



The Federation of Bosnia and Herzegovina

Investor Presentation

July 2025



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Manufacturer target market (MIFID II and UK MIFIR product governance) is eligible counterparties and professional clients only (all distribution channels).

Presenters



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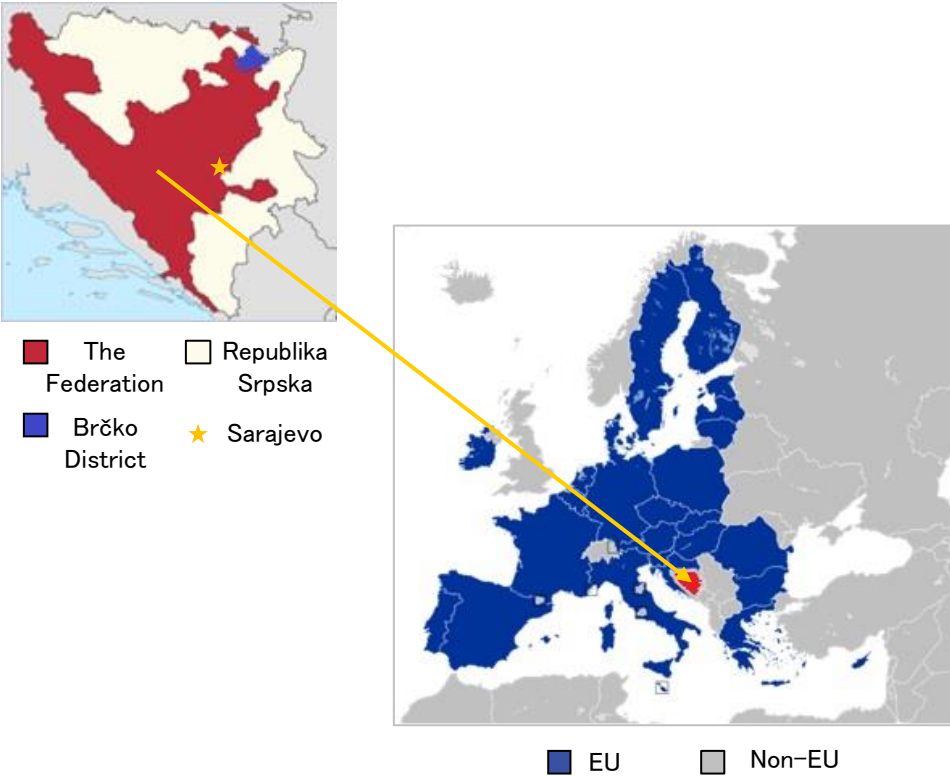
1 Overview of the Federation

The Federation at a glance



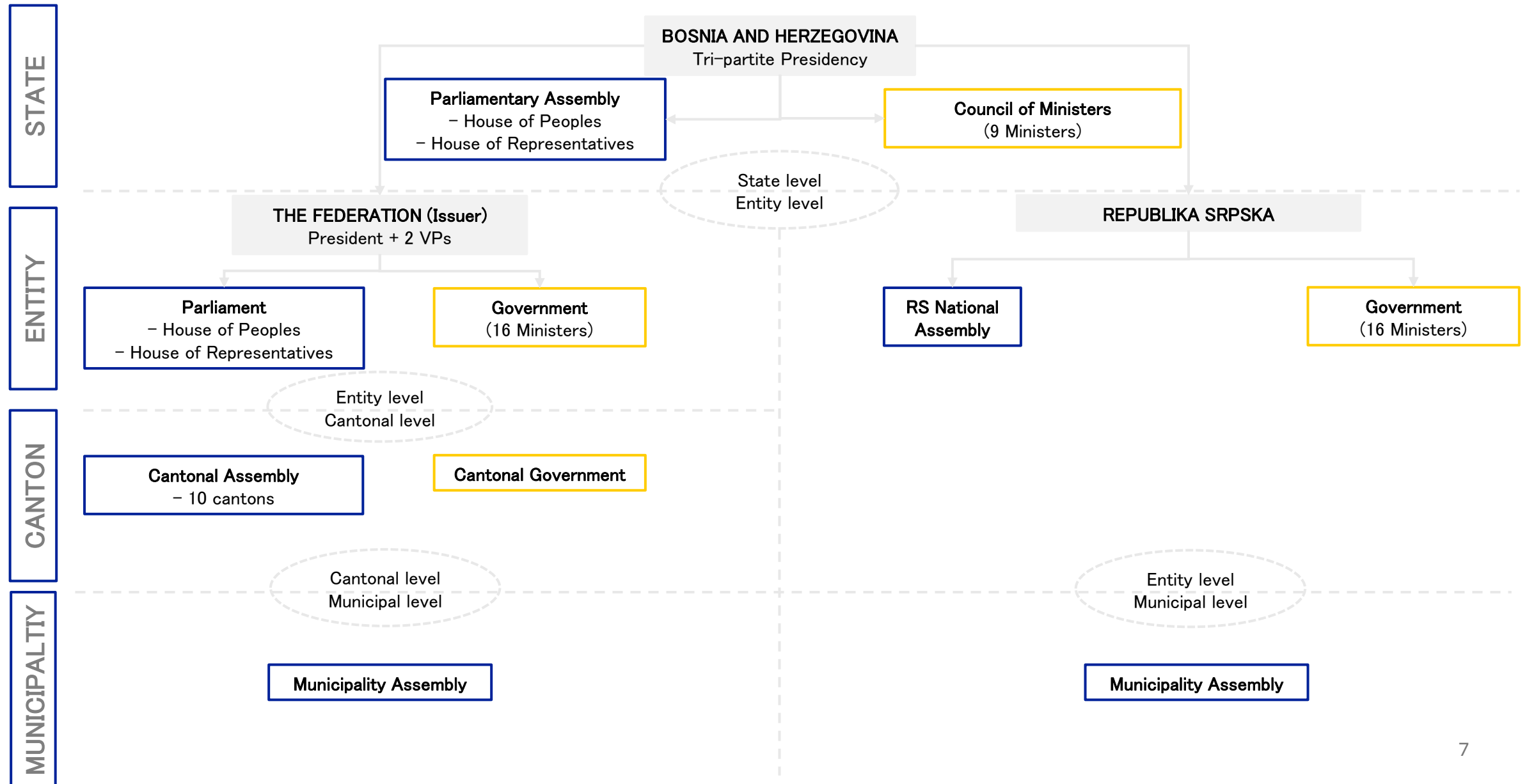
The Federation of Bosnia and Herzegovina (The Federation) is one of the two main constituent entities of Bosnia and Herzegovina, with its own autonomous legislative, judicial and executive functions

Territory	The Federation 26,610 km ² / 51% of BiH
Official languages	Bosnian, Croatian, Serbian
Population	2,144.748 / 63% of BiH
Currency	Convertible mark (BAM)
Exchange rate	Currency board (1 EUR = 1.95583 BAM)
Form of government	Parliamentary democracy
Nominal GDP <i>(2024)</i>	The Federation EUR 17,578 mn / BiH EUR 27,540 mn
Top 3 economic sectors (as % of GDP)	Wholesale and retail trade, repair of motor vehicles and motorcycles (16.5%), Manufacturing (13.2%), Public administration and defence (6.8%)
Real GDP growth rate <i>(2024)</i>	The Federation 2.8% / BiH 2.4%
GDP per capita <i>(2024)</i>	The Federation EUR 8,196 / BiH EUR 8,078
Total debt to GDP ⁽¹⁾ <i>(2024)</i>	The Federation 18.8% / BiH 25.7%
Credit ratings	Moody's B3 (stable outlook), S&P B+ (stable outlook) → in line with BiH ratings
EU accession status	BiH is EU accession candidate since Dec-22



Note: (1) Federation Government Obligated Total Debt

Bosnia & Herzegovina overview



Organizational structure of the Federation and responsibilities



The Federation is an administrative autonomous entity within BiH. The relations between the entities and their respective responsibilities are defined in the Constitution of BiH



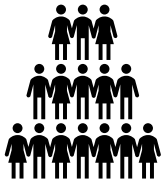
President

- Represents the Federation, responsible for nominating the Prime Minister for appointment; nominating the president and judges of the Federation's courts
- The President and two Vice Presidents are nominated by the Federation's House of Peoples and require a majority vote by the Federation's House of Representatives and the Federation's House of Peoples



Government

- Consists of the Prime Minister and 16 ministers
- Executing and enforcing laws and policies of the Federation, coordinating activities and formulating budgetary proposals of the ministries
- Maintains exclusive responsibilities vis-à-vis the Cantons for making economic policy, setting fiscal policy, financing activities of the Federation through taxation and borrowing



Parliament

- Legislative authority exercised by the Federation Parliamentary Assembly, composed of the House of Representatives and the House of Peoples → federal laws must be passed by both Houses
- Power to elect the President and Vice Presidents of the Federation, request to remove the President or Vice Presidents, approve the Federation Executive's cabinet, enact laws to exercise responsibilities of the Federation Government

