IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN, OR INTO, THE UNITED STATES, EXCEPT TO QUALIFIED INSTITUTIONAL BUYERS ("QIBs"), AS DEFINED IN, AND IN COMPLIANCE WITH, RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR OTHERWISE THAN TO PERSONS TO WHOM IT CAN LAWFULLY BE DISTRIBUTED.

IMPORTANT: You must read the following before continuing. The following applies to the following preliminary offering circular (the "**Offering Circular**") following this page, whether received by e-mail, accessed from an internet page or received as a result of electronic transmission, and you are therefore required to read this carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The attached Offering Circular has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein, which are exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION WHERE THE OFFER, SALE OR SOLICITATION IS NOT PERMITTED. ANY SECURITIES TO BE ISSUED HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED.

FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, you must be either: (i) outside of the United States; or (ii) a QIB. The attached Offering Circular is being sent at your request, and, by accessing the attached Offering Circular, you shall be deemed to have represented to the Issuer and the Joint Lead Managers (as defined below) that (1) you understand and agree to the terms set out herein; (2) in respect of securities being offered in an offshore transaction pursuant to Regulations S, you are outside the United States, and that, to the extent the attached Offering Circular is delivered via e-mail, the e-mail address to which, pursuant to your request, the attached Offering Circular has been delivered by electronic transmission is not located in the United States for the purposes of Regulation S under the Securities Act; (3) in respect of securities offered and sold in reliance on Rule 144A, you are a QIB; (4) you consent to delivery by electronic transmission; (5) you will not transmit the attached Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers and the Issuer (each as defined in the attached Offering Circular); and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

The attached Offering Circular is being distributed only to and directed only at (i) persons who are outside the United Kingdom, or (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"), or (iii) high net worth entities and other persons falling within Article 49(2)(a) to (d) of the Order, or (iv) those persons to whom it may otherwise lawfully be distributed in accordance with the Order (all such persons collectively being referred to as "**relevant persons**"). The attached Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. No other person should rely on it.

MiFID product governance / Professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU ("**MiFID II**"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities has led to the conclusion that: (i) the target market for the securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014, as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the securities to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the securities (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the attached Offering Circular, electronically or otherwise, to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer that would, or is intended to, permit a public offering of the securities, or possession or distribution of the attached Offering Circular or any other offering or publicity material relating to the securities, in any country or jurisdiction where action for that purpose is required. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Deutsche Bank Aktiengesellschaft, Merrill Lynch International or UniCredit Bank d.d. (collectively, the "**Joint Lead Managers**") or the Issuer and their respective affiliates, directors, officers, employees, representatives and agents accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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
an entity of Bosnia and Herzegovina

€350,000,000 5.500% Notes due 2030
Issue Price: 100.00%

The issue price of the €350,000,000 5.500% Notes due 2030 (the "**Notes**") of 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 (the "**Issuer**" or the "**Federation**") is 100.000% of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 17 July 2030 (the "**Maturity Date**"). The Notes will bear interest from, and including, 17 July 2025 at the rate of 5.500% *per annum* payable annually in arrear on 17 July in each year, commencing on 17 July 2026. Payments on the Notes will be made in Euros without deduction for, or on account of, taxes imposed or levied by the Federation and to the extent applicable, Bosnia and Herzegovina, as described under "*Terms and Conditions of the Notes—8. Taxation*".

Application has been made to the United Kingdom Financial Conduct Authority (the "**FCA**") for the Notes to be admitted to the official list of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's main market. For the purposes of such application, the Issuer is an exempt issuer pursuant to Article 1(2) of Regulation (EU) 2017/1129, as it forms part of United Kingdom ("**UK**") domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (as amended, the "**UK Prospectus Regulation**"). Accordingly, this Offering Circular has not been reviewed or approved by the FCA and has not been approved as a prospectus by any other competent authority under the UK Prospectus Regulation. The Notes will not be subject to the prospectus requirements of the UK Prospectus Regulation but will be listed in accordance with the listing rules of the London Stock Exchange. References in this Offering Circular to the Notes being "**listed**" (and all related references) shall mean that the Notes have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) № 600/2014 on markets in financial instruments, as it forms part of UK domestic law by virtue of the EUWA ("**UK MiFIR**").

