Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

Financial Stability Report 2025

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

Financial Stability Report 2025

PUBLISHER

Central Bank of Bosnia and Herzegovina

Maršala Tita 25, 7100 Sarajevo

Tel (387 33) 278 100
www.cbbh.ba
e-mail: contact@cbbh.ba

For any information please contact:
Financial Stability Devision

DTP:
Inventa

Contents

GRAPHS

TEXT BOX

TABLE

STATISTICAL APPENDIX

COUNTRIES:

BE	Belgium
BG	Bulgaria
CY	Cyprus
DE	Germany
ES	Spain
FR	France
GR	Greece
HR	Croatia
IE	Ireland
IT	Italy
PT	Portugal
SI	Slovenia
SK	Slovakia
TR	Turkey

Abbreviations

BARS	Banking Agency of Republika Srpska
BH	Bosnia and Herzegovina
BHAS	BH Agency for Statistics
BLSE	Banja Luka Stock Exchange
BoE	Bank of England
BoJ	Bank of Japan
CAC 40	French stock market index (Cotation Assistée en Continu)
CAR	capital adequacy ratio
CBBH	Central Bank of Bosnia and Herzegovina
CET 1	Common Equity Tier 1
CHF	Swiss franc
CPI	onsumer price index
CRC	Central Registry of Credits
DAX	index on the Frankfurt Stock Exchange (Deutscher Aktien Index)
DIA	Deposit Insurance Agency
EBA	European Banking Authority
ECB	European Central Bank
EU	European Union
EUR	euro
EURIBOR	Euro Interbank Offered Rate
FBA	Banking Agency of the Federation of Bosnia and Herzegovina
FBH	Federation of Bosnia and Herzegovina
FED	Federal Reserve System
FTSE	Financial Times Stock Exchange
GBP	British Pound
GDP	gross domestic product
HHI	Herfindahl-Hirschman's Index
IMF	International Monetary Fund
KM	convertible mark
MCO	microcredit organizations
MFT of BH	Ministry of Finance and Treasury of Bosnia and Herzegovina
NPL	non-performing loans
OPEC	Organization of the Petroleum Exporting Countries
ROAA	return on average assets
ROAE	return on average equity
RRFC	reference rate for average weighted funding costs
RS	Republika Srpska
RTGS	Real Time Gross Settlement
SASE	Sarajevo Stock Exchange
S&P	Standard and Poor's
SRTA	Single Registry of Transactions Accounts
TIPS	Target Instant Payment Settlement
USA	United States of America
USD	United States dollar
WEO	World Economic Outlook
WTI	West Texas Intermediate
WTO	World Trade Organisation

INTRODUCTION

The CBBH understands financial stability as a situation in which a financial system can absorb shocks without any significant disturbances in its current and future operations, its operating having no negative effects on the economy.

The CBBH's authority to monitor the financial system stability derives indirectly from the Law on the CBBH. The CBBH has an active role in the development and implementation of the policy of stability and sustainable economic growth of BH, through ensuring the stability of the domestic currency and overall financial and economic stability in the country. One of the CBBH's basic tasks is to establish and maintain the appropriate payment and settlement systems as a part of financial infrastructure. The CBBH contributes to the preservation of financial stability through its authority established by law to coordinate the activities of the Entities' Banking Agencies. In accordance with the Governing Board decision, the CBBH participates in the work of international organisations which invest efforts in consolidating financial and economic stability through international monetary cooperation. The CBBH activities in the field of monitoring the financial system stability also include specialised communication with relevant international and domestic institutions, which ensures the continuity of the process of monitoring systemic risks. CBBH contributes to the preservation of the financial stability through its membership in the Standing Committee for Financial Stability of BH.

By publishing the Financial Stability Report, the CBBH strives to contribute to financial stability in BH through:

- Improving understanding and encouraging dialogue about risks for financial intermediaries in macroeconomic environment;
- Warning financial institutions and other market participants about the possible collective impact of their individual actions;
- Creating consensus on financial stability and improving the financial infrastructure.

Although the Report is focused on the events from 2025, its scope has been extended to include the most important events from the first half of 2026, in accordance with the available data at the time of preparing this document. The Financial Stability Report for 2025 is organised by chapters as it follows. The Summary highlights the most important risks to the financial system stability. The first Chapter presents the main trends and risks from international environment. As part of this Chapter, the main risks from the EU and the euro area are highlighted, and their effects on the banking sector and the real economy of this geographical area are described, with focus on risks that can have an impact on the banking sector and the real economy of BH. The second Chapter provides an overview of trends and potential risks from the domestic environment that are reflected in the functioning of the BH financial system, including an overview of the fiscal sector main trends and risks. The third Chapter illustrates the effects of the risks identified in the previous Chapters on claims on households. The fourth Chapter focuses on the effects of identified risks on the sector of legal persons. In the fifth Chapter, the effects of risk on the financial sector stability are assessed, with a focus on the banking sector. The sixth Chapter illustrates the basic trends in financial infrastructure: payment systems and regulatory framework. The Financial Stability Report for 2025 includes four text boxes: Effect of geopolitical tensions on change in monetary policy expectations of leading central banks, Assessment of the main macro-financial risks to financial stability, Real estate market, Potential effects and reflections of the full implementation of the EU CBAM on the operations of companies exporting from BH to the European Union market.

Finally, it should be emphasised that this Report addresses exclusively the matters of importance for systemic risk because, in accordance with the laws in effect in BH, the supervision of the operations of financial intermediaries is the task of the competent financial sector supervisors. Its main goal is to indicate the risks coming from the financial system, as well as the macroeconomic environment, and assess the system's ability to absorb these shocks.

SUMMARY

Thanks to the continuous increasing of banks' capital and liquidity reserves over the past decade, and strong profitability over the past few years, Bosnia and Herzegovina's financial system remained stable during 2025. Risks arising from international environment were evident, while geopolitical tensions, intensifying trade restrictions and disruptions in the energy market further increase risks to global financial stability, and affect the change of monetary policy expectations of leading central banks. In such circumstances, the outlook for economic growth has deteriorated, especially in the euro area, where, in addition to weakening investment activity, fiscal challenges related to high levels of public debt and rising financing needs have become stronger.

Risks in the domestic macroeconomic environment have increased under the impact of growing domestic inflation pressures and slowing economic growth. Real net wage growth and a slight decline of unemployment contributed to private consumption growth, however higher inflation pressures significantly undermine the purchasing power of households and the prospects for a stronger economic recovery. Prices continued to rise in the residential real estate market, with a significant increase of banks' credit exposure to this segment. BH balance of payments vulnerabilities have been slightly reduced due to a slight recovery of export demand, while the fiscal position is somewhat weaker due to the growth of fiscal deficit and the public debt share, with fiscal risks remaining limited.

Unfavourable international and domestic conditions have not had a significant impact on the domestic financial system stability. The growth of lending activity was accompanied by a further improvement of asset quality, with deposits remaining a stable source of financing for the banking sector. Such developments confirm that households and non-financial companies, despite a more complex economic environment, have generally retained their ability to regularly settle their financial obligations. Private sector lending activity remained strong throughout the year. The growth of lending to households was driven by increased demand for housing and general consumption loans, and was partly due to the increase of the general price level, while the non-financial companies sector continued to increase the debt level to finance business activities. At the same time, a higher share of loans contracted with fixed interest rates or longer fixation periods contributed to reducing exposure to interest rate risk and increasing the private sector resilience to possible changes of financing conditions.

In the household sector, a continuation of the years-long decrease of the share of non-performing loans and a continuous increase of household deposits were recorded. Nevertheless, a slight increase of non-performing loans in the general consumption loans segment indicates that it is necessary to continue to monitor the risks associated with the strong growth of consumer borrowing. In addition, while the deposit growth reflects the preserved confidence in the banking system, their strong concentration with a smaller number of depositors stays one of the structural features of the sector.

Growth of operating revenues of non-financial companies, satisfactory capitalisation and regular servicing of liabilities enabled the preservation of the favourable quality of the loan portfolio, while the continued growth of external debt contributed to higher diversification of financing sources. However, the uncertain outlook in the international environment, the possible weakening of external demand, the expected strengthening of inflation pressures, as well as the costs associated with the energy transition and the implementation of the carbon fee are challenges that could affect the business and financial position of this sector in the coming period.

In 2025, Bosnia and Herzegovina's banking sector maintained a high degree of resilience, confirming its ability to absorb risks resulting from adverse international and domestic economic developments. Capitalisation, liquidity and profitability remained at high levels, with continued improvements of asset quality, while stable funding sources enabled unhindered support for lending activity. The continued growth of lending to private non-financial sector has contributed to the gradual recovery of the financial cycle, which, according to available indicators, is approaching the expansion phase. Nevertheless, longer-term inflation pressures could weaken the financial position of households and companies, which could indirectly affect the quality of the banking sector assets. Additional risks arise from possible continued weakening of external demand, as well as increased operating costs which certain export-oriented companies will be exposed to. In such circumstances, the continuation of strong lending activity, especially in the household segment, requires careful monitoring in order to identify a possible credit risk increase on time. Potential challenges are also present in the area of interest rate risk. While banks' funding costs remained relatively low in 2025, their slow growth, coupled with continued long-term fixed-rate loans, may increase pressure on the net interest margin in the period ahead. The results of the stress tests confirm that the banking sector has sufficient capital and liquidity capacities to absorb highly adverse macroeconomic and financial shocks. The sector's resilience has been further strengthened by the introduction of a capital buffer for systemically important banks at the end of 2025.

Non-banking financial sector continues to play a modest role in the overall financial system of Bosnia and Herzegovina, although moderate positive developments were recorded in certain segments in 2025. The microcredit sector, leasing companies and investment funds achieved business growth, while insurance and reinsurance companies maintained their dominant position among non-bank financial institutions with continued growth of premium income. On the other hand, activity on the domestic capital market was reduced, as a result of the decision of the Government of the Federation of BH to make the largest issue of public debt on the foreign market.

On the whole, the 2025 indicators confirm that Bosnia and Herzegovina's financial system has maintained stability despite a more complex international environment and increased uncertainty. Stable performance indicators of the banking sector, preserved ability of households and non-financial companies to properly perform their obligations, continued growth of deposits and improvement of asset quality are key factors that have contributed to the financial stability preservation. At the same time, the continuation of geopolitical tensions, trade restrictions, inflation pressures and energy transition related challenges indicates the need for continuous monitoring of risks from the international and domestic environment, in order to preserve the financial system resilience and respond in a timely manner to possible materialization of adverse scenarios.

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

TRENDS AND RISKS FROM THE INTERNATIONAL ENVIRONMENT

1. TRENDS AND RISKS FROM THE INTERNATIONAL ENVIRONMENT

Conditions for global financial stability deteriorated further during 2025 and in the first half of 2026, under the influence of rising geopolitical tensions, trade barriers and increased uncertainty regarding the economic policies of the world's leading economies. The global economy remained more resilient during 2025 than previously expected, but the outlook for 2026 worsened following the outbreak of conflict in the Middle East and disruptions in energy markets. Rising oil and natural gas prices intensified inflationary pressures and reduced the room available to leading central banks for further monetary policy easing. Higher tariffs and trade restrictions, particularly measures introduced by the USA, contributed to increased uncertainty and volatility in financial markets. The European economy recorded moderate growth during 2025, but the outlook weakened in the first half of 2026 due to greater dependence on energy imports, subdued investment activity and a less favourable international environment. The fiscal positions of some euro area countries remained vulnerable due to high levels of public debt, rising borrowing costs and increased financing needs for defence and infrastructure. Yields on government bonds, as well as stock market prices, recorded significant growth. The euro area banking sector maintained high profitability, strong capital and liquidity indicators and a low level of non-performing loans. Nevertheless, risks to asset quality increased, particularly in the segments of loans to small and medium-sized enterprises, consumer loans and commercial real estate, while a prolonged duration of energy and trade disruptions could further weaken the debt-servicing capacity of companies and households.

1.1. Trends in the international environment

The global economy recorded growth of 3.4% in 2025, with developed economies recording growth of 1.9%, while the group of emerging markets and developing economies recorded stronger growth, amounting to 4.4% (Table 1.1). Economic activity remained more resilient than previously expected, despite higher trade barriers and pronounced uncertainty regarding economic policies. The negative effects of trade restrictions were partly mitigated by growth in investment related to the development of new technologies, favourable financing conditions, the weakening of the US dollar, as well as fiscal and monetary support. The volume of global trade in goods and services increased by 5.1% in 2025, among other things due to accelerated imports ahead of the entry into force of certain tariff measures and the adjustment of trade flows. Inflation continued to decline, although at an uneven pace, and amounted to 4.1% globally.

In the first half of 2026, the outlook for the global economy worsened again following the outbreak of conflict in the Middle East. Rising prices of energy and other commodities, higher inflation expectations and tighter financing conditions represent significant risks to economic activity, particularly in countries dependent on energy imports. According to the latest IMF projections, global economic growth is expected to slow to 3.1% in 2026, representing a downward revision of 0.2 percentage points compared with the January report.

Growth of 1.8% is expected in developed economies, while the growth projection for emerging markets and developing economies has been revised down to 3.9%. At the same time, growth in the volume of global trade is expected to slow to 2.8%, while global inflation could temporarily rise to 4.4%, before resuming its downward trend in the following year. Risks to the economic outlook remain pronounced, given the possibility of a prolonged duration of geopolitical disruptions, a further increase in energy prices and additional tightening of financing conditions.

Table 1.1: Real GDP, Annual Growth Rate

	Real GDP, annual gorwth rate					Change relative to the October 2025 projection
	2023	2024	2025	2026	2027	2026
The world	**3.5**	**3.3**	**3.4**	**3.1**	**3.2**	**0.0**
Developed economies	1.7	1.8	1.9	1.8	1.7	0.2
USA	2.9	2.8	2.1	2.3	2.1	0.2
Euro area	0.4	0.9	1.4	1.1	1.2	-0.1
Great Britain	0.4	1.1	1.3	0.8	1.3	-0.5
Japan	1.5	0.1	1.2	0.7	0.6	0.1
Developing countries and emerging markets	4.7	4.3	4.4	3.9	4.2	-0.1
Russia	4.1	4.1	1.0	1.1	1.1	0.1
China	5.4	5.0	5.0	4.4	4.0	0.2
European developing countries and emerging markets	3.6	3.4	2.0	2.0	2.1	-0.2
Main foreign trade partners						
Germany	-0.3	-0.2	0.2	0.8	1.2	-0.1
Croatia	3.3	3.8	3.2	2.6	2.6	-0.1
Serbia	3.8	3.9	2.0	2.8	3.5	-0.8
Italy	0.7	0.7	0.5	0.5	0.5	-0.3
Slovenia	2.1	1.6	1.1	2.0	2.1	-0.3
Austria	-1.0	-1.2	0.6	0.7	1.0	-0.1
Montenegro	6.3	3.0	2.7	2.8	2.7	-0.4

Source: World Economic Outlook, IMF, April 2026, CBBH

The US economy recorded a slowdown in growth during 2025, but remained relatively resilient despite a significant increase in trade barriers and pronounced uncertainty regarding economic policies. Real GDP increased by 2.1%, following growth of 2.8% in the previous year, primarily owing to growth in private consumption and investment. Economic activity developments during the year were uneven: after strong growth in the second and third quarters, real GDP growth slowed to 0.5% year-on-year in the fourth quarter, partly under the influence of the temporary shutdown of part of the federal administration. Inflation remained above the Federal Reserve's target level, with the personal consumption expenditures (PCE) deflator increasing by 2.6% year-on-year in 2025, while it stood at 2.9% in December. Core PCE inflation, which excludes food and energy prices, amounted to 2.7% in December. Annual inflation measured by the consumer price index (CPI) stood at 2.7% in December, while core inflation amounted to 2.6%. In May 2025, the rating agency Moody's downgraded the long-term sovereign credit rating of the USA from Aaa to Aa1 and changed the outlook from negative to stable.

During 2025, the US administration introduced a series of new tariff measures that significantly changed the international trade environment. In February, tariff rates on imports of steel and aluminium were increased to 25%, while in March tariffs of 25% were introduced on imports of automobiles and key auto parts. Trade tensions intensified further in early April with the introduction of a basic tariff rate of 10% on imports from all countries and higher, individually determined reciprocal tariffs for certain trading partners. Following the escalation of trade measures between the USA and China, an agreement was reached in May on a temporary 90-day easing of some additional tariffs, while maintaining an additional reciprocal rate of 10% on both sides.

Tariff rates on imports of steel and aluminium were further increased from 25% to 50% in early June. However, in February 2026, the US Supreme Court overturned part of the tariff regime introduced in April 2025, ruling that it was not in compliance with the legal provisions on which it had been based. In response, the US government introduced a global tariff of 10% (for a period of 150 days), with the possibility of increasing it to 15%, based on other legal provisions. The average tariff level declined following the ruling, although unevenly across geographical areas, with only a negligible reduction in tariffs for the euro area. However, the lack of clarity regarding a possible extension of the timeframe or new measures that could be adopted increases uncertainty for exporters and complicates medium-term planning of global supply chains.

In the first half of 2026, US economic activity recovered following the slowdown recorded at the end of the previous year. Real GDP increased at an annual rate of 2.1% in the first quarter, primarily due to growth in exports, investment, private consumption and government consumption. At the same time, inflationary pressures strengthened again: the annual inflation rate, measured by the PCE deflator, increased to 4.1% in May, while core inflation amounted to 3.4%. Inflation measured by the consumer price index increased from 2.4% in January to 4.2% in May 2026, while core inflation amounted to 2.9% year-on-year. According to the latest IMF projections from April 2026, the US economy could record growth of 2.3% in 2026, supported by fiscal policy and the lagged effects of benchmark interest rate cuts during 2025, while increased trade barriers continue to constrain economic activity and the escalation of the conflict in the Middle East represents an additional source of uncertainty.

The European Union economy recorded moderate growth during 2025, despite increased trade barriers, weaker external demand and pronounced uncertainty in the international environment. Real EU GDP increased by 1.5%, following growth of 1.1% in the previous year. At the same time, the euro area economy recorded growth of 1.4%, compared with 0.9% in 2024. Economic activity was supported by growth in private and government consumption and investment, while the contribution of net exports was negative towards the end of the year. Inflationary pressures continued to weaken and the labour market remained strong, although signs of a gradual slowdown in labour demand had already emerged during 2025. At the same time, the corporate sector was exposed to a less favourable international environment due to changes in US trade policy, weaker competitiveness of certain European industries and growing uncertainty that constrained investment decisions.

In the first half of 2026, economic activity slowed further. In the first quarter, real GDP increased by 0.2% in the EU and by 0.1% in the euro area compared with the previous quarter. The outbreak of conflict in the Middle East and the almost complete closure of the Strait of Hormuz caused a sharp increase in oil and natural gas prices and further worsened the economic outlook. Higher energy prices adversely affect households' real incomes, consumption and corporate profit margins, while increased uncertainty and rising financing costs constrain investment activity. According to the European Commission's spring projections from May 2026, real GDP growth in the euro area could slow to 0.9%. At the same time, average inflation in the euro area is expected to rise significantly to 3.0% in 2026, from 2.1% in the previous year. Risks to the economic outlook remain pronounced, particularly if disruptions in energy markets persist for longer or geopolitical and trade tensions intensify further.

In March 2025, the European Commission presented the White Paper on European Defence and the "ReArm Europe/Readiness 2030" plan, which includes financial instruments and additional fiscal space for increasing investment in the defence capacities of Member States. Increased spending on defence and infrastructure could partly mitigate the negative effects of a less favourable international environment, particularly if additional expenditure is directed towards productive investment, strengthening European production capacities and research and development.

The largest economy in the euro area, Germany, recorded growth of only 0.2% in 2025, following two years of declining economic activity. Weak growth reflected structural challenges in export-oriented industries, an unfavourable international trade environment and subdued domestic demand. In March 2025, Germany adopted a reform of the fiscal framework establishing a special infrastructure fund of EUR 500 billion, allowing defence expenditure above 1% of GDP to be exempted from the application of the "debt brake", and increasing the borrowing limit for federal states to 0.35% of GDP. Although the implementation of additional spending was initially slower than expected, growth in public investment and defence spending is expected to support economic activity in the coming period. According to the latest European Commission projections, the German economy could record growth of 0.6% in 2026.

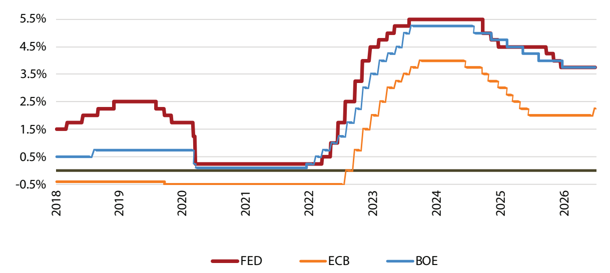
Leading central banks continued to gradually ease monetary policy during 2025 amid declining inflation. However, since the beginning of 2026, the energy shock caused by the war in the Middle East has also affected the conduct of monetary policy by central banks.

Following multiple benchmark interest rate cuts during 2024, the Bank of England continued easing monetary policy during 2025, with the benchmark interest rate gradually reduced from 4.75% at the beginning of the year to 3.75% by year-end. During the first half of 2026, the benchmark interest rate was kept unchanged at the same level due to rising inflationary pressures caused by higher oil and gas prices amid the conflict in the Middle East. Inflation rose to 3.3% in March 2026, above the 2% target level, before standing at 2.8% in April and May of this year.

The FED kept the benchmark interest rate unchanged in the range of 4.25% to 4.50% until September 2025, following previous cuts at the end of 2024. FED officials emphasised that higher tariffs, trade restrictions and geopolitical risks further complicated the conduct of monetary policy, as they simultaneously increased inflationary pressures and slowed economic activity. Nevertheless, beginning in September 2025, the FED cut interest rates by a total of 75 basis points, thereby lowering the target range from 4.25–4.50% to 3.50–3.75%. Benchmark interest rates remained within this range in the first half of 2026.

During 2025, the ECB cut benchmark interest rates several times, with the deposit facility rate reduced from 3.0% at the beginning of the year to 2.0% by mid-2025. The ECB kept benchmark interest rates unchanged until June 2026, when they were increased by 25 basis points. The ECB's decisions were based on an assessment that inflation was gradually converging towards the target value. However, the outbreak of war in the Middle East at the end of February 2026 raised the inflation forecast for 2026 first to 2.6% and subsequently to 3.0%, from the previous projection of 1.9%, and the ECB considered the possibility of raising interest rates, which ultimately occurred in June 2026.

Graph 1.1: Trend of Benchmark Interest Rates of Leading Central Banks



Source: FED, ECB, BOE
Note: The graph shows the upper limit of the FED benchmark interest rate interval;
The graph shows the ECB deposit facility rate

Text Box 1: Effect of geopolitical tensions on the change in monetary policy expectations of leading central banks

After most of the world's leading central banks had pursued a cycle of monetary policy easing during 2024 and 2025 amid a pronounced decline in inflationary pressures, the first half of 2026 brought a sharp reversal. The key driver of instability in global financial markets was the escalation of the conflict at the end of February 2026 between Iran on the one side and the USA and Israel on the other.

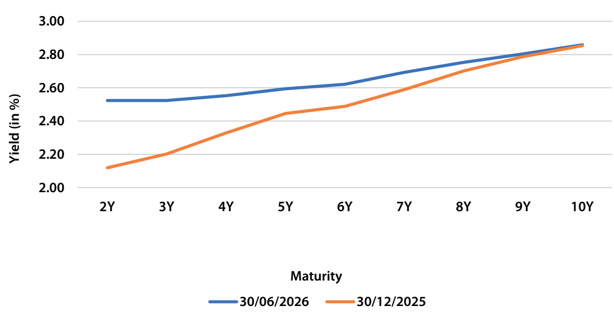
A direct consequence of the conflict was the blockade of key energy corridors, which caused a sudden and sharp increase in global crude oil prices. The price of WTI (West Texas Intermediate) crude oil rose from below USD 60 per barrel to around USD 105 per barrel within a short period, recording an increase of more than 80%.
From the perspective of preserving financial stability, such shocks in energy markets represent a significant systemic risk. Although they may initially be temporary, a prolonged period of high oil prices inevitably generates second-round effects. These are reflected in higher production and transport costs, ultimately leading to an acceleration of core inflation well above the 2% target level across all major economic regions.

A prolonged conflict increases uncertainty and reduces the predictability of economic developments, thereby causing instability and transmitting risk to the rest of the global financial market.

Bond market reaction and yield curve developments in the euro area

The radical shift in market participants' perception of the future path of interest rates was reflected most rapidly in the debt market, namely through rising yields on government bonds of euro area Member States. Developments in the German government bond market, as the benchmark for the euro area, clearly illustrate this trend. From the beginning of 2026 to the end of June, yields on German government bonds increased by between 1 and 41 basis points.

Graph TB 1.1: Yield Curve of German Bonds

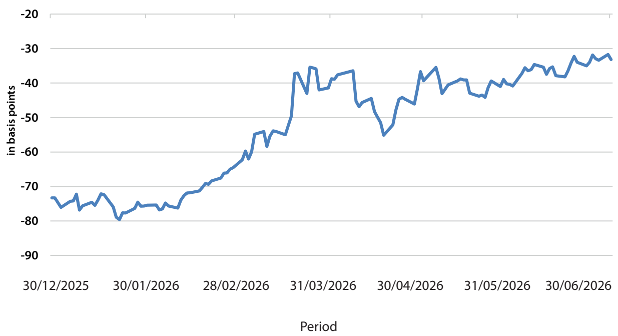


Source: Bloomberg

However, as shown in Graph TB 1.1, this increase in yields was not linear along the yield curve. The most pronounced changes were recorded at the front end, i.e. the short-term segment of the curve, specifically in two-year bonds, which are most sensitive to changes in expectations regarding central bank benchmark interest rates, while yields on longer-term bonds remained almost unchanged. As a result, the spread between yields on ten-year and two-year German government bonds narrowed to only 33 basis points from 73 basis points at the beginning of the year (Graph TB 1.2).

This type of yield curve movement, the so-called bear flattening, clearly indicates that market participants are already strongly pricing into current bond prices a scenario of more restrictive central bank action and a potential increase in benchmark interest rates in order to curb imported inflation.

Graph TO 1.2: Difference between Yields on Two Year and Ten Year German Bonds



Source: Bloomberg

Adjustment of monetary policy and market expectations regarding leading central banks European Central Bank (ECB)

During the previous easing cycle, the ECB reacted at the fastest pace among the leading central banks. The latest reduction in key interest rates was implemented in June 2025, when the deposit facility rate (DFR) was reduced by 25 basis points to 2.00%. In mid-2025, market expectations prevailed that the ECB would make one further cut of 25 basis points by the end of that year (to 1.75%).

However, with inflation stabilising close to the 2.0% target, it was considered that the ECB had reached the neutral level of monetary policy, and at the beginning of 2026 investors expected rates to remain unchanged throughout the year.

The escalation of the conflict and the surge in oil prices completely changed these projections. Instead of the previously expected status quo, by the end of April investors began to price in with 100% probability the first increase in the ECB's key interest rates as early as June 2026, by 25 basis points, which ultimately occurred. Current market projections suggest that the ECB could raise rates twice more by the end of the current year (bringing the cumulative increase in 2026 to 75 basis points) and the DFR to 2.75% by year-end. These expectations are also supported by the official minutes of the April meeting of the ECB Governing Council, which confirmed that, despite the formal decision at the time to keep rates unchanged, options for an increase were already being actively discussed. At the June meeting, it was stated that the war in the Middle East was creating inflationary pressures and that a decision to raise interest rates was robust across a range of scenarios reflecting how the shock could evolve and affect the medium-term outlook for the euro area. The main argument for this reversal is the increase in the official euro area inflation rate to 3.0% in April, as a direct consequence of the oil shock.

Federal Reserve System (FED)

Unlike the ECB, the FED changed its benchmark interest rate considerably later during 2025, primarily due to more persistent inflation in the US and the continued resilience of the labour market. The FED made its final easing move of 25 basis points in December 2025, setting the target range for the benchmark interest rate at 3.50%–3.75%.

At the beginning of 2026, markets anticipated at least two further rate cuts during the year. However, amid geopolitical uncertainty and the risk of renewed inflationary pressures, market participants revised their expectations.

The current consensus in the futures market indicates that the FED will keep interest rates unchanged in the range of 3.50%–3.75% until the end of 2026, temporarily suspending further easing.

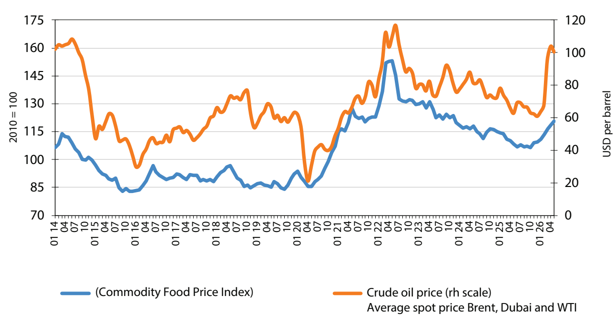
Bank of England (BoE)

At the beginning of 2026, the BoE benchmark interest rate stood at 3.75%, following a series of cuts in the second half of 2025. Initial market projections indicated room for a further reduction of around 40 basis points by the end of 2026.

The geopolitical shock at the transition from the first to the second quarter led to a sharp and unexpected correction. As the inflation rate in the United Kingdom again exceeded 3% at the end of the first quarter, investor expectations shifted towards tightening. By the end of April, market participants began pricing in the possibility that interest rates could be around 70 basis points above the current level by the end of the year. However, following the BoE's decision in early June to keep interest rates unchanged, expectations regarding an increase in the benchmark interest rate were revised to only 25 basis points by the end of the current year, while some investors expect no changes at all.

However, during the first half of 2026, the conflict in the Middle East led to another sharp increase in oil prices and heightened volatility in energy markets. Higher energy prices further intensified inflationary pressures and increased risks to global financial stability. The closure of the Strait of Hormuz, through which almost 20% of global oil and liquefied natural gas supplies pass, caused a supply-side shock in oil and gas markets. Middle Eastern countries account for approximately one third of global oil production, which was additionally affected by damage to energy infrastructure in the region. The World Bank estimates that the average Brent crude oil price will amount to around USD 86 in 2026, representing a sharp increase from USD 69 in 2025.

Graph 1.2: Food and Oil Prices



Source: the World Bank

Oil prices were strongly influenced during 2025 by trade tensions, geopolitical conflicts and expectations regarding global demand. The average Brent crude oil price decreased to around USD 69 per barrel in 2025, from USD 80 per barrel in 2024. At the beginning of the year, crude oil prices declined amid concerns that the trade war between the USA and China could significantly slow global economic growth and reduce demand for energy. Oil price developments during the remainder of the year were characterised by increased supply from non-OPEC+ countries and the gradual unwinding of voluntary production restrictions by OPEC+ countries, against the backdrop of weaker demand, particularly from China.

Developments in global foreign exchange markets during 2025 were marked by elevated volatility and changes in global risk perceptions. At the beginning of the year, the euro exchange rate against the dollar was close to parity, at 1.03 EUR/USD, after which the euro gradually appreciated, amid growing concerns regarding the US fiscal position, expectations of further monetary policy easing by the FED, efforts by international investors to diversify away from dollar-denominated assets, as well as uncertainty regarding US economic policy.

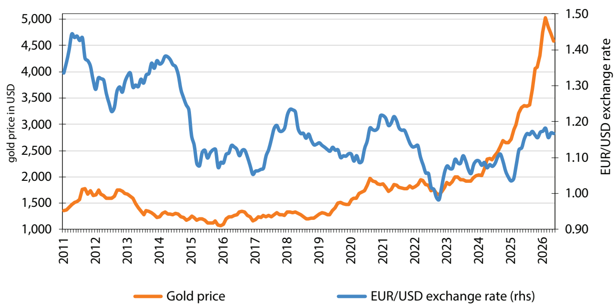
In early April 2025, following the announcement of the package of tariffs known as "Liberation Day", the US dollar recorded a particularly sharp depreciation. In the period that followed, the euro continued to appreciate, with occasional episodes of heightened volatility driven by changes in US economic policy and geopolitical developments. The dollar's role as a safe-haven currency weakened during periods of market tension in 2025, and by January 2026 the euro had reached a level of 1.20 EUR/USD.

Following the outbreak of conflict in the Middle East, the dollar once again became a safe-haven currency and appreciated by 1.4% during the first week of the conflict. Compared with other developed economies, the euro was among the relatively weaker currencies during that period, largely reflecting the greater exposure of European economies to the energy shock. Following the declaration of a ceasefire in early April, a partial correction occurred and the euro recovered part of the value it had lost, although the EUR/USD exchange rate did not fully return to the levels recorded before the outbreak of the conflict.

Changes in the perception of global risk also had a significant impact on the gold market. During 2025, the price of gold reached new record highs amid heightened geopolitical tensions, trade conflicts and increased investor demand for safe assets. The price of gold increased by more than 60% during 2025, driven by strong purchases by central banks, the weakening of the dollar, persistent geopolitical uncertainty and the attractiveness of gold as a hedge against inflation. In October 2025, gold exceeded USD 4,000 per ounce for the first time and continued to rise, reaching an all-time high of USD 5,589 per ounce in January 2026. In addition to demand from central banks, demand from investment funds and private investors increased further due to uncertainty in financial markets.

However, although the outbreak of war in the Middle East initially caused a short-lived surge in gold prices, rising yields on US government (treasury) bonds, the strengthening of the dollar and the sale of gold positions by investors facing liquidity problems contributed to a decline in gold prices. Although prices stabilised after a ceasefire was declared in early April, they did not return to their previous peaks. Long-term fundamental factors, such as persistent inflation and the diversification of central banks' foreign exchange reserves, continue to support upward pressure on gold prices.