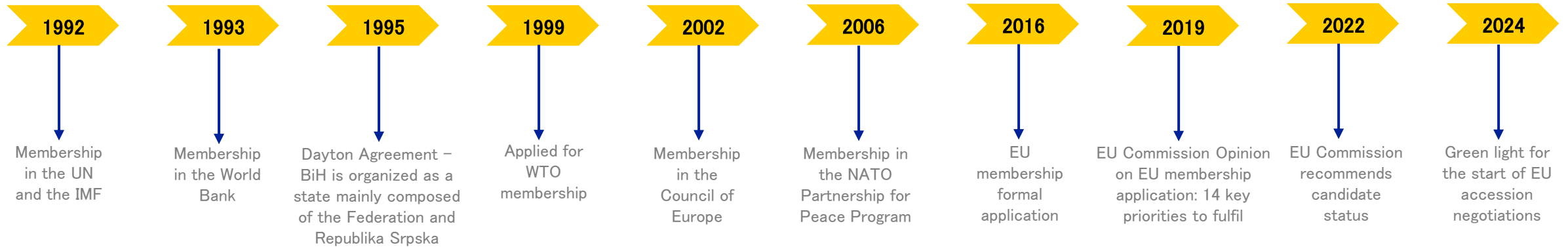
Strong Fiscal independence

- BiH has a decentralised fiscal system, with each entity in BiH afforded independence in determining its own fiscal policy and implementing laws on the budget system and budgets
- At the Federation level, budget preparation is prescribed by the Law on Budgets in the Federation and consists of two phases: the medium-term planning process (development of framework budget document) and the annual Federation Government budget development process
- The budget calendar defines the deadlines for preparation, drafting and adoption of the budget. The Federal Ministry of Finance is responsible for planning the budget of the Federation

Historical developments and EU accession



Key milestones of BiH



BiH is committed to an EU path and to making progress towards EU accession

Commission Opinion on BiH application for EU membership (from May 2019) includes **14 key priorities** which are, among others:

- Political criteria
- Economic criteria
- Rule of law
- Fundamental rights
- Public administration reform

In March 2024, the **European Commission published a report on progress** in BiH regarding EU accession, highlighting key areas of progress and reform implementation:

- ✓ Full alignment with the EU Common Foreign and Security Policy (CFSP)
- ✓ Implementation of the action plan on public administration reform and public finance management strategy
- ✓ The Program of Economic Reforms 2024 – 2026 was adopted
- ✓ The Working Team for the Growth Plan Reform Agenda was appointed
- ✓ The Global Framework of Fiscal Balance and Policy in BiH for 2024–2026 was adopted on the State level

Key investment highlights



Growing Economy

- **Real GDP growth** of 2.8% in 2024 in line with regional peers
- Positive labour market trends with **decreasing unemployment rates**
- **Diversified economy** with **two largest sectors** contributing to c. 30% of GDP⁽¹⁾



Structural Reforms

- **Advancing reforms** in line with 1) Development Strategy of the Federation 2021 – 2027 and 2) Economic Reform Program 2025 – 2027
- Aligning laws and policies with the objective to join the EU. **BiH is EU accession candidate since Dec-22**
- AML and Anti-Corruption measures taken, including **adopting a new Law on AML and CFT** in Feb-24 and **Strategy for Fighting Corruption** in Jun-24



Financial Stability

- Maintaining and preserving **currency board** with pegged EUR/BAM exchange rate since Sep-02
- **Robust banking sector capitalization** with 13 banks (under Basel III, mostly foreign ownership) with capital ratios well above regulatory requirements (19.3% in 2024), **high liquidity ratios** (LCR at 254% in 2024) and **falling NPL levels** (3.0% in 2024 vs 6.4% in 2020)
- Consistent **growth of net foreign exchange reserves** by more than **27%** since 2020



Fiscal Responsibility

- One of the **lowest total debt/GDP⁽²⁾** ratios in Europe (18.8% in 2024) on the back of prudent debt management and developed local markets (**domestic treasury yield curve** extending to **2035**)
- **Federation Government Obligated Total Debt** fell from **26.3%** in 2020 to **18.8%** in 2024
- Running a balanced **budget** with a **surplus** of 1.36% of GDP in 2021 and 1.52% in 2022 and a **small deficit** of 0.22% of GDP in 2023 and 0.16% in 2024
- **Growing tax revenues** base (60% growth from 2020) while keeping spending under control

Note: ⁽¹⁾ Wholesale and retail trade, repair of motor vehicles and motorcycles 16.5% and Manufacturing 13.2% in 2024

⁽²⁾ Federation Government Obligated Total Debt

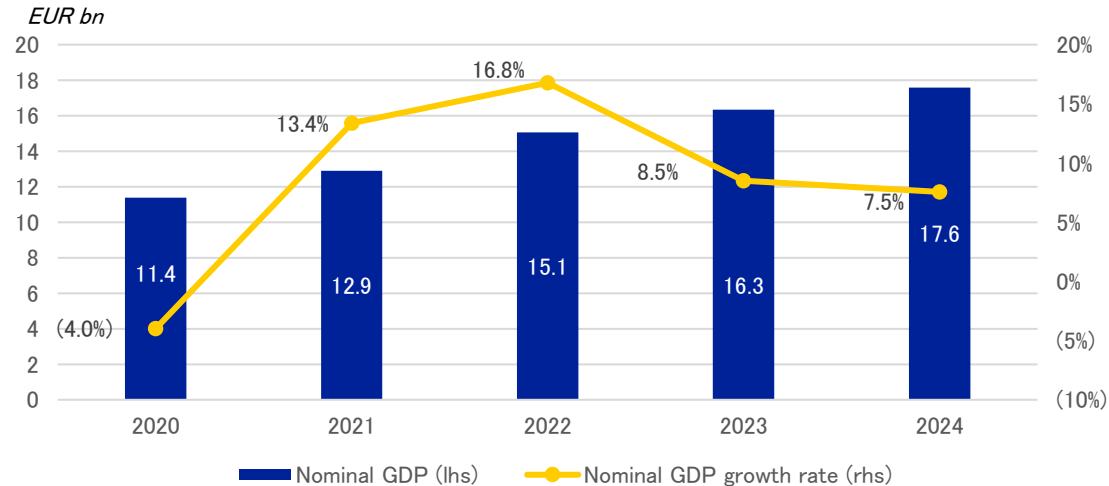


2 Macroeconomic performance of the Federation economy

Growing and diversified economy

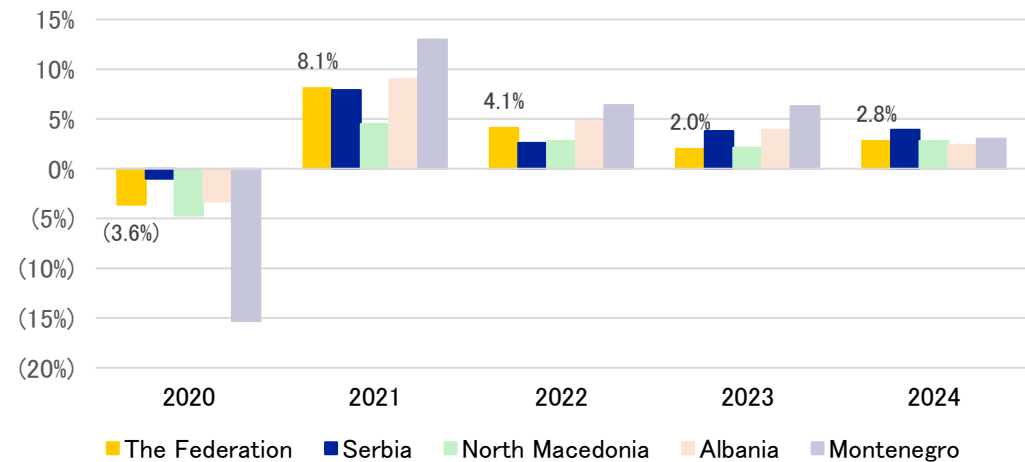


Growing economy...



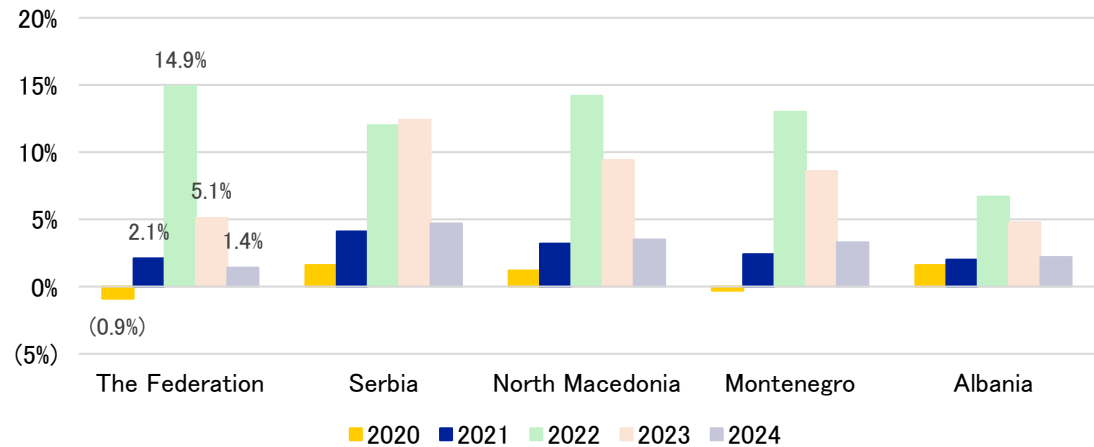
Source: Federal Institute for Statistics of the Federation