The Notes are expected to be assigned a rating of B3 by Moody's Deutschland GmbH ("**Moody's**") and B+ by S&P Global Ratings Europe Limited ("**S&P**"). Moody's and S&P are established in the European Union and registered under Regulation (EC) № 1060/2009, as amended (the "**CRA Regulation**"). As such, Moody's and S&P are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the CRA Regulation. The ratings issued by Moody's have been endorsed by Moody's Investors Service Ltd. ("**Moody's UK**"), and the ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited ("**S&P UK**"), each in accordance with Regulation (EC) № 1060/2009, as it forms part of UK domestic law by virtue of the EUWA (the "**UK CRA Regulation**") and have not been withdrawn. Moody's UK and S&P UK are established in the UK and registered in accordance with the UK CRA Regulation. As such, the ratings issued by Moody's UK and S&P UK may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. SEE "*RISK FACTORS*".

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Notes are being offered (i) in offshore transactions in reliance on, and as defined in, Regulation S (the "**Regulation S Notes**") under the Securities Act and (ii) in the United States only to persons reasonably believed to be qualified institutional buyers ("**QIBs**"), as defined in Rule 144A under the Securities Act ("**Rule 144A**") in reliance on Rule 144A (the "**Rule 144A Notes**"). Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The Notes will be offered and sold in registered form and in denominations of €100,000 and integral multiples of €1,000, in excess thereof. The Notes will, on issue, be represented by beneficial interests in two global certificates (the "**Global Certificate**"), one of which (the "**Unrestricted Global Certificate**") will be issued in respect of the Regulation S Notes and the other of which (the "**Restricted Global Certificate**") will be issued in respect of the Rule 144A Notes, and each of which will be registered in the name of a nominee of, and delivered to, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in the Restricted Global Certificate will be subject to certain restrictions on transfer; see "*Transfer Restrictions*". Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants. It is expected that delivery of the Global Certificates will be made on 17 July 2025 (*i.e.*, the fifth business day following the date of pricing of the Notes, and such settlement cycle being herein referred to as "T+5") or such later date as may be agreed (such date being referred to herein as the "**Issue Date**") by the Issuer and the Joint Lead Managers. Except in the limited circumstances set out herein, certificates in definitive form will not be issued for beneficial interests in the Global Certificates. See "*The Global Certificates*".

This Offering Circular is dated 16 July 2025.

Joint Lead Managers

BofA Securities **Deutsche Bank** **UniCredit**

The Federation accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Federation, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

None of the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular, and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. None of the Joint Lead Managers or any of their directors, affiliates, advisers and agents has made any independent verification of the information contained in this Offering Circular in connection with the issue or offering of the Notes, and no representation or warranty, express or implied, is made by any of the Joint Lead Managers or their respective directors, affiliates, advisers or agents with respect to the accuracy or completeness of such information. Nothing contained in this Offering Circular is, is to be construed as, or shall be relied upon as, a representation or warranty, whether to the past or the future, by any of the Joint Lead Managers or their respective directors, affiliates, advisers or agents in any respect.

The Federation has not authorised the making or provision of any representation or information regarding the Federation or the Notes other than as contained in this Offering Circular. Any other representation or information should not be relied upon as having been authorised by the Federation or the Joint Lead Managers. The contents of this Offering Circular are not, are not to be construed as, and should not be relied on as, legal, business or tax advice, and each person contemplating making an investment in the Notes must make its own investigation and analysis of the creditworthiness of the Federation and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors, which may be relevant to it in connection with such investment.

Prospective purchasers of the Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina of acquiring, holding and disposing of the Notes and receiving payments of principal, interest and/or other amounts under the Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Federation since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes by any person in any jurisdiction where it is unlawful to make such an offer or solicitation.

The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Federation and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Offering Circular and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

This Offering Circular has been prepared by the Federation for use in connection with the offer and sale of the Notes and the admission of the Notes to the Official List and to trading on the London Stock Exchange's main market. The Federation and the Joint Lead Managers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States other than any QIB to whom an offer has been made directly by one of the Joint Lead Managers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB with respect thereto, is unauthorised, and any disclosure without the prior written consent of the Issuer of any of its contents to any person within the United States, other than any QIB and those persons, if any, retained to advise such QIB, is prohibited.