Graph 1.3: Gold Price and EUR/USD Exchange Rate



Source: the World Bank, Bloomberg

1.2. Overview of the main risks in the EU and the euro area

The key sources of risk and vulnerability to euro area financial stability are a further escalation or prolonged duration of geopolitical tensions, together with growing concerns regarding the sustainability of public finances, which could adversely affect investor sentiment, trigger sharp market corrections and increase the vulnerability of sovereign bond markets in certain euro area countries. A prolonged duration of energy disruptions could tighten financing conditions and make debt servicing more difficult. Increased borrowing needs and rising financing costs are particularly significant for euro area countries with high levels of public debt and limited fiscal space.

1.2.1 Effects on the banking sector

Euro area banks maintained high profitability and strong capital and liquidity positions during 2025. Average return on equity remained close to 10%, although significant differences across banks and Member States persisted. Net interest income gradually declined due to narrowing interest margins, with growth in lending volumes only partly offsetting the negative effects of lower interest rates. At the same time, income from fees and commissions continued to grow, although at a slower pace than in the previous year, while other non-interest income played an increasingly important role in sustaining profitability. Banks generally managed to preserve cost efficiency despite rising operating costs. Favourable business results and expectations of higher distributions to shareholders contributed to an increase in the market value of bank shares, although their volatility increased following the intensification of trade and geopolitical uncertainty. Capital and liquidity indicators remained well above regulatory minimums, while the results of the EU-wide stress test indicated the banking sector's ability to absorb more severe macroeconomic shocks. Profitability of euro area banks remained high in the first half of 2026, but the outlook became more uncertain. Net interest income could gradually stabilise following the decline recorded during 2025, given the slight increase in net interest margins at the end of the year and changes in market expectations regarding the future path of interest rates. Nevertheless, weaker demand for loans and tightening credit standards may constrain income growth.

The quality of euro area banks' assets remained at a satisfactory level during 2025. The non-performing loan ratio remained close to historically low levels and declined slightly in the first half of the year, mainly owing to improved quality of loans to households, particularly housing loans. The ratio of loans with an increased level of credit risk also declined slightly, while payment arrears (late payments) remained limited. In the commercial real estate loan segment, preliminary signs of stabilisation were observed following a period of deterioration, although vulnerabilities remained in certain countries and market segments, particularly in office properties and lower-quality real estate. At the same time, the quality of loans to small and medium-sized enterprises continued to gradually deteriorate, while default rates increased above pre-pandemic levels. A slight deterioration was also recorded in consumer loans, particularly among financially more vulnerable households. In 2026, the NPL ratio remained unchanged at 2.2%, while the ratio of Stage 2 loans declined to 8.9%. Nevertheless, risks to asset quality increased, as rising energy prices, trade barriers and a weaker economic outlook may adversely affect the debt-servicing capacity of companies and households. Small and medium-sized enterprises, lower-income consumers, energy-intensive activities and sectors sensitive to disruptions in supply chains and international trade are particularly exposed. The direct exposure of euro area banks to the Middle East is limited, but the indirect effects of prolonged geopolitical disruptions could be more significant. Strong profitability and high capital and liquidity indicators nevertheless provide banks with room to absorb potential losses and increase provisions should macro-financial conditions deteriorate.

The credit ratings of banking groups operating in BH were mostly upgraded or affirmed during 2025, while rating outlooks were revised upwards in several cases.

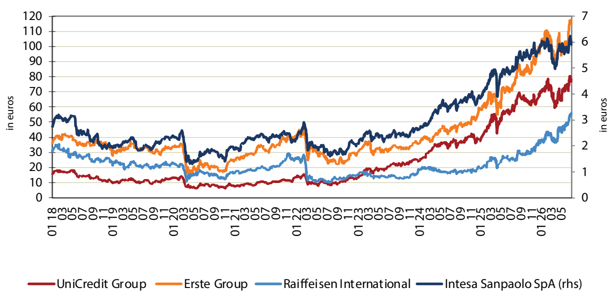
Particularly favourable developments were recorded for Italian banking groups, owing to the improvement in Italy's sovereign credit rating, the resilience of the domestic banking sector and the strengthening of banks' stand-alone credit profiles. After upgrading the long-term credit ratings of UniCredit SpA and Intesa Sanpaolo SpA from BBB to BBB+ in April 2025, S&P further upgraded UniCredit's rating to A- with a stable outlook in October, reflecting improved capitalisation, strong profitability and greater geographical diversification of operations. In November, following the upgrade of Italy's sovereign credit rating, Moody's upgraded the long-term ratings of the two banks from Baa1 to A3 with a stable outlook.

In March 2025, S&P affirmed the long-term credit rating of Raiffeisen Bank International AG at A- and revised the outlook from negative to stable. The decision reflected reduced risks associated with the bank's operations in Russia, a significant reduction in the activities of its Russian subsidiary and withdrawal from Belarus, as well as the assessment that the group's strong capital position and profitability provide sufficient capacity to absorb potential losses. The credit ratings of Erste Group Bank AG were also affirmed following the announced acquisition of a controlling stake in the Polish bank Santander Bank Polska. The favourable assessment of Erste Group is based on strong capital indicators, stable funding, good asset quality and the expectation that expansion into the Polish market will further enhance income diversification.

During the first half of 2026, the rating outlooks of Italian banks improved further: following the upward revision of the outlook for Italy's sovereign credit rating, S&P changed the rating outlooks for UniCredit and Intesa Sanpaolo from stable to positive in February.

European bank share prices recorded strong growth during 2025, continuing the recovery trend that had begun in the earlier period. The STOXX Europe 600 Banks Index increased by 67% on an annual basis, representing its best performance in the last several years. At the same time, euro area bank shares significantly outperformed the broader market, while market valuation indicators of large banks reached their highest levels since the period preceding the global financial crisis. The increase in share prices was supported by strong business results, more favourable expectations regarding future profitability and higher expected dividends. Nevertheless, following the announcement of new US tariffs in early April 2025, bank share prices recorded a sharp decline due to concerns regarding a potential trade war and weakening global economic activity. Part of the losses was subsequently recovered following the temporary postponement of some tariffs and the easing of trade tensions, particularly between the USA and China. By the end of 2025, improved expectations regarding banks' income and profits again supported an increase in market valuations. In 2026, although bank profitability projections remained favourable, market valuations were sensitive to geopolitical shocks.

Graph 1.4: Trend of Local Banks' Mother Banks' Stock Prices



Source: Bloomberg

1.2.2 Effects on the real sector

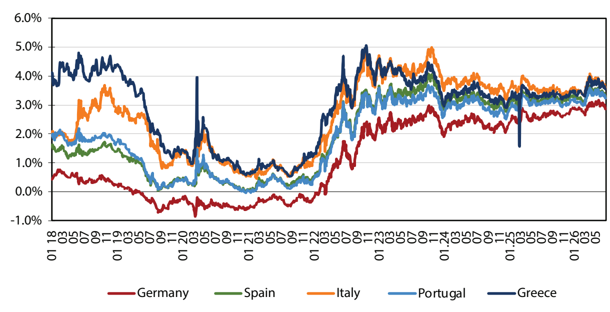
In 2025, the fiscal position of euro area countries remained under pressure from slower economic growth, increased spending on defence, the green and digital transition, and rising interest expenditure. According to Eurostat data, the euro area budget deficit declined from 3.0% of GDP in 2024 to 2.9% of GDP in 2025, while the public debt-to-GDP ratio increased from 87.0% to 87.8%. Significant heterogeneity remained across Member States, with Greece recording the highest debt ratio at 146.1% of GDP, while debt levels also remained elevated in Italy, France, Belgium and Spain. At the same time, public debt-servicing costs continued to rise due to the refinancing of maturing liabilities at interest rates that remained higher than in the period preceding the monetary tightening cycle. The European Commission estimates that the euro area budget deficit will remain above the reference level of 3% of GDP, amounting to around 3.3% of GDP in 2026, while a further slight increase in the public debt-to-GDP ratio is expected.

During 2025, yields on ten-year government bonds of euro area countries were marked by pronounced volatility under the influence of changing expectations regarding ECB monetary policy, the fiscal outlook of individual countries and growing geopolitical uncertainty. After the yield on ten-year German government bonds (Bunds) stood at around 2.4% at the beginning of 2025, a sharp increase in yields was recorded during March, reaching approximately 2.7% at the end of the month. The main driver of this movement was the announcement by the new German government of a reform of fiscal rules and an easing of the application of the statutory "debt brake" in order to finance increased investment in defence and infrastructure, which fuelled expectations of significantly higher government debt issuance in the coming years.

During the second quarter of 2025, yields fluctuated under the influence of reductions in the ECB's key interest rates, expectations of further monetary policy easing and changing investor risk perceptions. Announcements of new US tariffs on goods from the European Union in early April contributed to a temporary decline in yields due to increased demand for safe assets. In the second half of 2025, yields on ten-year government bonds of euro area countries recorded a moderate increase, with occasional fluctuations caused by changes in market expectations.

Following the outbreak of conflict in the Middle East and the increase in energy prices, market participants revised their expectations regarding the future path of the ECB's benchmark interest rates. The conflict triggered spikes in yields and a flattening of yield curves, reflecting inflation risk. The yield on ten-year German government bonds reached around 3.1% at the end of March 2026, the highest level since 2011, while at the beginning of June it stood at around 3%.

Graph 1.5: Yield of Ten Year Government Bonds



Source: Bloomberg

During 2025, the rating agencies Moody's and S&P upgraded the sovereign credit ratings of several euro area countries, primarily Southern European countries, while for some countries facing more pronounced fiscal challenges, they revised the outlook downwards or downgraded their credit ratings.

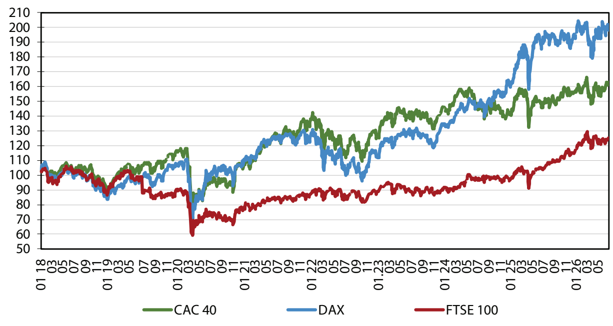
S&P upgraded the credit ratings of Portugal, Italy, Greece and Spain, with stable outlooks. Moody's upgraded Greece's credit rating from Ba1 to Baa3, thereby restoring it to investment grade, and also upgraded the credit ratings of Spain and Italy. These improvements reflected progress in reducing fiscal imbalances, resilience of economic activity and more favourable public debt dynamics in some euro area countries. On the other hand, France's credit profile continued to weaken due to persistently high budget deficits, rising public debt and limited room for fiscal consolidation. In February 2025, S&P revised the outlook on France's rating from stable to negative, and in October downgraded the rating from AA- to A+ with a stable outlook. Moody's also revised the outlook on France's Aa3 rating from stable to negative in October. In the first half of 2026, Moody's downgraded Belgium's credit rating from Aa3 to A1 with a stable outlook, while S&P downgraded Belgium from AA to AA- and Slovakia from A+ to A, both with stable outlooks. Positive developments were recorded in Croatia, whose credit rating S&P upgraded from A- to A with a stable outlook in March.

The main European stock market indices recorded strong growth during 2025, supported by lower interest rates, corporate profitability and expectations of higher fiscal spending on defence and infrastructure. The STOXX Europe 600 Index increased by around 16% on an annual basis, while the German DAX Index recorded growth of around 23%. Share price growth was not evenly distributed across sectors: particularly strong performance was recorded by banks, whose market valuations were supported by an improved profitability outlook, and by defence companies, reflecting expectations of a long-term increase in military spending in Europe. Nevertheless, markets were marked by episodes of pronounced volatility during the year.

After the US import tariffs announced in early April exceeded market participants' expectations, prices of risky assets fell sharply and concerns increased regarding a slowdown in the global economy and the profitability of the corporate sector. Most of the initial losses were subsequently recovered following the temporary easing of trade tensions, while stable corporate earnings and expectations of further monetary policy easing provided additional support to the market recovery.

The increase in oil prices following the escalation of the conflict in the Middle East led to occasional corrections in share prices, with European markets being more sensitive than US markets due to the euro area's greater dependence on energy imports. At the same time, favourable results of certain technology companies and continued investor interest in companies associated with the development of artificial intelligence supported market sentiment, while energy sector shares recorded gains owing to higher energy prices. Although European shares remained close to record levels at the beginning of June, high valuations of risky assets, the concentration of market capitalisation in a limited number of large technology companies and investor sensitivity to revisions in expected earnings increase the likelihood of sudden and interconnected market corrections.

Graph 1.6: Trend of Main Market Indices

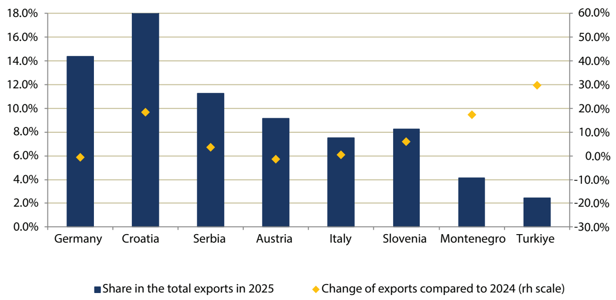


Source: Bloomberg,CBBH, average value of market indices in 2017 = 100

The euro area labour market remained resilient during 2025, despite moderate economic growth and pronounced uncertainty in the international environment. The unemployment rate generally remained at historically low levels during the year and stood at 6.2% in December, compared with 6.3% at the end of the previous year. Labour market indicators in 2026 also point to a relatively favourable employment environment, although signs of a gradual slowdown are present. The unemployment rate declined to 6.1% in January, the lowest level since the establishment of the euro area, before standing at 6.2% in May. Although the labour market remains strong, demand for labour is gradually declining, more notably in manufacturing, while the services sector is showing greater resilience. Along with the gradual cooling of the labour market, growth in labour supply, supported by a higher participation rate and an inflow of workers from abroad, is contributing to the absence of more pronounced wage growth pressures.

The value of Bosnia and Herzegovina's foreign trade in goods increased during 2025, with export growth somewhat stronger than import growth. Total exports from BH amounted to KM 17.0 billion and were 5.6% higher than in the previous year, while imports increased by 4.5% to KM 30.0 billion.

Graph 1.7: BH Exports to Main Trade Partner Countries



Source: BHAS, CBBH

The recovery in external demand was also reflected in exports to European Union countries, which increased by 5.6% to KM 12.4 billion, compared with KM 11.7 billion in 2024. At the same time, imports from EU countries increased by 2.7% to KM 17.4 billion. The coverage of total imports by exports increased slightly from 56.1% in 2024 to 56.7% in 2025. Nevertheless, due to the considerably higher value of imports compared with exports, the foreign trade deficit in goods increased further and amounted to approximately KM 13.0 billion, compared with KM 12.6 billion in the previous year.

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

MACROECONOMIC TRENDS AND RISKS IN BH

2. MACROECONOMIC TRENDS AND RISKS IN BH

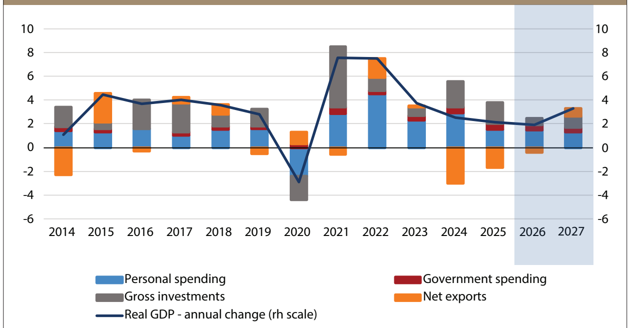
Risks from the domestic macroeconomic environment increased primarily under the influence of strengthening domestic inflationary pressures and a slowdown in economic activity growth. A slight decrease in unemployment and strong growth in real net wages contributed to the growth of personal consumption, but due to the lower purchasing power of households, personal consumption growth was lower than in the previous year. The real estate market continued to record price growth, as well as an increase in banks' credit exposure to this market segment, but risks to financial stability are still not high, given that there is no evidence of the formation of a speculative price bubble in the market itself. The current account deficit of the balance of payments remained almost at the same level as in the previous year, which, together with a very slight recovery in external demand, mitigated the country's external vulnerabilities. On the other hand, fiscal risks increased, following an increase in the fiscal deficit of the general government sector and a slight increase in the share of total public debt in GDP, but the moderate level of banking sector exposure to the government sector limits risks related to fiscal policy.

Economic activity recorded modest growth in 2025, supported by a slight increase in domestic demand and higher investment, but growth was somewhat slower than in the previous year due to strengthening domestic inflationary pressures. At the same time, modest economic growth and price stabilisation in EU countries contributed to a modest recovery in external demand, resulting in a smaller negative contribution of net exports to economic growth.

The latest available CBBH macroeconomic projections indicate that the intensity of real economic activity in BH in 2026 will be lower due to renewed strengthening of inflationary pressures following the outbreak of armed conflicts in the Middle East, while stronger growth in 2027 is projected under the assumption that the existing inflationary shocks will subside.

The BH economy recorded annual growth in real economic activity of 2.1% in 2025, with growth being 36 bp lower than in the previous year. The slight slowdown in real economic activity growth was primarily due to lower growth in personal consumption and a slowdown in investment spending growth, while net exports made a smaller negative contribution to real GDP growth compared to the previous year (Graph 2.1). Personal consumption continued to grow in 2025 as a result of wage growth and increased remittances from abroad, but growth slowed due to pronounced inflationary pressures and the weakening of households' real purchasing power. Annual real growth in personal consumption amounted to 2.3%, compared with 4.4% in the same period of the previous year, while the contribution of this category to real GDP growth remained high (at 1.5 percentage points). Gross investments recorded strong growth of 6.8% and made the largest contribution to real GDP growth in 2025 (amounting to 1.8 percentage points). Along with growth in personal consumption and gross investments, government spending also made a smaller contribution to growth (50 bp), following an increase in government spending and public sector wages. As a result of a slight strengthening of external demand, exports of goods and services increased by 2.5%, and net exports made a smaller negative contribution to real GDP growth. At the same time, growth in domestic demand, although weaker than in the previous year, led to a 5.3% increase in imports of goods and services.

Graph 2.1: GDP of BH (Annual Change and Contribution to Growth by Categories)



Source: BHAS, CBBH
Note: * For 2026 and 2027 projections of CBBH

According to CBBH projections[1], total economic activity is expected to record real growth of 1.9% and 3.3% in 2026 and 2027, respectively. Economic activity growth for 2026 has been revised significantly downwards (by as much as 140 bp), among other things due to considerably higher inflationary pressures following the extreme shock from rising energy prices, which will be reflected in lower growth in personal consumption, investment and, ultimately, total exports. The most significant contribution to real GDP growth in 2026 is expected to come from real personal consumption, based on further growth in real net wages despite high inflation, the expected dynamics of remittance inflows from abroad and continued strong growth in lending to households. Net exports will continue to make a negative contribution to real economic activity growth, but considerably less than in the previous two years, due to the expected broadly uniform slowdown in import growth over the next two years, alongside continued modest export growth. Modest export growth rates are expected particularly in the services segment, due to rising prices of tourist packages associated with higher transport costs and a lower number of arrivals of foreign tourists from Middle Eastern countries. A higher economic growth rate in 2027 is projected under the assumption that the existing inflationary shocks will subside, with personal consumption expected to have the key impact on growth.

As in the previous year, the largest contribution to gross value-added growth came from service activities, as well as IT sector and business service activities, which continued to record favourable economic trends, while production activities recorded an annual decline in activity. The highest growth rates were recorded in Hotel and Catering (13.9%), Transportation and Warehousing (6.4%) and Information and Communication industry (4.5%). Wholesale and Retail Trade industry, which has the largest share in gross value added, recorded growth of only 1.4%, which can be attributed to very modest growth in personal consumption. On the other hand, the decline in real economic activity in Manufacturing industry continued in 2025 (-2.5%), as did the decline in Production and Supply of Electric Energy, Gas, Steam and Air Conditioning (-5.9%), following a reduction in electric energy production. The decline in the production of electric energy in hydroelectric power plants continued for the second consecutive year (-7.8%), although the decline in production was considerably smaller than in the previous year (-25.4%). Electric energy production in thermal power plants also declined by 6.41%, while energy production from renewable sources continued to grow. Production in wind and solar power plants recorded growth of as much as 65.4%, bringing energy production from these renewable sources to 7.8% of total electric energy production in BH in 2025. Given that the largest share of electric energy is obtained from production in thermal power plants,[2] one of the main challenges is precisely related to the transition of the electric energy sector and the decarbonisation of the BH economy. The introduction of a carbon dioxide emissions tax from the beginning of 2026 on exports of all products from BH, including electric energy, represents a major challenge to the competitiveness of the entire domestic economy.

1 *Spring round of medium-term macroeconomic projections from April 2026.*

2 *In 2025, 61.2% of electric energy was generated by thermal power plants.*

The gradual replacement of part of the capacity with highly efficient gas-fired power plants and the planned phase-out of thermal power plants should enable a significant reduction in CO_2 emissions in BH, which will entail high costs and could potentially generate additional inflationary pressures. Decarbonisation should be implemented in a manner that simultaneously ensures a safe and reliable energy supply through the diversification of supply routes and increased production from renewable sources.

The downward trend in total industrial production continued until the end of 2025, as well as in the first quarter of 2026, with total industrial production recording an annual decline of 1.8%. The continued decline in industrial production in manufacturing industry for the third consecutive year, and in electric energy production and supply for the second consecutive year, led to a slight deterioration in the quality of the credit portfolio of companies operating in these activities. The increased level of risk, as well as the possibility of credit risk materialisation in many industrial activities, remains elevated, taking into account the numerous challenges facing the BH economy in terms of the energy transition, which could also affect asset quality indicators at the banking sector level in the coming period.

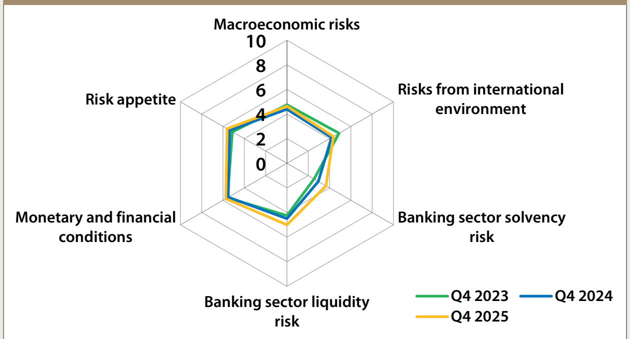
Nevertheless, positive trends and growth in the industrial production output were recorded in certain segments of industrial production[3], which contributed to an increase in total exports of goods, with annual growth amounting to 5.6%.

[3] *The highest growth in industrial production volume in 2025 was recorded in the production of motor vehicles, trailers and semi-trailers (12.7%), and in the production of fabricated metal products, except machinery and equipment (9.7%).*

Text Box 2: Assessment of the main macro-financial risks to financial stability

The assessment of the main macro-financial risks that may arise in the real, fiscal, external or financial sector or as a result of their interconnection, as well as the assessment of monetary and financial conditions and investors' risk appetite, was made on the basis of a quantitative tool (Dashboard). The risk assessment is based on simplified standardisation and ranking of the positions of a comprehensive set of indicators that form the basis for quantifying the synthetic assessment of the degree of risk from different segments of the system. A score in the range of 1 to 5 represents an extremely low to slightly moderate degree of exposure to risks; a score in the range of 5 to 8 represents a moderate to slightly high degree of exposure to risks; a score in the range of 8 to 10 represents a high degree of exposure to risks. The ranking of scores for monetary and financial conditions and risk appetite moves in the opposite direction, i.e. an increase in the distance from the centre of the Graph denotes an improvement in monetary and financial conditions, or an increase in investors' risk appetite.

Grafikon TB 2.1: Mapa makrofinansijskih rizika



Source: CBBH
Explanation: Larger distance from the centre denotes higher risks, but also the improvement of monetary and financial conditons, and higher risk appetite of investors

The total exposure of the financial system to macro-financial risks in 2025 remained in the area of a mild to moderate degree of risk, but increased compared to the previous year.

Risks from the domestic environment were the most pronounced due to lower economic growth and increased inflationary pressures, while a slight strengthening of risks arising from the international environment was also recorded. In the banking sector solvency and liquidity segment, a slight increase in risk was also recorded, reflecting stronger growth in the indebtedness of the private non-financial sector and a slight decrease in liquidity indicators compared to the previous year. Monetary and financial conditions remained favourable, while despite the strengthening of risks in the international and domestic macroeconomic environment, investors' risk appetite increased. The main sources of risk from the international environment to financial stability, rising geopolitical uncertainties and trade disruptions, remained at an elevated level throughout 2025. Following the outbreak of war in the Middle East, risks of disruptions in supply chains, particularly in the energy segment and energy prices, increased further. In the economies of European countries that are BH's key trading partners, economic growth in 2025 was somewhat stronger than expected, and consequently a slight increase in external demand was recorded, which had a mildly positive impact on BH's balance of payments position compared to the previous year. At the same time, slower growth in investment and personal consumption resulted in lower economic activity growth in BH, which, together with strengthening inflationary pressures, increased the assessment of domestic macroeconomic risks. Economic growth projections for the following year were revised significantly downwards due to the strong external shock from rising energy prices, which spilled over into stronger inflationary pressures in 2026. At the same time, the estimate of the GDP (output) gap for the coming period indicates a gradual convergence of the domestic economy towards its equilibrium level. However, it is important to note that continued sustainable economic growth requires a stronger contribution from total factor productivity, more efficient use of the available labour force and encouragement of investments that increase the economy's productive capacity in order to raise the degree of BH's convergence towards EU countries[4].

Trends in global markets taken into account when assessing **risks from the international environment to the domestic economy** generally had a stabilising effect during 2025, which contributed to limiting risks arising from the external environment. Following the beginning of the easing of restrictive monetary policy in June 2024, the ECB continued to cut interest rates in 2025 until the end of the second quarter, keeping interest rates unchanged in the final two quarters, while the six-month EURIBOR recorded a downward trend in parallel, with a slight increase in the final quarter. Favourable financing conditions and slowing inflation supported economic growth in the countries of BH's main foreign trade partners and had a favourable effect on the modest recovery in external demand and the increase in exports. The decline in oil prices on global markets during 2025 also contributed to mitigating risks arising from the international environment. Foreign exchange reserves, which serve as a buffer for the domestic economy to absorb external shocks, reached a record value of KM 18.2 billion at the end of 2025 and thus made a positive contribution to the assessment of the degree of risk. On the other hand, due to the significant import dependence of the domestic economy and continued growth in import demand in 2025, the indicator imports as a percentage of GDP remains in the area of a moderate to slightly elevated degree of risk, implying increased sensitivity of the BH economy to adverse external influences.

[4] *See the CBBH publication Assessment of Potential GDP and the GDP Gap for BH until 2028.*

In addition, the volatility of the US dollar against the euro and the KM increased during 2025, contributing to an increase in the risk assessment of exchange rate developments associated with the competitiveness of EU producers and, in this way, indirectly affecting external demand for domestic products. Given the deteriorated economic outlook in the EU following the outbreak of armed conflicts in the Middle East, volatility in energy markets and continued uncertainty regarding the final structure of US trade measures, external demand could remain weak in the following year as well. Consequently, risks arising from the international environment are expected to have a key impact on economic developments in BH in the coming period.

The solvency risk of the banking sector remains in the area of a low degree of risk, although it continued to increase in 2025. Strong growth in lending activity and increased indebtedness of households and the corporate sector resulted in a higher risk assessment in the solvency segment. On the other hand, all financial soundness indicators remain at a satisfactory level, and the banking sector increased its stability at the end of 2025 owing to strong profitability growth and good capitalisation, accompanied by a continuous improvement in the quality of the credit portfolio.

Liquidity risk entered the area of a moderate to slightly elevated degree of risk for the first time, reflecting the gradual decline in liquidity indicators, while funding risk also increased slightly due to the declining share of liquid assets in short-term liabilities. In the segment of sources of financing, maturity transformation risk for banks remains high due to the continued deterioration in the maturity structure of sources of funds, despite a slight increase in interest rates on term deposits.

The assessment of overall monetary and financial conditions increased compared to the previous year, indicating that borrowing conditions in 2025 were more favourable than in the previous year, as a result of a slight decrease in interest rates in the domestic market. Credit standards for approval of household loans were eased, particularly in the housing loan segment, which, together with a slight increase in personal consumption, resulted in stronger lending activity in this sector. On the other hand, credit standards for approval of non-financial companies loans were tightened throughout 2025, reflecting an increased perception of risk in the macroeconomic environment. Despite tighter standards for loans to companies, strong credit growth was recorded in the private non-financial companies sector. Consequently, the negative gap measuring the ratio of loans to the private sector to GDP narrowed, which contributed to an improvement in the overall assessment of monetary and financial conditions. The assessment of financial conditions in 2026 could decline slightly, taking into account interest rate developments, which recorded a slight increase in the first quarter, while credit standards remained unchanged, implying continued tight standards for lending to companies, particularly in view of the strengthening of risks in the domestic environment. Credit standards for approval of household loans remained eased in the first quarter of 2026, alongside continued strong growth in lending activity.

Investors' risk perception improved slightly in 2025, although a deterioration had been expected given the increased risks from both the domestic and external environment. The adverse consequences of increased risks were reflected in investment inflows to BH, with a decline in foreign direct investment recorded within the balance of payments.

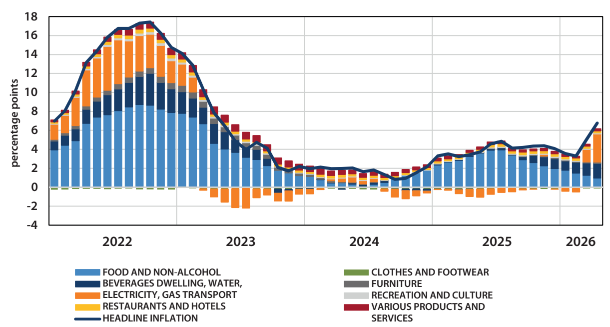
At the same time, portfolio investment increased considerably, mainly as a result of the first bond issuance by the FBH Government on the London Stock Exchange, which made the largest contribution to the higher score indicating increased investors' risk appetite. In addition, although real estate prices continued to rise in 2025, the risk perception of domestic investors did not change significantly, given that demand still exceeds supply in the BH real estate market. With regard to investment in the domestic capital market, regular turnover declined on both BH stock exchanges; however, the increase in the value of the Sarajevo Stock Exchange index contributed to a slight increase in the score for this segment.

Along with the slowdown in economic activity growth, risks to financial stability arising from the domestic environment also increased due to the acceleration of inflation in 2025. Inflation growth during 2025 was stronger than in the previous year under the influence of strengthening domestic inflationary pressures, primarily due to the increase in electric energy prices and net wages, while prices stabilised in the euro area. Following the outbreak of conflict in the Middle East, inflationary pressures increased further, with price growth in the transport category making the largest contribution to headline inflation developments. In addition to exogenous factors, inflation in the coming period will be under increasing domestic inflationary pressure due to lower total domestic production in the energy sector and increased electric energy import needs.

On an annual basis, consumer prices increased by 4%, and the acceleration of headline inflation was primarily the result of faster price growth in two main categories (food and electric energy) which account for more than 50% of total household consumption. The most significant acceleration in price growth was recorded in the food and non-alcoholic beverages category, where inflation increased from 2.1% in 2024 to 8.1% in 2025.

In the housing, electric energy supply and other utility (overhead) costs category, price growth also accelerated compared to the previous year (from 0.1% to 2.3%). Within this category, the strongest price growth was recorded in the rents subcategory (9.9%), reflecting the strong increase in rental prices that accompanied the rise in real estate prices in 2025. At the same time, stronger price growth in the electric energy, gas and other energy products subcategory was recorded in the final quarter of 2025 and the first quarter of 2026, as a result of increases in electric energy prices for households in FBH and RS[5]. Inflationary pressures also remained high in the services category, where prices in restaurants and hotels increased by 7%, while prices in the other products and services category increased by 3.1%. On the other hand, prices in the transport category declined (-2.2%), which, together with continued deflationary trends in the clothing and footwear category, mitigated the increase in headline inflation. Inflationary pressures strengthened significantly following the outbreak of armed conflict in the Middle East, which disrupted global energy flows and caused a sharp increase in petroleum product prices. Consequently, in March and April 2026, price growth in the transport category made the largest contribution to headline inflation developments. In April 2026, annual headline inflation reached 6.75% (Graph 2.2).

Graph 2.2: Inflation in BH and Contributions of Main Components (the month of the current year compared to the same month of the previous year)



Source: BHAS, CBBH

[5] *In the FBH, block tariffs were introduced as of 1 September 2025, resulting in an average increase in electric energy prices for households of 6.9%. In RS, electric energy prices for households increased by 7.7% from the beginning of 2025, after which prices increased again by around 10% from February 2026.*

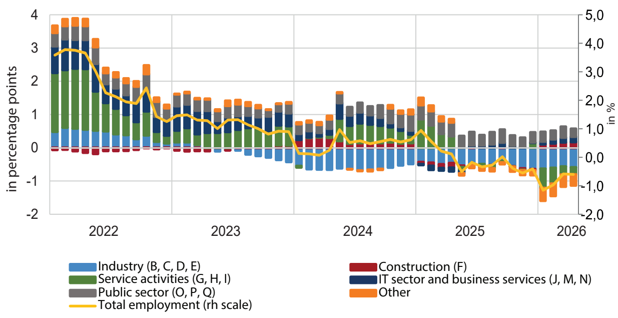
According to the latest CBBH medium-term projections from April 2026, annual inflation in BH is expected to amount to 4.7% in 2026, with consumer price growth predominantly influenced by the external inflationary shock. In addition, domestic factors, such as increasing cost pressures in the services sector, rising electric energy prices and wage growth, contribute to keeping inflation at a higher level compared to previous projections. In 2027, inflation is expected to amount to 2.8%, with utility (overhead) costs, primarily due to further increases in electric energy prices, as well as food prices, continuing to make the largest contribution to overall price growth.