...with real GDP growth in line with regional peers



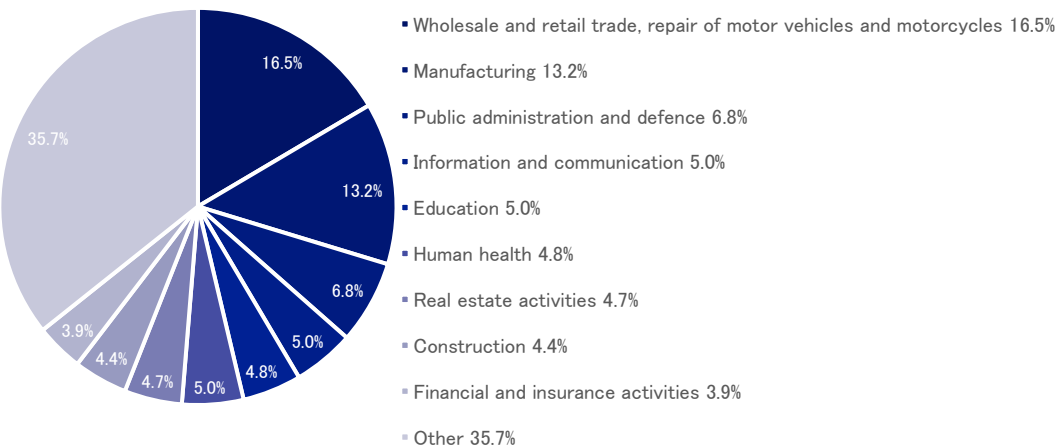
Source: relevant statistics offices and central banks of presented countries

Inflation on a downward trend and generally lower vs. regional peers



Source: relevant statistics offices and central banks of presented countries

Key economy sectors as % of GDP in 2024

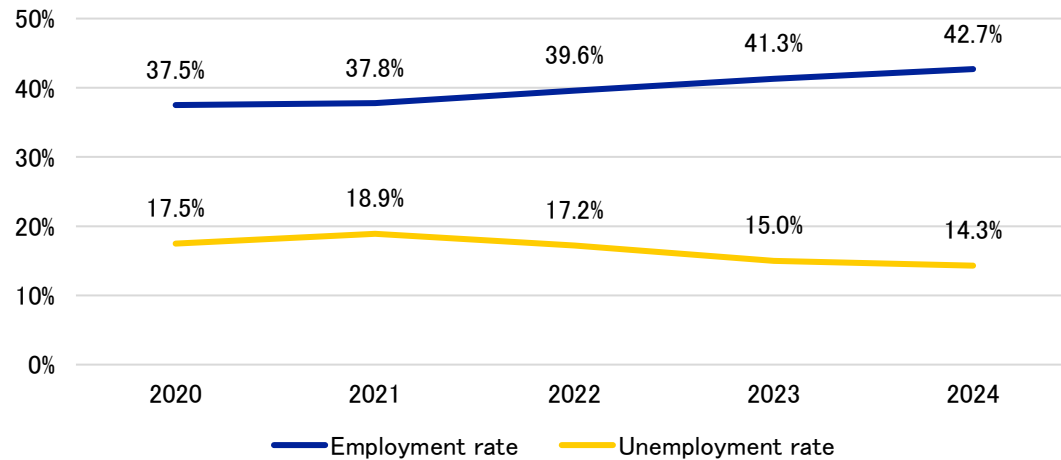


Source: Federal Institute for Statistics of the Federation

Strong wage growth and improving employment outlook

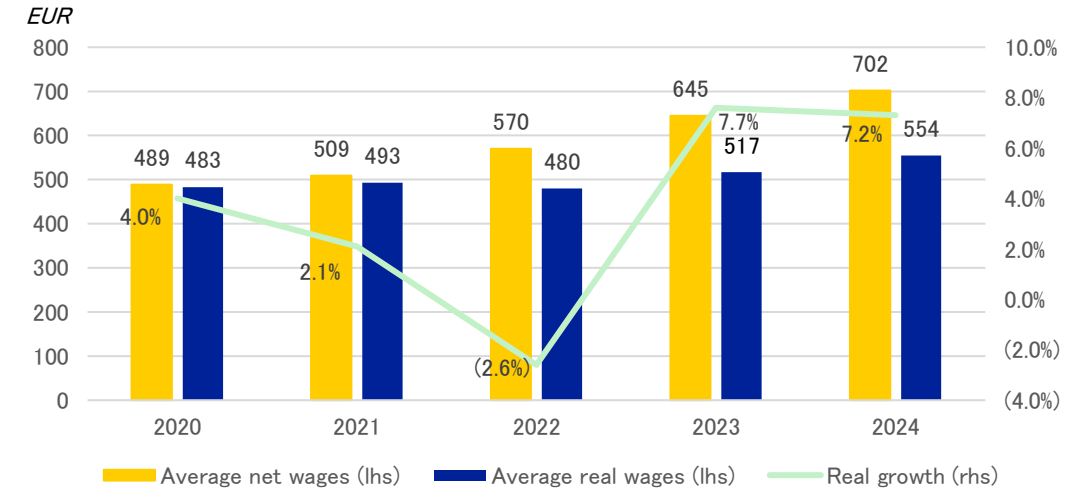


Positive labour market trends



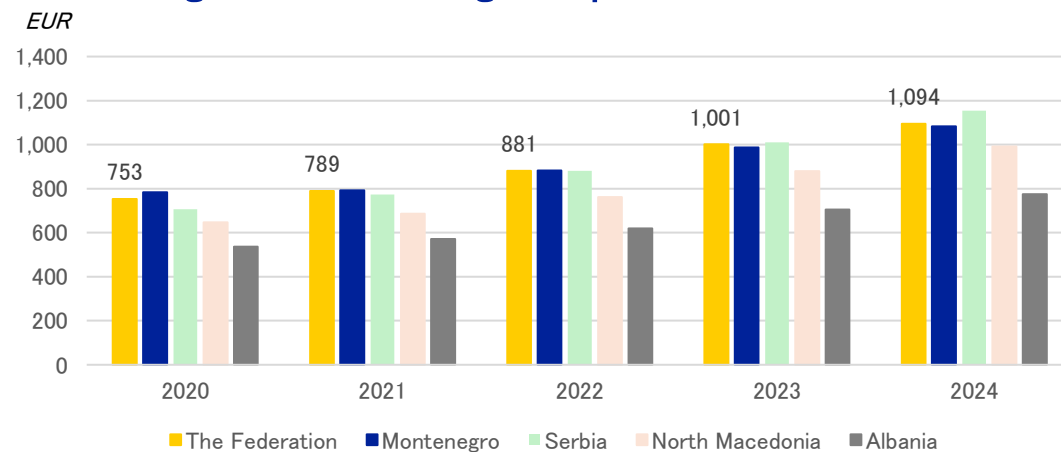
Source: Federal Institute for Statistics of the Federation

Wages are increasing



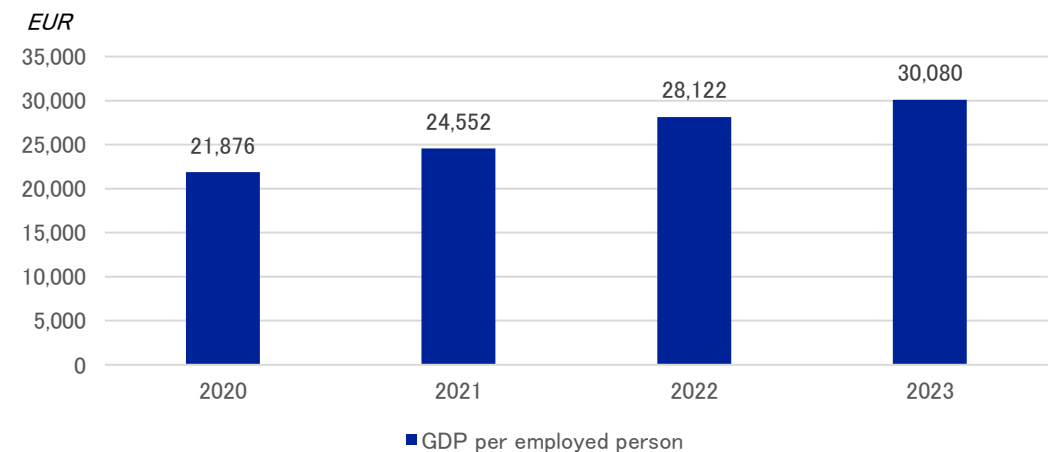
Source: Federal Institute for Statistics of the Federation

Gross wages similar to regional peers



Source: relevant statistics offices and central banks of presented countries

Rising productivity in GDP per employed person



Source: Development programming institute of the Federation

Economic Reform Program 2025 – 2027 (1/2)



The ERP is one of the most important documents in the fulfilment of the economic criteria for EU membership, as it sets out BiH's macroeconomic framework, fiscal goals and strategic objectives



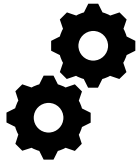
Core aims

- ✓ Macroeconomic stability
- ✓ Containing inflation
- ✓ Reduction of foreign trade deficit
- ✓ Growing revenue base



Key takeaways

- ✓ Establishing a functioning market economy
- ✓ Macroeconomic framework and fiscal indicators 2025 – 2027



Main drivers

- ✓ Private consumption and investment → increased revenues
- ✓ Responsible fiscal policy with cautious fiscal planning



Policy activities

- ✓ Global Fiscal Framework, public investment management, tax collection system
- ✓ Publicly owned enterprises management, strengthening of analytical capacities and statistics
- ✓ Improvement of price statistics, Central Bank independence and integrity safeguard

Economic Reform Program 2025 – 2027 (2/2)



BiH is currently actively implementing the recommendations contained in the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye

Activities

- 1.1 Adopt the Global Fiscal Framework to provide effective guidelines for budget preparation of all budgetary entities
- 1.2 Increase the share of government capital overlays in GDP by adopting measures that improve public investment management
- 1.3 Improve effective data exchange on taxpayers between tax authorities
- 2.1 Estimate of fiscal risks and contingencies associated with publicly owned enterprises and concrete policy measures to manage such risks
- 2.2 Strengthen the analytical capacities of all institutions responsible for fiscal accounting and planning
- 2.3 Strengthen the country's capacity in the areas of macroeconomic statistics, regional accounts, labour force surveys
- 3.1 Improvement of price statistics, including timely publication of CPI weights and development of core inflation series
- 3.2 Continue to safeguard the integrity of the currency board arrangement and the independence of the Central Bank

Development Strategy of the Federation 2021 – 2027



The Strategy is an integrated, multi-sectoral document which outlines the public policy priorities and directs the socio-economic development of the Federation

1. Accelerated economic development	2. Prosperous and inclusive social development	3. Resource efficient and sustainable development	4. Transparent, responsible and efficient public sector
<ul style="list-style-type: none">i. Increasing of economy digitalizationii. Supporting the transfer and development of technologyiii. Supporting the development of the business and private sectoriv. Supporting export and development of products with more added value	<ul style="list-style-type: none">i. Improving of education systemii. Improving of healthcare systemiii. Mitigating demographic trends of an ageing population, improving stability of families, and youth opportunitiesiv. Reducing inactivity and unemployment, especially long-termv. Reducing poverty and social exclusion	<ul style="list-style-type: none">i. Improving the protection and use of natural resourcesii. Improving air qualityiii. Increasing energy efficiencyiv. Starting the implementation of energy transitionv. Encouraging the development of rural areasvi. Increasing resilience to crises	<ul style="list-style-type: none">i. Improving the rule of lawii. Putting public administration at the service of citizensiii. Promoting accountability in the area of public finances



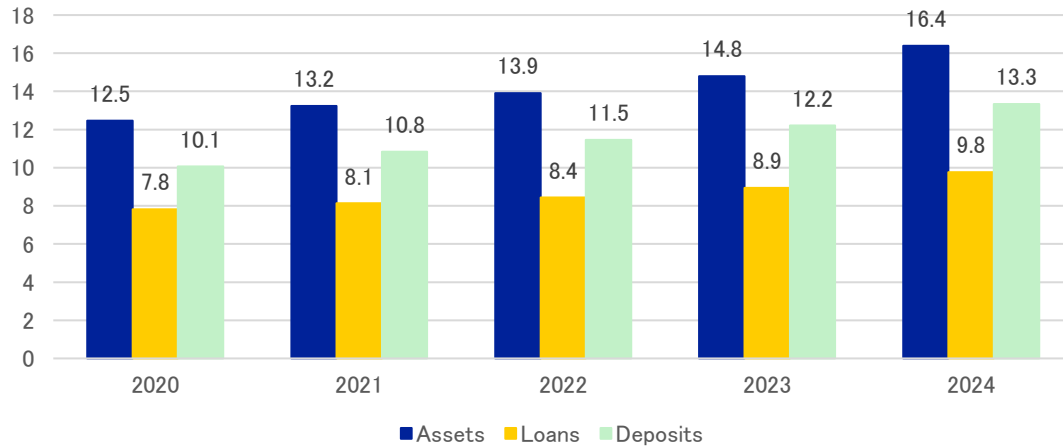
3 Financial system and external position