MiFID II product governance / Professional investors and ECPs only target market—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU ("**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. A distributor should take into consideration the manufacturer's target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and

Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

STABILISATION

In connection with the issue of the Notes, Deutsche Bank Aktiengesellschaft (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO PROSPECTIVE INVESTORS IN SINGAPORE

In connection with Section 309B of the Securities and Futures Act (2001) of Singapore (as amended or modified from time to time, the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

SUITABILITY OF INVESTMENT

Each potential investor in the Notes must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The terms and conditions of the Notes (the "**Conditions**"), the Notes, the Deed of Covenant and the Agency Agreement (each, as defined in the Conditions) are governed by English law. Any dispute arising out of or in connection with the Notes, the Deed of Covenant and the Agency Agreement shall be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce (the "**ICC**"). The Conditions provide that at any time before any Noteholder has nominated an arbitrator to resolve any dispute, that Noteholder or any other Noteholder, at its sole option, may elect by notice in writing to the Issuer that such dispute(s) shall instead be heard by the courts of England or by any other court of competent jurisdiction.

The conditions for the recognition of a foreign court judgment are set out under the Law on the Resolution of Conflicts of Laws with the Regulations of Other Countries in Certain Matters (*Official Gazette of SFRY, Nos. 43/82 and 72/82; Official Gazette of Bosnia and Herzegovina, Nos. 2/92 and 13/94*) as follows:

(a) the party against which the recognition and enforcement has been applied for must have participated in the original court procedure or it must have been duly notified of the procedure; such a party must have been allowed to present its case (this is determined based on an objection made by that party);

(b) there must be no exclusive jurisdiction of a court in Bosnia and Herzegovina ("**BiH**") regarding the subject matter of the judgment;

(c) the judgment must not run contrary to the fundamentals of societal order established by the Constitution of BiH (the "**BiH Constitution**") or the Constitution of the Federation (the "**Federation Constitution**") (public policy);

(d) there is no final decision already issued by a BiH court or other competent authority in BiH (or a foreign decision recognised in BiH) which addresses the same matter (*res iudicata*). If there is a proceeding in the same matter between the same parties before courts in BiH, the court acting on the motion for recognition of a foreign judgment will suspend the recognition proceedings until the final judgment in the proceedings before a court in BiH is rendered;

(e) there must be reciprocity of recognition; and

(f) the decision must be final and conclusive (no further appeals, revocation procedures or similar actions have commenced or are allowed).

One of the requirements for recognition of foreign court judgements and consequently enforcement is the existence of reciprocity - *i.e.,* in the present situation, that judgments handed down by BiH courts are recognized in a country of the court that issued the foreign judgment.

There is a rebuttable legal presumption that such reciprocity exists. In case there is doubt as to the existence of reciprocity, the court will request an explanation from the Ministry of Justice of BiH. According to unofficial information received from the BiH Ministry of Justice, such reciprocity does not exist with the UK and there is no evidence that there is reciprocity with the United States of America in the matter of recognition and enforcement of judgments in commercial matters. Thus, there is a possibility that the BiH courts may reject a request for recognition of an English judgment if given in respect of the Notes, due to the non-existence of reciprocity, whereas the situation with recognition of U.S. judgments in BiH is not clear.

Furthermore, courts in BiH may refuse to recognize and enforce a foreign judgment rendered under a foreign law if the judgment, including as a result of the application of the foreign law to the dispute, is contrary to public policy of BiH. Public policy is generally interpreted as "foundations of societal order established by the [BiH] Constitution." This is an evolving concept and the precise list or criteria for the determination of such public policy rules does not exist.

On the other hand, BiH is a party to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"). Therefore, recognition and enforcement of a New York Convention award is available subject to the terms of the New York Convention.

Former Yugoslavia (the original signatory of the convention and legal predecessor from which BiH succeeded the convention) lodged reservations to the original text of the New York Convention, which have been taken over by BiH, so that it will apply such convention only: (i) if there is reciprocity, i.e. for the recognition and enforcement of awards made in the territory of another contracting state; (ii) to differences arising out of legal relationships, whether contractual or not, that are considered commercial under the national law applicable in BiH; and (iii) to those arbitral awards which were adopted after the New York Convention came into effect.