In conditions of a slight slowdown in economic activity growth, 2025 was marked by strong growth in nominal wages and, despite strengthening inflationary pressures, an increase in real income, which stimulated strong household lending and continued to contribute to price growth in the residential real estate market. While growth in real wages and personal transfers from abroad contribute to an increased ability to regularly service liabilities and mitigate risks in the household sector, the slight downward trend in the number of employed persons and structural imbalances in the labour market act in the opposite direction and increase risks, particularly with regard to domestic economic activity growth.

In 2025, positive labour market trends and an increase in the number of employed persons were recorded in service activities, the IT sector and the public sector, while the number of employed persons continued to decline in industrial activities in which gross value added decreased (Graph 2.3).

According to the Labour Force Survey, based on the ILO methodology, the average unemployment rate in 2025 remained high (12.2%), while structural imbalances in the labour market, characterised by low activity of the working-age population, high long-term unemployment and high youth unemployment, remain present and represent significant risks to potential productivity growth and the economic development of BH.

Graph 2.3: Employment by Sectors (Contributions to Growth)



Source: BHAS, CBBH

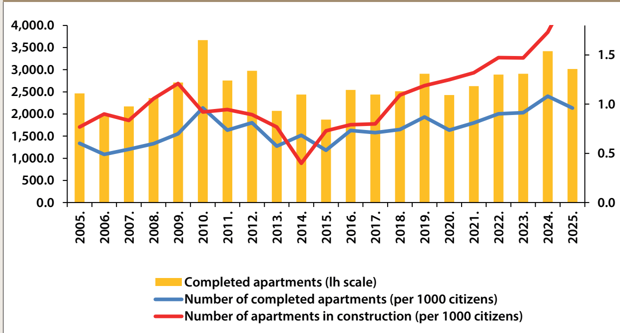
At the same time, average nominal and real wage growth was stronger than in the previous year, which, together with strong growth in remittance inflows from abroad, mitigated the negative effects of prolonged inflation on households' disposable income and debt-servicing capacity. Average annual nominal and real wage growth amounted to 13.7% and 9.7%, respectively, while inflows from personal transfers amounted to KM 4.46 billion, or 7.9% of GDP, in 2025 and were 7% higher than in the previous year. Growth in real income significantly stimulated household lending and demand for residential real estate, continuing to contribute to price growth in the residential real estate market in 2025.

Text Box 3: Real estate market

Following several years of accelerated growth, in 2025 the real estate market in BH appeared to be entering a period of slight stagnation. The most noticeable signs of weakening in the market were primarily reflected in a decline in supply and slower real estate price growth in the new construction segment. Nevertheless, although data from the previous year signalled the beginning of a reversal in real estate market trends, the first data for 2026 indicate that this was only a short-term market correction rather than a long-term trend. It is important to emphasise that, according to the available data for both 2025 and 2026, there is still no increased risk to financial stability arising from this market through the formation of a speculative price bubble in the market itself.

The most significant decline in the real estate market in 2025 was recorded in the supply segment, i.e. residential construction. The number of completed apartments in BH decreased by 11.8%, representing the first decline in housing construction since 2020. The decline in the number of new properties entering the market reduced the index of newly built apartments per 1,000 inhabitants to below 1.0 (Graph TB 3.1), leaving BH among the lowest-ranking countries in Europe according to this indicator. It should be recalled that in 2024 this indicator exceeded the value of 1 residential unit per 1,000 inhabitants for the first time. On the other hand, the number of apartments under construction continued to increase, reaching a new record of 6,926 apartments under construction in a single year, corresponding to a record 2.2 residential units per 1,000 inhabitants. Nevertheless, despite the recorded increase, the BH market remains in the lower part of the European ranking according to this indicator as well.

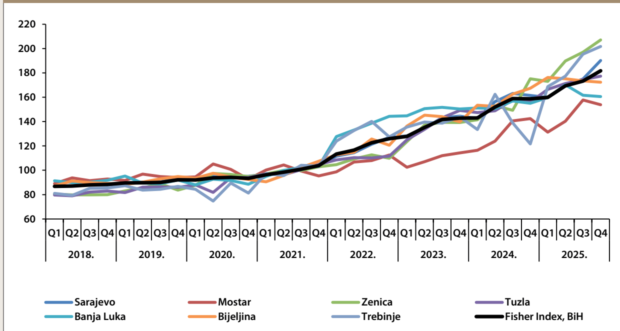
Graph TB 3.1: The Number of Completed Apartments and Apartments in Construction (per 1.000 Citizens)



Source: BH Agency for Statistics

In 2025, a somewhat lower physical volume of trading was recorded. In the new construction segment, the total area of apartments sold decreased by 2.3%. Market activity also continued to decline in the existing housing stock for the third consecutive year, with the 7 cities included in the real estate price index recording an 8.5% decline in sales transactions, measured by the total area of property sold. In the new construction segment, a slowdown in price growth waas also recorded: the weighted average price per square metre increased by 5.2%, compared with growth of 13.2% in the previous year, which could represent an early signal of a change in the multi-year trend. At the same time, in the existing housing stock (considering cumulatively the cities included in the real estate price index) the weighted average price per square metre increased by 11.5%, approximately the same rate as that recorded during 2024. A detailed overview of the real estate price index by individual cities and the overall index for BH is presented in Graph TB 3.2.

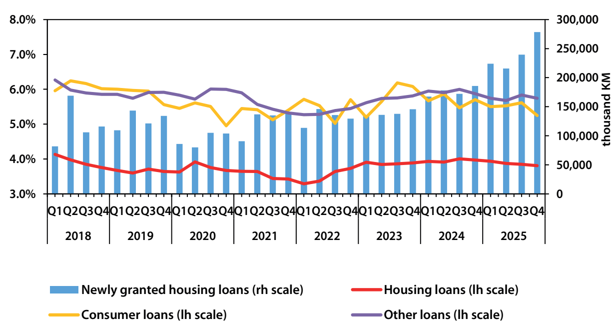
Graph TB 3.2: Real Estate Price Index



Source: CBBH

In 2025, the upward trend in newly granted housing loans continued, and commercial banks extended close to KM 1 billion in housing loans, representing an all-time record nominal amount recorded in a single year. Although the higher amount of housing loans is influenced by rising real estate prices on the one hand, on the other hand this trend certainly also reflects unabated demand for real estate in the BH market. Housing loans were extended at somewhat lower interest rates than in the previous year, following the slight downward trend in interest rates on loans to households across all categories (Graph TB 3.3). Therefore, housing loans remain the most affordable category of loans in the BH banking sector in terms of the level of interest rates.

Graph TB 3.3: Interest Rates on Loans to Households and the Amount of Newly Granted Housing Loans

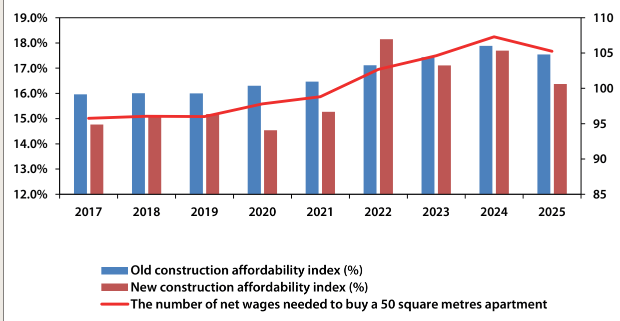


Source: CBBH

In 2025, the multi-year trend of deteriorating housing affordability came to a halt, given that nominal net wage growth was stronger than the increase in real estate prices. At the end of 2025, the affordability index for new (housing) construction amounted to 16.4% (17.2% in 2024), while the affordability index for the existing housing stock amounted to 17.5% (17.9% in 2024), meaning that BH citizens have to spend, on average, 16.4% or 17.5% of their annual income per square metre of an apartment, calculated on the basis of the average net wage for 2025 (KM 1,570).

Interpreted from another perspective, according to data for 2025, the purchase of a 50-square-metre apartment in BH required between 99 average net wages for new construction and 105 average net wages for the existing housing stock, which also represents a somewhat more favourable outcome than in previous years (Graph TB 3.4).

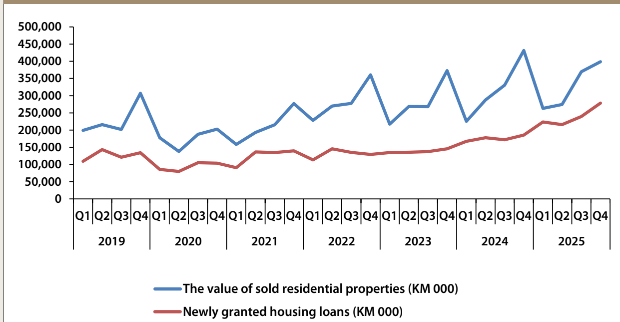
Grafikon TB 3.4: Indeks priuštivosti nekretnina na bh. tržištu



Source: BH Agency for Statistics, CBBH

Improved housing affordability for BH citizens with average incomes was one of the factors behind the strong growth in housing loans in 2025. Thus, the ratio of the value of newly granted housing loans to the value of residential properties sold increased to 73% in 2025, representing a significant increase compared to previous years, when this ratio ranged between 45% and 55%, indicating that bank loans are becoming the dominant source of financing for real estate purchases (Graph TB 3.5).

Graph TB 3.5: The Value of Sold Residential Properties on BH Market



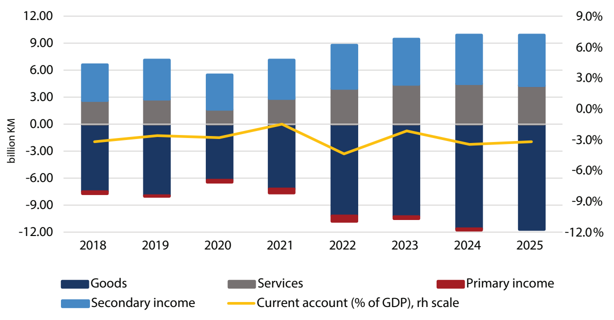
Source: BH Agency for Statistics, CBBH

At the end of 2025, housing loans accounted for 12.8% of total loans in the BH banking sector, historically the highest share of this loan category in the structure of total loans. Relative to GDP, housing loans accounted for 6.6%, meaning that risks to financial stability associated with this market remain contained. It is also important to note that the quality of housing loans continued to improve, with the share of non-performing loans in total loans in this segment declining to 0.7%, which remains a lower NPL ratio compared with other categories of household loans.

The real estate market could face heightened volatility in the coming period under the influence of two key factors. On the one hand, the expected slowdown in economic activity and a macroeconomic environment characterised by elevated risks will adversely affect the real estate market, both in terms of supply and demand. On the other hand, high inflation and rising interest rates will act as a limiting factor on any more pronounced slowdown in real estate price growth. In particular, real estate prices are expected to follow inflationary pressures, which had already intensified significantly in the first half of 2026. The first real estate market data for 2026 confirmed the expectation that, under conditions of high inflation, a slowdown in real estate price growth is difficult to expect. Thus, in Q1 2026, prices of newly built residential properties increased by 20.4%, predominantly under the influence of higher construction costs. Further developments in real estate prices will depend to a significant extent on inflation itself, which in turn is predominantly driven by exogenous factors (geopolitical risks). Precisely because of the unpredictability of geopolitical risks, volatility in the real estate market can be expected, with a greater probability of continued strong real estate price growth such as that recorded in the first quarter of 2026.

External vulnerabilities arising from the country's balance of payments position decreased slightly due to the reduction in the current account deficit relative to GDP. The current account deficit of the balance of payments amounted to KM 1.82 billion (3.2% of GDP) at the end of 2025 and was 25 bp lower than in the previous year. In 2025, BH's foreign trade increased as a result of stronger domestic import demand and increased export activity, resulting in a slight increase in the goods deficit (0.5%), which traditionally represents the main deficit category of the current account of the balance of payments. The current account deficit in 2025 was mitigated primarily by growth in the surplus on the secondary income account (3.2%), while the surplus recorded on the services account was lower than in the previous year (-4%). The most significant part of net inflows on the services account relates to net inflows based on arrivals and spending by foreign tourists, which in 2025 were only slightly above the level recorded in 2024. Net inflows from processing and finishing of goods abroad declined by 27.8% in 2025 as a result of the modest industrial production output and the number of orders from abroad, which had the greatest impact on the decline in inflows on the services account. Remittances from abroad, which account for the largest share of inflows on the secondary income account (around 70%) and represent an important stabilising factor for BH's current account, continued to grow in 2025 at a rate of 7%. A positive balance of KM 0.3 million was recorded on the primary income account, which had no impact on the current account position in 2025 (Graph 2.4).

Graph 2.4: Structure of BH Current Account



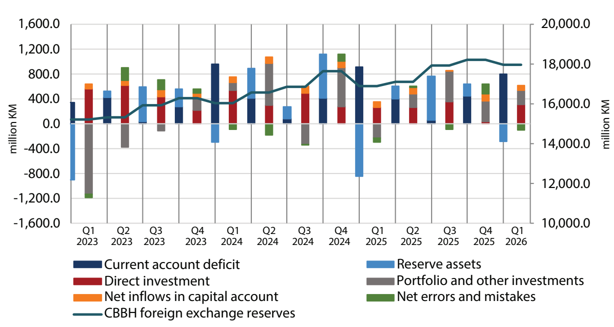
Source: BHAS, CBBH

A decline in net inflows was recorded on the financial account of the balance of payments compared to the previous year, mainly due to lower inflows from foreign direct investment. Foreign direct investment inflows amounted to KM 1.2 billion, representing a decline of 31.2% compared to the previous year. Within portfolio investment, a net inflow of KM 13.8 million was recorded, reflecting, on the one hand, an increase in the net financial assets of banks and other financial institutions invested in foreign debt securities (KM 370.2 million), and, on the other hand, an increase in the net financial liabilities of the government sector, almost entirely related to the issuance of eurobonds by the FBH Government on the London Stock Exchange in the amount of EUR 350 million in 2025. Net inflows of KM 806.7 million were recorded on the other investment account. Within debit items, borrowing based on loans declined significantly, given that debt repayments considerably exceeded the amount of government sector borrowing in 2025[6]. Foreign borrowing by other sectors based on loans was also lower than in the previous year, and total inflows from loans were lower by KM 412.3 million (56.6%).

At the same time, inflows based on currency and deposits declined, while the volume of private sector borrowing abroad through trade credits and advance payments increased slightly compared to the previous year. Ultimately, inflows under other investments amounted to KM 947 million. At the same time, resident sectors continued to invest in foreign assets in 2025, although to a considerably lesser extent than in the previous year, and total other investment by resident sectors in financial assets, i.e. outflows from the other investments account, amounted to KM 140.3 million.

Net inflows on the financial and capital account of the balance of payments were higher than the current account deficit in 2025, while foreign exchange reserves participated in financing the current account deficit only in the first quarter of 2025, when the recorded quarterly current account deficit significantly exceeded the amount of inflows on the financial and capital account of the balance of payments (Graph 2.5). On an annual basis, reserve assets increased by KM 256.2 million.

Graph 2.5: Current Account Deficit Financing



Source: CBBH

6 *The total amount of government external debt repayments in 2025 amounted to KM 1.09 billion, with the largest individual repayment amounts being to the IMF and the World Bank (KM 245.5 million and KM 211.5 million, respectively).*

In the coming period, according to CBBH projections, net exports expressed as a percentage of GDP are expected to stagnate initially and then gradually decline, which, together with growth in inflows from the main surplus categories (primarily secondary income) could contribute to a reduction in the current account deficit. Nevertheless, among the risks related to the global economy that affect economic developments in our country, negative risks remain predominant, primarily due to the strong inflationary shock, weakening global economic growth and declining competitiveness of the European economy, which may lead to lower export demand and weaker trade flows. Combined with the assumption of rising import demand, this could create additional pressure on the current account deficit of the balance of payments.

The fiscal position of the general government sector of Bosnia and Herzegovina deteriorated moderately in 2025, reflected in a widening consolidated fiscal deficit and a slight increase in the share of public debt in GDP. At the end of 2025, the BH general government sector recorded a fiscal deficit[7] of KM 1.25 billion, or 2.3% of GDP (Graph 2.6). The widening of the deficit resulted from growth in budget expenditure outpacing the growth in budget revenue, together with a more significant increase in investment in fixed assets, i.e. net acquisition of non-financial assets, which also contributed to the widening of the deficit in the current year. Budget expenditure amounted to KM 23.9 billion and increased by 11.4% compared to the previous year. The expenditure structure continues to be dominated by non-productive current spending, primarily social benefits and compensation of employees, which recorded high growth rates (10.1% and 10.8%, respectively).

This trend was accelerated by the introduction of a comprehensive package of fiscal changes, including an administratively determined increase in minimum wages in both Entities[8], which consequently created upward pressure on public sector wages and transfers to businesses, (including subsidies for small businesses and entrepreneurs[9]). Investment in fixed assets (net acquisition of non-financial assets) amounted to KM 2.16 billion and increased by 8.6%, reflecting a more significant increase in investment in road infrastructure[10] and the healthcare sector. Although higher capital investment is positive from the perspective of long-term economic growth, financing these projects in an environment of elevated current expenditure directly deepened the fiscal imbalance. At the same time, strong inflows of public revenue amounting to KM 24.76 billion, with a growth rate of 10.4%, mitigated stronger fiscal pressures, although an analysis of the revenue structure indicates vulnerability to external shocks. Growth in indirect tax revenue slowed to 5.5% (a total of KM 9.98 billion) due to weakening domestic personal consumption. Revenue growth was supported to a significant extent by the high level of consumer prices, (i.e. the inflationary effect) and strong activity in the services sector and tourism. On the other hand, growth in social contribution revenue (11.1%) represented a significant, albeit short-term, stabilising factor and was a direct consequence of the administratively induced rise in nominal wages, which spilled over into growth in other wages.

7 *CBBH Government Finance Statistics – the Annual Report on Operations of the BH General Government Sector includes data collected from ministries of finance at all levels of government, social security funds at all levels of government, and the Entity public companies JP Autoceste and JP Ceste at all levels of government.*

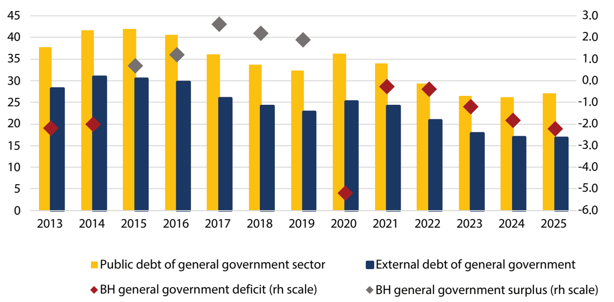
8 *As of 1 January 2025, the minimum wage in the FBH was increased from KM 619 to KM 1,000. In January 2025, RS adopted a decision increasing and differentiating the minimum wage according to employees' level of education, as follows: KM 900 for unskilled and semi-skilled workers; KM 950 for workers with a third level of education; KM 1,000 for workers with secondary vocational education; and KM 1,300 for workers with university education.*

9 *At the beginning of 2025, RS adopted a regulation on granting incentives for increases in workers' wages, under which funds amounting to 70% of contributions paid on the increased portion of workers' wages are reimbursed. . The Law on Amendments to the Law on Contributions in the FBH, under which the total contribution rate for employers was reduced from 41.5% to 36%, entered into force on 1 July 2025.*

10 *The largest portion refers to Autoceste Federacije BiH (Motorway of the Federation of BH)*

From the perspective of financial stability, reliance of the fiscal system on inflationary effects and administrative interventions in the labour market entails a structural risk in the event of a sharp economic slowdown.

Graph 2.6: BH Public Debt and BH General Government Balance (% of GDP)



Source: BHAS, CBBH

Total public debt of the BH general government[11] amounted to KM 15.25 billion at the end of 2025, while its share in GDP increased slightly to 27%. Compared to the previous year, public debt increased by 8.5%, with both domestic and external debt of BH increasing. BH external debt[12] amounted to KM 9.47 billion at the end of 2025 and recorded a modest increase of 4%, given that there were no significant withdrawals of funds from foreign creditors during the year. According to the Maastricht criteria, BH remains among moderately indebted countries with a low systemic risk of a debt crisis. However, the dynamics and channels of borrowing in 2025 introduced new elements into the financial stability assessment. Namely, in 2025 the FBH Government borrowed on the London Stock Exchange for the first time, in the amount of EUR 350 million, followed by another borrowing in May 2026 in the amount of EUR 800 million. The Government of Republika Srpska began borrowing on international capital markets in 2018 and has done so a total of five times, of which three bond issues were carried out in 2026, two on the London Stock Exchange in the amount of EUR 750 million and one on the US market in the amount of EUR 200 million.

Although government access to international capital markets diversifies funding sources, exposure to international capital markets increases the sensitivity of public finances to global interest rate developments and investor risk perceptions towards developing countries. In 2025, the international credit rating agency Standard & Poor's (S&P) maintained BH's credit rating at "B+", with a stable outlook, while according to Moody's Investors Service, BH's credit rating remained at "B3" with a stable outlook. However, recent developments such as the placement of Bosnia and Herzegovina on the grey list (described in more detail in Chapter 6, Regulatory Framework) together with rising fiscal pressures and limited political effectiveness, do not support expectations of a potential credit rating upgrade. Increased country risk perception raises the risk premium and consequently increases the cost of new borrowing and the refinancing risk of existing debt. Difficulties in refinancing external debt would automatically shift financing needs towards the domestic market.

With regard to domestic debt, the Entity governments continued intensive issuance of debt securities in the domestic market in 2025, amounting to a total of KM 1.09 billion. Although yields and interest rates on longer-term instruments in FBH and RS remained stable or declined slightly, yields on short-term debt instruments increased in RS, signalling a selective tightening of financing conditions and greater caution among domestic investors.

The most significant material risk to financial system stability arises from the role of the domestic banking sector as the primary creditor to the government. During 2025, the total exposure of commercial banks to all levels of government increased further through direct lending and purchases of Entity treasury bills and bonds (with the exception of the municipal level, which recorded a slight reduction in debt).

11 *Source: CBBH*

12 *Source: CBBH*

Nevertheless, exposure to the government sector remains at a moderate level, and therefore the impact of increasing fiscal sector risks on the banking sector remains limited (Table 2.1).

Table 2.1: Commercial Banks' Claims on Government Sector

million KM

Claims	2021	2022	2023	2024	2025
Central government	**16.1**	**8.9**	**5.9**	**3.8**	**5.5**
Loans	16.1	8.9	5.9	3.8	5.5
Securities	0.0	0.0	0.0	0.0	0.0
Entity level government	**2,474.8**	**2,554.7**	**2,764.4**	**3,120.4**	**4,057.1**
Loans	584.6	517.8	463.2	542.1	699.8
Securities	1,890.1	2,036.9	2,301.2	2,578.3	3,357.3
Canton government	**134.8**	**146.0**	**203.7**	**247.4**	**357.2**
Loans	125.7	146.0	203.7	247.4	357.2
Securities	9.1	0.0	0.0	0.0	0.0
Municipality government	**332.1**	**340.3**	**328.2**	**390.6**	**368.4**
Loans	323.8	333.5	323.3	387.3	365.9
Securities	8.4	6.8	4.9	3.3	2.5
TOTAL	**2,957.8**	**3,050.0**	**3,302.2**	**3,762.2**	**4,788.3**
(% of total assets)	7.8	7.8	8.0	8.3	9.7
Loans	**1,050.2**	**1,006.3**	**996.1**	**1,180.6**	**1,428.5**
(% of total assets)	2.8	2.6	2.4	2.6	2.9
Securities	**1,907.6**	**2,043.7**	**2,306.1**	**2,581.6**	**3,359.8**
(% of total assets)	5.0	5.2	5.6	5.7	6.8

Source: CBBH

However, it should be emphasised that the deepening of the links between the government and the banking sector generates two key risks: increased concentration of banking sector investments in Entity securities directly affects capital allocation within the financial system, while the risk of spillover from potential fiscal stress could increase pressure on the banking sector's liquidity position and capital adequacy. As a rule, government instruments offer stable returns with a zero-risk weight, and commercial banks therefore tend to prefer financing the public sector in an environment of increased risk aversion. Consequently, credit supply contracts and financing conditions for private companies and households tighten, which in the long term limits the economy's investment potential and slows economic growth. Based on banking sector indicators, it is assessed that this risk did not materialise and was not pronounced in 2025 or in the first half of 2026.

Owing to the high level of liquidity and the strong deposit base within the domestic banking system, commercial banks had adequate capacity to simultaneously meet the government's increased financing needs and maintain strong lending dynamics to the private sector and households. Nevertheless, this risk remains classified as a potential structural challenge over the medium term. If liquidity conditions tighten or deposit growth slows in the coming period, a continued significant increase in government financing could potentially begin to reduce the volume of credit available to the economy, i.e. generate a crowding-out effect. Given that banks in BH hold a significant share of public debt, any potential fiscal stress or liquidity problem at the level of Entity budgets would directly spill over onto the balance sheets of domestic banks, creating pressure on their liquidity position and capital adequacy.

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

HOUSEHOLDS

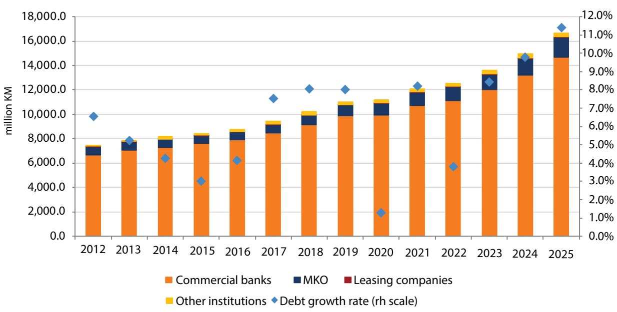
3. HOUSEHOLDS

In 2025, the household sector recorded a continued debt increase, with the largest share of debt still relating to loans from commercial banks. Growth was pronounced in general consumption loans and particularly in housing loans, reflecting strong demand for real estate, as well as rising real estate prices. The ability to service liabilities to banks was not significantly impaired, as confirmed by the low default rate in the household sector, while the share of non-performing loans continued to decline, marking the thirteenth consecutive year of improvement in this indicator. Nevertheless, a slight increase in non-performing general consumption loans indicates the presence of vulnerabilities in this type of borrowing. Exposure to interest rate risk was mitigated through the contracting of loans at fixed interest rates or with longer fixation periods. Household deposits continued their upward trend, with funds in transaction accounts and demand deposits remaining dominant. Deposit growth confirms households' confidence in the banking sector, although their structure in terms of amount indicates a pronounced concentration of financial assets among a smaller number of depositors. The household sector remained stable in 2025, but the strong growth in consumer and housing debt requires continued monitoring.

In 2025, the upward trend in household debt continued. Total household debt at the end of 2025, according to CRC data, amounted to KM 16.6 billion and increased by 11.4% compared to the end of the previous year. Traditionally, the largest share of household debt relates to loans from commercial banks, accounting for 88.2% of total debt. Household debt based on loans from commercial banks increased by 11.3% in 2025 compared to the previous year. Household debt with microcredit organisations also increased and, according to CRC data, was 17.5% higher than in the previous year.

On the other hand, household debt to leasing companies remained negligible in 2025 (Graph 3.1).

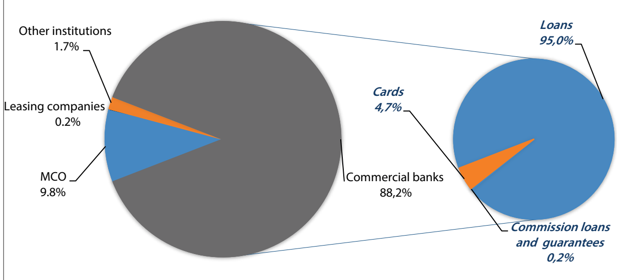
Graph 3.1: Household Debt towards Financial Institutions



Source: CRC, CBBH

The structure of household debt with commercial banks by type of debt did not change significantly in the recent period. The growth of total claims on households was mainly the result of an increase in household debt based on standard loans from commercial banks, given that the share of standard loans in total household debt with commercial banks remained by far the largest, amounting to 95% (Graph 3.2).

Graph 3.2: Household Debt by Institutions and Type of Debt, in 2025



Source: CRC, CBBH

Table 3.1: Claims on Households, Cards in KM

	Number of active cards		Approved amount		Used amount		Debt per card	
	2025	Annual change	2025	Annual change	2025	Annual change	2025	Annual change
Debit cards	681,486	1.3%	1,079,676,481	6.0%	397,957,400	6.2%	584	4.9%
Credit cards	281,959	1.5%	386,971,339	2.1%	175,992,860	5.9%	624	4.4%
Deferred payment cards	297,747	76.5%	688,702,071	255.3%	118,538,383	162.0%	398	48.4%
TOTAL	**1,261,192**	**12.7%**	**2,155,349,891**	**35.4%**	**692,488,643**	**18.2%**	**549**	**4.9%**

Source: CRC

In 2025, an increase in the number of active payment cards was recorded. An increase was also recorded in the total used portion of card limits, as well as in average household debt per payment card. The number of registered payment cards in 2025 was 12.7% higher than in the previous year, largely due to the increase in the number of deferred payment cards. The approved limit increased for all types of cards, resulting in growth of 35.4% in the total approved limit of all active cards. The used portion of the limits of all active cards increased by 18.2% compared to the previous year (Table 3.1)[13]. Average household debt on deferred payment cards increased by 48.4% in 2025 compared to 2024. The strong increase in average debt on deferred payment cards indicates more intensive use of this instrument to finance household consumption. In conditions of increased living costs, some households are increasingly relying on deferred payment as a form of short-term financing. Average household debt on credit cards increased by 4.4% in 2025 compared to 2024, given that this form of borrowing carries high interest rates, while average debt on debit cards increased by 4.9%.

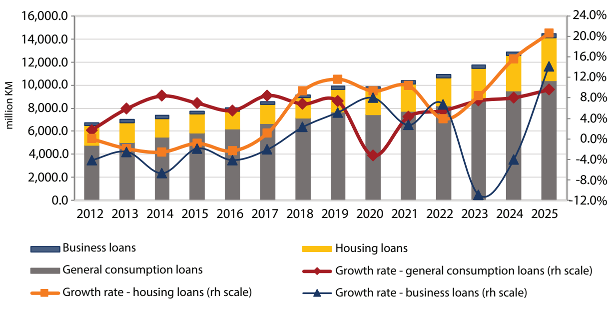
Since the limit on debit cards is most often determined by the level of average monthly income, the used portion of the card limit can be used as an indicator of household consumption relative to the level of their income. Average debit card debt at the end of 2025 amounted to KM 584, representing 36.5% of the average net wage in 2025.

Observing the structure of claims on households, an increase in debt was registered for all types of loans by purpose in 2025. As in previous years, the structure of claims on households is dominated by general consumption loans, which also include claims based on all types of cards. The structure of loans to households remained almost unchanged compared to the previous year (Graph 3.3), with general consumption loans accounting for the largest share of total household loans (72.2%), followed by housing loans (25.7%), while the remainder related to business loans (2.1%). General consumption loans continued to grow in 2025, at a rate of 9.6%, while housing loans recorded more significant growth of 20.6% compared to the previous year, with their share in total loans increasing by 1.7 percentage points. The developments in the real estate market described above (Text Box 2) have influenced the growth in demand for housing loans in recent years. In addition, general consumption loans have been used to a lesser extent in recent years to finance housing needs, resulting in stronger demand for housing loans.

13 *The analysis did not take into account debit cards without an approved overdraft limit and for which households had no outstanding debt, although banks had recorded them in the CRC.*

With the introduction of regulatory limits regarding the maturity and amount of general-purpose and replacement loans, along with the continuous increase in real estate prices, general consumption loans have become increasingly less suitable for financing housing needs in recent years. Household debt based on loans for business activities increased by 14.2% in 2025, although its share in total loans remained at around 2%.

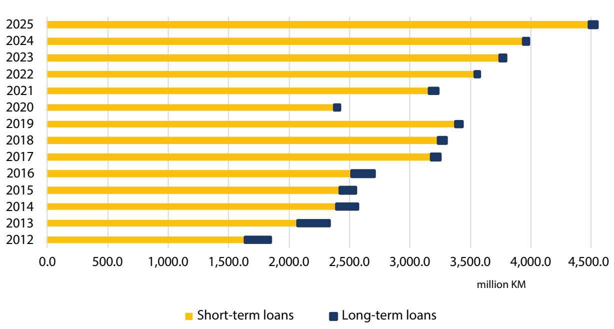
Graph 3.3: Loans to Households by Purpose and Credit Growth



Source: FBA, BARS, CBBH

According to CBBH data, KM 4.5 billion of new loans to households were recorded in 2025, representing an increase of 14.1% compared to the previous year and indicating increased bank lending activity during the past year. In 2025, the amount of loans granted or rescheduled to the household sector was KM 563.2 million higher than in 2024, with no significant change evident in demand in terms of loan maturities (Graph 3.4).

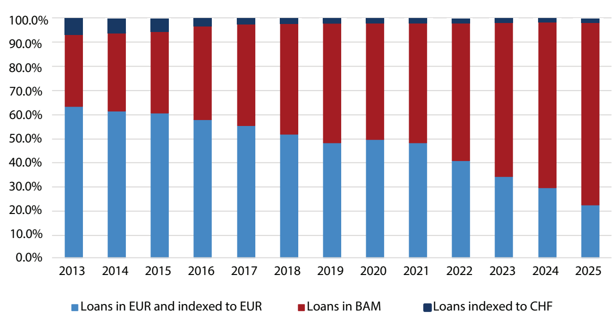
Graph 3.4: New Loans to Households



Source: CBBH

In the currency structure of loans to households, the share of loans indexed to euro in total loans continued to decline. Although, under the currency board arrangement, there is practically no risk of an increase in loan obligations due to exchange rate changes for citizens borrowing through loans indexed to euro, such trends can be assessed as positive. Funding from predominantly domestic sources also has an impact on this trend. According to CRC data, loans denominated in EUR and loans indexed to EUR decreased by 15.4% in 2025, while loans in KM increased by 22.8% (Graph 3.5).