Positive momentum in the banking sector



Key aggregate data showing growth

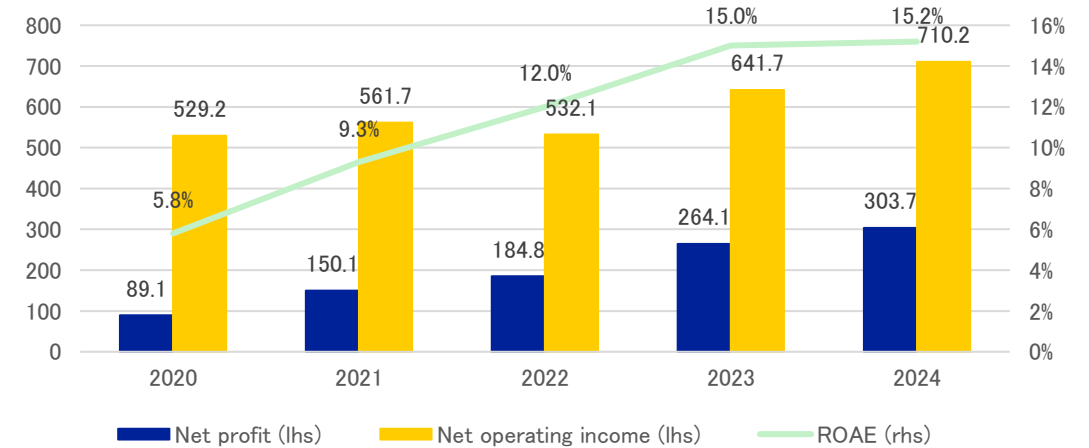
EUR bn



Source: Banking Agency of the Federation

Positive overall financial results

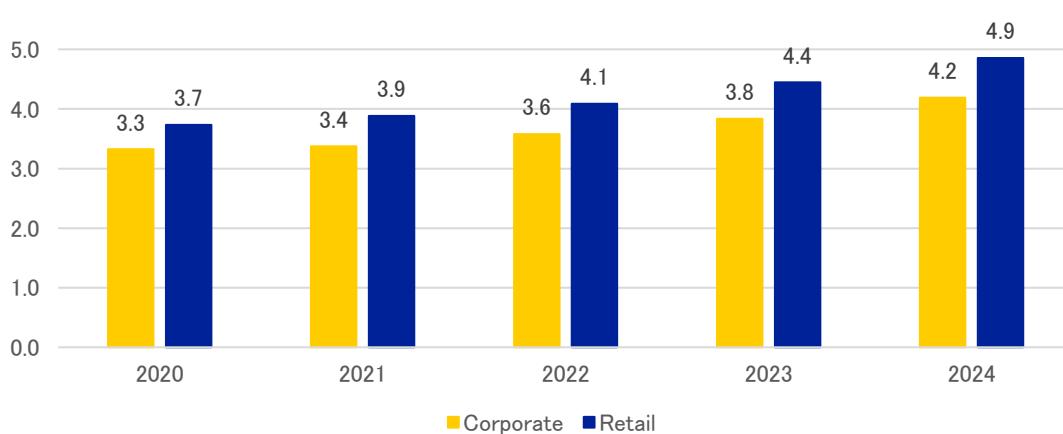
EUR mn



Source: Banking Agency of the Federation

Rising loans both in corporate and retail segments

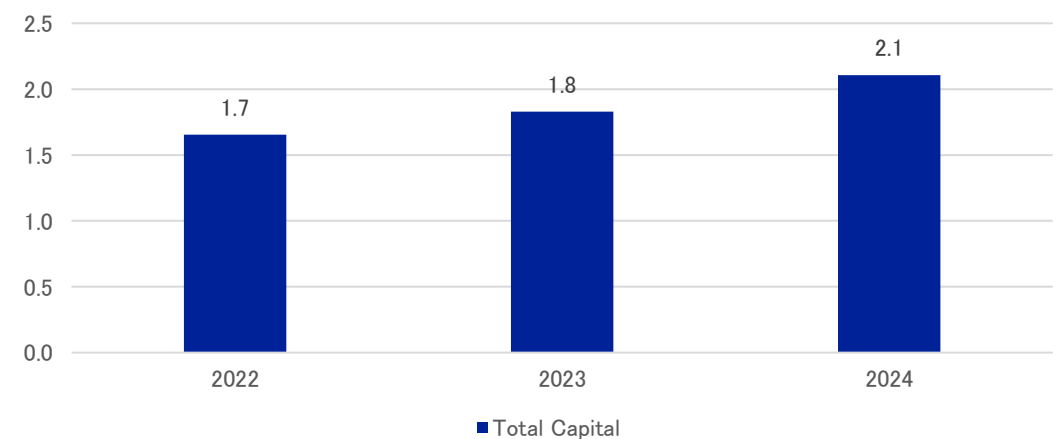
EUR bn



Source: Banking Agency of the Federation

Rise of total capital in the banking sector

EUR bn

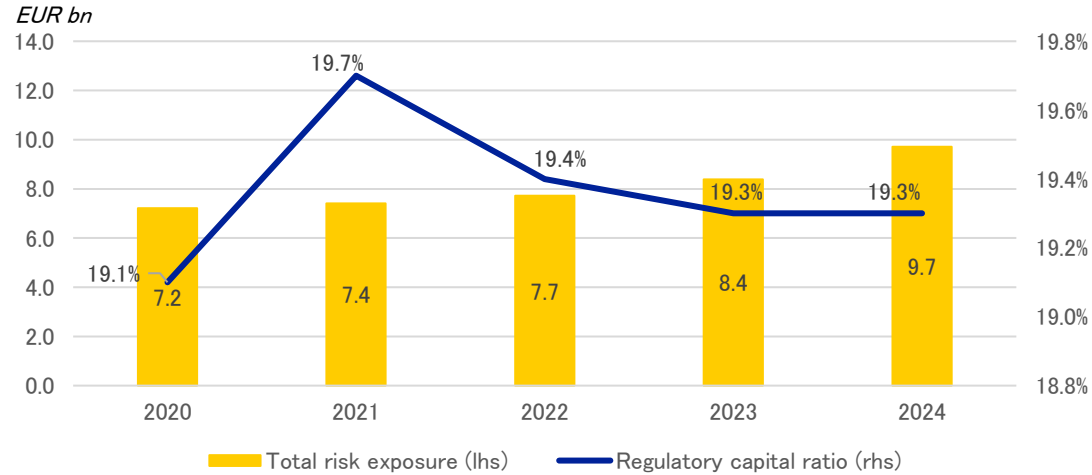


Source: Banking Agency of the Federation

Well capitalised and liquid banking sector with falling NPLs

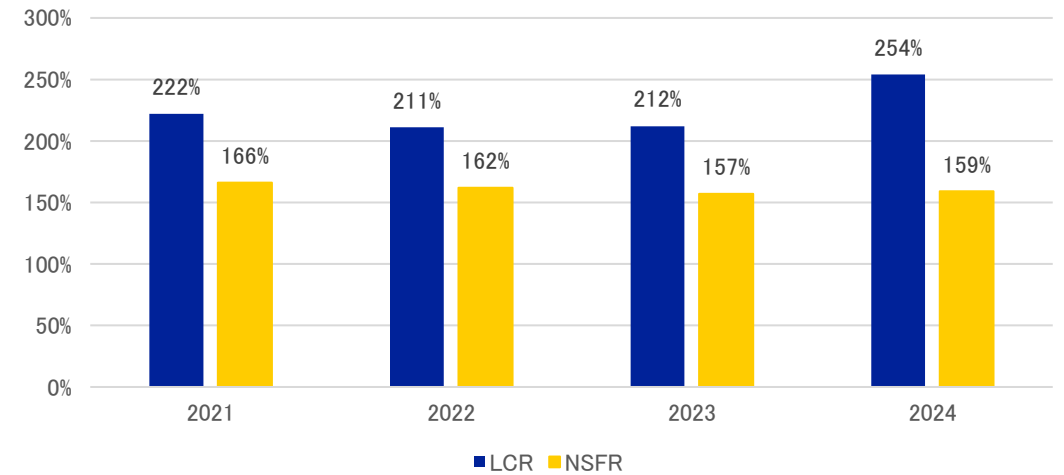


Stable capital adequacy of the banking sector



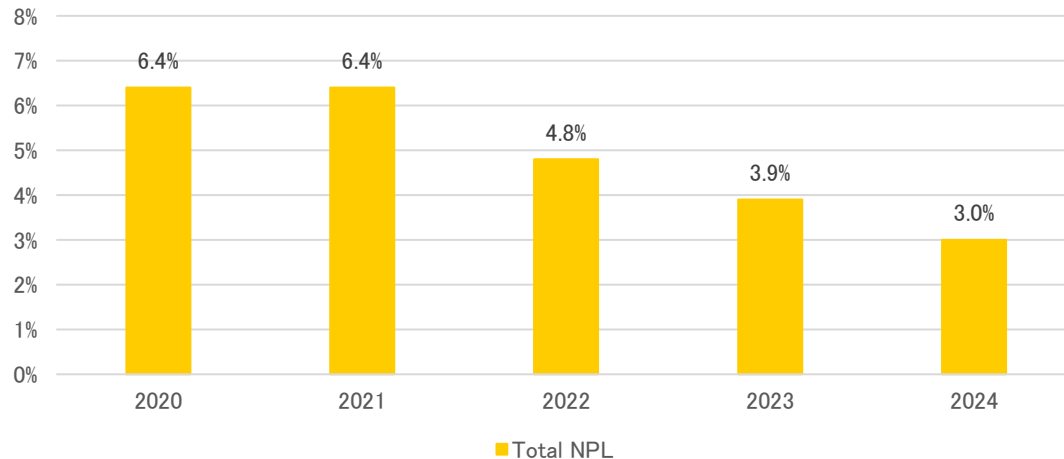
Source: Banking Agency of the Federation

Robust liquidity indicators for banking stability



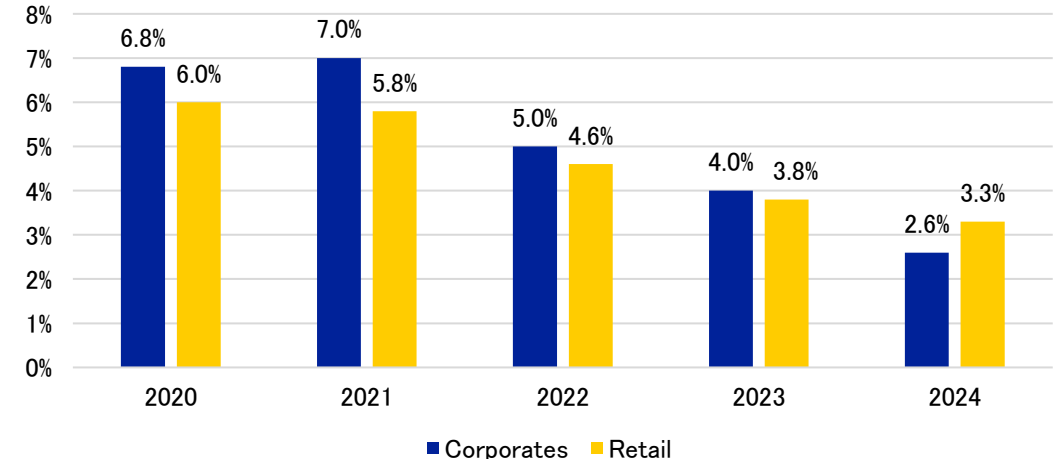
Source: Banking Agency of the Federation

Significant decline of total NPLs



Source: Banking Agency of the Federation

Falling NPLs levels for corporates and retail

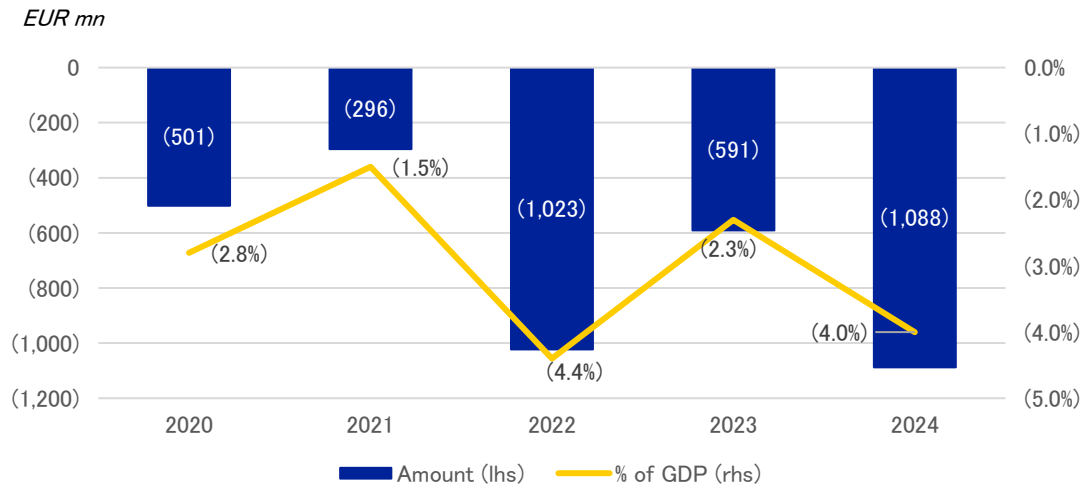


Source: Banking Agency of the Federation

Moderate current account deficits with sustainable external position

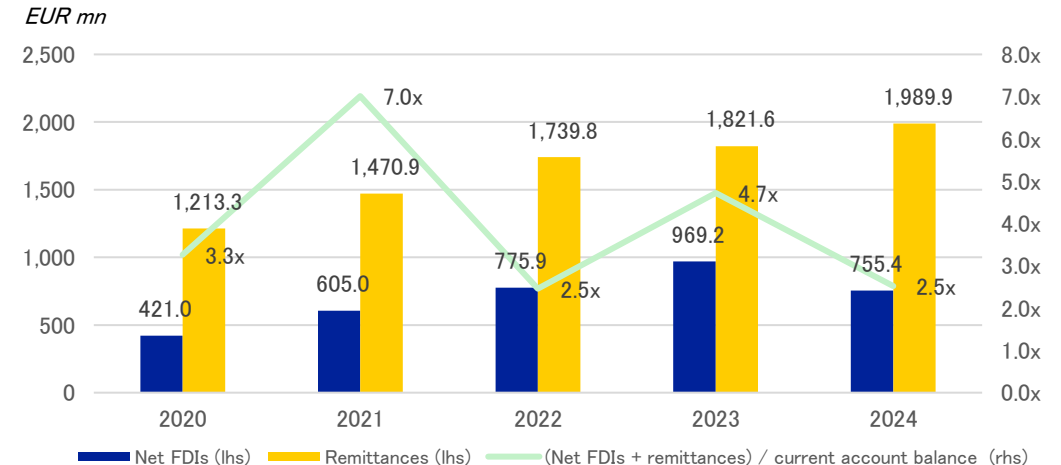


Contained BiH current account deficit...



Source: Central Bank

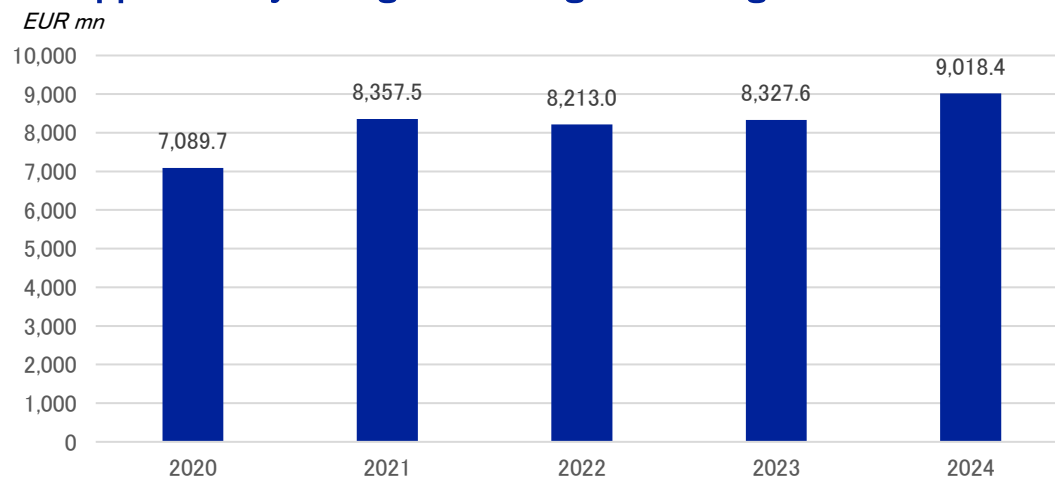
... amply covered by remittances and FDI...