The recognition of foreign arbitral awards under the Law on the Conflict of Laws shall be generally refused in the following cases:

(a) where the matter of the dispute is not capable of being submitted to arbitration under BiH law;

(b) matter is subject to exclusive jurisdiction of BiH courts or other competent authority;

(c) where recognition and enforcement of the arbitral award would violate fundamentals of societal order established by the BiH Constitution or the Federation Constitution (public policy);

(d) where there is a lack of reciprocity (which in case of arbitral awards originating from the countries signatories of the New York Convention exists as a diplomatic reciprocity);

(e) where an arbitration agreement is not concluded in written form;

(f) where the arbitration agreement is not valid;

(g) where the party against whom the award was invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings or was otherwise unable to present its case;

(h) where the composition of the arbitration tribunal or arbitration procedure was not in accordance with the provisions of the arbitration agreement;

(i) where the arbitration tribunal exceeded its powers determined in the arbitration agreement;

(j) where the award has not yet become binding on the parties, or has been set aside or suspended by the competent authority of the country in which, or under the laws of which, that award was made; or

(k) where the dispositive part of the arbitral award is unintelligible or inconsistent.

The New York Convention only refers to the limited list of reasons for the refusal to recognise a foreign arbitral award, which mirror paragraphs (a), (c), (f), (g), (h), (i), (j) above, including that the general rule is still to assure that the arbitration agreement is concluded in the written form. The exclusive competence of the courts in BiH is not provided as a refusal basis in the New York Convention, however this can be raised under arbitrability or public policy protection rules. With respect to reciprocity, although modern arbitration regimes generally interpret the requirement for the existence of reciprocity such as that the existence of diplomatic reciprocity would suffice. there is no settled domestic jurisprudence in BiH on this issue. Consequently, there is a theoretical but remote risk that courts in BiH might adopt a more restrictive approach and require evidence of factual reciprocity (*i.e.,* that BiH awards are in practice enforced in the relevant foreign jurisdiction). However, this interpretation would not be consistent with the New York Convention's purpose or with prevailing international standards.

The BiH and the Federation's laws do not explicitly regulate the recognition and enforcement of interim orders granted by foreign courts/arbitral tribunals. Thus, it is highly likely that the competent courts would not equate a foreign interim order with foreign court judgment/arbitral award and, consequently, would not apply the rules for the recognition and enforcement of foreign court judgments/arbitral awards to foreign interim orders.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

In this Offering Circular, unless otherwise specified, references to "**Euro**" or "**€**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to "**U.S.$**" and "**U.S. Dollars**" are to U.S. Dollars; references to "**£**" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland; and references to "**Convertible Mark**" or "**BAM**" are to the currency of BiH. Certain other foreign currencies are referred to by their ISO 4217 international currency codes.

Statistical data appearing in this Offering Circular have, unless otherwise stated, been obtained from the Federal Institute of Statistics (*Federalni zavod za statistiku*), the Ministry of Finance of the Federation (*Federalno ministarstvo finansija*), the Government of the Federation (*Vlada Federacije Bosne i Hercegovine*) (the "**Federation Government**") and the Central Bank of Bosnia and Herzegovina (*Centralna banka Bosne i Hercegovine*) (the "**Central Bank**"). Similar statistics may be obtained from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. In addition, statistics and data published by one ministry or agency may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions, methodology or timing of when such data is produced. Although every effort has been made to include in this Offering Circular the most reliable and the most consistently presented data, no assurance can be given that such data was compiled or prepared on a basis consistent with international standards. However, as far as the Federation Government is aware and is able to ascertain from the information published by these entities, the information has been accurately reproduced, and no facts have been omitted which would render the reproduced information inaccurate or misleading in any material respect.

Certain other statistical data appearing in this Offering Circular has been extracted or compiled from the records, statistics and other official public sources of information in BiH and/or the Federation and has not been independently checked or verified. The Federation has accurately reproduced such information, and as far as the Federation is aware and able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. In recent years there have been significant steps taken in BiH and the Federation to improve the accuracy and reliability of official statistics and to conform statistical methodology to international standards. However, in a transition economy in which there is a substantial amount of unofficial or unreported grey market economic activity, such as the economy of the Federation, such statistical data may not accurately reflect current or historic levels of, and trends in, economic activity.