Graph 3.5: Currency Structure of Loans to Households



Source: CRC

In 2025, long-term loans increased in all maturity categories. As regards the currency structure, household debt in EUR and indexed to EUR declined in maturity categories over three years, while household debt in KM recorded significant growth in all maturity categories except the category with maturity of up to one year. Looking at the maturity structure, the largest household debt relates to loans with contractual maturities of over ten years, followed by loans with maturities from five to ten years (Table 3.2). The strong growth of loans in KM in the category of maturities over ten years resulted from high demand for residential real estate and the growth in real estate prices recorded in 2025.

Table 3.2: Loans to Households, Maturity and Currency Structure

Maturity/Currency	BAM		Foreign currency loans and indexed loans: EUR		Foreign currency loans and indexed loans: Other loans in foreign currency		TOTAL	
	2025	Annual change	2025	Annual change	2025	Annual change	2025	Annual change
Up to 1 year	32,706	-53.3%	9,032	89.8%	0	0.0%	41,739	-44.2%
1 to 3 years	284,806	12.6%	86,603	57.0%	2,499	-29.7%	373,908	19.9%
3 to 5 years	717,428	7.8%	87,314	-10.9%	20,999	-8.5%	825,742	5.0%
5 to 10 years	3,306,476	15.5%	460,040	-26.3%	14,071	26.7%	3,780,588	8.1%
Over 10 years	6,447,622	30.7%	2,471,032	-14.7%	1,411	39.8%	8,920,064	13.9%
TOTAL	10,789,039	22.8%	3,114,021	-15.4%	38,980	-4.0%	13,942,041	11.5%

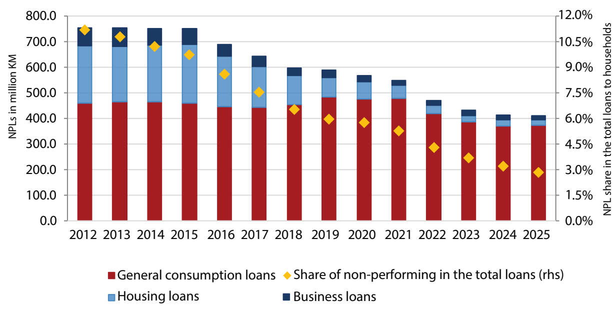
Remaining debt and due uncollected principal, thousand KM

Source: CRC

The share of non-performing loans in total loans of the household sector continued to decline in 2025, for the thirteenth successive year. The share of non-performing loans in total loans at the end of 2025 decreased by 37 bp compared to the previous year, amounting to 2.9% (Graph 3.6). In 2025, an increase in loans extended to households, coupled with a decrease in the amount of non-performing loans, contributed to an improvement in the non-performing to total loans indicator. The improvement in the quality of the household sector loan portfolio, as in previous years, was the result of activities carried out by banks, such as accounting and permanent write-offs of non-performing loans and more efficient credit risk management. Observing the trend of non-performing loans by purpose, non-performing loans for general consumption at the end of 2025 recorded a slight increase of 0.7% compared to the end of the previous year, while non-performing loans for housing construction were 10% lower in the observed period and non-performing loans for business activities recorded a decrease of 10.8%.

At the same time, an increase in loans at credit risk level 2 was recorded in 2025, amounting to KM 125 million or 14.3%, of which the largest part related to an increase in loans with increased credit risk in the general consumption category, amounting to KM 66.4 million or 9.4%, and in housing loans, amounting to KM 54.1 million or 39.7%. This indicates that repayments of a certain portion of loans were in arrears and that credit risk increased in these categories. The increase in the risk profile of clients classified at credit risk level 2, primarily due to delays in loan repayment, may signal a future increase in non-performing loans and a potential halt to the long-standing downward trend in the share of non-performing loans in total household sector loans.

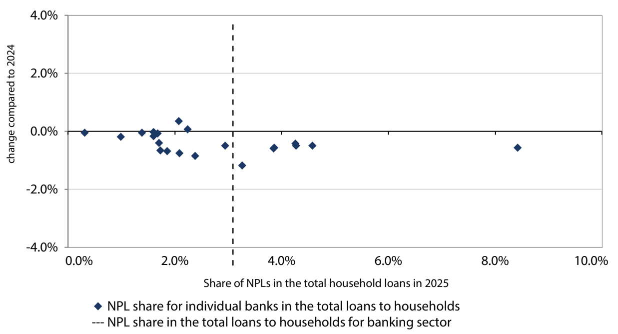
Graph 3.6: Non-performing Loans in Household Sector by Categories



Source: FBA, BARS, CBBH

Observing the quality of the loan portfolio in the household segment by individual banks, it can be seen that the share of non-performing loans in total household loans decreased in 2025 for almost all banks in the sector, including banks with the highest concentration of non-performing loans (Graph 3.7).

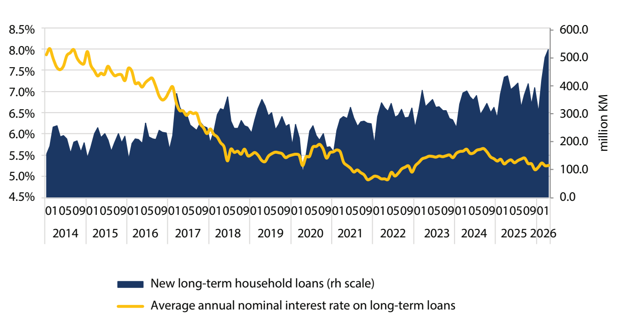
Graph 3.7: Non-performing Loans in the Total Loans to Households, by Banks



Source: FBA, BARS, CBBH

Interest rates on household loans declined during 2025, with the decline continuing in the first quarter of 2026. The decrease in interest rates was also reflected in a decline in the average annual nominal interest rate on long-term loans in 2025, which amounted to 5.34% and was 23 basis points lower than in the previous year (Graph 3.8).

Graph 3.8: New Long-term Loans and Average Weighted Interest Rates

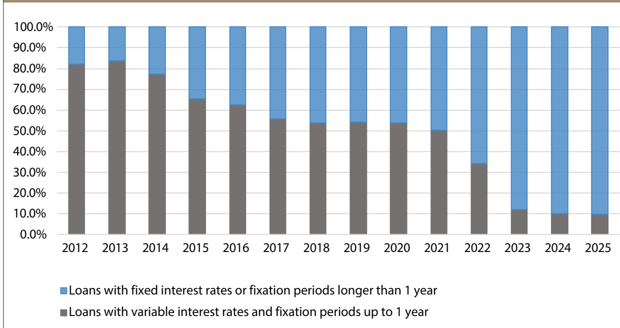


Source: CBBH

Interest rate risk in the household sector was mitigated, as indicated by the increased volume of lending at fixed interest rates or by extending interest rate fixation periods.

The trend of a declining share of loans with variable interest rates or fixation periods of up to one year in newly approved household loans continued in 2025, although at a considerably slower pace than in previous years. Loans with variable interest rates or fixation periods of up to one year accounted for 9.6% of total newly granted loans to households in 2025, which was 0.4 percentage points lower than at the end of 2024 (Graph 3.9).

Graph 3.9: New Loans according to the Interest Rate Fixation Period



Source: CBBH

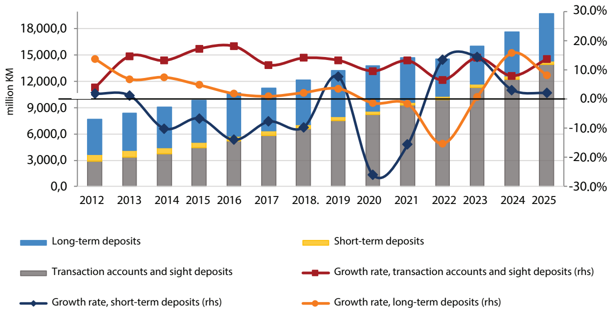
In 2025, total household deposits increased, including funds in transaction accounts as well as short-term and long-term term deposits. Total household deposits amounted to KM 19.7 billion at the end of 2025. The structure of deposits by maturity continued to be dominated by transaction accounts and sight deposits, which reached KM 13.9 billion and accounted for 70.4% of total household deposits (Graph 3.10). The strongest growth, of 13.7%, was recorded in the category of transaction accounts and sight deposits, which can be explained by wage growth as well as increased inflows from personal transfers.

Annual deposit growth has been stronger than credit growth over the past five years, with the exception of 2022, when a slight decline in total household deposits was recorded due to the shock of a sharp withdrawal of deposits from banks following the outbreak of the war in Ukraine and the problems faced by the Russian Sberbank Group.

Since investment opportunities and possibilities in the capital market are limited, households keep most of their savings in the form of deposits with commercial banks. The revival of the capital market, development of the secondary capital market and new instruments for investing available financial funds would contribute to stronger competition and potentially to an increase in deposit interest rates.

According to data from the Deposit Insurance Agency of BH for 2025, stronger growth in the number of deposit contracts was recorded in deposit categories exceeding the insured deposit amount of KM 70 thousand. Deposits in the category above KM 70 thousand recorded an increase of 15.4% in the number of deposit contracts compared to 2024, as well as an increase of 15.8% in the amount of deposits. On the other hand, deposits of up to KM 70 thousand recorded only a negligible increase of 0.9% in the number of deposit contracts, while the total amount increased by 8.5%. Of the total number of deposit accounts, only 2% relate to deposits above KM 70 thousand, but these account for 45.1% of total household deposits (KM 8.9 billion). This indicates pronounced financial inequality among the population of BH, given that a very small number of depositors hold high amounts of savings, which is common in countries at the same or a similar level of development as BH. Survey data on the non-financial assets of households in BH are still not available; such data would provide a broader social and economic picture in terms of BH households' ownership of non-financial and financial assets, debt, net wealth, income and consumption.

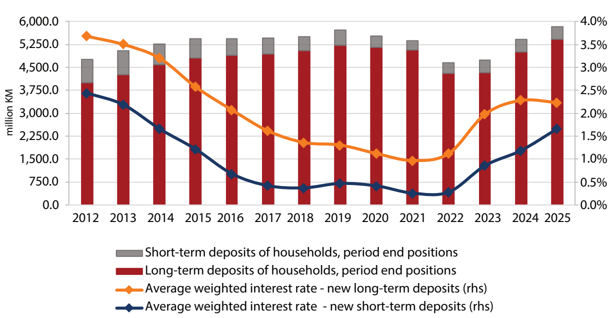
Graph 3.10: Household Deposits by Maturity



Source: CBBH

Deposit interest rates on household deposits, which had been at exceptionally low levels for several years, began to record a more significant increase from 2023. Nevertheless, no significant increase in the average weighted interest rate on deposits was recorded in 2025. The average weighted interest rate on household deposits with agreed maturity (term deposits) amounted to 2.16% in 2025 and was 3 basis points higher than in 2024. The average weighted interest rate on long-term deposits amounted to 2.23% and was 5 basis points lower, while the interest rate on short-term household deposits amounted to 1.66% and was 47 basis points higher than in the previous year (Graph 3.11).

Graph 3.11: Term-deposits of Households and Interest Rates on Deposits



Source: CBBH

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

COMPANIES

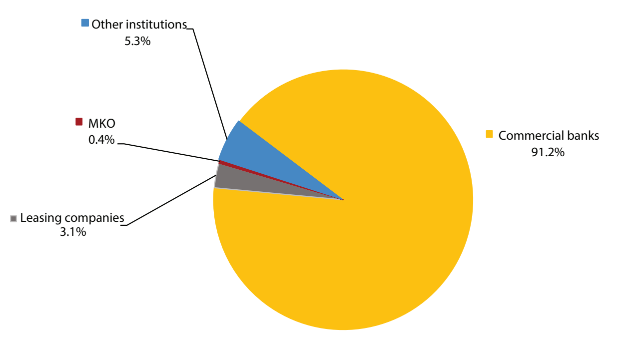
4. COMPANIES

The total debt of the non-financial companies' sector towards domestic financial intermediaries recorded more significant growth in 2025, despite increased risks from the domestic and international macroeconomic environment to which this sector has been exposed for the third consecutive year. At the same time, the external debt of companies continued to grow, reducing companies' dependence on domestic lending and accounting for an increasing share of their total debt structure. Traditionally, in financing their business activities, the corporate sector has relied predominantly on the credit support of banks. In 2025, banks extended loans at almost the same interest rates as in the previous year, and it can therefore be concluded that financing conditions for non-financial companies in BH remained favourable. In 2025, companies also continued to borrow from banks to a significant extent at fixed interest rates in order to reduce their exposure to interest rate risk. The continued growth of operating income of non-financial companies and satisfactory capitalisation indicate that companies managed to absorb the risks arising from the weak domestic and international economic environment. Consequently, companies were able to regularly service their existing liabilities, as reflected in the decline in the level of non-performing claims in banks and adequate capacity for further borrowing. However, in the coming period, the key risks to companies' operations are the continued weakening of external demand and tightening of financing conditions, together with the expected increase in inflationary pressures in 2026. In addition, significant investment in the energy transition and the full application of the carbon fee to exporting companies, in force since the beginning of 2026, will place an additional burden on companies' operations, potentially resulting in a significant increase in operating costs and increasing pressure on the corporate sector's ability to regularly service its liabilities.

In 2025, the total debt of the non-financial companies' sector towards domestic financial intermediaries increased significantly compared to the previous year. According to CRC data, the total debt of legal entities towards all groups of financial intermediaries amounted to KM 19.2 billion at the end of 2025, which was 15.3% higher than in the previous year. At the same time, measured as a share of GDP, total corporate debt was somewhat higher and amounted to 33.2% of gross domestic product.

The debt structure shows that the financing of companies in Bosnia and Herzegovina continues to rely almost entirely on the banking sector. Taking into account the underdevelopment of other segments of the financial market, banks remain the primary source of funding for companies in BH. At the end of 2025, loans granted by banks accounted for 91.2% of total corporate debt towards all groups of financial intermediaries, while financing through the capital market remained at a very low level (Graph 4.1).

Graph 4.1: Claims on Companies by the Type of Debt at 2025 End



Source: CRC, CBBH

According to CRC data, the debt of legal entities towards banks in BH amounted to 31% of GDP at the end of 2025. Bank loans continue to represent the dominant form of financing of legal entities, with short-term and long-term loans, as well as revolving loans, accounting for the largest part of bank claims.

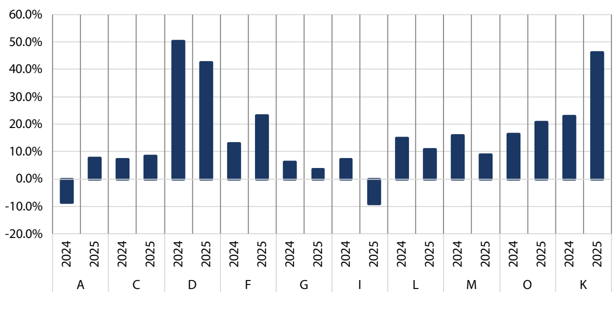
On the other hand, exposures based on guarantees, letters of credit and factoring remain at a very modest level and without significant systemic importance. The participation of microcredit organisations and leasing companies in the financing of legal entities also remains very modest, and their contribution to the total debt of legal entities therefore remains negligible.

Although economic activity slowed in 2025, stronger growth in corporate loan-based debt was recorded in most economic activities. Total banking sector exposure to legal entities amounted to KM 14.5 billion and was 12.4% higher compared to the previous year. Observed by economic activity, banking sector exposure in BH remains highest towards companies operating in Trade and Manufacturing industry, which account for 48.6% of total banking sector exposure to all legal entities. Although the highest growth in gross value added was recorded in Hotel and Catering industry, the debt of companies operating in this activity declined by 9.1%, which may indicate that no significant new investment took place in 2025 and that gross value added growth was generated from existing capacities. Significant growth in gross value added was also recorded in Transportation and Warehousing industry, where loan-based debt in banks increased by 9.3%, while companies operating in Trade industry recorded growth in loan-based debt in banks of 3.5%.

On the other hand, although external demand recorded a modest recovery, gross value added declined in production activities. Companies engaged in Production and Supply of Electric Energy, which recorded the largest decline in real economic activity (5.9%), saw their debt increase by as much as 42.4%.

The significant increase in lending activity in Production and Supply of Electric Energy sector during 2025 may be explained by intensified investment in new energy capacities, the modernisation of existing infrastructure and renewable energy projects. In addition, the energy transition process and the need to strengthen the transmission and distribution network increased demand for long-term financing, which was reflected in higher loan-based debt. Within manufacturing industry, which made the largest contribution to the overall decline in industrial production in 2025, the decline in the base metals production output had the strongest impact, as a direct consequence of the global decline in demand for steel. Nevertheless, the debt of companies operating in Manufacturing industry increased by 8.4% compared to the previous year. Given the modest prospects for a more significant recovery in economic activity among BH's main foreign trade partners, modest external demand is expected to continue to represent a constraining factor for the growth of domestic industrial production. If a more significant recovery in export demand fails to materialise, manufacturing industry could remain exposed to a prolonged period of subdued activity, which, taking into account the high credit exposure of banks to companies operating in this activity, could result in increased pressure on asset quality and the materialisation of credit risk. On the other hand, although gross value added in Construction industry increased by 0.8%, growth slowed significantly compared to the previous year, when gross value added increased by 6.9%. At the same time, amid continued growth in the production output and construction work prices, companies operating in Construction industry recorded a more significant increase in loan-based debt in banks of 23.2% (Graph 4.2).

Graph 4.2: Annual Changes of Claims on Companies by the Selected Activities



Source: FBA, BARS, CBBH

Legend:

A - Agriculture, forestry, fishing
C - Manufactoring industry
D - Production and supply of eletric energy, gas, steam and air conditioning
F - Construction
G - Wholesale and retail trade, repair of motor vehicles and motorcycles
H - Transportation and warehousing
I - Accommodation and catering (hotel and catering industry)
K - Financial and insurance activities
L - Real estate business
M - Professional, scientific and technical activities
O - Public administration and defence, mandatory social insurance

Other:

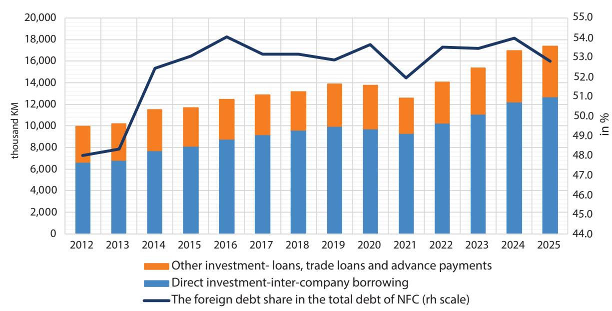
E - Water supply, sewerage, waste management and environment remedial activities
J - Information and communication
N - Administrative and auxiliary service activities
P - Education
Q - Health and social care
R - Art, entertainment and recreation
S - Other service activities

The external debt of non-financial companies in BH continued to grow in 2025 and to account for an increasing share of their total debt structure, indicating the growing importance of financing domestic companies by foreign creditors.

According to CBBH data from the Statistics of the International Investment Position of BH[14], the total external debt of non-financial companies, including non-profit institutions serving households (NPISH), amounted to KM 12.70 billion at the end of 2025, which was KM 471.9 million or 3.9% higher than at the end of 2024.

Of total financial liabilities, 63% of non-financial companies' debt related to external debt based on loans and trade credits and advance payments, while 36.8% related to direct intercompany borrowing. In 2025, the largest increase in companies' external debt was recorded on the basis of loans, which increased by KM 523.9 million or 6.9%, while direct intercompany borrowing, after three years of growth, declined by KM 52 million or 1.1%. The continuous growth of the external debt of the non-financial companies' sector, evident over the past thirteen years, indicates the pronounced reliance of the corporate sector in BH on foreign sources of financing. This trend indicates that domestic companies meet a significant portion of their financing needs through borrowing in international markets. The increased reliance on external sources of financing may be attributed to more favourable and flexible financing conditions compared to the domestic market, as well as tighter credit standards in terms of approving loans to companies. In addition, the insufficient development of the domestic capital market narrows the possibilities for raising funds through alternative forms of financing, further encouraging companies to secure the necessary funds in foreign markets (Graph 4.3).

Graph 4.3: Foreign Debt of Non-financial Companies

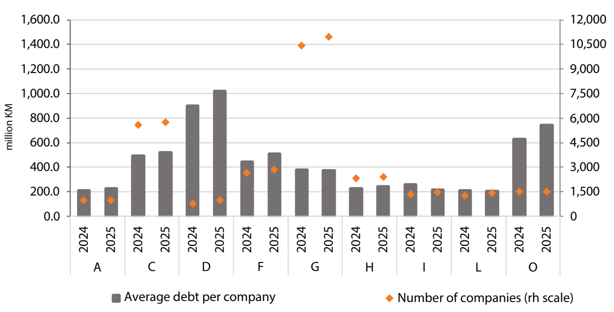


Source: FBA; BARS; CBBH
Note: * The total NFC debt includes foreign debt and debt of private companies in domestic banking sector

[14] *The international investment position is a statistical statement showing the value and composition of the financial assets of residents of an economy, which represent claims of the observed economy on non-residents, as well as the financial liabilities of residents of an economy, which represent liabilities of residents of the observed economy towards non-residents.*

Analysing average debt per company and the number of new companies, it can be concluded that, despite the elevated level of macroeconomic risks, there were no significant changes in the number and average debt of companies in most activities (Graph 4.4). Such results may be associated with the strengthening of the financial resilience of non-financial companies in BH over time, reflected in an improved ability to regularly service debt, as explained in more detail in Chapter 5.1 (Banking sector – Default rate analysis).

Graph 4.4: Average Debt of Companies by the Selected Activities in 2024 and 2025



Source CRC, BHAS, CBBH

Although the share of this maturity category in total standard loans remains low, the increase in long-term borrowing indicates increased corporate activity in long-term investment projects (including capacity expansion, modernisation and energy transition) which represents a positive signal for future economic growth. Loans with maturities from 5 to 10 years accounted for the largest share of total standard loans (40.1%) (Table 4.1). Based on data on the maturity structure of loans according to remaining maturity, the average maturity increased slightly to 43.5 months.

Table 4.1: Loans to Corporates, Maturity and Currency Structure of the Remaining Debt

thousand KM

Maturity	Remaining debt and due uncollected principal				
	BAM	Foreign currency loans and indexed loans			
		EUR	CHF	USD	TOTAL
Up to 1 year	510,920	264,950	14,235	48,817	838,921
1 to 3 years	1,399,812	300,509	0	0	1,700,321
3 to 5 years	1,988,820	549,982	0	0	2,538,802
5 to 10 years	2,025,357	2,330,465	0	0	4,355,822
Over 10 years	550,133	866,378	0	94	1,416,604
TOTAL	**6,475,042**	**4,312,282**	**14,235**	**48,911**	**10,850,470**

Source: CRC

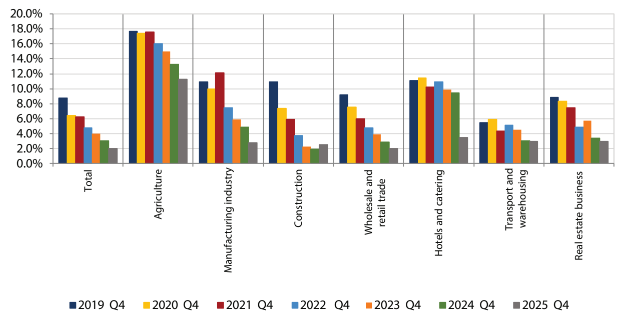
In 2025, there was a significant increase in debt based on standard loans in the corporate sector. Analysing the structure of standard loans according to contractual maturity, long-term loans continued to prevail, while the average maturity increased slightly. In the corporate sector, as in previous years, long-term loans prevailed by contractual maturity, accounting for 92% of total loans at the end of the year. According to CRC data, the amount of debt increased in all maturity categories in 2025, with the most significant increase of 13.6% recorded in the category from 3 to 5 years. It is worth noting that in 2025, the upward trend in corporate borrowing in the maturity category of over 10 years continued for the second consecutive year, with growth amounting to 7.3%.

The decline in the share of non-performing loans in total loans in the corporate sector indicates that companies successfully absorbed risks from the macroeconomic environment in 2025. However, credit risk may be assessed as elevated, given that in certain industries there are already signs of an emerging accumulation of credit risk due to strengthening inflationary pressures and weakening macroeconomic conditions. In addition, the beginning of the application of the carbon fee on cross-border CO_2 emissions and the obligation of companies to invest in renewable energy sources, together with the continued weakening of macroeconomic conditions, will exert pressure on companies' operations in the coming period, which could result in increased materialisation of credit risk in banks.

The share of non-performing loans in total loans in the corporate sector continued to decline and amounted to 2% at the end of 2025, which was 1.1% lower than in the previous year. At the annual level, the quality of the loan portfolio by activity improved in almost all groups of economic activities, with a decline in the share of non-performing loans in total loans recorded in 2025 (Graph 4.5). Nevertheless, elevated risks in the macroeconomic environment, together with strengthening inflationary pressures, affected the operations of companies in the construction industry, where a slight increase in the share of non-performing loans in total loans was recorded. The share of loans with increased credit risk (loans at credit risk level 2) in total loans to legal entities also decreased compared to the end of the previous year and amounted to 11%. However, companies operating in export-oriented activities have been operating for an extended period in an environment characterised by elevated macroeconomic risks, which has had the greatest impact on companies in manufacturing and in the production and supply of electric energy. Consequently, the share of loans at credit risk level 2 in total loans extended to manufacturing companies increased from 13.7% in the previous year to 14.6% at the end of 2025, while the share of credit risk level 2 loans extended to companies engaged in the production and supply of electric energy increased from 6.8% to 7.9%. These developments indicate increased exposure to credit risk in the corporate segment and confirm the presence of elevated risks in these activities. In addition to the aforementioned activities, companies operating in wholesale and retail trade also recorded an increase in loans at credit risk level 2.

Taking into account the persisting risks arising from subdued economic activity, weak external demand and uncertainty in the international environment, the long-standing downward trend in non-performing claims in the non-financial companies' sector is likely to slow or even come to a halt in the coming period. An additional source of pressure on the operations of companies in these activities, in terms of both rising costs and increased credit risk, is the full implementation of the Carbon Border Adjustment Mechanism (CBAM), which has been in force since the beginning of 2026 and is described in more detail in Text Box 4. Companies in BH will also have to continue investing in the energy transition and renewable energy sources in the coming period, which will continue to exert upward pressure on their costs.

Graph 4.5: Share of Non-performing Loans in the Total Loans to Companies, by Activities



Source FBA and BARS, CBBH

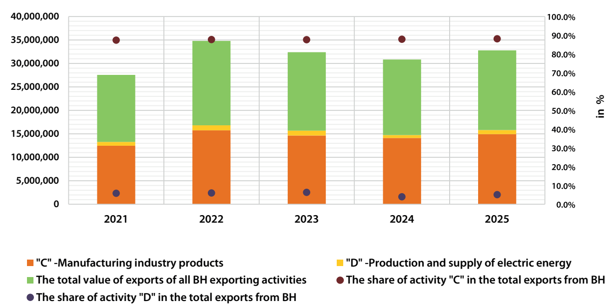
Text Box 4: Potential effects and reflections of the full implementation of the EU CBAM on the operations of companies exporting from BH to the European Union market

Following several years of announcements and preparations, the European Union's Carbon Border Adjustment Mechanism (CBAM) entered the phase of full implementation on 1 January 2026. In practical terms, this means that BH exports to EU Member States are fully covered by the EU CBAM Regulation and that the products of BH exporting companies have become subject to an additional cost burden associated with carbon dioxide (CO_2) emissions embedded in or generated during their production processes.

The implementation of the Carbon Border Adjustment Mechanism represents an extremely significant regulatory change for BH exporting companies in terms of competitiveness and access to the EU market, particularly for companies in the electric energy and manufacturing sectors, including key industries such as the production of iron, steel, aluminium, cement, artificial fertilisers and lubricants.

An analysis of the structure of BH exports indicates that the full implementation of CBAM is expected to have the greatest impact on companies in the manufacturing industry sector, particularly producers of iron, steel, aluminium and other metal products, as well as companies engaged in the production and supply of electric energy. These sectors account for a very significant share of total BH exports to the European Union, which makes companies operating in these activities among those most exposed to potential cost increases resulting from the implementation of CBAM.

Graph TB 4 .1: Export Values in the Activities which will be Subject to the Implementation of the EU CBAM Mechanism to the Highest Degree (u 000 KM)



Source: BHAS, CBBH

Despite earlier expectations that Bosnia and Herzegovina might obtain a temporary exemption from the application of CBAM to electric energy exports to the EU, this did not materialise. By 1 January 2026, BH had failed to meet the regulatory and market requirements laid down in Article 2(7) of the CBAM Regulation[15].

This means that, from the beginning of 2026, electric energy exports from BH have been fully subject to the EU CBAM, in the same way as products from BH originating from the production of cement, aluminium, artificial fertilisers, hydrogen, iron and steel when exported to the EU market. Although Bosnia and Herzegovina prepared the National Energy and Climate Plan (NECP)[16], thereby taking an important step towards alignment with the European Union's energy and climate policies, by the beginning of 2026 the key laws required to enable full harmonisation with European climate and energy legislation had not been adopted, including a more precise statutory definition of the objective of achieving climate neutrality in BH by 2050.

An additional reason why the aforementioned "temporary exemption" was not obtained was the failure to establish a carbon dioxide emissions pricing (trading) system comparable to the EU ETS, which represents the cornerstone of the European Union's climate policy (This is described in more detail in the Financial Stability Report 2023[17], TB 3).

The BH electric energy sector represents one of the segments of the BH economy most exposed to these risks, given that BH is traditionally an exporter of electric energy, as also confirmed by the fact that the country consistently exports between 43% and 48% of its total production. With the practical introduction of CBAM, electric energy produced in BH loses price competitiveness in the European Union market, given that 60% of electric energy production is generated in coal-fired thermal power plants (Table TB 4.1).

[15] *https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX-:32023R0956 (Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism).*

[16] *http://www.mvteo.gov.ba/publication/read/17072023; http://www.mvteo.gov.ba/data/Home/Dokumenti/Energetika/Nacrt_NECP_BiH_loc.pdf;*

[17] *https://www.cbbh.ba/Content/Archive/575//Izvještaj%20o%20finansijskoj%20stabilnosti%202023%20(3).pdf*

Table TB 4.1: Overview of electric energy production and exports in BH

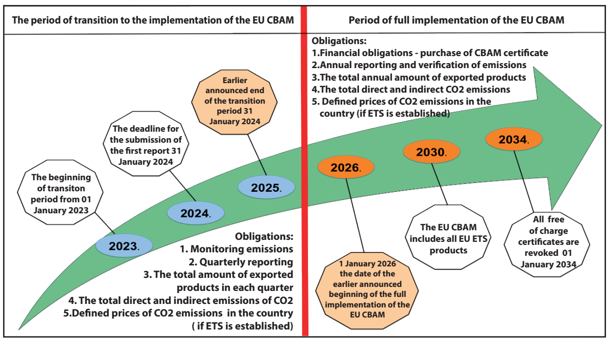
Year	Gross production – Hydro power plants (GWh)	Gross production – Thermo power plants (GWh)	Gross production – Wind and solar power plants - WPP, SPP (GWh)	Gross production of electrical energy, total (GWh)	Export of electrical energy (GWh)	Exports value (mil. KM)
2022	4,583.00	10,705.00	473.00	15,762.00	6,856.00	1,074.70
2023	6,511.00	9,389.00	499.00	16,397.00	7,886.00	1,060.00
2024	4,885.00	9,466.00	679.00	15,029.00	7,175.00	640.00
2025	4,504.00	8,859.00	1,124.00	14,487.00	6,851.00	868.80
I quarter 2026	2,114.00	1,832.00	266.00	4,211.00	1,931.00	180.00

Source: BHAS and MOFTER BH

In formal and accounting terms, this means that 2026 represents the first year in which this type of liability arises, i.e. the first year in which CBAM costs are officially recorded. The following year, 2027, will be the first year in which the calculated cost is actually payable through CBAM certificates by EU importers. In this way, the European Union establishes a transparent and predictable framework for the calculation of CBAM costs, enabling importers established in EU Member States to adapt to the new market conditions in a timely manner. It is important to emphasise that CBAM is formally not paid by BH exporting companies, but by purchasers, i.e. importers in EU Member States. In practice, however, EU purchasers will almost certainly seek to avoid this cost by demanding significantly lower purchase prices from BH exporters with a high CBAM burden, reducing purchases from BH, or alternatively sourcing from countries with a lower CBAM burden. The European Commission published the first CBAM certificate price for the first quarter of 2026[18], thereby establishing a clear carbon price for emissions generated in the production of steel, electric energy and other products covered by CBAM for the EU market. The CBAM price amounts to EUR 75.36 per tonne of CO_2 equivalent emitted, representing the first concrete financial and planning signal for EU purchasers and non-EU exporters during the period of CBAM implementation.

These European Commission data enable EU importers to plan more precisely the costs of imports from BH and other countries covered by CBAM. During 2026, CBAM certificate prices will be determined quarterly, while from the beginning of 2027 the EU will publish prices on a weekly basis. Each quarterly certificate price is calculated as the average of EU ETS auction prices, ensuring fair and market-based pricing of carbon emissions per tonne.

Figure TB 4.1: CBAM implementation timeline



Given the high degree of BH's trade integration with the European Union market, the implementation of CBAM represents one of the most significant social, economic, legal, environmental and broader transition challenges for Bosnia and Herzegovina in the coming period.