Source: Central Bank

Note: Net FDI data as at 30-Sep-24; a sum of net FDI + remittances divided by current account balance gives multiples coverage on right hand side of the graph

... supported by rising net foreign exchange reserves



Source: Central Bank

Note: Balance of payments data only available at the BiH level

- BiH has ran a moderate (average of 3% of GDP) current account deficit for the past years, largely attributable to high domestic demand for imports and fluctuations in income from exports
- The current account deficit is largely covered (4x average coverage) by net FDI and remittances, reflecting the sustainability of BiH's external position
- This is also reflected in the steady build-up of net foreign exchange reserves, which support the Central Bank's currency board arrangement

Key foreign trade partners: an overview



Germany Trade: EUR 2.18 bn

Relations between BiH and Germany were established in 1992 through the Regional Cooperation Council and Germany has since played an important role in BiH's economic development. The political dialogue between the two countries is regular and constructive, focused on bilateral cooperation, further EU-integration and economic issues.

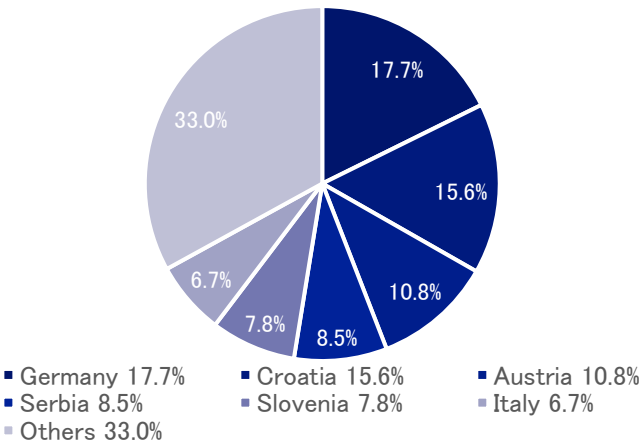
Croatia Trade: EUR 1.69 bn

The Federation and BiH have good relations with Croatia overall. As neighbours, the two countries maintain relations on a wide range of security, economic, environmental and migration issues. In terms of trade, Croatia is an important external trade partner of the Federation.

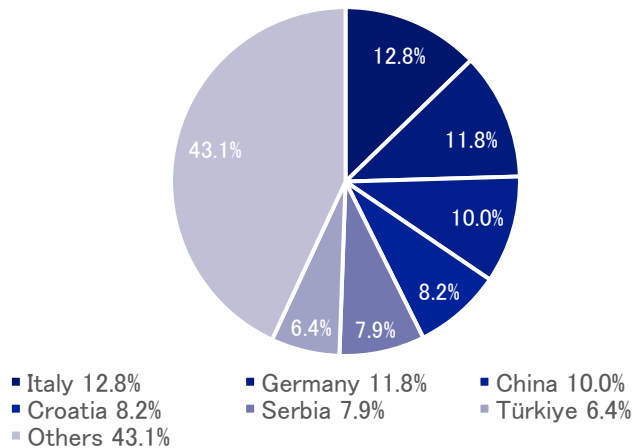
Italy Trade EUR 1.68 bn

Italy has strong economic relations with BiH and the Federation. The presence of major Italian banks that have direct investments or control of subsidiaries is significant for the support of further Italian investments in BiH and the Federation.

Structure of export by country, 2024



Structure of import by country, 2024



Serbia Trade: EUR 1.28 bn

BiH has strong relations with Serbia. As neighbours, the two maintain relations on a wide range of political, security, economic, environmental and migration issues.

Austria Trade: EUR 0.98 bn

Austria is one of BiH's and the Federation's key trading partners and a significant investor in BiH, particularly in sectors such as, banking, insurance, telecommunications and energy.

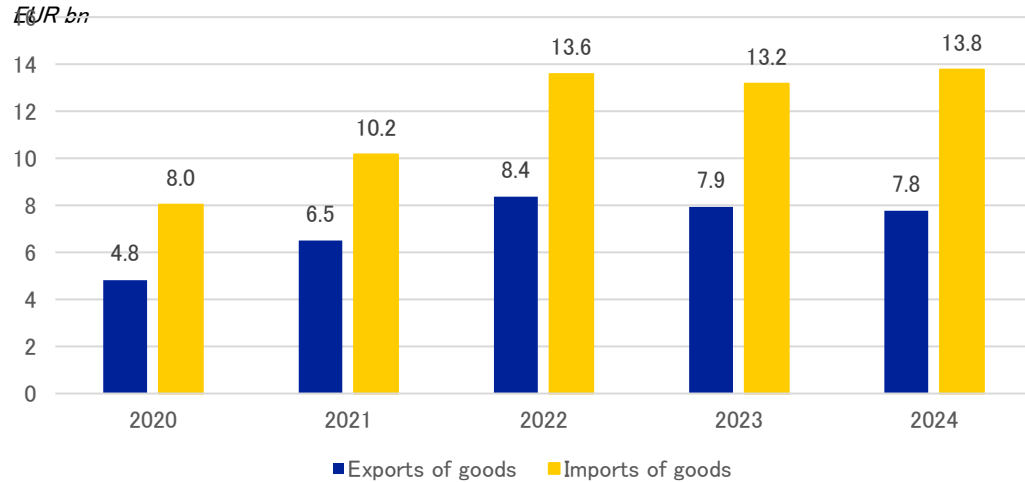
Slovenia Trade: EUR 0.8 bn

BiH and the Federation have strong political and economic relations with Slovenia which is an important bilateral partner for both foreign trade and infrastructure cooperation.

International trade expansion

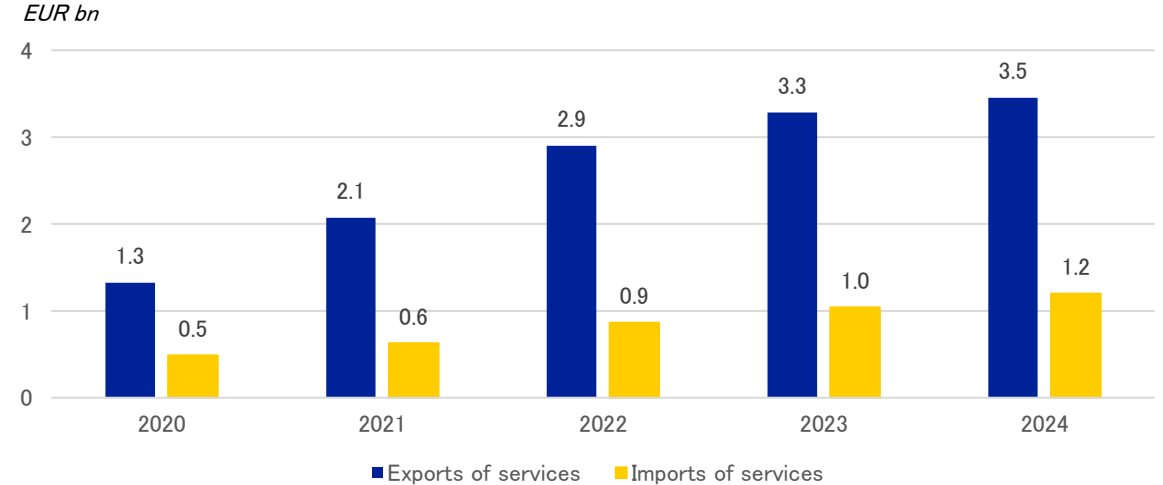


Stable levels of exports and imports of goods at BiH level



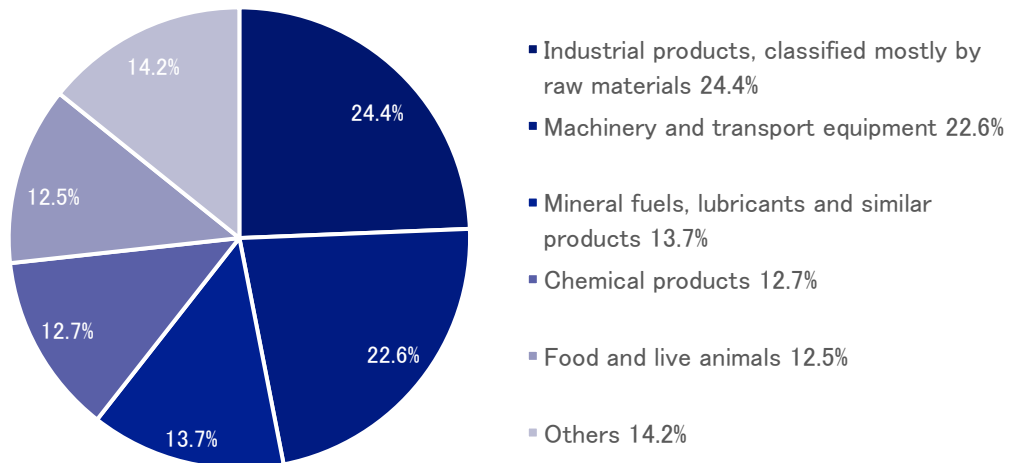
Source: Central Bank
Note: BiH state level data