While every effort has been made to include in this Offering Circular all information and/or data relating to the Federation, certain information and/or data is only available in respect of BiH. For example, the information and data relating to the balance of payments is only prepared by the Central Bank at the BiH level and no such information and data is individually collected in respect of the Federation, other than certain components such as the imports and export of goods and foreign direct investment ("**FDI**") as discussed in "*Balance of Payments and Foreign Trade*". In the absence of any information and/or data relating to the Federation, the equivalent information and/or data has been presented in respect of BiH in this Offering Circular.

References to laws, including the Budget (as defined in "*Public Finance*"), refer to such laws (and the Budget), as amended or supplemented from time to time.

Unless otherwise stated, all annual information, including budgetary information for the Federation, is based on calendar years. **All statistical information, including budgetary information, as at and for year-end or interim periods is subject to future revision and amendment for comparative purposes in the event that the methodology used to compile such information is changed in the future, following an introduction of new data sources, improvements to the existing ones, changes to classifications, or establishment of new principles, regulations and international recommendations that represent a basic methodological framework.** Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly figures shown for the same item of information may vary reflecting such rounding, and figures that are shown as totals (including those presented in tables) may not be an arithmetic aggregation of their components. In addition, all percentages presented in this Offering Circular are subject to rounding and represent approximate figures.

Certain statistical information contained herein is provisional or otherwise based on estimates that the Federation and its agencies believe to be based on reasonable assumptions. Specifically, the relevant interim period in 2025 for which, and the relevant date in 2025 as at which, data is presented may differ depending on the most recent information available from the Federation. All such data is provided as at and in respect of the period most recently available. Similarly, preliminary estimates of gross domestic product ("**GDP**") and gross value added ("**GVA**") data (see "*Economy of the Federation*") for 2025 are presented based on the sum of quarterly estimates of the Federal Institute of Statistics using the European System of Accounts, 2010 (the "**ESA**") methodology, which may be subject to revisions when the annual estimates are published in July 2026 and final results are published in November 2026. Accordingly, such financial and economic information for periods of 2025 set out in this Offering Circular may be subsequently adjusted or revised and may differ from previously published financial and economic information. While the Federation does not expect such revisions to be material, no assurance can be given that material changes will not be made. See "*Risk Factors—Risks Relating to the Issuer—Statistics and official data may be less reliable than in other jurisdictions*". In addition, GDP figures included in this Offering Circular are presented on a Federation-level basis, while certain budgetary, fiscal and debt data is presented on a Federation Government-level basis.

Information included herein that is identified as being derived from information published by the Federation or one of its agencies or instrumentalities is included herein on the authority of such publication as a public official document of the Federation. All other information herein with respect to the Federation is included herein as a public official statement made on the authority of the Ministry of Finance of the Federation.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

Data Dissemination

The Institute of Statistics of the Federation co-operates with the statistical office of the European Union (the "**EU**"), Eurostat, delivering certain national data to Eurostat on a periodic basis. The methodology used by the Federation to produce its GDP and other statistics has been harmonised with concepts and definitions used by EU countries, including the System of National Accounts, 2008 (the "**SNA**") and the ESA 2010.

BiH has subscribed to the International Monetary Fund (the "**IMF**") Special Data Dissemination Standard ("**SDDS**"). The SDDS aims to improve data compilation and dissemination, facilitate the macro-economic policy making process, and contribute to the economic and financial stability. Under the SDDS, countries voluntarily commit to observe prescribed requirements for data publication.

Review and Adjustment of Statistics

The Federation's official financial and economic statistics are subject to review, as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. In addition, the statistical data appearing in this Offering Circular have been obtained from public sources and documents, which may not have been prepared in accordance with the standards of, or to the same degree of accuracy as, equivalent statistics produced by the relevant bodies in other countries. Investors may be able to obtain similar statistics from other sources, but the underlying assumptions, methodologies and, consequently, the resulting data may vary from source to source, and there can be no assurance that the statistical data appearing in this Offering Circular are as accurate or as reliable as those published by more developed countries.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Offering Circular constitute forward-looking statements. Statements that are not historical facts, including statements about the Federation's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. Therefore, undue reliance should not be placed on them. Forward-looking statements speak only as of the date that they are made, and the Federation undertakes no obligation to update publicly any of them in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Federation cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Forward-looking statements include, but are not limited to: (i) plans with respect to the implementation of economic policies and the pace of economic and legal reforms; (ii) expectations about the behaviour of the domestic, Eurozone and global economies if certain economic and fiscal policies are implemented; (iii) expectations about EU accession; (iv) the outlook for inflation, exchange rates, interest rates, foreign investment, trade and fiscal accounts; and (v) estimates of debt repayment and debt service.