[18] *https://taxation-customs.ec.europa.eu/news/first-cbam-certificate-price-now-available-2026-04-07_en*

An analysis of the first quarterly CBAM report for 2026[19] shows that the effects of the full implementation of this mechanism have already become visible, particularly through significant changes in trade flows between the Western Balkan countries and the European Union. According to the report, the total volume of commercial electric energy trade decreased by approximately 25% compared to the same period of the previous year, representing the first clearer indication of market consequences following the beginning of full CBAM implementation. Particularly pronounced was the decline in electric energy exports from the Western Balkan countries to the European Union, which in the first quarter of 2026 were 8.1%, or around 410 GWh, lower than in the same period of the previous year These developments show that, already in the initial phase of its implementation, CBAM has begun to affect the competitiveness of Western Balkan exporters to the EU, particularly exporters whose production relies to a significant extent on fossil fuels. It is evident that the implementation of CBAM is already directly affecting regional trade flows, investment decisions and the competitiveness of Western Balkan economies.

The beginning of the active application of CBAM to exports of electric energy, as well as iron, steel, aluminium and artificial fertiliser products from BH to the European Union market, will expose BH exporting companies to an exceptionally broad range of risks. In addition to the foreseeable decline in exports to the EU market and the resulting impact on BH's overall foreign trade balance, these risks may be addressed through several channels.

[19] EnCS+CBAM+Quarterly+Report+2026_1.pdf (CBAM Quarterly report 2026/1)

Particularly relevant measures include exploring options for potentially redirecting BH exports towards markets not covered by the CBAM Regulation (although this may result in higher costs and lower selling prices) as well as launching broad-based initiatives within BH aimed at accelerating the transition towards lower CO_2 emissions.

Additional emphasis should be placed on the challenges and the need to address social issues arising from the closure of high-CO_2-emitting facilities, as well as on environmental measures, including the protection of BH's natural heritage. In addition, banks in Bosnia and Herzegovina are rapidly introducing ESG standards into their creditworthiness assessments, and failure to meet these standards may result in lower creditworthiness and more difficult access to financing. Companies that remain highly dependent on fossil fuels will face tighter financing conditions, higher interest rates and, ultimately, considerably more difficult access to loans. Investment in companies' own "green capacities", i.e. renewable energy sources, will represent one of the basic prerequisites for maintaining stable business operations in the coming period. In order to mitigate risks to BH companies arising from the beginning of the full implementation of the EU CBAM, further strengthening of institutional capacities for adapting to such market conditions is required (as agreed and concluded in the Sofia Declaration of 10 November 2020).

Total income of companies recorded somewhat slower growth of 3.1% in 2025 compared to the previous year. Analysing income by activity, it can be concluded that growth in total corporate income was predominantly driven by service activities, while activities traditionally more dependent on exports and industrial production recorded more modest growth.

According to data from Dun & Bradstreet, a company that provides information on business and creditworthiness, total income of BH companies grew by 3.1% in 2025 (Table 4.2). Continued price increases and growth in personal consumption meant that the services sector was the main driver of income growth. Analysing the income structure by activity in 2025, companies engaged in wholesale and retail trade continued to account for the dominant share of total income (44.5%), recording slight and stable growth of 1.31%. In addition, owing to another successful tourist season in 2025, companies operating in hotel and catering activities recorded more significant income growth (8.7%). Companies engaged in information and communication also continued to record stable growth (7.5%), as did companies in health and social care activities (10%). After two consecutive years of declining income, companies engaged in the production and supply of electric energy recorded more significant income growth (10.1%) in 2025, mainly as a result of increases in electric energy selling prices for final consumers, including the introduction of new tariff models such as block tariffs. Companies from the manufacturing industry, which account for the second-largest share of total income at 24%, recorded moderate growth of 3.65% in 2025 following very modest growth in the previous year. Although companies in these two activities, the electric energy sector and manufacturing industry, recorded income growth in 2025, continuation of this positive trend in the coming period may be interrupted in view of the risks associated with the beginning of CBAM implementation and persistently weak external demand.

On the other hand, following record growth in 2024, companies engaged in real estate activities recorded a decline in income (6.3%) in 2025, due to reduced market supply, which was reflected in a decline in the number of completed real estate purchase and sale transactions. In addition, construction companies recorded very modest income growth of only 0.72%, which can partly be attributed to the slowdown in the completion of residential projects (described in more detail in Text Box 3). A more significant decline in income was recorded by companies engaged in financial intermediation and services (7.2%), although this activity accounts for only a very modest share of total income (0.47%). A decline in operating income was also recorded by mining companies (5.1%), caused by the continued decline in coal production in domestic mines and reduced deliveries of raw materials to thermal power plants due to frequent unit failures and technological obsolescence. Risks to the operations of many non-financial companies have been further intensified by the expected increase in inflationary pressures and the unfavourable foreign trade outlook for 2026. In the coming period, these risks will continue to exert the greatest pressure on companies operating in production activities, which could be reflected in lower income.

Table 4.2 : Operating Income of Corporates, per Activities

Activity	Operating income, million KM						
	2019	2020	2021	2022	2023	2024	2025
A- Agriculture	987.05	1,021.06	1,084.89	1,301.57	1,352.28	1,369.87	1,440.76
B- Mining	917.14	909.13	887.78	1,032.47	1,109.50	1,218.70	1,156.49
C- Manufacturing industry	17,661.09	16,302.43	20,686.81	26,095.19	24,958.32	25,217.23	26,136.65
D-Production and supply of electric energy	4,262.78	3,894.63	5,346.12	6,638.80	5,851.55	5,629.02	6,196.03
E- Water supply, waste water management	786.22	769.49	1,048.09	1,098.50	990.38	1,089.10	1,129.62
F- Construction	3,433.65	3,495.23	4,048.00	4,512.36	4,910.98	5,613.02	5,653.77
G- Wholesale and retail trade	31,751.30	28,814.68	34,750.30	42,198.29	44,297.70	47,903.43	48,530.69
H- Transportation and warehousing	2,832.17	2,492.72	2,895.83	3,667.06	3,724.30	3,947.49	3,966.79
I- Hotel and catering industry	503.13	286.04	474.67	630.82	772.88	889.38	966.86
J- Information and communication	2,387.47	2,389.66	2,745.66	3,107.36	3,412.57	3,682.41	3,958.92
K- Financial and insurance activities	346.52	326.10	382.08	465.55	459.91	549.83	510.12
L- Real estate business	229.26	202.08	246.40	287.47	345.26	538.13	504.29
M- Professional, scientific and technical activities	1,688.99	1,663.35	1,919.64	2,054.84	2,304.89	2,529.91	2,717.85
N- Administrative and auxiliary service activities	485.77	442.88	565.58	724.89	874.93	1,002.71	1,101.31
O- Public administration and defence	69.73	83.02	106.40	79.72	32.53	39.64	46.48
P- Education	133.16	121.47	133.82	156.19	189.61	230.85	250.95
Q- Health and social care	1,680.42	1,764.36	2,041.26	2,309.22	2,677.89	2,978.98	3,276.76
R- Art, entertainment and recreation	492.02	434.81	605.26	770.12	941.32	1,038.02	1,142.60
S- Other service activities	96.46	97.40	108.26	127.53	146.76	177.43	185.91
T- Activities of households as employers	0.00	0.00	0.00	0.05	0.00	0.00	0.00
U- Activities of extraterritorial organizations and bodies	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	**70,744.31**	**65,510.53**	**80,076.84**	**97,257.99**	**99,353.54**	**105,645.14**	**108,872.87**

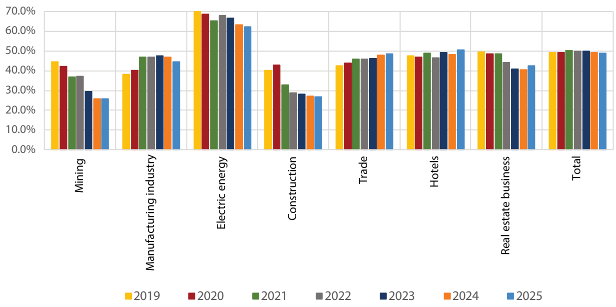
Source: Dun & Bradstreet (Company providing the business and creditworthiness information)

The total share of equity in companies' liabilities recorded a very slight decline compared to the previous year. Analysing the share of equity in companies' liabilities by activity, a slight decline in the share of equity in export-oriented activities was evident in 2025 (Graph 4.6). The risks to which companies operating in the field of manufacturing industry and production and supply of electric energy are exposed for the third consecutive year were reflected in a slight decline in their capitalization in 2025 (2.09% and 0.79%). However, all activities except Mining and Construction still had capitalisation levels higher than 30%. As a result of years-long cyclical operations of companies in the field of mining and their reduced income, the lowest share of equity in liabilities was recorded in this activity, which in 2025 was further reduced amounting to 25.9%.

Also, construction companies continued to record a very low share of equity in liabilities, which was 36 bp lower in 2025 and amounted to 26.9%. This can be attributed to the continued reliance of companies in this activity on borrowing from banks as the most important source of funding for current operations or investment projects. For the fourth consecutive year, alongside the intensification of these companies' borrowing from the banking sector, the share of equity in liabilities declined to below 30%, indicating that the own-funding ratio of companies in these activities is exceptionally low. On the other hand, companies operating in service activities recorded a slight increase in the share of equity in liabilities, thereby continuing their multi-year trend of sound capitalisation.

Despite the very slight decrease in the overall share of equity in liabilities in 2025, it can be concluded that the corporate sector remains well capitalised.

Graph 4.6: Share of Equity in Companies' Liabilities in Selected Activities

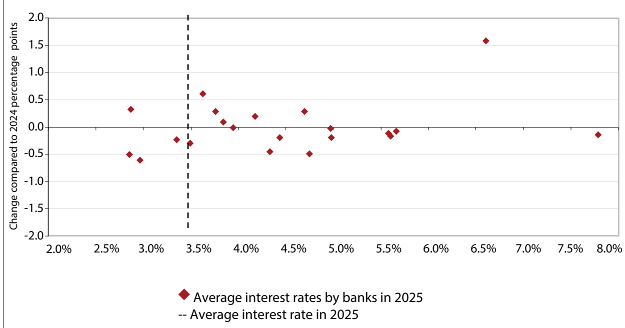


Source: Dun & Bradstreet, CBBH

Interest rates in the domestic market in the corporate sector fluctuated more significantly during 2025 due to increased risk perception, but ultimately the average annual weighted interest rate on loans extended to non-financial companies recorded a slight decline compared to the previous year. During the first half of the year, interest rates on newly granted loans to non-financial companies followed an upward trend, while from the final quarter borrowing costs for the non-financial companies' sector declined slightly. Interest rate developments during 2025 were subject to more pronounced fluctuations in line with developments in the domestic macroeconomic environment. According to CBBH data, the average interest rate[20] on newly granted loans to the non-financial companies' sector amounted to 4.34% in 2025 and, following a very slight decline of only 2 bp, remained at almost the same level as the average rate in 2024. Despite the elevated level of risks in the macroeconomic environment, financing conditions for the non-financial companies' sector remained favourable throughout 2025.

Observing borrowing costs by individual banks, excluding seven banks, a slight decline in the average interest rate compared to the previous year was recorded at all other banks in the system (Graph 4.7). The increase in risks in the international and domestic macroeconomic environment further heightened perceptions of risk associated with companies' operations following the outbreak of conflict in the Middle East, which will certainly continue to exert upward pressure on interest rates in the BH banking market.

Graph 4.7: Interest Rates on Loans to Companies

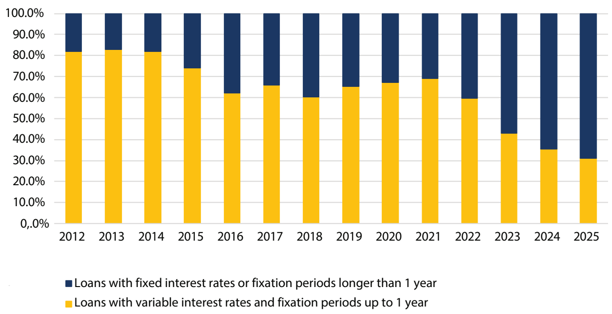


Source: CBBH

As a result of more intensive borrowing at fixed interest rates, the corporate sector's exposure to interest rate risk decreased during 2025. In the structure of newly granted loans during 2025, the share of loans with variable interest rates or an initial interest rate fixation period of up to one year declined to 31.05% (Graph 4.8). In an environment of persistently elevated macroeconomic risks, companies were inclined to fix the costs at which they could borrow in the domestic market, facilitating interest rate risk management and reducing their refinancing risk.

[20] *Interest rate statistics are regularly published on the CBBH website, while for analytical purposes, the average cost of borrowing of the corporate sector is calculated by weighting interest rates by the volume of loans granted across all categories.*

Graph 4.8: New Loans according to the Interest Rate Fixation Period



Source: CBBH

The corporate sector's exposure to currency risk did not change significantly compared to the previous year. Currency risk under the existing monetary regime does not represent a significant source of risk to companies' operations. At the end of 2025, corporate debt based on standard loans denominated in or indexed to euro accounted for 39.7% of total bank claims on the corporate sector. Compared to the previous year, its share decreased by 60 basis points. At the same time, the share of loans granted in domestic currency increased, with the outstanding debt based on these loans accounting for 59.7% of total corporate sector debt at the end of 2025. The share of debt denominated in other currencies amounted to only 0.58%. According to the maturity categories, the largest share of the debt was denominated in EUR in the category of maturities of 5 to 10 years, while the largest part of the debt was denominated in BAM in all other maturity categories.

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

FINANCIAL INTERMEDIARIES

5. FINANCIAL INTERMEDIARIES

The total assets of financial intermediaries recorded growth of 9.8% at the end of 2025. The banking sector kept the predominating share in the total assets (Table 5.1).

Table 5.1: The Financial Intermediaries Assets Value

	2023		2024		2025	
	Value, million KM	Share, %	Value, million KM	Share, %	Value, million KM	Share, %
Banks [1]	39,056.2	87.6	42,919.1	87.7	47,077.1	87.6
Leasing companies [1]	525.3	1.2	568.5	1.2	638.2	1.2
Microcredit organisations [1]	1,445.2	3.2	1,651.4	3.4	1,892.4	3.5
Investment funds [2]	1,041.7	2.3	1,131.1	2.3	1,300.4	2.4
Insurance and reinsurance companies [3]	2,496.8	5.6	2,657.3	5.4	2,815.9	5.2
Total	**44,565.1**		**48,927.5**		**53,724.0**	

Source:
1 - FBA and BARS
2 - FBH and RS Commissions for Securities
3 - Entities' Agencies for Supervision of Insurance Companies, BH Insurance Agency CBBH

5.1 Banking sector

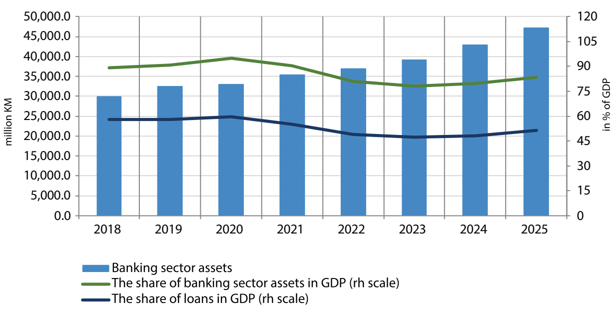
The banking sector of BH remained stable and resilient to risks in 2025 arising from the slowdown in real economic activity growth and strengthening inflationary pressures. Good financial soundness indicators of the banking sector were maintained throughout 2025, while the continuation of positive trends from the previous year was reflected in a slight increase in capitalisation indicators, an improvement in asset quality, and high profitability and liquidity of the banking sector. The continuation of favourable financing conditions and stable demand resulted in continued strong lending growth to the private non-financial sector. Consequently, the negative credit-to-GDP gap of the private sector narrowed and the financial cycle gradually recovered. Given that the trend of strong lending activity continued in the current year, it is assessed that by the end of the second quarter of 2026 the financial cycle should reach its long-term trend and enter the expansion phase.

The reference rates of the average cost of financing of banks in BH recorded a slight increase, but remained at relatively low levels. The maturity structure of sources of funds did not change significantly in 2025, with deposits in transaction accounts kept a dominating share in the sources of funds. Elevated risks arising from increased global uncertainty were further intensified by strengthening inflationary pressures following the outbreak of armed conflict in the Middle East. The adverse effects of inflationary pressures, particularly if prolonged, could lead to a deterioration in the financial position of companies and households. A potential deterioration in asset quality is also associated with the weak recovery in economic activity. External demand could remain weak due to increased risks from the international macroeconomic environment, while the introduction of carbon taxes by the EU will reduce export competitiveness. The strengthening of credit risk also arises from intensified lending to the household sector, particularly in the segment of general-purpose loans. Inflationary pressures could also spill over into higher financing costs, which, together with the potential materialisation of credit risk, could reduce banking sector profitability in the coming period. The increase of interest rate risk is associated with a potential significant pressure on the growth of financing sources costs, which, together with the strong growth of long-term fixed-rate lending, increases the pressures on maintaining a sustainable level of the net interest margin. The results of the stress tests conducted showed that the banking sector is capable of absorbing extreme macroeconomic shocks, as well as significant liquidity outflows. In addition to good capital positions that enable banks to absorb potential macroeconomic shocks, the resilience of the banking sector was further enhanced by the introduction of a capital buffer for systemically important banks from the end of 2025.

5.1.1. Key trends in banking sector

In 2025, the growth of banking sector assets continued, primarily as a result of stronger credit growth and increased investment in debt securities, while liquid assets recorded a slight decrease compared to the previous year. Total banking sector assets grew at almost the same pace as in the previous year (9.7%) and reached KM 47 billion at the end of 2025. At the same time, the ratio of banking sector assets to GDP continued to increase, while the share of banking sector assets in the total assets of financial intermediaries has stagnated at around 88% over the past three years (Table 5.1). Credit growth continued to accelerate for the third consecutive year following a multi-year period of exceptionally weak lending activity, bringing the ratio of total loans to GDP back above 50% for the first time since 2021 (Graph 5.1).

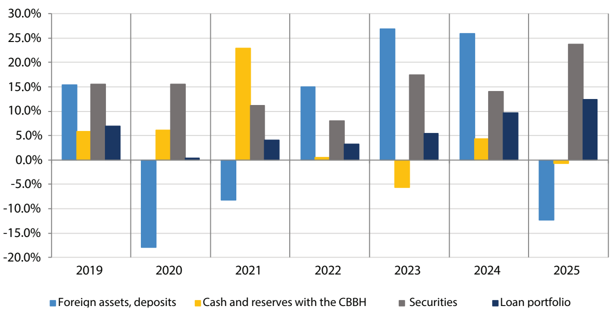
Graph 5.1: Assets and Loans in Per Cents of GDP



Source: FBA, BARS, CBBH

The key contribution to the increase in banking sector assets came from growth in the loan portfolio, with credit growth amounting to 12.4%. The strongest credit growth was recorded in the private non-financial sector, with the household sector being the main driver of growth. Banks also continued to increase their investments in securities, with this segment of the portfolio recording growth of 23.7% (Graph 5.2).

Graph 5.2: Changes of the Most Important Items of Banking Sector Assets



Source: FBA, BARS, CBBH

Entity government securities and foreign government bonds remained the most significant components of the securities portfolio. In 2025, banks increased their exposure to Entity governments based on debt securities by as much as 30.1%, while investment in non-resident securities grew by 15.9%. As interest rates in the euro area declined during 2025, government bond yield curves normalised, and banks redirected part of the funds previously invested in short-term foreign deposits into this type of asset. Investments in foreign deposits decreased by 12.3%, while the level of liquid assets remained almost unchanged (recording a slight decline of 1% compared to the previous year due to a 0.7% decrease in the most significant liquid asset item, cash and reserves with the CBBH).

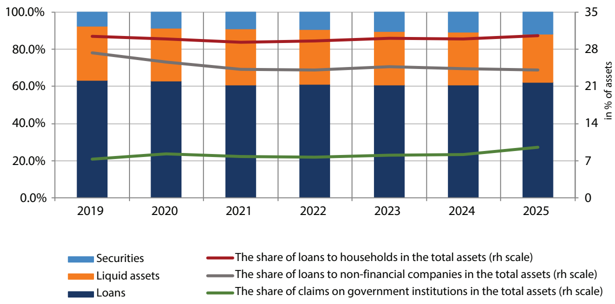
Despite the deterioration in macroeconomic conditions, a stable level of interest rates in the domestic market, together with continued growth of domestic sources of financing and the maintenance of favourable credit standards for the household sector, supported continued strong credit growth. Total loans at the level of the BH banking sector amounted to KM 29 billion, with credit growth of KM 3.2 billion or 12.4%. Within the loan portfolio, loans to households remained the most significant, accounting for one half of total loans, while loans extended to private non-financial companies accounted for 39.2% of total lending.

Owing to stronger lending activity in the household sector, the share of these loans in total assets increased compared to the previous year, reaching 30.7%. Given the less intensive credit growth in the private non-financial companies' sector compared to the household sector, the share of these loans in total assets decreased slightly to 24.1%. Loans to government institutions continued to account for a very small share of the loan portfolio; however, the share of total claims on government institutions increased more noticeably to 9.5% of total assets at the end of 2025, as a result of banks' increased investment in Entity securities during 2025 (Graph 5.3).

According to CBBH monetary and financial statistics, the total banking sector exposure to all levels of government in BH, including budgetary and extra-budgetary funds, amounted to KM 4.82 billion at the end of 2025 and was KM 1 billion or 28.1% higher than in the previous year. At the level of the overall banking system, exposure to the general government sector amounted to 76.7% of the banking system's Tier 1 capital at the end of 2025[21]. Although exposure to the government sector remains at a moderate level and risks to financial stability are not high, the increasing interconnectedness between the government and banking sectors, the so-called sovereign-bank nexus, is evident. Numerous analyses show that countries with a high share of government debt in banks' portfolios face increased banking sector risks. Even in the absence of default, when governments duly service their liabilities, increased reliance on domestic banks to finance growing public debt may expose banks to potential capital losses if fiscal risks intensify.

[21] *In accordance with the banking agencies' decisions on large exposures (Official Gazette of the Federation of BH, No. 98/25 and Official Gazette of RS, No. 106/25), the aggregate exposure to the Council of Ministers of BH, the FBH Government, the RS Government and the Government of Brčko District may not exceed 300% of a bank's Tier 1 capital.*

Graph 5.3: Banking Sector Assets



Source: FBA, BARS, CBBH

Credit growth in the household sector amounted to 12.3% at the end of 2025 and was supported by growth in personal consumption and disposable income. Although personal consumption growth was lower than in the previous year, demand for general consumption loans continued to grow strongly, with these loans increasing by KM 913.6 million or 9.6%. General consumption loans remained the main driver of credit growth in the household segment and accounted for 72.2% of total household loans at the end of 2025. Housing loans are becoming increasingly important within the structure of household loans, recording the highest relative growth of 20.6% in 2025 and an absolute increase of KM 635 million, bringing their share in total household loans to 25.7%. The strong growth in real estate prices over the past three years has contributed to higher amounts of borrowing through housing loans. In addition, growth in this loan category also indicates that real estate purchases in BH are increasingly being financed through housing loans, unlike in previous periods when there was a considerably larger gap between the total value of real estate sold and newly granted housing loans (see Graph TB 3.5 in Text Box 3). Demand for residential real estate did not decline despite double-digit growth in prices per square metre, indicating that, from the perspective of citizens, investment in real estate represents almost the only safe and profitable form of investment in BH in an environment of heightened uncertainty and renewed inflationary pressures.

Growth in demand for housing loans can also partly be attributed to favourable financial conditions and unchanged credit standards that prevailed throughout 2025. The results of the Bank Lending Survey indicate an unchanged perception of banks' credit risk regarding lending to households throughout 2025, after risk perception deteriorated only slightly in the final quarter of 2024. Credit standards for housing loans remained unchanged in the first half of 2025, with a slight easing of credit standards in the third quarter that was maintained in the final quarter of 2025. At the same time, credit standards for consumer and general-purpose loans were slightly tightened in the final quarter of 2024, after which they remained unchanged throughout 2025. Growth in household demand for housing loans, as well as consumer and general-purpose loans, continued throughout all quarters of 2025. On the other hand, tighter financial conditions for loans to companies from the previous year remained in place during the first half of 2025, with further tightening in the third quarter. Tightened standards for both short-term and long-term loans to companies were maintained in the final quarter of 2025, in line with the elevated perception of risks arising from the macroeconomic environment. Despite this, lending activity in the private non-financial companies' sector was slightly more intensive than in the previous year, with the annual credit growth rate of this sector amounting to 8.8%.

According to the CBBH spring macroeconomic projections, strong growth in household loans is expected to continue in 2026, in line with the prolonged increase in consumer prices, slight growth in personal consumption and real estate market developments. However, projected growth is somewhat lower than in the previous year due to increased risks in the macroeconomic environment, primarily through stronger inflationary pressures, which increase credit risk in the event of a deterioration in borrowers' financial position.

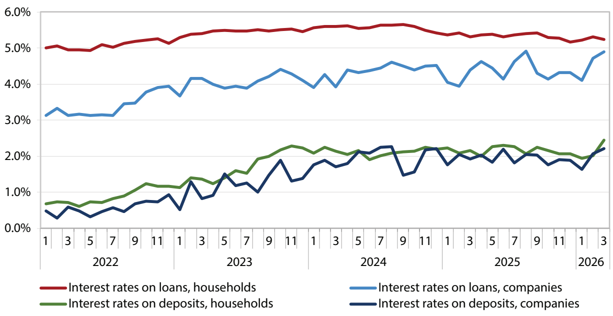
Projected credit growth for private non-financial companies in 2026 is considerably lower than projected household credit growth, due to a significantly higher perception of risk and the stronger impact of inflationary pressures on companies' operations, as well as the gradual slight tightening of financial conditions and an expected increase in average interest rates for companies.

Financial conditions in the domestic market remained favourable throughout 2025, with a gradual slight downward trend in average lending interest rates on household loans, while interest rates on newly granted loans to private non-financial companies fluctuated more strongly due to increased risk perception. Interest rates on the main financing sources of banks remained stable throughout 2025 following a slight increase in the final quarter of the previous year. The rise in interest rates in the first quarter of 2026 was associated with increased risks in the macroeconomic environment following the continued strengthening of inflationary pressures.

In 2025, the average weighted interest rate on household loans decreased by 24 basis points to 5.34%. The gradual decline in interest rates on newly granted household loans, which began in the fourth quarter of the previous year, continued throughout 2025. These interest rate developments were consistent with the unchanged perception of risk regarding lending to households throughout the observed period. The average annual weighted interest rate on loans to private non-financial companies remained at almost the same level as in the previous year (at 4.34%) although interest rates on newly granted loans to companies fluctuated during the year in line with perceptions of risk arising from the domestic macroeconomic environment.

The gradual strengthening of risks in the domestic macroeconomic environment during 2025, primarily through stronger inflationary pressures, increased perceptions of risk associated with companies' operations. Alongside tighter credit standards, this was also reflected in a slight increase in interest rates on newly granted loans to companies. The average interest rate on loans to companies increased from 4.13% in the first quarter to 4.55% in the third quarter, while in the final quarter of 2025 the average interest rate on newly granted loans to companies declined by 28 bp. Increased instability and renewed strengthening of inflationary pressures following the outbreak of armed conflict in the Middle East again led to an increase in risk perception. Interest rates on newly granted loans to private non-financial companies increased by 29 basis points in the first quarter of 2026 compared to the average interest rate in 2025. On the funding side, average weighted interest rates on newly contracted household term deposits increased in the final quarter of 2024, after which they remained at the same level during the first three quarters of 2025, with a slight decline in the final quarter of 2025. Interest rates on corporate term deposits in 2025 had a similar dynamics as interest rates on household term deposits, while in the first quarter of 2026, an increase in passive interest rates on term deposits of both sectors was recorded (Graph 5.4).

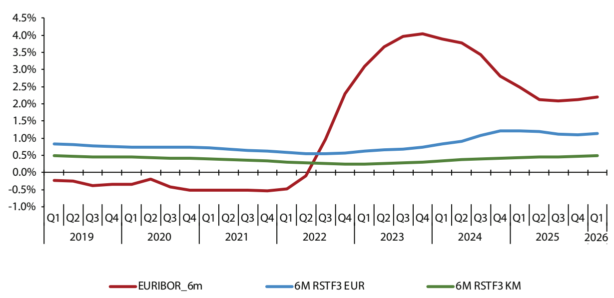
Graph 5.4: Average Weighted Interest Rates on New Loans and Deposits



Source: CBBH

Following several years of slight decline, banks' funding costs began to increase gradually from the middle of the previous year, primarily under the influence of rising borrowing costs in EUR related to instruments used to meet MREL regulatory requirements. During 2025 and in the first quarter of 2026, the increase in banks' funding costs was also influenced by a higher share of term deposits in domestic and foreign currencies, as well as a slight increase in interest rates. Developments in the six-month reference rate for EUR indicate that banks' funding costs in BH began to increase more strongly from mid-2024, when most banks started adjusting to the regulatory requirements for meeting the Minimum Requirement for Own Funds and Eligible Liabilities (MREL). As a rule, MREL instruments are always more expensive sources of funding because they are riskier, i.e. they may, if necessary, be converted into capital or written off in the event of resolution of a credit institution. During the first half of 2025, banks' funding costs in EUR remained at the same level and recorded a negligible decline in the third and fourth quarters of the current year (Graph 5.5). Funding from domestic currency sources is significantly cheaper than funding from euro sources, while banks' funding costs in domestic currency have continuously recorded slight growth over the past two years, following a four-year period of gradual decline. The difference between borrowing costs in EUR and domestic currency has narrowed slightly over the past three quarters, which can be attributed to the increase in term deposits in domestic currency and a slight rise in interest rates. At the end of the first quarter of 2026, the 6M RRFC3 for KM amounted to 0.49%, while the 6M RRFC3 for EUR amounted to 1.14%.

Graph 5.5: Trends of EURIBOR and RRFC in BH



Source: FBA, BARS, CBBH
Note: 6M RRFC3 EUR and 6M RRFC3 KM denote reference rates for all sources of BH banking sector financing- 6 months households and non-financ. companies and financial institutions

The ECB continued its cycle of easing restrictive monetary policy during 2025, but the spillover effects on the domestic market associated with lower interest rates in the euro area remained weak. The impact of the armed conflict in the Middle East on inflation developments and economic growth in the EU increased uncertainty regarding further easing of the ECB's restrictive monetary policy, and a new shift in monetary policy occurred in mid-June 2026. Initially, the shocks were expected to be short-lived and monetary policy was expected to remain unchanged, but persistent inflationary pressures ultimately led to an increase in ECB interest rates. The values of the reference rates of the average banks' funding cost in the first quarter of 2026 indicate a continuation of the slight increase in interest rates on the main sources of funding, which could continue during the year. However, upward pressure on interest costs on domestic sources of funds is not significant, given that the financial market in BH remains underdeveloped and opportunities for alternative forms of investment of surplus funds held by households are limited. In addition, the largest number of household deposits are deposits of very small amounts, which are mainly held in transaction accounts, on which banks pay negligible interest rates/ fees on average.

Consequently, it is evident that, under their current pricing policies, banks expect to be able to maintain moderate but stable deposit growth sufficient to finance credit demand. At the same time, strong competition among banks leaves little room for more significant adjustments in lending interest rates. According to the CBBH medium-term macroeconomic projections from April 2026, a slight annual decline in interest rates on loans to companies is expected in the current year, while interest rates on household loans are expected to remain at the same level as in 2025. By the end of the projection horizon (2028), a slight increase in interest rates for the household sector is expected, together with a continued slight decline in interest rates for companies.

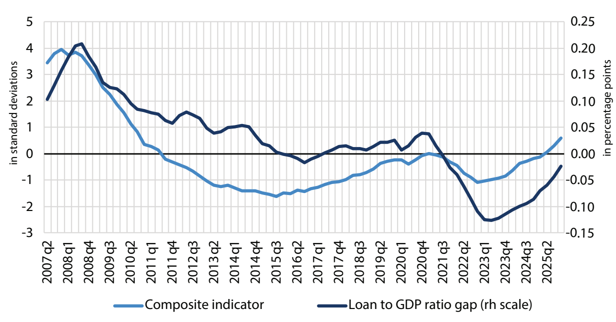
Strong lending growth to the private non-financial sector resulted in a narrowing of the negative credit-to-GDP gap of the private sector, which, together with the positive value of the composite indicator, indicates a recovery of the financial cycle and strengthening cyclical risks (Graph 5.6). The graph presents the assessment of the financial cycle for BH based on two basic indicators[22]. The credit-to-GDP gap represents the reference, or benchmark indicator for assessing the credit cycle and is expressed in percentage points (right axis of the graph). The composite indicator was constructed on the basis of a larger number of individual financial and economic indicators found to reflect the BH financial cycle to a significant extent and is expressed in standard deviations (left axis of the graph).

[22] *The methodology for assessing the financial cycle for BH was developed in accordance with the recommendations of the Basel Committee on Banking Supervision (BCBS) and was partially adapted to the domestic economy and available data series. It is described in detail in the Financial Stability Report for 2021 (Text Box 4: Assessment of the financial cycle for BH) at the following link: https://www.cbbh.ba/Content/Archive/575.*

The dynamics of both indicators are similar and show a very high positive gap in the initial period presented in the graph, while in the more recent period they suggest that the negative gap is gradually closing. The credit-to-GDP gap indicates a positive cycle of as much as 20% in 2008, followed by a sharp slowdown in lending, with the credit cycle entering negative territory in 2016 and remaining there until the beginning of 2017. Thereafter, the credit cycle returned to positive territory and, until the second quarter of 2021, remained slightly above its long-term trend, with minor deviations. From the third quarter of 2021, the financial cycle in BH entered a downward phase and the negative gap continuously widened until the end of the first quarter of 2023, when it reached as much as -12.6%, indicating exceptionally weak lending activity without tangible risks of overheating. Owing to the strengthening of lending activity, the negative gap has gradually narrowed since the second quarter of 2023 and amounted to -2.3% at the end of the last quarter of 2025. Although the indicator remains in negative territory, the financial cycle over the last ten quarters has been characterised by strong lending growth to the private non-financial sector. Lending growth has been particularly pronounced in the household sector, especially in the segment of general-purpose loans, while the growth rate of housing loans over the same period was considerably stronger, given the sharp increase in real estate prices and high demand. At the same time, growth in loans to non-financial companies accelerated strongly until mid-2024, while the pace of growth of these loans slowed slightly over the last six quarters. In accordance with the results of the CBBH assessment, the financial cycle should reach its long-term trend by the end of the second quarter of 2026 and continue into the expansion phase.