Increasing levels of exports and imports of services at BiH level



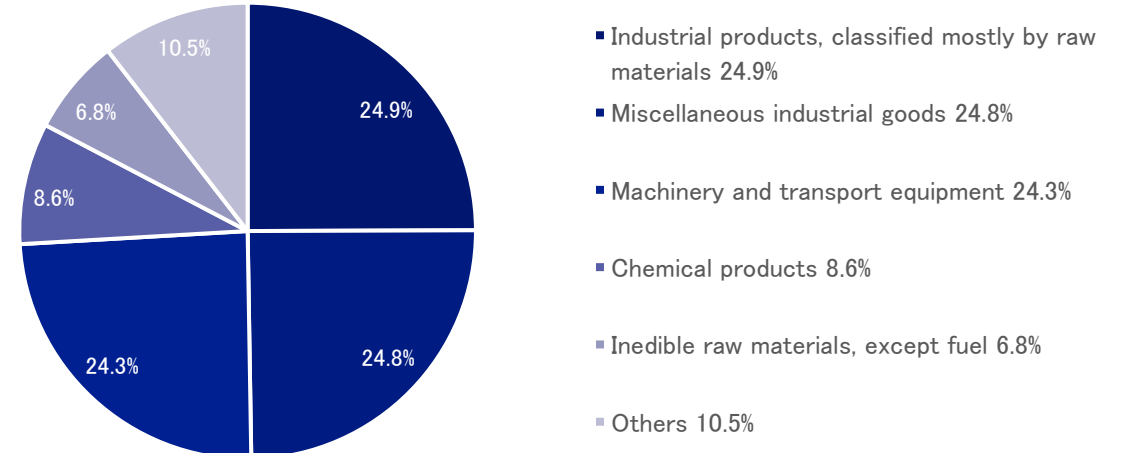
Source: Central Bank
Note: BiH state level data

Top 5 sectors in total exports in 2024



Source: Indirect Taxation Authority of BiH database

Top 5 sectors in total imports in 2024



Source: Indirect Taxation Authority of BiH database



4 Government debt and fiscal policy

Fiscal Rules and Debt Management Strategy



Fiscal Rules

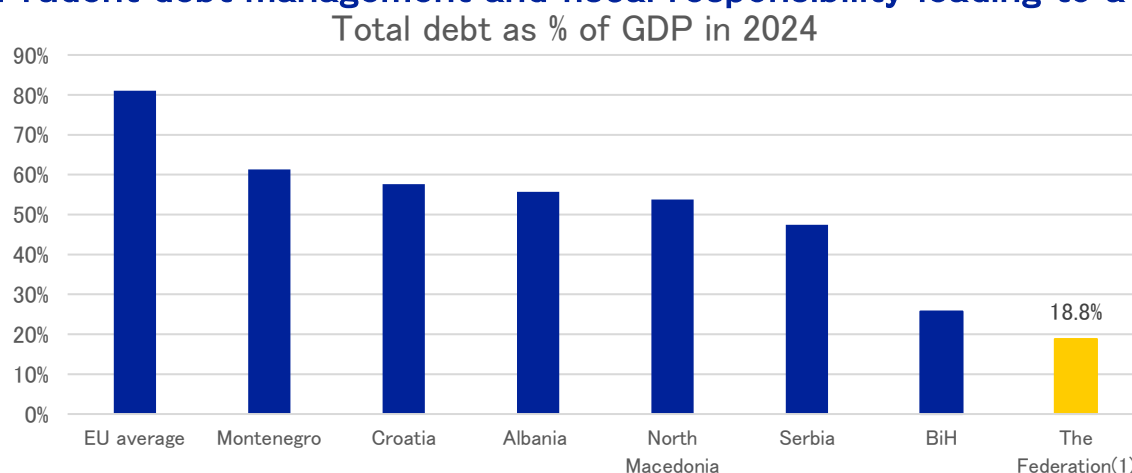
- ✓ In June 2025, the Federation approved the Law on Borrowing, Debt and Guarantees of the Federation of Bosnia and Herzegovina (the **"Federation Law on Borrowing"**), which established the procedural framework governing the incurrence of external debt by the Federation, including the issuance of the Notes⁽¹⁾
- ✓ The Federation's public debt is subject to a maximum limit of 60% of the Federation's GDP and any increases in the total public debt of the Federation above 58% of GDP require approval of the Federation Parliament
- ✓ If the public debt of the Federation reaches 50% of GDP, the Federal Ministry of Finance informs the Government within 30 days about reaching the debt limit and also proposes to the Government of the Federation measures to optimize public debt management

Note: (1) The legal system in the Federation remains in transition and is subject to greater risks and uncertainties than a more developed legal system, including in respect of new laws such as the Federation Law on Borrowing, which may subject the law and the Federation to challenge. See the Preliminary Offering Circular dated 7-Jul-25, and in particular, "Risk Factors—Risks Relating to the Notes" for more information.

Debt Management Strategy

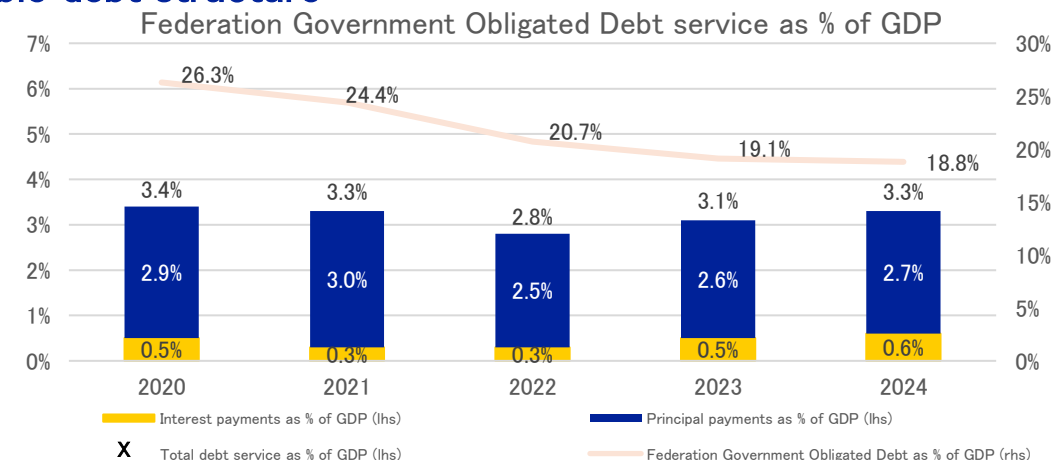
- ✓ Adopted by the Federation Government in Aug-24
- ✓ Main goals are securing funds to finance the Federation's needs with acceptable cost and risk levels and developing the domestic securities market by
 - Reducing currency risk
 - Maintaining the share of fixed interest rate debt
 - Extending the average time to maturity
 - Resetting interest rates
 - Limiting interest servicing costs

Prudent debt management and fiscal responsibility leading to a sustainable debt structure



Source: Federal Ministry of Finance, relevant statistics offices of selected countries

Note: (1) Federation Government Obligated Total Debt

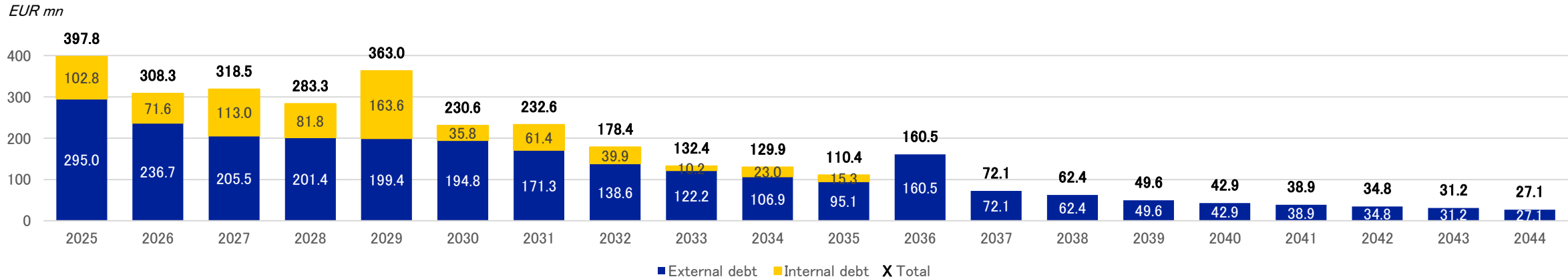


Source: The Central Bank, Federal Institute of Statistics, Federal Ministry of Finance