In addition to the factors described in this Offering Circular, including, but not limited to, those discussed in the section entitled "*Risk Factors*", the following factors, among others, could cause future outcomes to differ materially from those expressed in any forward-looking statements made herein:

- adverse external factors, such as changes in the credit rating of BiH or the Federation, higher international interest rates, low commodities prices, increases in world commodities prices or recession or low growth in BiH and the Federation's trading partners, which could each decrease fiscal and foreign exchange revenues and negatively affect BiH's current account, balance of payments and/or cause or contribute to recession or low growth in BiH and/or the Federation;

- adverse domestic factors, such as recession, decline in FDI and portfolio investment, adverse changes to domestic inflation or interest rates, difficulties in borrowing in the domestic and foreign markets, changes in tariff and tax requirements (including tax rate changes, new tax laws and revised tax law interpretations) and trade and political consensus;

- relations between the governmental institutions at the BiH and Entity level, as well as political and social factors within BiH, the Federation and Republika Srpska ("**Republika Srpska**") which may affect the timing and structure of economic and other reforms and the climate for foreign direct investment;

- relations with creditors;

- expectations about EU accession;

- the occurrence of any contagious disease (such as Avian Flu, Ebola Virus Disease, SARS, Zika Virus Disease or COVID-19); and

- decisions of international financial institutions such as the IMF, the World Bank, the European Bank for Reconstruction and Development and the European Investment Bank regarding the provision of funding for new or existing projects over the life of the Notes.

The Federation is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Offering Circular whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Federation, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained through this Offering Circular. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

EXCHANGE RATE HISTORY

The monetary policy of BiH is solely based on the principles of the Currency Board, whereby the full convertibility of the domestic currency, the Convertible Mark, is fixed against the anchor currency, the Euro, at a rate of BAM 1.00 to €0.511292, which is equal to a rate of €1.00 to BAM 1.95583.

The following table set forth, for the periods indicated, the period end, average, high and low official mid-point rates published by the Central Bank, expressed in BAM per U.S.$1.00:

	High	Low	Average	Period End
	(BAM Per U.S.$)			
Year				
2020	1.826683	1.592566	1.716607	1.592566
2021	1.745342	1.585208	1.653851	1.725631
2022	2.044778	1.706062	1.860152	1.833705
2023	1.868211	1.737743	1.809093	1.769982
2024	1.882416	1.746901	1.807525	1.872683
For the month of:				
January 2025	1.917856	1.857388	1.889023	1.880063
February 2025	1.903669	1.863228	1.877713	1.866784
March 2025	1.878619	1.791381	1.815112	1.811457
April 2025	1.812968	1.704278	1.743322	1.719713
May 2025	1.761057	1.718505	1.733103	1.724870
June 2025	1.718052	1.671078	1.707986	1.671078

Source: Central Bank

Note:

(1) Latest reference rates of the ECB, published by the ECB on Refinitiv around 16:00 at the relevant date, are used as a basis of establishing rate of other currencies on the exchange rate of the Central Bank in relation to the BAM.