The composite indicator of the financial cycle has been positive since the second quarter of 2025, following sixteen quarters of negative values, and amounted to 0.61 standard deviations in the final quarter of 2025. The pre-crisis period also indicates significant overheating, with a gap exceeding 3 standard deviations. However, the shift into negative territory occurred considerably earlier than for the benchmark indicator, already at the end of 2011, as a result of the faster response of non-credit indicators. The positive value of the composite indicator in the recent period is significantly supported by strong real estate price growth, growth in net interest income, the decline in non-performing loans, labour market indicators and external borrowing. On the other hand, most of the included lending indicators, together with stock market index indicators and interest margins in the household sector, still make a negative contribution to the composite indicator of the financial cycle, although the negative contribution of lending indicators

Graph 5.6: Assessment of Financial Cycle for BH

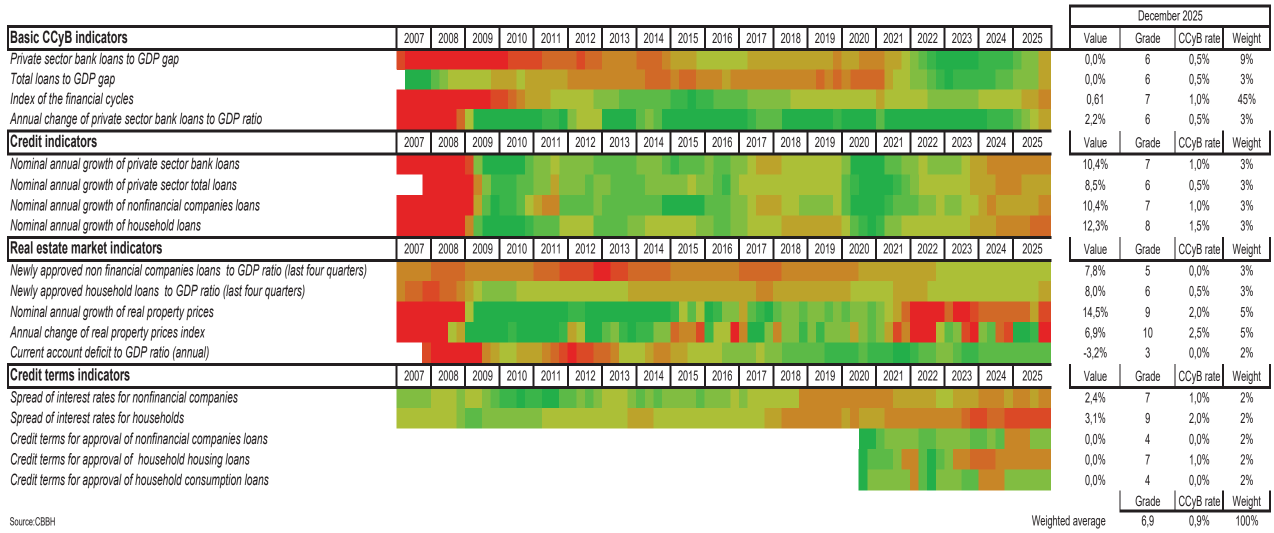


Source: CBBH

has declined significantly over the past year.

The results of the analysis of the level of cyclical risks based on data for the fourth quarter of 2025 are presented in the Heat Map. The average weighted rating of all indicators in the fourth quarter of 2025 amounted to **6.9,** indicating strengthening systemic risks.

Heat Map

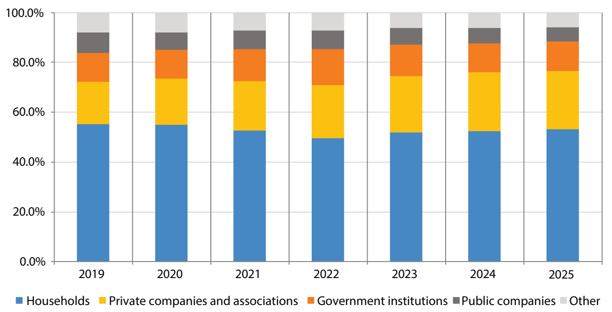


The increase in the overall weighted rating in the fourth quarter resulted from the increase in the value of the composite indicator of the financial cycle, which also carries the largest weight in the overall assessment, as well as from the increase in nominal annual growth of household loans. Together with the other credit indicators, namely nominal annual growth of bank loans to the private sector, growth in total loans to the private sector and growth in loans to non-financial companies, this indicates strengthening cyclical risks. In addition, credit condition indicators such as narrowing interest rate spreads, resulting from a decline in the difference between lending and deposit interest rates, credit standards for household loans in the housing category, and nominal annual growth in real estate prices also contribute positively to the overall assessment. The Heat Map and the results of the latest analysis conducted using data for the fourth quarter of 2025 are presented in Figure 1. Ratings ranging from 8 to 10 are shown in different shades of red on the Heat Map and indicate a high degree of risk. Ratings ranging from 4 to 7 are shown in different shades of yellow, with darker shades of orange indicating strengthening risks. Ratings ranging from 1 to 3 are shown in green on the Heat Map and do not indicate risks in terms of overheating of the financial cycle.

Deposits of domestic resident sectors continue to represent the main driver of growth in the banking sector balance sheet total. Stronger growth compared to the previous year was achieved in conditions of nominal wage growth and increased remittances from abroad. Total resident deposits amounted to KM 37.16 billion at the end of 2025 and increased by 10.1% compared to the end of the previous year. Household deposits made the largest contribution to growth, continuing their stable multi-year upward trend, with their share in total resident deposits increasing further to 53.5% at the end of 2025 (Graph 5.7). Deposits of private non-financial companies accounted for the second-largest share of total deposits (23.4%), although their growth slowed during the year.

Deposits of government institutions and public companies also recorded more moderate growth compared to the end of 2024, while their share in total resident deposits remained approximately unchanged from the previous year.

Graph 5.7: Sector Structure of Residents' Deposits



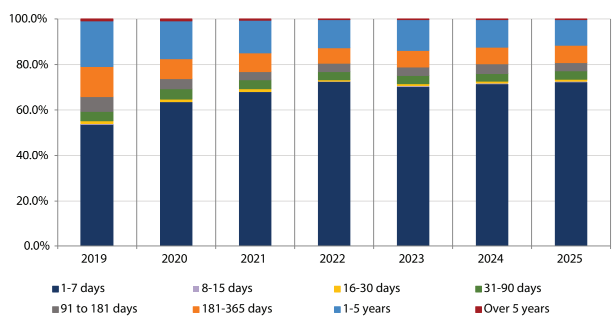
Source: FBA, BARS, CBBH

With regard to the maturity structure of banks' main sources of funds, no significant changes were recorded, with deposits in transaction and sight accounts accounting for more than two thirds of total deposits. According to CBBH data, household deposits amounted to KM 19.74 billion at the end of 2025, recording growth of 11.8% compared to the end of the previous year. The strongest growth was recorded in household deposits in transaction accounts (KM 1.44 billion or 16.9%) and long-term deposits (KM 407.5 million or 8.14%); sight deposits increased by KM 235.4 million or 6.3%, while short-term deposits grew by KM 8.3 million or 2%. At the end of 2025, a-vista deposits accounted for as much as 70.4% of total household deposits, with deposits in transaction accounts accounting for 50.4% and sight deposits for 20% of total household deposits. Although the growth of long-term household term deposits intensified considerably over the past two years, due to stronger growth in transaction account deposits their share in total household deposits decreased by 1 percentage point compared to the previous year, to 27.4%. The strong growth in household deposits in transaction accounts in 2025 can partly be attributed to nominal wage growth and increased inflows from personal transfers.

The maturity structure of household deposits, as the most significant category of banks' sources of funds, is likely to remain similar in the coming period, given that only a very small number of depositors hold significant surplus funds, which are generally placed in term deposits, while the largest number of household deposits are deposits of very small amounts (described in more detail in the Chapter Households). It is therefore realistic to expect that a significant amount of funds will continue to be held in transaction and current accounts.

The structure of total bank deposits by remaining maturity also indicates an unfavourable maturity structure of funding sources. Deposits with a remaining maturity of 1 to 7 days increased by 11% in 2025, and their already high share in total deposits increased by 81 bp to 72.1%. The strongest increase of 33.8% was recorded in deposits with a remaining maturity of over 5 years, although their share in total deposits remained negligible at only 0.36%. Deposits in all other remaining maturity categories also recorded growth, but their shares in the overall deposit structure did not change significantly compared to the previous year (Graph 5.8).

Graph 5.8: The Total Deposit Structure by the Remaining Maturity



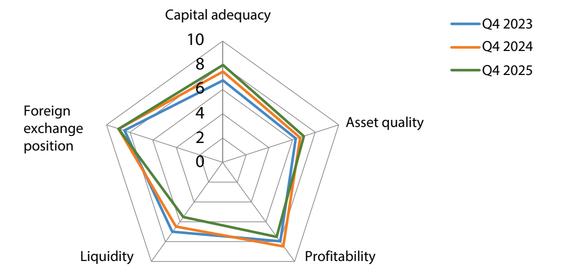
Source: FBA, BARS, CBBH

5.1.2. Resilience of the banking sector to risks

In 2025, the BH banking sector maintained a high level of stability and resilience to risks in a less favourable macroeconomic environment compared to the previous year. The overall assessment of banking sector stability indicators remained at a satisfactory level, although it deteriorated slightly compared to the previous year due to a slight decline in profitability and liquidity indicators, while the trend of gradual improvement in asset quality and high capitalisation were maintained. Strong capital positions and high liquidity increase banks' capacity to absorb risks, as also confirmed by the results of the solvency and liquidity stress tests conducted, which indicate that the banking sector is capable of absorbing very strong macroeconomic shocks assumed under the stress scenarios. In the coming period, risks, particularly credit risk, can be expected to increase, given that existing macroeconomic risks and geopolitical uncertainties were further intensified by the outbreak of armed conflict in the Middle East at the end of February 2026. Rising energy prices increase inflationary pressures and threaten to spill over into other sectors, which could reduce disposable income and potentially create difficulties in household debt repayment in the coming period. Credit risk is additionally heightened in view of the strong increase in household debt over the past year. At the same time, external demand could remain weak due to increased risks from the international macroeconomic environment, while numerous problems in the industrial and manufacturing sectors, as well as the introduction of carbon taxes by the EU, which will be paid retroactively from the beginning of 2027, will reduce export competitiveness. Elevated credit risk in the corporate sector also stems from strengthening inflationary pressures.

In addition, the adverse effects of inflationary pressures, particularly if prolonged, could also lead to a deterioration in financial conditions in the country. An increase in funding costs, together with the potential materialisation of credit risk, could reduce banking sector profitability in the coming period. The increase of interest rate risk is associated with a potential significant pressure on the growth of financing sources costs, which, together with the strong growth of long-term fixed-rate lending, increases the pressures on maintaining a sustainable level of the net interest margin.

Graph 5.9: Chart of the Banking Sector Financial Soundness Indicators



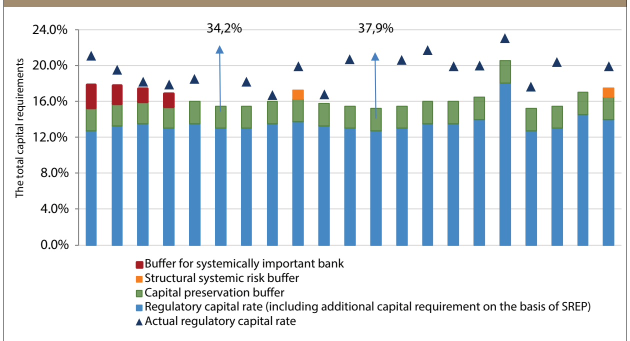
Source: CBBH
Assessment of stability for each variable is based on simplified standardisation of several indicators representing the basis for quantification of synthetic assessment of degree of stability of various segments of banking sector operations. To make indicators comparable, they need to be transformed first, i.e. standardised, after that, depending on the obtained value of z-score, each indicator is assessed according to relative position in relation to its empiric distribution. Increase of distance from the centre of the chart for each variable, i.e. higher grade indicates the increase of stability in the system, while grades closer to the centre warn of the increase of risk or decrease of resilience of banking sector and accordingly, a higher threat to stability.

The BH banking sector was adequately capitalised at the end of 2025, and all banks in the system met the prescribed regulatory requirements regarding capital adequacy, measured by the capital adequacy ratio and the financial leverage ratio. The Tier 1 capital ratio and regulatory capital ratio at the end of 2025 amounted to 18.7% and 20.1%, respectively, while the financial leverage ratio at the system level amounted to 10.7% (the regulatory minimum is 6%). The Tier 1 capital ratio remained at the same level as in the previous year, while the regulatory capital ratio and financial leverage ratio improved slightly, contributing to a higher assessment in the capitalisation segment. The inclusion of realised profit in Tier 1 capital had the strongest impact on the increase in the value of Tier 1 and Common Equity Tier 1 capital at the system level.

Total risk exposure of all banks in the system amounted to KM 28.24 billion at the end of 2025, representing an increase of KM 2.6 billion or 10.4%. At the system level, the structure of total risk exposure did not change significantly compared to the end of the previous year, with banks remaining predominantly exposed to credit risk (91.7%), while exposures to operational and market risk accounted for 7.9% and 0.4% of total risk exposure, respectively.

Graph 5.10 presents the total capital requirements and actual capital adequacy ratios by bank at the end of 2025. Total capital requirements include the regulatory capital ratio together with the additional capital requirement arising from the regulatory requirements of the SREP assessment for each individual bank, the capital conservation buffer (2.5% for all banks), the structural systemic risk buffer and the capital buffer for a systemically important bank. The lists of systemically important banks in FBH and RS have been published on the websites of the Entity banking agencies[23]. At the end of the fourth quarter of 2025, the actual capital adequacy ratios of all banks in the system were above their total regulatory capital requirements, indicating that banks had sufficient capital surpluses to absorb existing risks.

Graph 5.10: The Total Capital Requirements and Actual Capital Adequacy Ratios by Banks, Q4 2025



Source: FBA, BARS, CBBH

The results of the solvency stress test as of Q4 2025 show that the BH banking sector, at its existing level of capitalisation, is capable of withstanding the materialisation of risks under both hypothetical adverse scenarios. Compared to the previous year, when the key drivers of recessionary developments in the adverse scenarios differed (a supply-side shock and a demand-side shock), this year's adverse scenarios assume a single type of shock, but with different intensity and recovery periods. All macroeconomic projections used in the stress test were calibrated using the CBBH macroeconomic model.

Stress testing for the period from 2026 to 2028 is conducted using three different scenarios: a baseline scenario and two adverse scenarios. Scenario quantification includes projections of macroeconomic and financial variables such as real GDP, inflation, credit growth, interest rates on household and corporate loans, and real estate prices (Table 5.2).

[23] *https://www.fba.ba/bs/lista-sistemski-znacajnih-banaka-u-federaciji-bih-2*
https://abrs.ba/wp-content/uploads/2025/12/ListaSistemskiZnacajnihBanakaRS_2025.pdf

Table 5.2: Main Assumptions in Baseline and Adverse Scenarios

		Baseline scenario			Adverse scenario 1			Adverse scenario 2		
	2025	2026	2027	2028	2026	2027	2028	2026	2027	2028
Macroeconomic trends										
Real GDP	2.1	1.9	3.3	3.5	-3.5	-0.4	3.5	-5.1	-2.6	1.2
Inflation (%)	4.0	4.7	2.8	2.5	9.2	3.7	2.0	12.0	9.0	3.8
Real property prices	11.7	9.3	4.8	3.9	5.1	-1.4	2.8	1.0	5.4	2.3
Conditions on the financial market										
Interest rates for households (%)	8.2	7.2	5.3	4.1	0.7	4.8	4.2	-1.4	3.4	3.6
Interest rates for corporates (%)	12.2	10.1	8.2	4.8	-1.0	7.0	7.0	-3.0	2.4	13.7
Household credit growth	4.4	4.0	3.9	4.2	4.4	4.7	4.8	4.7	6.3	6.5
Corporates credit growth	5.3	5.3	5.4	5.6	5.6	5.9	6.0	5.8	6.9	7.2

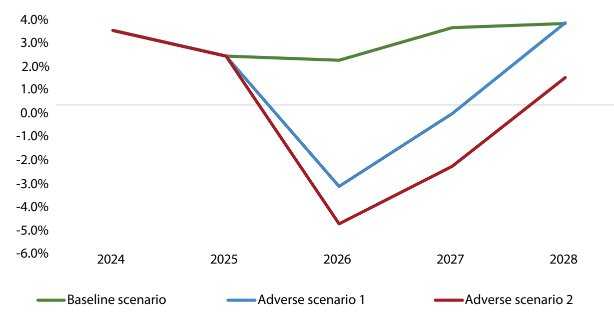
Source: CBBH
Note: Data for the macroeconomic trends and credit growth is the annual rate of the change presented in percentage.

The official projections of the CBBH underlying the baseline macroeconomic scenario assume a slight weakening of economic momentum in 2026, after which economic activity is expected to strengthen again over the following two years of the testing period. On the other hand, inflation is assumed to be highest in the first year of testing, followed by a weakening of inflationary pressures, with lending interest rates and real estate prices expected to follow the same pattern.

Adverse Scenario 1 assumes that a global recession occurs in the first year of testing (2026), caused by an escalation of global political tensions.

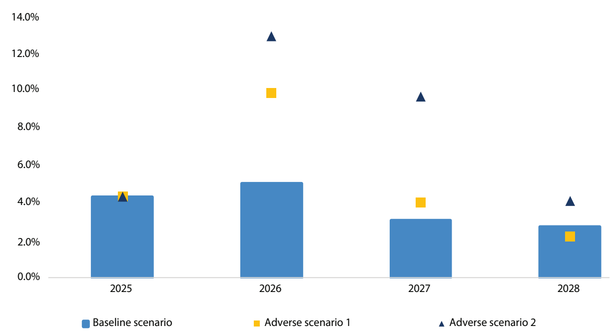
The first shock that the BH economy would experience in the event of materialisation of this scenario would be an inflationary shock, given that continued geopolitical tensions and the war in the Middle East would raise energy and other commodity prices significantly more strongly than under the baseline scenario. In this case, rising inflation would be the key trigger for the onset of recessionary developments, which represents the main difference between this scenario and the historical recessions of 2009 and 2020, when the decline in economic activity was accompanied by reduced inflationary pressures.

Graph 5.11a: Real Growth of GDP



Source: CBBH

Graph 5.11b: Inflation Rate



Source: CBBH

A global inflationary shock lasting throughout most of 2026 would consequently impair global production, which would first spill over to the small and open BH economy through reduced demand for BH products, i.e. BH exports of goods. In addition, a global recession would negatively affect other drivers of economic growth, such as remittances from abroad, tourist arrivals and foreign direct investment inflows, etc. As a result of declines in a large number of economic categories, the BH economy could experience two consecutive years without economic growth, with economic recovery expected in the third year of testing, driven by global recovery and lower inflation. The assumed decline in economic activity would result in a tightening of lending conditions for both households and companies by banks whose lending capacity would be reduced as a result of higher write-offs and realised losses. Therefore, in the first year, low and/or negative growth in loans to households and companies is assumed, together with significantly higher interest rates compared to the baseline scenario. Credit growth would begin to recover as early as the second year, with the first signs of economic stabilisation. Recessionary developments would also adversely affect demand for real estate. Nevertheless, due to strong inflation in the first year of testing, real estate price growth would remain positive in 2026, while in the second year, real estate prices could even decline slightly as inflation returns to moderate levels while demand for real estate remains insufficiently recovered. In the final year of testing, with the recovery of the overall economy, including demand for real estate, prices would return to positive growth territory.

Adverse Scenario 2 also assumes a global recession spilling over to the BH economy, but with a much stronger shock in the first year of testing and consequently a longer recovery period. Therefore, although the key drivers of the recession are essentially identical, unlike the previous milder scenario, which assumes a V-shaped economic path-a sharp decline followed by a rapid recovery-this scenario assumes a U-shaped economic path, i.e. a prolonged recovery expected only during the final year of testing. In addition to the global recession, the BH economy would also be affected by extreme climate events, such as floods and landslides, which would further reduce the level of economic activity. As in Adverse Scenario 1, strong inflation would also characterise this scenario, with the largest increase in consumer prices occurring in the first year of testing. The prolonged recessionary period would adversely affect the real estate market on both the supply side, through a decline in the number of newly built residential units, and the demand side, as a result of weaker household purchasing power and less favourable financing conditions. Nevertheless, increased construction costs (resulting from strong inflation) would keep real estate price growth in positive territory throughout the entire testing period. Under this scenario, an exceptionally low level of bank lending activity is assumed in both the household and corporate sectors due to deteriorating macroeconomic conditions, heightened uncertainty and reduced demand for loans. Lending conditions would become significantly more restrictive, and interest rates at the end of the period would be 160 and 240 basis points higher than assumed under the baseline scenario.

The results of the banking sector solvency stress test are primarily expressed through the level of capitalisation of both the banking sector as a whole and individual banks in BH. The impact of the stress scenarios on the capital adequacy ratio was assessed on the basis of the initial balance sheet position as at the end of 2025. Under the baseline scenario, the banking sector is expected to maintain a high level of capitalisation until the end of the testing horizon, with the CAR amounting to 19.4% at the end of the testing period.

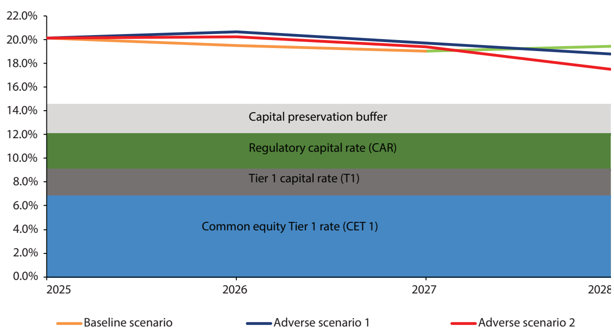
In addition to the aggregate results, testing under the baseline scenario confirmed the stability of each individual bank, with the results showing that all banks would maintain capital levels significantly above the regulatory minimum of 12% throughout the entire testing period, as well as above the additional capital requirements from Pillar 2 defined through the Supervisory Review and Evaluation Process (SREP). Consequently, none of the banks in the system would require recapitalisation during the observed period.

Under the materialisation of the assumptions from Adverse Scenario 1, the banking sector as a whole remains resilient, with accumulated capital surpluses efficiently absorbing the assumed adverse macroeconomic developments. Under this scenario, the capital adequacy ratio would decline to 18.7% at the end of the testing period, which is 140 bp below the initial CAR. Analysing the banking sector by individual banks, the materialisation of this scenario would result in only one bank in the system reporting additional capital needs. However, it should be noted that this bank would fail to meet the additional capital requirements established under the SREP, while its CAR would remain above the regulatory minimum of 12%. In addition, under this scenario, a further five banks would encroach upon the combined capital conservation buffer by the end of the stress-testing horizon.

Adverse Scenario 2 also confirmed the stability of the banking sector even in the event of a much stronger macroeconomic shock, which would result in a more pronounced decline in the banking sector CAR of 270 basis points, to 17.4% at the end of the testing period. Although the decline in the CAR at the system level would not be particularly significant, materialisation of this scenario would have a significant impact on individual banks, given that at 11 banks the accumulated capital surplus would be insufficient to absorb the assumed shocks and, in the final year of testing, these banks would breach one of the capitalisation assessment parameters.

Under the materialisation of this scenario, a total of five banks in the system would report additional capital needs at the end of the three-year period. Of these, three banks would fail to meet the minimum regulatory capital requirements of 12% at the system level, while two banks would fail to meet the additional capital requirements established under the SREP. Importantly, the total recapitalisation needs of these five banks would amount to only KM 98.1 million, representing 0.2% of BH gross domestic product generated in 2025. In addition to the banks that would report recapitalisation needs, a further five banks would exhaust their accumulated capital surpluses, i.e. would breach the combined capital conservation buffer.

Graph 5.12: Capital Adequacy Ratio in Baseline and Two Adverse Scenarios and Minimum Regulatory Capital Requirements

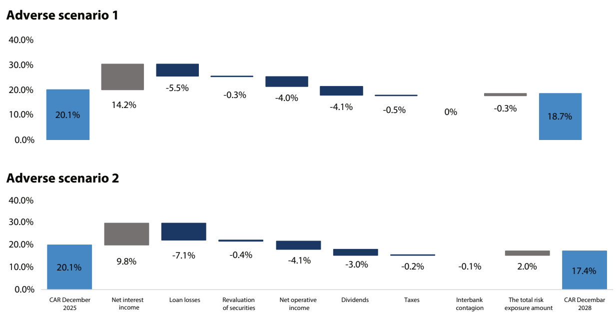


Source: CBBH

Graph 5.13 shows the contribution of individual balance sheet positions to the change in the capital adequacy ratio at the systemic level under both adverse scenarios over the three-year testing period, as well as the cumulative change in the capital adequacy ratio from the initial period, Q4 2025, to Q4 2028. The decline in banking sector capitalisation under both adverse scenarios is primarily the result of increased credit risk losses. These losses predominantly relate to higher provisions for risk assets, particularly within the loan portfolios of the corporate and household sectors. Additional pressure on capital also arises from the decline in net operating income compared to the initial period.

On the other hand, net interest income makes a key positive contribution to maintaining capital adequacy, amounting to 10.4% percentage points under the milder and 9.8% percentage points under the more severe adverse scenario, despite the projected decline by the end of 2028. Capitalisation under stress is also additionally affected by the assumption of dividend payments in all three stress-testing periods, while the impact of interbank contagion in the system on banks' capitalisation remains negligible. The impact of market risk on capital adequacy remains limited owing to banks' low exposure to this type of instrument.

Graph 5.13: Impact of Individual Positions on CAR in Both Adverse Scenarios



Source: CBBH

Under both adverse scenarios, a pronounced increase in the NPL ratio is projected by the end of the stress-testing horizon as a consequence of the assumed shocks in the real economy, including lower disposable income, a decline in production and exports, higher inflation and unemployment, and in the financial market, including higher interest rates and positive credit growth despite macroeconomic risks. The slowdown in real estate price growth will reduce the value of collateral securing housing and corporate loans under both scenarios, which will have an additional adverse effect on the quality of the loan portfolio. Consequently, if the assumed shocks materialise, under Adverse Scenario 1 the total NPL ratio at the system level could increase to 4.1% by the end of 2028, while under Adverse Scenario 2 the NPL ratio could reach 5.1%.

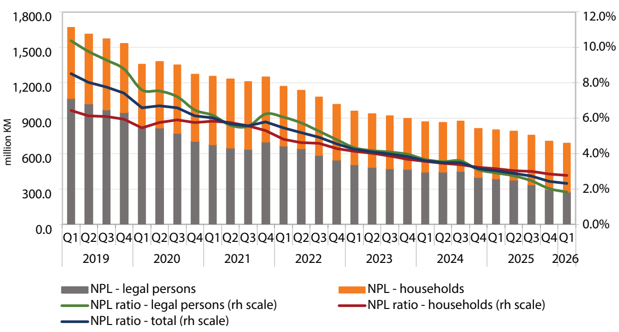
As in the baseline scenario, the increase in non-performing loans under both adverse scenarios would be considerably more pronounced in the corporate sector than in the household sector. This can be attributed to the usual pattern whereby adverse economic developments affect the corporate sector more strongly and subsequently, with a time lag, spill over to the household sector through the labour market and rising unemployment.

In 2025, the trend of improving asset quality indicators at the level of the banking system continued, as reflected in a new record-low share of non-performing loans in total loans since the outbreak of the financial crisis. Nevertheless, credit risk remains elevated owing to strengthening inflationary pressures in the country and weak growth in real economic activity, which may result in difficulties in the repayment of credit obligations by companies and households. Strong growth in lending activity over the last ten quarters contributes to the accumulation of systemic risks, making fluctuations in the values of key asset quality indicators more likely in the coming period.

The share of non-performing assets in total assets amounted to 1.4% at the end of 2025 and was 42 bp lower than at the end of the previous year. During the year, balance sheet and off-balance sheet exposures at credit risk level 3 decreased by KM 111.4 million (12.3%), while total financial assets were higher by KM 4.88 billion or 9.7%. The largest part of non-performing assets consists of non-performing loans, which amounted to KM 705.6 million at the end of 2025 and decreased by KM 107.5 million or 13.2% compared to the end of the previous year. The reduction of non-performing loans, together with significant growth in total loans, resulted in a reduction in the share of non-performing loans in total loans. Thus, the NPL ratio amounted to 2.3% at the end of 2025, the lowest value recorded since the outbreak of the financial crisis in 2008.

During 2025, banks reduced non-performing loans primarily through accounting and permanent write-offs of assets assessed as losses and through activities undertaken to collect non-performing claims. According to CRC data, a somewhat lower default rate was recorded in the household sector in 2025 in terms of the value of credit lots that migrated from performing to non-performing claims (declining from 1.05% in 2024 to 0.94% in 2025). Despite the deterioration in macroeconomic conditions, there was no significant materialisation of credit risk in the legal entities segment, and the value of loans that migrated from performing to non-performing loans halved compared to the previous year, amounting to only 0.45%. During 2025, non-performing loans in both the corporate and household sectors continued their downward trend, so that at the end of 2025 the share of non-performing loans in total loans amounted to 2% in the corporate sector and 2.9% in the household sector. The downward trend in the share of non-performing loans in total loans in both sectors continued in the first quarter of 2026 (Graph 5.14).

Graph 5.14: Credit Portfolio Quality

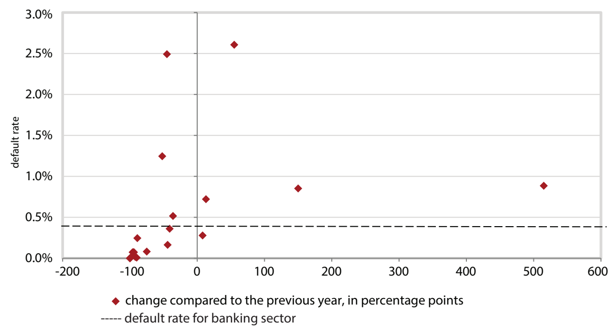


Source: FBA, BARS, CBBH

In the segment of legal entities, a decline in non-performing claims was recorded in almost all activities, with the exception of construction industry, where a slight increase in the share of non-performing loans in total loans was recorded in 2025.

The low default rate in the segment of legal entities at the system level indicates that elevated risks in the macroeconomic environment have not yet significantly affected companies' operations in terms of a deterioration in their financial position that would result in a more significant increase in non-performing loans. Analysis of default rates by bank indicates that credit risk decreased or remained at approximately the same level as in the previous year at almost all banks in the system. The exceptions were two smaller banks, which recorded a considerably higher intensity of reclassification into non-performing loans compared to the system average (Graph 5.15).

Graph 5.15: Default Rate in Corporate Sector, by Banks in 2025

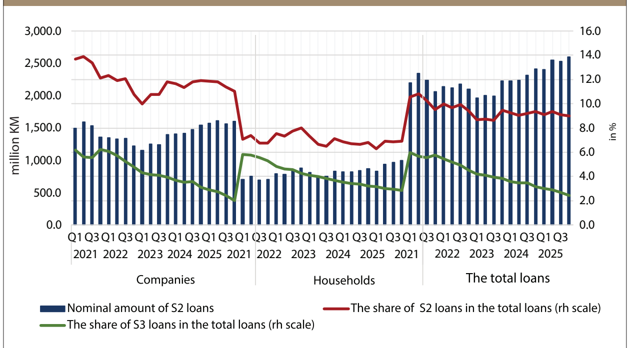


Source: CRC, CBBH

The share of loans with increased credit risk (loans at credit risk level 2) in total loans to legal entities also decreased compared to the end of the previous year and amounted to 11% (Graph 5.16). The quality of the loan portfolio of non-financial companies improved in most activities during 2025; however, in certain activities a more noticeable increase in loans with elevated credit risk was recorded. The share of loans at credit risk level 2 in total loans extended to manufacturing companies increased from 13.7% at the end of 2024 to 14.6% at the end of 2025, while the share of credit risk level 2 loans extended to companies engaged in the production and supply of electric energy increased from 6.8% to 7.9%.

In the context of the introduction of carbon taxes on exports of products from BH to the EU, which have been applied since the beginning of 2026, energy-intensive activities are the most vulnerable sectors, and greater materialisation of credit risk can therefore be expected in these activities in the coming period. In addition to the two aforementioned activities, an increase in loans at credit risk level 2 was also recorded in wholesale and retail trade. On the other hand, the construction industry, which in the previous year had the highest share of loans at credit risk level 2 in total loans, recorded a decline in loans with elevated credit risk in 2025, as well as strong growth in total loans. Consequently, the share of loans at credit risk level 2 in total loans in this activity declined from 19.2% to 11.4% at the end of 2025. At the same time, no significant increase in non-performing loans was recorded in the construction industry, and credit risk was therefore considerably lower than in the previous year. Due to the continued weakening of macroeconomic conditions, renewed strengthening of inflationary pressures and the introduction of carbon taxes on exports of products from BH, credit risk in the non-financial companies' sector could increase.