Well-distributed maturities and predictable repayments



Well distributed and diversified debt profile

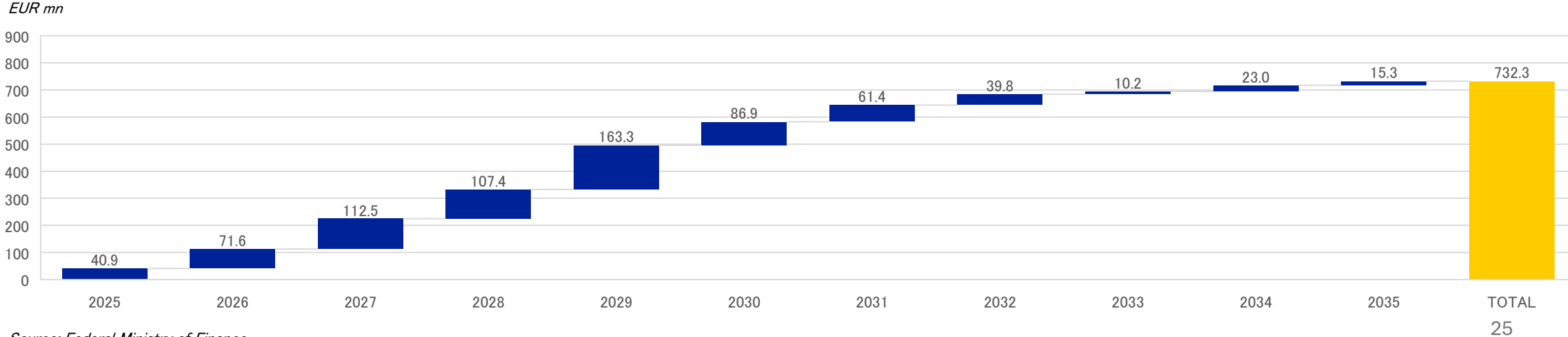


Source: Federal Ministry of Finance

External Debt – debt denominated in a currency other than the lawful currency of Bosnia and Herzegovina and borrowed from foreign creditors by (i) the Ministry of Finance and Treasury of Bosnia and Herzegovina for onlending to the Issuer; or (ii) the Issuer directly. For the avoidance of doubt, it includes the external debt for which the Issuer’s cantons, cities, municipalities, public enterprises and others are ultimate debtors and which the Issuer is obliged to settle

Internal Debt – debt denominated in the lawful currency of Bosnia and Herzegovina and owed to domestic creditors by the Issuer

Developed local treasury bond market with maturities extending to 2035

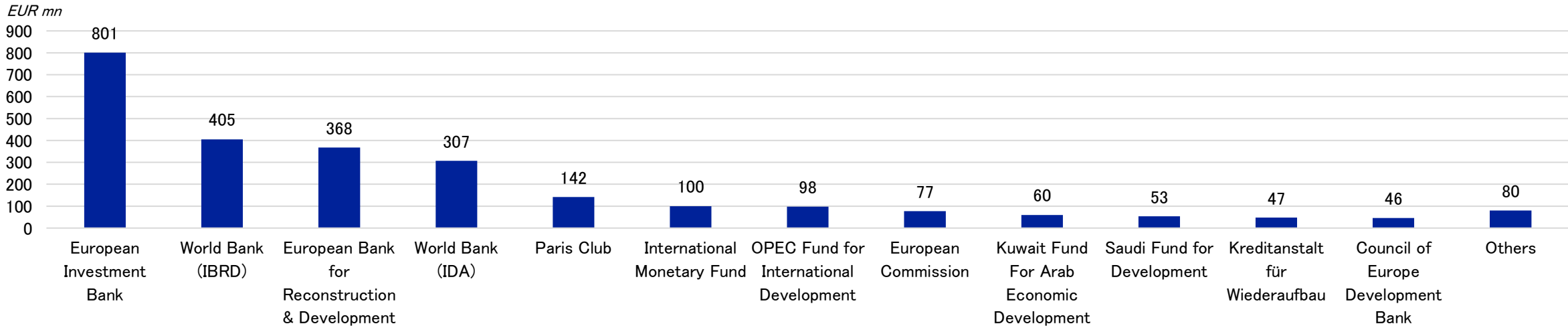


Source: Federal Ministry of Finance

Government debt: mostly in euros and external based

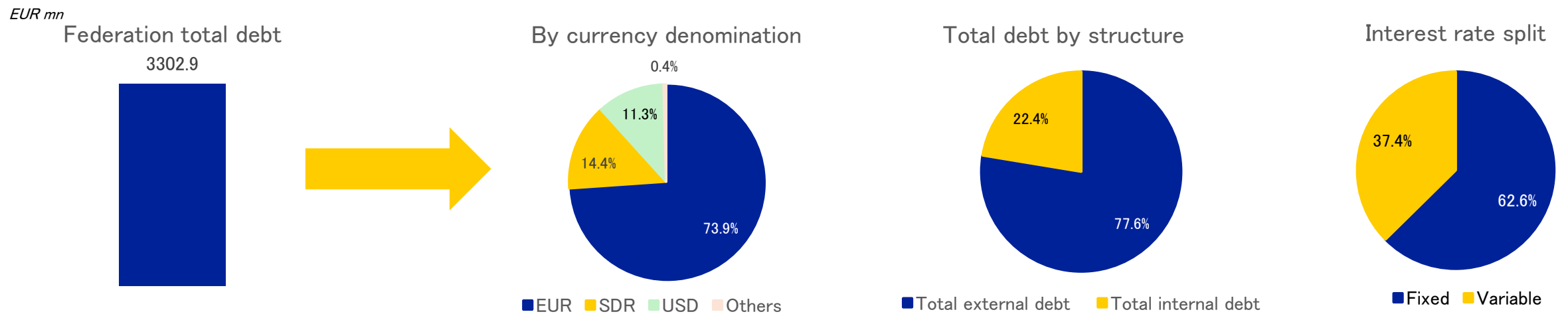


Balance of external debt by creditors as at 31-Dec-24



Source: Federal Ministry of Finance

Debt structure: predominantly euro and external based with the majority carrying fixed interest rate



Source: Federal Ministry of Finance

Note: External debt only

Continuous support from international financial institutions



As at 31-Mar-25, a significant portion of Federation-Level External Debt was on concessional terms



- BiH joined the **IMF** in Dec-95, providing the country access to the quota, outstanding loans and payments
- Utilised six borrowing arrangements, four of which were under stand-by arrangements and one of which was pursuant to an extended fund facility
- As at **31-Dec-24**, the total amount of **outstanding debt** incurred by the Federation under IMF loans was **€ 100 million**



- Investments from **WB** supporting reforms in **three broad areas**: (i) increased inclusive private sector employment; (ii) improved sustainable service delivery; and (iii) improving resilience to climate change
- As at **31-Dec-24**, the total amount of **outstanding debt** incurred by the Federation under WB (IBRD + IDA) funding programmes was **€ 712 million**



- Instrument for Pre-Accession Assistance ("**IPA**") – means by which the EU provides financial and technical support and assistance to countries in the process of accession to the EU, to encourage the implementation of the necessary reforms
- The initial IPA came into force in 2007 and BiH received **funding allocations of € 521.8 million under the IPA**, of which € 517.8 million was paid
- The **European Commission** approved **maximum funding allocations for BiH** of € 73.0 million in 2021, € 45.5 million in 2022, € 70.0 million in 2023, and € 50.7 million in 2024



- The **EBRD** funds are used to finance **infrastructure projects**, relating to communal infrastructure, energy, municipal infrastructure, railway and roads
- As at **31-Dec-24**, the total amount of **outstanding debt** incurred by the Federation under EBRD loans was **€ 368 million**



- Since 2000, **EIB** provided over **€ 1,422.9 million in funding** to the Federation
- As at **31-Dec-24**, the total amount of **outstanding debt** incurred by the Federation under EIB loans was **€ 801 million**



- The **OPEC Fund** has approved **€ 193.1 million in funding** to the Federation.
- As at **31-Dec-24**, the total amount of **outstanding debt** under loans disbursed by OPEC to the Federation was **€ 98 million**
- The funds are disbursed primarily for transportation, financial, agriculture, education, health and **multisectoral projects** in the Federation



- Since 2004, **KfW** has approved **€ 181.3 million in funding** to the Federation
- The funds are disbursed primarily for **energy sector**, water supply and sewerage systems in the Federation

Public Finance Reform Strategy 2021 – 2025



Strategy is aimed at strengthening the public finance management system by promoting transparency, accountability, fiscal discipline and efficiency in the management and use of public resources for economic development and improved service delivery

Strategy is organized into 6 key pillars that cover all key functions of the system

1. Fiscal Framework

The Federation plans to introduce new fiscal rules on borrowing and guarantees, improve the preparation of revenue and expenditure projections and strengthen fiscal coordination within the Federation

2. Public Revenues

Further growth of public revenues and economic development of the Federation – improving the work of tax administration, enabling better services to taxpayers of public revenues, reducing the fiscal burden and improving revenue distribution system

3. Planning and Budgeting

Amending the legal framework, introducing fiscal rules, establishing program budgeting and improving planning to better link sector strategies with medium-term financial planning

4. Budget Execution

Better control over liabilities, resolution of outstanding liabilities within the Federation and strengthening treasury information systems. In the area of debt management, priorities relate to strengthening of debt management capacities

5. Internal Controls

Improving risk management in key processes through strengthening of financial management and control, improving the operational function of internal audit to achieve additional value

6. External Auditing

Further development of the external audit function and strengthening of audit capacities, both human and technical emphasis is placed on raising awareness of the impact of external audit



5 Transaction summary

Indicative transaction terms



Issuer:	The Federation of Bosnia and Herzegovina represented by the Government of the Federation of Bosnia and Herzegovina, acting by, and through, the Federal Ministry of Finance
Issuer Ratings:	Moody's B3 (stable outlook), S&P B+ (stable outlook)
Format:	Reg S Cat 1 / Rule 144A
Ranking:	Senior Unsecured
Currency:	EUR
Tenor:	5 years
Listing:	London Stock Exchange's Main Market
Settlement:	T + 5
Governing Law:	English law
Use of Proceeds:	General budgetary purposes
Denominations:	EUR 100k x 1k
Joint Lead Managers:	BofA Securities, Deutsche Bank (B&D), UniCredit



Thank you!

