAM +83.6 million compared to the end of 2024) generated additional negative effects of fair valuation (FVA), the FVA of the existing bond portfolio improved due to the growth of their fair values as a result of the drop in interest rates on the market. The overall net effect led to maintaining the FVA at the same nominal level at the end of the year.

The table below shows the fair value of financial assets and liabilities at amortized cost, while the fair value of assets at fair value through other comprehensive income is presented in note 5.2:

The fair value levels of the Bank's assets and liabilities in accordance with IFRS 13 are shown in the table below:

	December 31, 2025			December 31, 2024		
	Fair value levels			Fair value levels		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000	BAM 000
Loans and receivables with banks	-	938	35,434	-	-	226,739
Loans and receivables with clients	-	217,681	701,613	-	168,792	589,472
Total loans	**-**	218,619	737,047	-	168,792	816,211
Deposits and borrowings from banks	-	46,091	-	-	8,034	0
Deposits and borrowings from clients	-	1,157,592	47,859	-	1,048,050	84,720
Total deposits	**-**	**1,203,683**	**47,859**	**-**	**1,056,084**	**84,720**

11. Fair Value of Financial Assets and Liabilities (continued)

	December 31, 2025				December 31, 2024			
	Fair value	Book value	Change		Fair value	Book value	Change	
	BAM 000	BAM 000	BAM 000	%	BAM 000	BAM 000	BAM 000	%
Loans and receivables with banks	36,372	36,366	6	0.02%	226,739	226,762	(23)	(0.01%)
Loans and receivables with clients	919,294	931,593	(12,299)	(1.32%)	758,264	774,198	(15,934)	(2.06%)
Total loans	**955,666**	**967,959**	**(12,293)**	**(1.27%)**	**985,003**	**1,000,960**	**(15,957)**	**(1.59%)**
Deposits and borrowings from banks	46,091	46,695	(604)	(1.29%)	8,034	8,049	(15)	(0.19%)
Deposits and borrowings from clients	1,205,451	1,206,987	(1,536)	(0.13%)	1,132,770	1,139,295	(6,525)	(0.57%)
Total deposits	**1,251,542**	**1,253,682**	**(2,140)**	**(0.17%)**	**1,140,804**	**1,147,344**	**(6,540)**	**(0.57%)**

12. Pledged Property

As of December 31, 2025, the Bank has registered one pledge in favor of the pledge creditor - the Government of the Republic of Srpska, based on the loan “IFAD 449 BA PROJECT_IFAD 772BA”. Liabilities under this loan as of December 31, 2025 amount to BAM 58 thousand (December 31, 2024: BAM 95 thousand).

Apart from the above pledge, the Bank has no other pledges and mortgages on real estate and equipment as of December 31, 2025.

13. Events after the Reporting Date

After the balance sheet date, there were no events that would require additional disclosures or possible corrections of these financial statements (corrective events) until the date of their issuance.

14. Audit Costs

In accordance with the contract on the audit of the annual report, group package and regulatory reports for the Banking Agency of the Republic of Srpska for the year 2025, the Bank agreed with “KPMG BH d.o.o. za reviziju” compensation in the amount of BAM 102,331 (2024: BAM 100,129).

In accordance with the contract on the audit of information systems for the year 2025 (mandatory reporting to the Banking Agency of the Republic of Srpska), the Bank has agreed with “KPMG BH d.o.o. za reviziju” compensation in the amount of BAM 17,413 (2024: BAM 17,037).

The total contracted amount for the audit, including other services related to giving an opinion, in 2025 was BAM 119,744 (2024: BAM 117,166).

All the amounts stated above represent the agreed fee for performing the audit in question without: VAT, increases based on the official inflation rate and direct costs.

ABBREVIATIONS

BARS	Banking Agency of the Republic of Srpska
Bank	UniCredit Bank a.d. Banja Luka
BPV	Basis Point Value
CBAM	Carbon Border Adjustments Mechanism
CET 1	Common Equity Tier 1 Capital ratio
CPV	Credit Spread Point Value
EAD	Exposure At Default
EBA	European Banking Authority
ECL	Expected Credit Loss
EIR	Effective interest rate
EU	European Union
EV	Economic value
FCRC	Financial and Credit Risk Committee
FLI	Forward Looking Information
FV	Fair value
Group	UniCredit Group
Sec	Securities
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretations Committee
IT	Information Technology
LGD	Loss Given Default
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
NPE	Non-Performing Exposure
OCI	Other comprehensive income
PD	Probability of Default
VAT	Value Added Tax
POCI	Purchased or Originated Credit Impaired
PSC	Performance Status Code
RS	Republic of Srpska
RWA	Risk Weighted Assets
SLG	Structural Liquidity Gap
SLR	Structural Liquidity Ratio
SMI	Tangible Assets Acquired by Collateral Foreclosure
SPPI	Solely Payments of Principal and Interest
SREP	Supervisory Review and Evaluation Process
TTC	Through The Cycle
UTP	Unlikely To Pay
VaR	Value at Risk
WL	Watch List

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