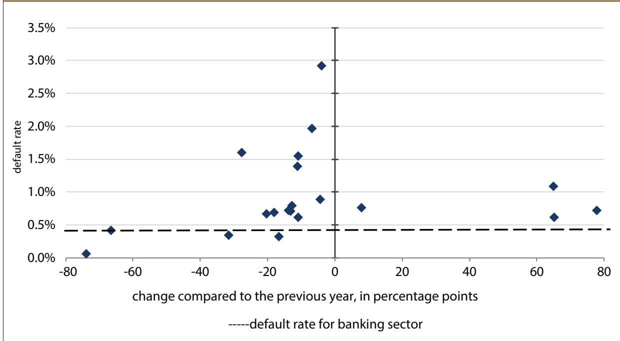
Graph 5.16: The Loans at the Credit Risk Level 2 and the Shares of S2 and S3 in the Total Loans



Source: FBA, BARS, CBBH

The average default rate in the household sector amounted to 0.94% at the end of 2025 and decreased slightly compared to the previous year. Banks with default rates above the system average in 2025 recorded a lower intensity of reclassification into non-performing loans compared to the previous year (Graph 5.17).

Graph 5.17:Default Rate in the Household Sector, by Banks in 2025



Source: CRC, CBBH

The trend of fixed-rate lending was maintained in the structure of new loans, which to a certain extent represents a risk to banks' profitability if banks face more significant upward pressure on funding costs in the future. Of total new loans in 2025, 79.9% were approved at fixed interest rates, with 90.4% of new loans to households and 69% of new loans to private non-financial companies contracted at fixed interest rates. However, although the increase in the share of fixed-rate loans contributes positively to reducing interest-induced credit risk, strong growth in the share of fixed-rate loans could adversely affect profitability, given that a slight increase in banks' funding costs is expected to continue in the coming period, putting pressure on the sustainability of net interest margins. Banks offset the risk of lower net interest income to a significant extent through fees associated with the loan approval process, resulting in effective interest rates that are significantly higher than nominal interest rates (according to published quarterly data of the FBA and BARS).

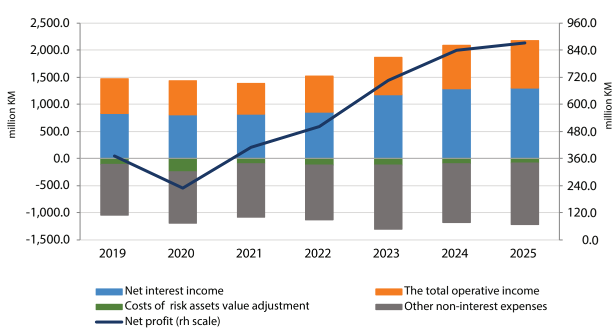
At the end of 2025, the BH banking sector reported higher net profit, while profitability indicators declined due to stronger growth in total assets and capital compared to the end of the previous year.

Growth in interest income slowed despite strong lending activity, primarily as a result of narrowing net interest margins, while profitability growth was achieved mainly owing to an increase in banks' operating income. The BH banking sector reported a record net profit of KM 872.3 million in 2025, 3.8% higher than in the previous year. Growth in net interest income slowed considerably despite strong lending activity, reflecting narrower interest margins in the household and corporate sectors, as well as a decline in interest income earned by banks on deposit accounts with deposit-taking institutions abroad. Operating income increased in 2025, mainly due to growth in fee and commission income. On the expense side, salary and contribution costs and other expenses increased, leading to growth in non-interest expenses, while costs of risk asset value adjustments decreased as a result of the improvement in loan portfolio quality compared to the previous year (Graph 5.18)

Total net interest income amounted to KM 1.3 billion in 2025 and was KM 17.7 million or 1.4% higher than in the previous year. The modest growth in net interest income reflects the narrowing of interest margins in the domestic market and lower income earned by banks from deposit accounts abroad during 2025, following the reduction of interest rates in the EU that began with the easing of the ECB's restrictive monetary policy from mid-2024[24].

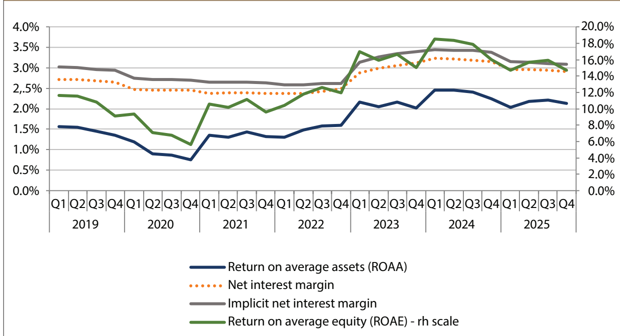
Profitability indicators ROAA and ROAE amounted to 2.1% and 14.7%, respectively, at the end of 2025, recording declines of 0.1 and 1.3 percentage points, respectively, compared to the same period of the previous year. The decline in profitability indicators resulted from slower growth in realised profit in 2025 compared to the same period of the previous year, together with a more noticeable increase in average assets and average capital. The implicit net interest margin decreased by 29 bp compared to the same period of the previous year and amounted to 3.09% (Graph 5.19)[25].

Graph 5.18: Banking Sector Profit



Source: FBA, BARS, CBBH

Graph 5.19: Profitability Indicators



Source: FBA, BARS, CBBH

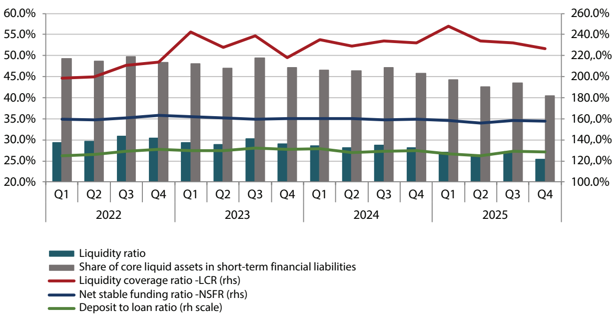
All banks in the system reported positive financial results, with the largest portion of banking sector profits still concentrated in several large banks. The two largest systemically important banks generated profits accounting for 38.6% of the total profit of the sector, while four systemically important banks generated 57% of the total net profit of the banking sector.

24 *From June 2024 to the end of 2025, the ECB reduced interest rates eight times, by a total of 200 bp, bringing the deposit facility rate to 2% at the end of 2025, after which it remained unchanged.*

25 *The implicit net interest margin represents the ratio of net interest income to average interest-bearing assets. Average interest-bearing assets at the end of the fourth quarter are calculated as the average balance of interest-bearing assets at the end of the fourth quarter of the previous year and the fourth quarter of the current year.*

In 2025, the values of liquidity indicators decreased slightly compared to the previous year, but continued to reflect the high liquidity of the banking sector, as also demonstrated by the results of the liquidity stress tests. At the end of 2025, liquid assets accounted for 25.3% of banking sector assets, while 40.5% of short-term liabilities were covered by liquid assets (Graph 5.20). The decline in liquidity indicators reflects a slight reduction in core liquid assets and considerably stronger growth in total assets and short-term financial liabilities in 2025.

Graph 5.20: Liquidity Indicators

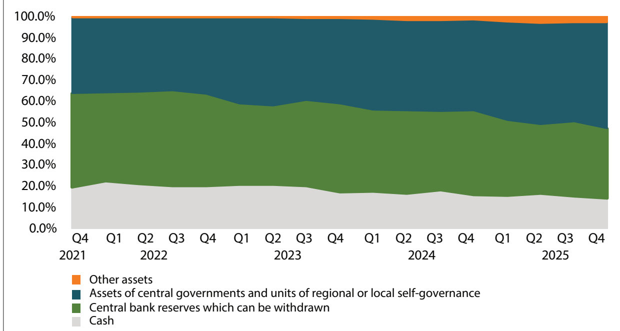


Source: FBA, BARS, CBBH

The liquidity position of the banking sector, measured by the liquidity coverage ratio (LCR), remained significantly above the regulatory minimum at the end of 2025, amounting to 226.4%. The total liquidity buffer, i.e. liquid assets included in the LCR calculation, amounted to KM 10.6 billion, recording growth of 9.5% compared to the end of the previous year. At the same time, faster growth in liquidity outflows during the observed period (12.2%) contributed to a slight decline in the liquidity coverage ratio. Significant changes were recorded in the structure of liquid assets included in the LCR calculation in 2025 as a result of a reduction in banks' reserves with the Central Bank, accompanied by an increase in the share of securities issued by central and local governments (Graph 5.21).

Thus, the share of surplus funds above the required reserve held with the CBBH, i.e. funds available for withdrawal, in the structure of liquid assets declined from 39.8% at the end of the previous year to 32.6% at the end of 2025. At the same time, the share of assets of regional or local government units and assets of central governments increased by 7.3 percentage points compared to the previous year, and these assets accounted for 50.4% of the banking sector liquidity buffer at the end of 2025. As already noted, the growing share of government and local government bonds in banks' balance sheets strengthens the nexus between the fiscal and banking sectors and, in the event of increasing fiscal risk, may intensify pressure on regulatory capital.

Graph 5.21: Structure of liquidity buffer



Source: FBA, BARS, CBBH

The net stable funding ratio (NSFR) amounted to 157.9% at the end of 2025 and was also significantly above the regulatory minimum. The structure of available stable funding (ASF) indicates that household deposits account for the largest share of total available funds (54.3%)[26] used to support banks' funding activities over a one-year horizon. The high share of stable household deposits, together with capital instruments expected to remain reliable over the time horizon covered by the NSFR, indicates lower sensitivity of the banking sector to disruptions in financial markets.

[26] *Data were taken from the Information on Banking Sector Entities in the FBH, as at 31 December 2025.*

A similar conclusion is suggested by the deposits-to-loans ratio, which amounted to 128.6% at the end of 2025, indicating that lending activity in the domestic market is fully funded by deposits of non-financial sectors. The high coverage of deposits by the deposit insurance system and limited opportunities for alternative forms of investment in BH reduce the likelihood of significant deposit outflows under normal circumstances.

The results of the top-down liquidity stress test conducted on the basis of data from the end of 2025 indicate a high degree of resilience of the banking sector in BH to potential liquidity and funding disruptions under all stress scenarios considered. These results are consistent with previous findings and reflect the stable initial liquidity position of the banking sector, including the individual LCR values of banks.

CBBH's liquidity stress tests are based on cash flow data for all commercial banks in the system. The assessment of the liquidity position under assumed conditions of severe stress over a 30-day time horizon is based on the standardised liquidity coverage ratio (LCR) approach, which forms part of the regulatory framework for liquidity risk management and which all banks are required to maintain at a minimum level of 100%. The shocks applied in the stress test were defined on the basis of CBBH expert assessment and comprise three alternative adverse scenarios. The first stress scenario assumes a shock to household sector deposits, with parameters calibrated on the historical experience of the 2008–2009 global financial crisis, when a temporary loss of confidence in the domestic banking sector resulted in significant deposit outflows.

The second stress scenario models a hypothetical systemic liquidity crisis in which the dominant pressure on the banking sector would come from the corporate sector as a result of the transmission of external financial disruptions and a decline in business sector confidence in domestic banks. The third, combined stress scenario represents an adverse scenario that simultaneously incorporates the shocks from the previous two scenarios and supplements them with idiosyncratic shocks, including intensive withdrawals of deposits and approved credit lines, as well as market stress involving a substantial decline in the value of securities in the liquid asset portfolio. The intensity of the assumed shocks under this scenario is two to three times higher than the minimum requirements defined under the LCR regulation, with the aim of identifying even the smallest vulnerabilities in banks' liquidity positions (Table 5.3).

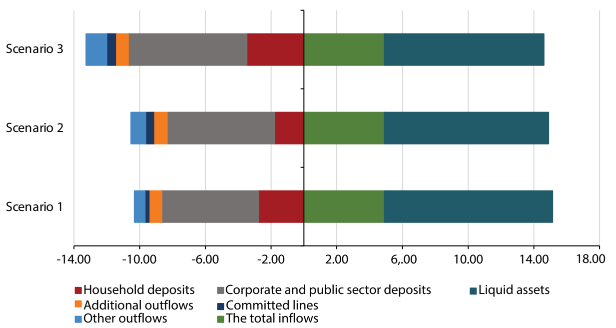
Table 5.3: Calibration of the Scenario in Liquidity Stress Test

		LCR parameter	Assumptions for scenario 1	Assumptions for scenario 2	Assumptions for scenario 3
Outflows	**Household deposits**				
	Deposits with higher outflow rates				
	Category 1	15%	20%	15%	30%
	Category 2	20%	30%	20%	40%
	Stable deposits	5%	10%	5%	10%
	Other household deposits	10%	15%	10%	20%
	Operational deposits				
	Covered by insurance system	5%	5%	10%	10%
	Not covered by insurance system	25%	25%	30%	35%
	Non-operational deposits				
	Covered by insurance system	20%	20%	25%	30%
	Not covered by insurance system	40%	40%	45%	50%
	Committed lines				
	towards natural persons	5%	5%	10%	10%
	towards legal entities	10%	10%	20%	20%
	towards financial clients	40%	40%	50%	60%
	Other products and services				
	Off balance liabilities	5%	5%	10%	15%
	Unused loans and advance payments to big clients	10%	10%	20%	30%
	Credit cards	5%	10%	5%	15%
	Account overdrafts	5%	10%	5%	15%
	Off balance products from trade financing	5%	5%	10%	15%
Liquid assets	**Liquid assets of level 1**				
	Assets of central government	100%	100%	95%	90%
	Assets of regional or local communities	100%	90%	85%	80%
	Liquid assets of level 2				
	debt securities of companies	50%	50%	30%	25%

Note: We selected the positions with the stress parameters different than LCR parameters.

The change in net liquidity outflows under all three scenarios results from an increase in the assumed outflows, while total cash inflows are maintained at the same level across all scenarios. The structure and total volume of outflows differ significantly by scenario: the strongest increase in outflows is recorded under Scenario 3, directly resulting in the largest decline in the post-stress LCR. At the same time, the projected shocks cause a certain decline in the value of liquid assets under all scenarios, although of lower intensity compared to the dynamics of outflows (Graph 5.22).

Graph 5.22: Basic LCR Components, Q4 2025

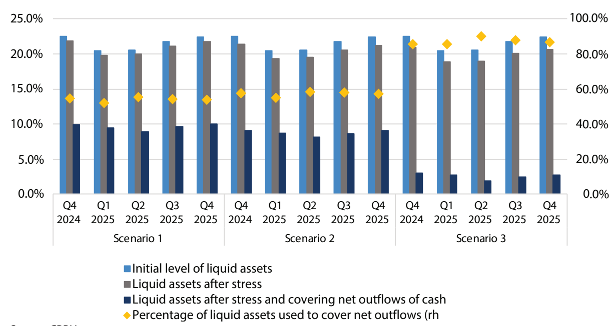


Source: CBBH

Graph 5.23 shows the average share of liquid assets in total banking sector assets in the observed periods, which amounted to 22.44% at the end of 2025. Looking at the level of liquid assets after stress, a slight decline is evident under all scenarios compared to the initial level, which is consistent with the assumed shock primarily affecting Level 1 liquid assets, which dominate banks' portfolios. On the other hand, the level of liquid assets remaining after covering net outflows records a considerably more pronounced decline under all scenarios: under Scenario 1 it would amount to 10.0% of total assets, under Scenario 2 around 9.0%, while under Scenario 3 it would fall to only around 2.72% of total assets, illustrating the key role of the liquidity buffer in mitigating stress scenarios.

At the sector level, the percentage of liquid assets used to cover net outflows would be similar under Scenario 1 (54.0%) and Scenario 2 (57.3%), while under Scenario 3 average utilisation would reach 87.0%, reflecting the severity of the assumed shocks.

Graph 5.23: Liquid Assets for Banking Sector

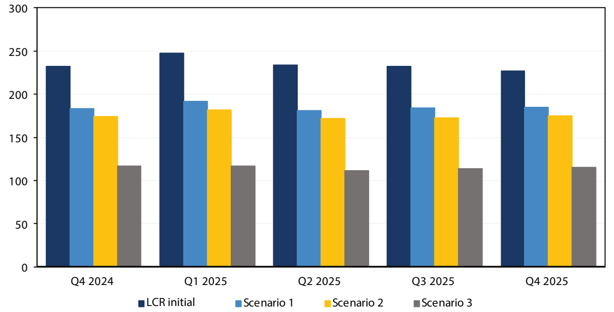


Source: CBBH
Note: Liquid assets are presented as a percentage of the initial value of the total assets.

Analysis of stress test results at the level of individual banks shows that under Scenario 1 all banks in the system would successfully absorb the assumed liquidity stress over a 30-day period, with individual LCRs ranging from 140% to 392%. Under Scenario 2, the banking sector would be exposed to somewhat stronger pressure, consistent with the fact that corporate deposits constitute the dominant category of outflows at most banks; nevertheless, all banks would maintain their LCR above the prescribed minimum under this scenario as well. Three banks under Scenario 1 and five banks under Scenario 2 would have to use more than 70% of their available liquid assets to cover net outflows. Under Scenario 3, which simulates an extreme combined stress event, six banks would be unable to absorb the projected shocks without obtaining additional liquid funds, while another seven banks would exhaust more than 80% of their available liquidity buffer. The total assets of the six banks with identified liquidity needs account for 30.1% of the assets of the entire BH banking sector.

Given that the third scenario is designed as an exceptionally severe stress event combining shocks from both previous scenarios and further intensifying them, it can be concluded that banks were, to the greatest extent, able to absorb all the assumed shocks satisfactorily.

Graph 5.24: Liquidity Coverage Ratio (LCR) for Banking Sector

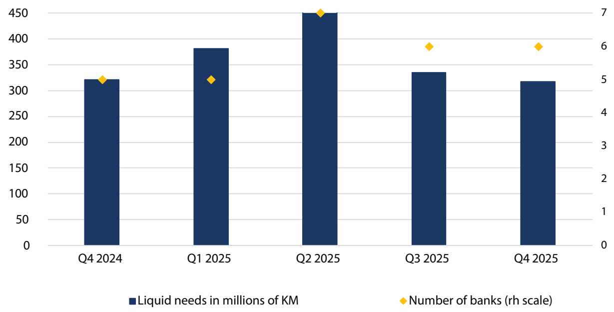


Source: CBBH
Note: Unlike LCR in alternative scenarios of liquidity stress test, the amount of expected inflows which can compensate the expected outflows is not limited to 75% of outflow.

Looking at the aggregated stress test results across all previous testing periods, the banking sector LCR remained above the regulatory minimum under all three scenarios and in all quarterly testing cycles since the introduction of stress testing. Under Scenario 3, which is the only scenario in which banks with liquidity shortfalls arise, the number of banks requiring additional liquid funds ranged from three to seven across all observed periods. The Q4 2025 result of six banks falls within this range, while the banking sector LCR under this scenario would amount to 115.2%.

Total additional liquidity needs under Scenario 3 at the end of 2025 amounted to KM 317 million, representing a decrease compared to certain previous periods. At the same time, the remaining 15 banks in the system would have around KM 1.5 billion in liquid assets after covering their own net outflows, meaning that the interbank market would be able to fully cover the identified liquidity needs of banks experiencing liquidity shortfalls (Graph 5.25).

Graph 5.25: The Total Banks' Needs for Additional Liquid Assets in Scenario 3



Source: CBBH

Taking into account that Scenario 3 is designed as an extremely adverse and unlikely combination of exceptionally severe shocks, the overall conclusion of the stress testing remains positive: the banking sector in BH demonstrates solid resilience to liquidity shocks, and the results for the end of 2025 confirm that banks are, to a large extent, capable of absorbing even exceptionally adverse stress scenarios.

Interbank exposures in the BH banking sector recorded at the end of 2025 decreased slightly compared to the end of the previous year, both in terms of the total amount of exposure and the number of interbank links. Total interbank exposures accounted for 1.50% of total regulatory capital and only 0.18% of total banking sector assets, indicating that the level of interconnectedness among banks remains limited. The decline in interbank exposures contributed to a slight reduction in the risk of spillover of systemic disruptions within the domestic banking system, as shown by the results of the network analysis of systemic risks.

The network analysis, based on simulations of a credit shock and a funding shock, showed that the contagion index and vulnerability index values for most banks remained at levels similar to previous years, with the exception of several banks in the system where the indices decreased more significantly.

The criterion used in the analysis to determine the existence of interbank contagion was a decline in the capital adequacy ratio below the regulatory capital level of 12%, increased by the additional Pillar 2 capital requirement determined through the bank's Supervisory Review and Evaluation Process (SREP).

Analysis of cross-border interconnectedness based on data for the end of 2025 indicated that a greater contagion risk arises from cross-border exposures than from exposures in the domestic interbank market. Given that the banking sector in BH is dominated by majority foreign-owned banks, the findings of the analysis confirmed their significant cross-border exposure and dependence primarily on parent banking groups. Compared to the findings of the network analysis based on data from the end of 2024, the total foreign exposure of the BH banking sector was 11.6% lower, with the largest exposures of BH banks being towards Austria, Germany and Italy. Owing to somewhat lower foreign exposures, the vulnerability index and contagion index were lower for most banks compared to the previous year. The level of cross-border banking contagion risk estimated in the analysis depends on the criterion selected to determine the existence of cross-border contagion. The stricter criterion, under which banking contagion is deemed to exist if the bank's capital adequacy ratio falls below the regulatory level increased by the additional SREP capital requirements, combined with a 50% withdrawal of funding by non-resident sectors, showed that some of the ten banks could face undercapitalisation in the event of major shocks in one of eight countries[27].

If, on the other hand, the existence of banking contagion is assessed using the less stringent criterion whereby interbank contagion exists when losses exceed the amount of the bank's entire Tier 1 capital, only one bank would incur a loss exceeding its Tier 1 capital in the event of major shocks in one country (Turkey). It is important to note that indirect contagion effects were not recorded in any case owing to the small interbank exposures and the good capitalisation of all commercial banks in BH.

5.2 Non-banking financial sector

The non-banking financial institutions sector remains a poorly developed segment of the financial market, with a very modest share in the total assets of financial intermediaries (Table 5.1). A slight increase in their individual shares in the total assets of financial intermediaries was recorded by the microcredit sector and investment funds; the share of the leasing sector remained at the previous year's level, while the share of insurance and reinsurance companies in total assets recorded a slight decline. The microcredit and leasing sectors recorded growth in the balance sheet total and profitability indicators. Insurance and reinsurance companies remained the largest and most significant segment of the non-banking financial sector, continuing to record moderate business growth measured by an increase in calculated premiums in both categories of insurance, life and non-life. As a result of the decision of the Government of the Federation of Bosnia and Herzegovina to carry out its largest public debt issue on the foreign market in 2025, total turnover on the BH stock exchanges decreased significantly.

The operations of the microcredit sector in 2025 were characterised by continued growth in assets, capital and gross credit investments, without significant changes in the level of the risk portfolio. At the end of 2025, 27 microcredit organisations (MCOs) operated in BH, of which 18 were microcredit companies (MCCs) and 9 were microcredit foundations (MCFs).

27 *Germany, Austria, Italy, Luxembourg, the United Kingdom, Turkey, the Netherlands, Belgium*

Total assets of the microcredit sector at the end of 2025 were 14.6% higher compared to the previous year, while loans recorded growth of 14.1% (Table 5.4). Of the total amount of microloans, 97% were extended to natural persons, with financing still primarily directed towards the agricultural sector (23.2%), followed by housing needs (20.0%) and the service sector (3%). Loans extended to all other sectors accounted for 53.86% of total loans extended to natural persons.

Table 5.4: Simplified Balance Sheet of Microcredit Organisations

milion KM

Assets	2024	2025	Liabilities	2024	2025
Monetary funds and placements to other banks	101.7	123.9			
Loans	1,418.5	1,618.5	Liabilities based on loans	929.5	1,076.0
Loan loss provisions	-12.3	-15.7	Other liabilities	111.0	143.4
Other assets	143.5	165.7	Capital	610.8	673.0
TOTAL	1,651.4	1,892.4	TOTAL	1,651.4	1,892.4

Source: FBA and BARS, CBBH

At the end of 2025, loans with repayments overdue by more than one day accounted for 1% of total loans, with their share remaining at approximately the same level as in the previous year. Reserves for covering credit losses at the sector level amounted to KM 15.7 million. Looking at the structure of liabilities, liabilities based on borrowed funds represent the main source of funding for MCOs and recorded growth of 15.7% compared to the previous year. In the maturity structure of the microcredit portfolio, long-term microloans continued to account for the largest share, at 94.5%. After the maturity structure of funding sources improved significantly in 2020, when most short-term liabilities based on borrowed funds of microcredit organisations in FBH were replaced by long-term loans, the same trend continued in subsequent years.

Total capital of the sector amounted to KM 673 million at the end of 2025, recording an increase of 10.2% compared to the previous year. In the capital structure of the MCO sector, the capital of microcredit foundations accounted for 57.9%, while the capital of microcredit companies accounted for 52.3% of the total capital of the sector. The main source of MCF capital is the surplus of income over expenses, which amounted to KM 299.4 million at the end of the year, or 84.7% of the total capital of foundations. Similarly, as in the case of MCFs, the dominant influence on the growth of microcredit companies' capital came from growth in realised profit during the year, so that at the end of 2025 retained earnings accounted for 50.8% of total MCC capital, while capital stock accounted for 44.7% of the capital structure of microcredit companies.

The microcredit sector achieved a positive financial result of KM 67.9 million in 2025. Total revenues amounted to KM 341.3 million and were 12% higher compared to the previous year. Looking at the income structure of MCOs, interest income remained the dominant source of the sector's income and, owing to growth in lending activity, income from interest and fees increased by 11% in 2025. The average weighted effective interest rate on total microloans in FBH amounted to 23.1% in 2025, while in RS it amounted to 33.83%. Total expenses of the microcredit sector amounted to KM 267.5 million and recorded an increase of 19.4% compared to the previous year. The growth in total expenses was influenced by an increase in interest expenses, which grew by 28%, as well as by growth in operating expenses, which were 15.1% higher compared to the previous year.

Although the leasing sector recorded substantial profit and growth in its balance sheet total in 2025, the share of this sector in the assets of financial intermediaries remained unchanged and extremely low.

At the end of 2025, four leasing companies held operating licences, and the number of leasing companies therefore remained unchanged compared to the end of the previous year. Total assets of the leasing sector amounted to KM 638.2 million and recorded growth of 12.24% compared to the previous year. Two leasing companies, measured by asset size, accounted for 67.6% of the total assets of the leasing sector in BH. Financial leasing remained the dominant financing model compared to operational leasing in 2025. During 2025, the leasing sector in BH generated a total net profit of KM 11.4 million, representing an increase of as much as 43.7% compared to the previous year. Three leasing companies reported a positive financial result (profit) in the total amount of KM 12.2 million, while one leasing company operated at a loss of KM 800,000.

The value of newly concluded financial and operational leasing contracts in 2025 amounted to KM 369.4 million and was KM 54.7 million or 17.4% higher than in the previous year. In the structure of receivables based on financial leasing at the level of the leasing sector, observed by subject of leasing, contracts approved for financing passenger vehicles and vehicles used for business activities accounted for 89.8%, while contracts for financing machinery and equipment accounted for 10%. By leasing user, the largest share related to contracts approved to legal entities (89%), followed by contracts approved to natural persons (11%). The leasing sector achieved a positive financial result of KM 9.2 million in 2025, representing an increase of KM 0.5 million or 4.5% compared to the previous year.

In total, the revenues of leasing companies increased by KM 2.7 million, representing growth of 3.8% compared to the previous year. Interest income amounted to KM 32.2 million and accounted for 44.1% of total leasing sector income, being KM 0.7 million lower than in the previous year. Operating revenues amounted to KM 40.8 million, accounting for 55.9% of total leasing sector revenues, and increased by KM 3.6 million or 9.5% compared to the previous year.

The leasing sector in Bosnia and Herzegovina is very poorly developed and underutilised, and the basic activities of this sector continue to represent a certain form of substitute for standard bank loans, mostly for legal entities, bearing in mind that leasing financing is less favourable for households compared to bank lending due to the obligation to pay VAT on interest.

There was an increase in activity on the insurance market compared to the previous year.

In 2025, 24 insurance companies and one reinsurance company operated in BH. The trend of insurance premium growth from previous years, with the exception of 2020, continued, and the total calculated premium amounted to KM 1.17 billion, recording growth of 8.59% compared to the previous year. Of the total calculated premium, 81.38% related to non-life insurance.

Weak representation of voluntary types of insurance continues to be a key weakness and a limiting factor in the development of the insurance market in Bosnia and Herzegovina. Automobile liability insurance continued to account for the most significant share of total insurance premiums, at 50% of the total calculated premium. Total gross paid claims amounted to KM 590 million and accounted for 45.0% of the total calculated premium.

In 2025, 41 investment funds held operating licences, of which 22 were in FBH and 19 in RS. Of the total 41 investment funds, 30 were open investment funds, while 11 were closed investment funds. The total value of net assets of investment funds amounted to KM 1.3 billion at the end of 2025 and was KM 169.2 million or 19.9% higher compared to the end of the previous year.

Total turnover on the BH stock exchanges amounted to KM 1.18 billion in 2025, representing a significant decrease compared to the previous year. As a result of a significant decline in turnover on the Sarajevo Stock Exchange (SASE) of 34.9% and a decline on the Banja Luka Stock Exchange (BLSE) of 8.6%, total turnover on both stock exchanges decreased by 22.3% compared to the previous year. One of the main reasons for the decline in turnover on the BH financial market was the decision of the Federation of Bosnia and Herzegovina to carry out its largest public debt issue to date on the foreign market. During this year as well, total turnover on the stock exchanges was influenced by issues of Entity public debt. Turnover on the Sarajevo Stock Exchange (SASE) amounted to KM 511.4 million, while turnover on the Banja Luka Stock Exchange (BLSE) amounted to KM 673.0 million. This represented 43.2% of total turnover on the SASE and 56.8% on the BLSE.

Total market capitalisation in Bosnia and Herzegovina amounted to KM 13.65 billion in 2025, representing an increase of 7.1% compared to the previous year. Market capitalisation on the SASE amounted to KM 8.3 billion and increased by 12.5%, while market capitalisation on the BLSE amounted to KM 5.3 billion, recording a decline of 3.3% compared to 2024. In other segments of the capital market on both stock exchanges, there was no significant impact on turnover growth compared to the previous year.

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

FINANCIAL
INFRASTRUCTURE

6. FINANCIAL INFRASTRUCTURE

6.1. Payment systems

In accordance with its legal obligation, in 2025 the CBBH continued to successfully support and improve the functions of payment transactions through modern accounting and payment systems for executing interbank transactions. Payment transactions were carried out smoothly through the gyro clearing and real-time gross settlement (RTGS) systems. The Central Registry of Credits (CRC) and the Single Registry of Business Entities' Accounts (SRBEA) were maintained, while transactions through the international clearing of payments with foreign countries were executed smoothly. Since 2019, the gyro clearing system has been harmonised with the operating practices of the European Union (EU), thereby fulfilling one of the prerequisites for the integration of the CBBH payment systems into the payment systems in the EU.

During 2025, an increase was recorded in both the number of transactions and the total value of all transactions processed through the gyro clearing and RTGS payment systems. The total value of interbank payment transactions in 2025 increased by 7.8%.

The total number of transactions increased by 4.4% compared to the previous year. In 2025, the ten largest banks in BH by transaction volume accounted for 77.03% of the total number of RTGS and gyro clearing interbank transactions, representing a decrease of 29 basis points compared to the previous year. The share of the ten largest banks in the total value of transactions also decreased, from 76.79% in 2024 to 75.98% in 2025. The increase in the value of total payment transactions in 2025 and the faster circulation of money resulted in a reduction in the number of days required to execute transactions equivalent in value to annual nominal GDP (Table 6.1). The number of intrabank transactions decreased by 1.4%, while the number of interbank transactions increased by 4.3% compared to the same period of the previous year. Nevertheless, intrabank transactions continued to dominate the total number of transactions (66.1 million transactions). The value of intrabank transactions in 2025 amounted to KM 163.94 billion, while the value of interbank transactions amounted to KM 197.29 billion.

Table 6.1: Interbank Payment Transactions

Year	The total number of transactions, in million	"The total turnover, million KM"	"Average daily turnover, million KM"	GDP/ average daily turnover
2009	29.0	64,458	251.8	95
2010	31.8	67,779	263.7	94
2011	32.5	76,653	298.3	87
2012	33.8	81,533	318.5	81
2013	35.8	76,605	298.1	88
2014	37.9	87,859	341.9	79
2015	39.1	85,106	326.1	87
2016	40.0	88,380	338.6	86
2017	41.1	96,243	370.2	85
2018	42.3	102,670	393.4	83
2019	43.6	123,046	471.4	74
2020	43.8	105,132	398.2	85
2021	48.0	122,403	470.8	79
2022	49.7	145,825	583.3	78
2023	50.8	163,096	627.3	80
2024	53.4	183,042	709.4	72
2025	55.8	197,281	832.4	68

Source: CBBH, BHAS, CBBH

Table 6.2: Concentration of the Transactions in Interbank Payment System (HHI)

	10 banks with the largest shares	
Period	Number of transactions	Value of transactions
December 2009	1,233	1,413
December 2010	1,256	1,346
December 2011	1,230	1,287
December 2012	1,278	1,295
December 2013	1,337	1,378
December 2014	1,350	1,310
December 2015	1,314	1,305
December 2016	1,307	1,322
December 2017	1,320	1,349
December 2018	1,344	1,335
December 2019	1,397	1,471
December 2020	1,352	1,249
December 2021	1,373	1,264
December 2022	1,397	1,266
December 2023	1,411	1,248
December 2024	1,458	1,296
December 2025	1,431	1,215

Source: CBBH

Table 6.2 presents the values of the Herfindahl-Hirschman Index (HHI)[28] which illustrates the concentration of the total number and value of interbank payment transactions for the 10 banks with the largest shares in both payment systems (gyro clearing and RTGS). Although the majority of interbank payment transactions are carried out among a smaller number of large banks, HHI values indicate a moderate concentration of interbank payment transactions and the absence of systemic risks in payment systems. When analysing the concentration of interbank payment transactions among the 10 largest banks, with banks belonging to the same group treated as a single bank, the concentration index increases only slightly and continues to indicate moderate concentration.

In 2025, the CBBH continued to maintain the Central Registry of Credits of natural persons and legal entities (CRC), thereby providing financial institutions using this database with information on the credit history and current indebtedness of their existing or potential clients and enabling them to make better assessments of risk when making decisions on granting investments.

The CBBH also continued to maintain the Single Registry of Business Entities' Accounts in BH, in which 288,983 active accounts and 108,000 blocked accounts were recorded at the end of 2025. Following the system upgrade at the end of 2018, the SRBEA contains all accounts of business entities conducting payment transactions in BH through accounts opened with banks and the CBBH.

[28] *The HHI is a measure of concentration and is calculated as the sum of the squares of individual shares in the observed segment. An index below 1,000 points indicates an unconcentrated market, from 1,000 to 1,800 points moderate concentration, from 1,800 to 2,600 points high concentration, while a value above 2,600 is considered very high concentration, up to a maximum of 10,000, which represents monopoly concentration.*

The SRBEA is primarily used by commercial banks, tax authorities, administrative authorities, law enforcement authorities and other levels of government to identify financial structures and transactions that companies and individuals may use unlawfully, for example for tax evasion, money laundering and similar purposes. The Registry also provides information to all legal entities and natural persons that need to enforce collection of their claims through authorised institutions.

International clearing of payments between banks from BH and the Republic of Serbia and Montenegro continued in 2025, with a total of 14,125 payment orders executed through the system, amounting to EUR 292.8 million, indicating active use of this platform for the settlement of payment transactions.

6.2. Regulatory framework

Among the most significant activities of the Central Bank of Bosnia and Herzegovina in 2025 and the first half of 2026 were the modernisation of payment infrastructure through the establishment of the Instant Payment System of Bosnia and Herzegovina (IPS BH), activities related to accession to the Single Euro Payments Area (SEPA), and the migration of the payment system from SWIFT MT to the SWIFT MX (ISO 20022) messaging standard.

On 20 July 2026, the CBBH successfully launched the instant payment system, developed in accordance with the European TIPS (TARGET Instant Payment Settlement) standards, marking a significant step forward in the modernisation of domestic payment transactions. As the project leader, the CBBH developed and implemented the necessary payment infrastructure, called IPS BH, coordinated activities with commercial banks and other competent institutions, and ensured the technical and operational conditions for the execution of interbank transactions in real time.

In addition, on 10 July 2026, the Governing Board of the CBBH adopted the Decision on the Operating Rules of the CBBH Instant Payment System[29] which, inter alia, stipulated that every bank that cumulatively executed at least one million transactions through the RTGS and Gyro Clearing systems in the period from 1 January 2026 to 30 June 2026 is required to participate in IPS BH from 1 January 2027. As not all banks were able to join the system from the very beginning of its operation, their inclusion is envisaged successively and gradually, in line with the completion of technical and organisational preparations. The system enables interbank payment transactions to be executed in real time, within a few seconds, continuously 24 hours a day, seven days a week, including weekends and public holidays.

In order to meet the regulatory requirements for submitting an application for SEPA membership, BH completed the adoption of a key package of financial legislation in both Entities during July 2026. After the National Assembly of Republika Srpska had previously adopted the required legislation, at the end of July 2026 the Parliament of the Federation of BH also adopted the harmonised texts of the laws, thereby fulfilling all legislative prerequisites for submitting the official application for accession to the SEPA area. The adopted package included the Law on Payment Services, the Law on Electronic Money, the Law on Payment Accounts, as well as amendments to the laws governing the banking sector, protection of financial services users and operations of microcredit organisations. This removed the remaining regulatory obstacles to the integration of BH into the European payments system, which should enable faster, safer and cheaper cross-border payments in euros for citizens and businesses and further improve the competitiveness of the domestic financial market.

The Central Bank of BH plays a key role in this process as the main coordinator of activities among competent institutions, regulators and the banking sector, with the aim of fulfilling the requirements for SEPA membership.

With the aim of modernising the existing RTGS system, during 2025 the CBBH placed particular focus on activities related to migration from the SWIFT MT to the SWIFT MX message format. SWIFT MT (Message Type) is a standardised format used by financial institutions for the secure exchange of cross-border financial messages, which is gradually being replaced by the ISO 20022 standard. SWIFT MX messages, based on XML technology and the ISO 20022 standard, provide a richer data structure, greater efficiency and interoperability in cross-border payments.

In April 2026, the Governing Board of the Central Bank of Bosnia and Herzegovina adopted the Decision on Amendments to the Decision on the Central Registry of Credits of Business Entities and Natural Persons in Bosnia and Herzegovina, aligning the rules governing access to data with the new BH Law on Personal Data Protection. The amendments stipulate that registry participants may obtain direct access to data only with the consent of the natural person or business entity concerned, with the identity of the person granting consent clearly established. In this way, personal data protection was enhanced and legal certainty in the operation of the Central Registry of Credits was increased.

With the aim of harmonising domestic legislation with EU regulations and the international recommendations of the Financial Action Task Force (FATF) in the field of preventing money laundering and terrorist financing, the Parliament of the Federation of BH adopted the Law on Amendments to the Law on Foreign Exchange Operations in May 2026[30].

[29] *https://www.cbbh.ba/content/read/1291?lang=bs*

[30] *Law on Amendments to the Law on Foreign Exchange Operations, Official Gazette of the Federation of BH, No. 35/26 of 13 May 2026.*

It is important to note that the adoption of this Law was one of the recommendations addressed to Bosnia and Herzegovina as part of the process of addressing deficiencies identified by FATF and MONEYVAL. The amendments regulate foreign exchange operations more precisely, particularly with regard to the cross-border transfer of cash, strengthen supervision of foreign exchange transactions and improve the regulatory framework, thereby increasing legal certainty and transparency of the financial system and facilitating the fulfilment of BH's international obligations. However, the adoption of this Law alone was not sufficient to prevent BH from being placed again on the FATF grey list, following a recommendation by the MONEYVAL Committee. From June 2026, BH was again placed on the grey list, on which it had previously been included in 2015. The reason for BH being placed on the grey list again primarily relates to insufficient implementation of recommendations concerning improvements to the legislative framework, particularly amendments to the Law on Mutual Legal Assistance in Criminal Matters and the Law on Confiscation and Management of Proceeds of Crime. In addition, deficiencies were identified in the practical implementation of existing regulations, particularly in the areas of financial investigations, confiscation of proceeds of crime and international cooperation among competent institutions.

At the supervisory level, with the aim of improving the framework for managing Interest Rate Risk in the Banking Book (IRRBB), the banking agencies in BH amended the regulatory framework governing the management of interest rate risk in the banking book[31].

The amendments are aimed at further alignment with the relevant standards of the European Banking Authority (EBA). In the Federation of BH, the amendments to the Decision on Minimum Standards for Establishing an Interest Rate Risk Management System in the Banking Book, in addition to raising the threshold for assessing interest rate risk exposure from 2.5% to 5%, improve the regulatory framework by introducing risk measurement using the standardised and simplified standardised approaches, supervisory outlier testing, the determination of internal capital requirements and internal control systems for managing interest rate risk in the banking book. In Republika Srpska, amendments to the Decision on Managing Interest Rate Risk in the Banking Book increased the threshold for assessing interest rate risk exposure from 2.5% to 5%, thereby further aligning the regulatory framework with the relevant EBA standards. In accordance with the amendments currently in force, application of the amended provisions in the Federation of BH begins on 30 September 2026, while in Republika Srpska the amendment increasing the threshold from 2.5% to 5% has applied since 31 December 2025. These amendments further strengthen the regulatory and supervisory framework for managing Interest Rate Risk in the Banking Book (IRRBB) and ensure its greater alignment with the relevant EBA standards.

In addition, at the end of 2025 and the beginning of 2026, the Banking Agencies adopted the Decision on Credit Risk Management and Determination of Expected Credit Losses[32], applicable from 30 June 2026. The Decision improves requirements for the identification, measurement and monitoring of credit risk, as well as for the timely recognition of expected credit losses.

[31] *Decision on Amendments to the Decision on Managing Interest Rate Risk in the Banking Book, applicable from September 2026 (Official Gazette of the FBH, No. 41/26 and Official Gazette of RS, No. 96/25).*

[32] *Decision on Credit Risk Management and Expected Credit Losses (Official Gazette of the FBH, No. 100/25 and Official Gazette of RS, No. 50/26).*

The Entity banking agencies also successfully completed a joint project to develop a regulatory framework creating the prerequisites for the future implementation of the Countercyclical Capital Buffer (CCyB) and borrower-based measures: the Debt Service-to-Income Ratio (DSTI) and the Loan-to-Value Ratio (LTV), thereby further strengthening banks' resilience and contributing to the stability and safety of the banking system in Bosnia and Herzegovina.

Although adopted under different titles, the Decision on Amendments to the Decision on Temporary Measures for Granting Relief to Natural Persons[33] and the Decision on Amendments to the Decision on Temporary Measures for Granting Relief to Legal Entities for the Settlement of Credit Obligations in Republika Srpska,[34] and the Decision on Special Measures to Support Bank Clients in Conditions of External Disruptions in the Federation of BH[35] essentially have the same objective. Both decisions are intended to enable banks to grant customers whose ability to settle credit obligations is temporarily impaired due to external economic disruptions caused by disruptions in supply chains, rising energy prices, restrictions on international transport, sudden absence, postponement or suspension of planned cash flows or external financing and other extraordinary circumstances that may affect the operations and financial position of the bank's customers, appropriate relief, such as moratoria, extensions of repayment terms, rescheduling or other forms of restructuring of credit obligations.

In this way, the aim is to mitigate the adverse impact of extraordinary circumstances on citizens and business entities, preserve the continuity of regular loan repayment and, at the same time, protect the stability of the banking system. The difference between these decisions primarily lies in the regulatory approach and their titles, given that the decision in Republika Srpska has the character of a temporary measure, while the decision in the Federation of BH constitutes a general regulatory framework for banks' actions in conditions of external disruptions. However, viewed in terms of their purpose, both decisions regulate the same issue and constitute a regulatory mechanism enabling banks to act more flexibly towards clients affected by external shocks.

In November 2025, the FBA extended the application of the Decision on Temporary Measures for Limiting Bank Exposure[36], under which the total amount of a bank's exposure to central governments or central banks outside BH, or exposures to them as collateral issuers or providers of intangible credit protection assigned a 0% risk weight, is limited to 100% of the bank's recognised capital until the end of 2026. In addition, at the beginning of December 2025, BARS extended the application of the Decision on Temporary Measures for Limiting Exposure until the end of 2026, under which the total amount of a bank's exposure to foreign central governments, central banks, or exposures to them as collateral issuers or providers of intangible credit protection assigned a 0% risk weight may not exceed 50% of Tier 1 capital.

33 *Decision on Amendments to the Decision on Temporary Measures for Granting Relief to Natural Persons for the Settlement of Credit Obligations (Official Gazette of Republika Srpska, No. 38/26).*

34 *Decision on Amendments to the Decision on Temporary Measures for Granting Relief to Legal Entities for the Settlement of Credit Obligations (Official Gazette of Republika Srpska, No. 38/26).*

35 *Decision on Special Measures to Support Bank Clients in Conditions of External Disruptions (Official Gazette of the Federation of BH, No. 47/26).*

36 *Decision on Temporary Measures for Limiting Bank Exposure (Official Gazette of the Federation of BH, No. 26/23 and Official Gazette of RS, No. 50/26).*

Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ

STATISTICAL APPENDIX

Table A1: Real Estate Price Index (2015=100)

		Sarajevo	Mostar	Zenica	Tuzla	Banja Luka	Bijeljina	Trebinje	TOTAL
2004	Q1	58	71	47					**60**
	Q2	58	70	46					**59**
	Q3	58	70	47					**59**
	Q4	59	68	46					**60**
2005	Q1	61	66	48					**61**
	Q2	61	70	47					**61**
	Q3	63	67	47					**62**
	Q4	66	70	50					**65**
2006	Q1	69	72	53					**68**
	Q2	74	71	49					**71**
	Q3	73	70	52					**70**
	Q4	80	60	55					**74**
2007	Q1	87	73	56					**83**
	Q2	98	76	67					**93**
	Q3	108	73	72					**98**
	Q4	117	77	74					**105**
2008	Q1	125	85	78	95				**112**
	Q2	133	82	84	98				**119**
	Q3	132	83	88	106				**120**
	Q4	138	87	99	107				**126**
2009	Q1	129	104	101	97				**120**
	Q2	120	101	100	100				**114**
	Q3	115	105	100	107				**112**
	Q4	111	104	93	115				**109**
2010	Q1	111	100	99	112				**108**
	Q2	111	110	101	110				**110**
	Q3	107	104	99	105				**106**
	Q4	106	106	107	104				**106**
2011	Q1	105	107	105	97				**105**
	Q2	105	103	107	89				**103**
	Q3	104	98	102	91				**102**
	Q4	105	104	102	89				**103**
2012	Q1	105	112	101	102				**106**
	Q2	104	101	109	96				**103**
	Q3	101	104	95	94				**100**
	Q4	100	101	103	96				**100**
2013	Q1	101	108	105	93				**102**
	Q2	99	109	104	90				**100**
	Q3	98	105	97	94				**99**
	Q4	97	109	106	90				**99**
2014	Q1	98	104	98	95				**99**
	Q2	96	102	97	93				**97**
	Q3	98	94	99	99				**98**
	Q4	98	96	101	92				**98**

		Sarajevo	Mostar	Zenica	Tuzla	Banja Luka	Bijeljina	Trebinje	TOTAL
2015	Q1	98	101	100	98	93	102	103	**98**
	Q2	101	99	99	101	109	82	97	**101**
	Q3	98	103	102	100	101	92	99	**100**
	Q4	102	97	99	100	101	118	101	**101**
2016	Q1	98	94	97	96	96	68	106	**97,33**
	Q2	99	97	104	99	102	93	100	**100**
	Q3	102	114	101	96	106	89	106	**104**
	Q4	103	113	104	98	106	94	105	**105**
2017	Q1	103	110	104	97	100	93	98	**102**
	Q2	104	96	105	97	98	94	89	**100**
	Q3	103	104	104	103	98	102	102	**102**
	Q4	107	93	105	100	96	100	97	**102**
2018	Q1	87	89	80	80	91	87	81	**87**
	Q2	87	94	80	79	90	91	79	**87**
	Q3	88	92	80	82	90	90	85	**88**
	Q4	88	93	80	83	92	89	85	**88**
2019	Q1	89	92	83	82	95	88	87	**90**
	Q2	90	97	85	86	90	90	84	**90**
	Q3	90	95	89	86	89	93	84	**90**
	Q4	93	94	84	86	92	95	87	**92**
2020	Q1	94	95	88	88	88	94	84	**92**
	Q2	95	105	97	82	93	97	75	**94**
	Q3	94	101	97	94	92	94	89	**94**
	Q4	95	93	95	94	89	92	81	**93**
2021	Q1	97	100	97	97	95	91	97	**96**
	Q2	98	104	100	96	100	96	96	**98**
	Q3	100	99	100	100	103	102	104	**101**
	Q4	104	95	103	105	103	107	103	**104**
2022	Q1	112	99	105	109	128	113	124	**113**
	Q2	114	107	109	110	133	115	133	**117**
	Q3	121	108	113	110	139	126	140	**123**
	Q4	127	113	110	112	144	121	127	**126**
2023	Q1	128	102	124	125	145	136	135	**128**
	Q2	134	107	137	134	151	145	140	**135**
	Q3	143	112	139	143	152	144	139	**142**
	Q4	144	114	139	149	150	140	144	**143**
2024	Q1	143	116	142	147	151	153	133	**143**
	Q2	156	124	153	149	151	152	162	**152**
	Q3	163	141	149	158	157	163	139	**159**
	Q4	161	142	175	156	155	167	122	**159**
2025	Q1	160	131	173	166	160	176	169	**160**
	Q2	169	140	190	171	170	175	177	**169**
	Q3	175	158	197	174	162	173	195	**173**
	Q4	190	154	207	177	161	172	202	**182**

Source: CBBH

Table A2: Financial Soundness Indicators

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital adequacy													
Tier 1 ratio	15.2	14.3	13.8	15.0	14.8	16.5	17.5	18.1	18.7	18.7	18.7	18.7	18.7
Regulatory capital ratio	17.8	16.3	14.9	15.8	15.7	17.5	18.0	19.2	19.6	19.6	19.7	19.8	20.1
CET 1 ratio	n/a	n/a	n/a	n/a	n/a	16.5	17.5	18.1	18.7	18.7	18.7	18.7	18.7
Financial leverage ratio	n/a	n/a	n/a	n/a	n/a	n/a	10.5	10.2	10.0	9.9	10.1	10.6	10.7
Non-performing loans reduced by the provisions to regulatory capital	26.4	24.6	24.9	17.6	13.5	11.4	9.6	7.4	7.0	4.7	3.8	3.2	2.2
High exposure in relation to capital	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	81.4	83.8	103.3	95.3	100.8
Assets quality													
Non-performing assets to the total assets	11.3	10.5	10.0	8.3	7.1	6.2	5.2	3.4	3.2	2.5	2.1	1.8	1.4
Non-performing loans to the total loans	15.1	14.2	13.7	11.8	10.0	8.8	7.4	6.1	5.8	4.5	3.8	3.2	2.4
Provisions for NPL to non-performing loans	66.7	69.7	71.2	74.4	76.7	77.4	77.0	78.4	78.4	81.4	81.7	80.3	82.4
Loans concentration by economic activity	n/a	n/a	n/a	n/a	n/a	n/a	73.1	72.0	71.3	71.7	71.2	71.1	70.8
Profitability													
Return on average assets	-0.1	0.8	0.3	1.1	1.4	1.3	1.4	0.7	1.3	1.6	2.0	2.2	2.1
Return on average equity	-1.2	4.5	0.9	6.2	9.0	8.5	9.1	5.6	9.6	12.0	15.0	16.0	14.7
Net interest income to the total income	62.3	61.6	62.0	60.4	58.3	58.8	56.8	56.0	59.2	56.6	63.3	61.2	59.7
Income from financial instruments trading to total income	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.0	0.0	-0.1	0.4
Non-interest expenses to the total income	101.2	85.7	94.5	80.7	73.3	74.0	71.0	83.0	60.1	55.7	52.6	51.3	52.6
Costs of wages and contributions to non-interest expenses	28.1	32.9	29.2	31.5	32.9	33.2	34.1	29.8	43.8	44.1	42.8	42.5	42.0
Liquidity													
Liquid assets to total assets	26.2	26.6	26.2	26.9	28.1	29.3	29.2	28.6	30.7	30.5	29.0	28.2	25.3
Liquid assets to short-term financial liabilities	65.9	65.6	61.9	61.6	59.9	60.4	61.0	51.3	51.3	48.4	47.2	45.8	40.5
Liquidity coverage ratio (LCR)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	216.9	213.8	218.1	231.9	226.4
Net stable funding ratio (NSFR)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	168.8	163.5	159.9	159.7	157.9
Deposits to loans	87.2	92.4	96.9	101.7	105.1	109.6	112.7	120.7	130.3	130.8	131.0	130.1	128.6
Short-term financial liabilities to the total financial liabilities	47.2	48.1	50.3	52.1	55.7	57.2	56.2	65.4	68.8	72.6	71.1	71.8	72.9
Foreign exchange risk													
Indexed and foreign currency loans to the total loans	68.8	68.0	67.1	62.6	60.1	56.7	53.9	53.9	50.2	43.3	37.6	31.9	30.1
Liabilities in foreign currencies to the total financial liabilities	63.8	62.7	60.3	57.4	55.1	53.3	50.7	48.1	44.4	42.5	41.2	40.0	37.7
Net open position	5.7	9.0	8.3	1.6	-0.2	2.1	3.4	4.2	4.0	1.0	1.5	3.6	1.7
Number of banks	23	23	23	23	23	23	23	23	22	21	21	21	21

Source: CBBH
Note: Compilation of FSI for the banking sector of BH from the fourth quarter of 2021 is based on the IMF 2019 Financial Soundness Indicators Compilation Guide (FSI 2019 Guide).
The values of the indicators have been retroactively recalculated for all the periods in line with the new methodology.

Table A3: Overview of the Total Assets, Loans, Deposits and Financial Performance of Banks in BH, 31.12.2025. **thousand KM**

Bank	Total assets		Loans		Deposits		Gain/loss	
	amount	%	amount	%	amount	%	amount	%
1. Privredna banka Sarajevo d.d. Sarajevo	734,393	1.6	426,276	1.5	604,534	1.6	8,789	1.0
2. UNION banka d.d. Sarajevo	1,550,770	3.3	624,826	2.2	1,326,608	3.5	7,479	0.9
3. NLB banka d.d Sarajevo	2,219,694	4.7	1,472,112	5.1	1,808,468	4.8	29,994	3.4
4. ASA banka d.d. Sarajevo	3,748,764	8.0	2,389,871	8.2	3,179,640	8.4	65,186	7.5
5. "BOSNA BANK INTERNATIONAL" d.d. Sarajevo	1,905,879	4.0	1,262,259	4.4	1,631,847	4.3	29,574	3.4
6. INTESA SANPAOLO BANKA d.d. Bosna i Hercegovini	3,280,465	7.0	2,194,500	7.6	2,588,362	6.8	29,598	3.4
7. Raiffeisen bank d.d. Sarajevo	6,009,933	12.8	3,480,804	12.0	4,856,130	12.8	130,013	14.9
8. Ziraatbank BH d.d.	1,622,509	3.4	1,097,398	3.8	1,255,866	3.3	25,801	3.0
9. ProCredit bank d.d. Sarajevo	1,200,165	2.5	800,102	2.8	1,001,564	2.6	9,471	1.1
10. Sparkasse Bank d.d. Sarajevo	2,543,326	5.4	1,783,495	6.2	2,099,433	5.6	39,105	4.5
11. Komercijalno investiciona banka d.d. Velika Kladuša	165,522	0.4	63,900	0.2	130,858	0.3	1,796	0.2
12. Addiko bank d.d. Sarajevo	1,276,048	2.7	655,485	2.3	1,040,181	2.8	21,700	2.5
13. UniCredit bank d.d. Mostar	8,752,685	18.6	5,417,070	18.7	6,925,089	18.3	206,829	23.7
14. UniCredit bank a.d. Banja Luka	1,547,502	3.3	973,767	3.4	1,174,183	3.1	32,810	3.8
15. Addiko bank a.d. Banja Luka	1,131,562	2.4	778,155	2.7	859,248	2.3	26,873	3.1
16. Naša banka a.d. Bijeljina	418,454	0.9	251,772	0.9	339,352	0.9	2,433	0.3
17. Nova banka a.d. Banja Luka	3,419,203	7.3	1,976,218	6.8	2,669,572	7.1	95,363	10.9
18. NLB bank a.d. Banja Luka	2,619,906	5.6	1,477,212	5.1	2,048,675	5.4	57,346	6.6
19. Atos bank a.d. Banja Luka	1,360,230	2.9	849,094	2.9	1,029,705	2.7	35,033	4.0
20. Banka Poštanska štedionica a.d. Banja Luka	591,753	1.3	290,434	1.0	479,663	1.3	2,359	0.3
21. MF banka a.d. Banja Luka	978,319	2.1	728,225	2.5	748,133	2.0	14,710	1.7
TOTAL	**47,077,082**	**100**	**28,992,976**	**100**	**37,797,111**	**100**	**872,262**	**100**

Table A4: Status Changes in Banks in the Period 2001 - Q2 2026

Number	Bank	Type of change	Date of change
1	Sparkasse Bank d.d. Bosna i Hercegovina Sarajevo	Sparkasse Bank d.d. Sarajevo changed its name into Sparkasse Bank d.d. BiH Sarajevo	Q3 2014
	Sparkasse Bank d.d. Sarajevo	ABS banka d.d. Sarajevo changed its name into Sparkasse Bank d.d. Sarajevo	Q3 2009
	ABS banka d.d. Sarajevo	Became a member of Steiermaerkische Bank und Sparkassen AG, Erste Group	Q4 2006
	Šeh-in banka d.d. Zenica	Merged to ABS banka d.d. Sarajevo	Q2 2002
2	Bosna Bank International (BBI) d.d. Sarajevo		
3	Privredna banka Sarajevo d.d. Sarajevo	BOR banka d.d. Sarajevo changed its name into Privredna banka Sarajevo d.d. Sarajevo	Q1 2017
	BOR banka d.d. Sarajevo	Privredna banka Sarajevo d.d. Sarajevo merged to BOR banka d.d.Sarajevo	Q4 2016
	Prviredna banka Sarajevo d.d. Sarajevo	Privredna banka Sarajevo d.d. Sarajevo merged with BOR banka d.d. Sarajevo	Q4 2016
4	UniCredit Bank d.d. Mostar		
	UniCredit Zagrebačka banka BiH d.d. Mostar	UniCredit Zagrebačka banka BiH changed its name into UniCredit Bank d.d. Mostar	Q1 2008
	Zagrebačka banka BH d.d. Mostar	Merging with Univerzal banka d.d. Sarajevo into UniCredit Zagrebačka banka BiH	Q3 2004
	Univerzal banka d.d. Sarajevo	Merger with Zagrebačka banka BH d.d. Mostar into UniCredit Zagrebačka banka BiH	Q3 2004
	HVB Central Profit banka d.d. Sarajevo	HVB Central profit banka Sarajevo merged to UniCredit Zagrebačka banka BiH	Q1 2008
	HVB banka d.d. Sarajevo	Merger with Central Profit banka into HVB Central Profit banka d.d. Sarajevo	Q4 2004
	Central Profit banka d.d. Sarajevo	Merger with HVB banka d.d. Sarajevo into HVB Central Profit banka d.d. Sarajevo	Q4 2004
	Travnička banka d.d. Travnik	Merged to Central Profit banka d.d. Sarajevo	Q4 2002
5	UniCredit Bank a.d. Banja Luka	Nova Banjalučka banka a.d. Banja Luka changed its name	Q2 2008
	Nova Banjalučka banka a.d. Banja Luka	Merged to HVB group, continued its operations as a separate legal entity	Q4 2005
	Banjalučka banka a.d. Banja Luka	Privatised and changed its name into Nova Banjalučka banka a.d. Banja Luka	Q1 2002
6	Addiko Bank d.d. Sarajevo		
	Hypo Alpe Adria Bank d.d. Mostar	Hypo Alpe Adria Bank d.d. Mostar changed its name and seat	Q4 2016
7	Addiko Bank a.d. Banja Luka		
	Hypo Alpe Adria Bank a.d. Banja Luka	Hypo Alpe Adria Bank a.d. Banja Luka changed its name	Q4 2016
	Kristal banka a.d. Banja Luka	Kristal banka a.d. Banja Luka changed its name	Q3 2003
8	ASA banka d.d.Sarajevo		
	ASA banka Naša i snažna d.d.Sarajevo	Merged to ASA bank d.d. Sarajevo	Q4 2022
	ASA banka Naša i snažna d.d.Sarajevo	Sberbank BH d.d. Sarajevo changed the ownership in the process of restructuring.	Q2 2022
	Vakufska banka d.d. Sarajevo	Merged to ASA bank d.d. Sarajevo	Q4 2021
	Investiciono komercijalna banka (IKB) d.d. Zenica	IKB d.d. Zenica changed its name and seat into ASA banka d.d. Sarajevo	Q4 2016
	MOJA banka d.d. Sarajevo	MOJA banka d.d. Sarajevo merged with Investiciono komercijalna banka d.d. Zenica	Q3 2016
	FIMA banka d.d. Sarajevo	Changed its name into MOJA banka d.d. Sarajevo	Q4 2010
	VABA banka d.d. Sarajevo	Changed its name into FIMA banka d.d. Sarajevo	Q3 2007
	Validus banka d.d. Sarajevo	Changed its name into VABA banka d.d. Sarajevo	Q1 2007
	Ljubljanska banka d.d. Sarajevo	Established Validus banka took over a part of assets and liabilities of Ljubljanska banka d.d. Sarajevo	Q3 2006
	ASA banka Naša i snažna d.d.Sarajevo	Sberbank d.d. Sarajevo changed the name into ASA banka Naša i snažna d.d.Sarajevo	Q2 2022
	Sberbank d.d. Sarajevo	ASA Finance d.d. Sarajevo became the owner of Sberbank d.d. Sarajevo	Q1 2022
	Sberbank d.d. Sarajevo	Volksbank d.d. Sarajevo changed the name into Sberbank d.d. Sarajevo	Q1 2013
	Volksbank d.d. Sarajevo	Sberbank group aquired Volksbank d.d Sarajevo	Q1 2012
9	Komercionalno investiciona banka (KIB) d.d. Velika Kladuša		
10	NLB Banka d.d. Sarajevo		
	NLB Tuzlanska banka d.d. Tuzla	NLB Tuzlanska banka d.d. Tuzla changed its seat and name into NLB Banka d.d. Sarajevo	Q1 2012
	Tuzlanska banka d.d. Tuzla	Tuzlanska banka d.d. Tuzla changed its name into NLB Tuzlanska banka d.d.	Q3 2006
	Comercebank bančna skupina NLB d.d. Sarajevo	Merged to Tuzlanska banka d.d. Tuzla	Q3 2006
11	NLB Banka a.d. Banja Luka		
	NLB Razvojna banka a.d. Banja Luka	NLB Razvojna banka a.d. Banja Luka changed its name into NLB a.d. Banja Luka	Q4 2015
	LHB banka a.d. Banja Luka	Merger with Razvojna banka jugoistočne Evrope into NLB Razvojna banka a.d. BL	Q2 2006
	Razvojna banka jugoistočne Evrope a.d. Banja Luka	Merger with LHB banka a.d. Banja Luka into NLB Razvojna banka a.d. Banja Luka	Q2 2006
12	Raiffeisen Bank d.d. BiH, Sarajevo		
	Raiffeisen Bank HPB d.d. Mostar	Merged to Raiffeisen banka d.d. Sarajevo	Q1 2003
13	ProCredit Bank d.d. Sarajevo	Microenterprise bank d.d. Sarajevo changed its name into ProCredit Bank	Q4 2003

Number	Bank	Type of change	Date of change
14	ZiraatBank BH d.d. Sarajevo	Turkish Ziraat Bank Bosnia d.d. Sarajevo changed its name into Ziraat Bank BH	Q1 2013
15	Union banka d.d. Sarajevo		
16	Atos bank a.d. Banja Luka	Sberbank a.d. Banja Luka changed its name into Atos bank a.d. Banja Luka	Q2 2022
	Sberbank a.d. Banja Luka	Nova banka a.d. Banja Luka became owner of Sberbank a.d. Banja Luka, in the process of restructuring.	Q2 2022
	Sberbank a.d. Banja Luka	Volksbank a.d. Banja Luka changed its name	Q1 2013
	Volksbank a.d. Banja Luka	Sberbank group acquired Volksbank a.d. Banja Luka	Q1 2012
	Zepter Komerc banka a.d. Banja Luka	Became a member of Volksbank International AG, changed its name into Volksbank a.d. BL	Q3 2007
17	Intesa Sanpaolo banka d.d. BiH		
	UPI banka d.d. Sarajevo	Changed its name into Intesa Sanpaolo banka d.d. BiH	Q3 2008
	LT Gospodarska banka d.d. Sarajevo	Merged to UPI banka d.d. Sarajevo	Q3 2007
	Gospodarska banka d.d. Sarajevo	Merger with LT Komercijalna banka Livno into LT Gospodarska banka d.d. Sarajevo	Q1 2003
	LT Komercijalna banka d.d. Livno	Merger with Gospodarska banka Sarajevo into LT Gospodarska banka d.d. Sarajevo	Q1 2003
18	Nova banka a.d. Banja Luka	Nova banka a.d. Bijeljina changed its seat	Q3 2007
	Agroprom banka a.d. Banja Luka	Merged to Nova banka a.d. Bijeljina	Q1 2003
19	Naša banka a.d. Banja Luka		
	Naša banka a.d. Bijeljina	Changed its name into Naša banka a.d. Banja Luka	Q2 2024
	Pavlović International Banka a.d. Slobomir Bijeljina	Changed its name into Naša banka a.d. Bijeljina	Q4 2019
	Privredna banka a.d. Doboj	Merged to Pavlović International banka	Q2 2003
	Privredna banka a.d. Brčko	Merged to Pavlović International banka	Q4 2002
	Semberska banka a.d. Bijeljina	Merged to Pavlović International banka	Q4 2001
20	Banka Poštanska štedionica a.d. Banja Luka		
	Komercijalna banka a.d. Banja Luka	Komercijalna banka changed its name into Banka Poštanska štedionoca a.d. Banja Luka	Q1 2022
	Komercijalna banka a.d. Banja Luka	Banka Poštanska štedionica a.d. Beograd bought Komercijalna banka a.d. Banja Luka	Q4 2021
21	MF banka a.d. Banja Luka		
	IEFK banka a.d. Banja Luka	Changed its name into MF banka a.d. Banja Luka	Q3 2010

Banks with revoked operating licence since 2002		Date of change
1	Camelia banka d.d. Bihać	Q1 2002
2	Privredna banka a.d. Gradiška	Q1 2002
3	Ekvator banka a.d. Banja Luka	Q1 2002
4	International Commercial Bank Bosnia d.d. Sarajevo	Q3 2002
5	Banka za jugoistočnu Evropu Banja Luka	Q4 2002
6	Privredna banka a.d. Srpsko Sarajevo	Q4 2004
7	Gospodarska banka d.d. Mostar	Q4 2004
8	Ljubljanska banka d.d. Sarajevo	Q3 2006
9	Hercegovačka banka d.d. Mostar	Q3 2012
10	Postbank BH Poštanska banka BiH d.d. Sarajevo	Q2 2013
11	Bobar banka a.d. Bijeljina	Q4 2014
12	Banka Srpske a.d. Banja Luka	Q2 2016
13	Vakufska banka d.d. Sarajevo	Q4 2021
14	ASA banka Naša i snažna d.d.Sarajevo	Q4 2022

ISSN 1840-4138

9 771840 413008