TABLE OF CONTENTS

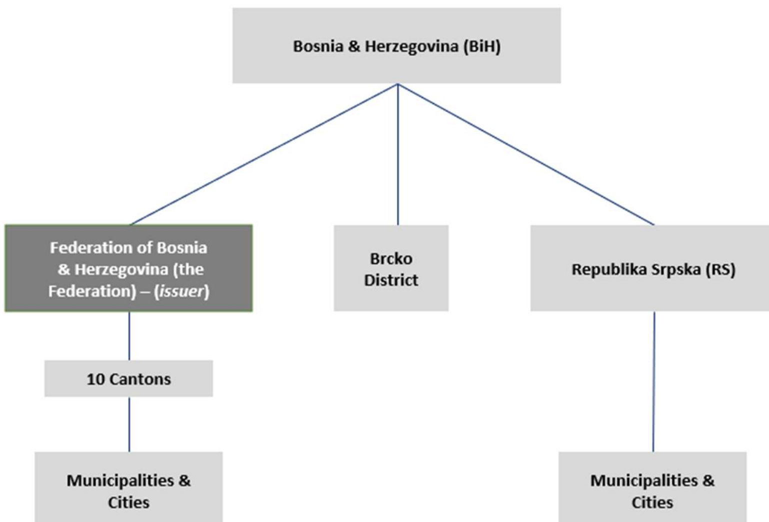
OVERVIEW OF THE FEDERATION

The following is an overview of certain information contained in this Offering Circular. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. Prospective investors should also carefully consider the information set out in the section entitled "*Risk Factors*" in this Offering Circular prior to making an investment decision. See "*Description of the Federation of Bosnia and Herzegovina*", "*Economy of the Federation*", "*Balance of Payments and Foreign Trade*", "*Monetary and Financial System*", "*Public Finance*" and "*Public Debt*" for a more detailed description of the Issuer.

Overview of the Federation

Following BiH's declaration of independence from Yugoslavia on 1 March 1992, BiH was internally reorganised into the Federation, Republika Srpska (together with the Federation, the "**Entities**", and each, an "**Entity**") and the Brčko District. BiH's internal borders were subsequently negotiated in the Dayton Peace Agreement signed on 14 December 1995 (the "**Dayton Agreement**").

The diagram set forth below illustrates where the Issuer sits in the structure of BiH.



The Federation borders Republika Srpska to the north and east and Croatia to the north and southwest. The Federation has ten Cantons and 80 local government units, which include 57 municipalities and 23 cities. Its major cities include Bihać, Goražde, Livno, Mostar, Sarajevo, Široki Brijeg, Tuzla and Zenica. The Federation's capital, largest city and the administrative, economic and cultural centre is Sarajevo.

The Federation occupies an area of approximately 26,610 square kilometres. The Federation is largely landlocked but has access to the Adriatic Sea in the south through the town of Neum. It is connected with Europe and Asia by the Pan-European Corridor X—E70 motorway, railways and international airports in Sarajevo, Mostar and Tuzla.

According to the 2013 census, the majority (approximately 70.4%) of the population were Ethnic Bosniaks. Ethnic Croats and Serbs, the other two largest ethnic groups, comprised 22.4% and 2.6% of the population, respectively. According to the 2013 census, 71.3% of the population of the Federation were Muslims, whereas 22.1% and 2.6% were Catholic and Serbian Orthodox, respectively.

The Federation's real GDP contracted by 3.6% in 2020 but has grown year-on-year since 2021, growing by 8.1% in 2021 and 4.1% in 2022, before growing at a more subdued rate of 2.0% in 2023 and 2.8% in 2024 (according to preliminary figures). The Federation's two key economic sectors are: (i) wholesale and retail trade, repair of motor vehicles and motorcycles (which represented 16.5% of GDP in 2024); and (ii) manufacturing (which represented 13.2% of GDP in 2024). In 2024, the value of goods imported by the Federation was BAM 20,193.8 million, as compared to BAM 15,131.8 million in 2021, while the value of goods exported by the Federation was BAM 10,734.0 million in 2024, as compared to BAM 9,571.1 million in 2021.

The Federation Government had a budget deficit (current balance) in each of 2020, 2023 and 2024. The budget deficit represented 0.67% of GDP in 2020 and 0.22% in 2023, before declining to 0.16% in 2024. The budget deficit in 2020 was primarily due to the decrease in Government revenues because of the COVID-19 pandemic. The budget deficits in 2023 and 2024 resulted from increases in expenditures relating to social benefits, as well as non-tax revenues underperforming as compared to budgeted amounts.

Federation-level total debt is debt which the Federation Government is obligated to settle and is comprised of Federation-Level External Debt (as defined below) and Federation Government Internal Debt (as defined below) (together, "**Federation Government Obligated Total Debt**"). As at 31 December 2024, Federation Government Obligated Total Debt was BAM 6,459.9 million, as compared to BAM 6,091.1 million as at 31 December 2023.

BiH is in the process of applying for full EU membership. On 15 December 2022, the European Council granted BiH candidate status and, in December 2023, the European Council decided to open accession negotiations with BiH, once the requisite degree of compliance with membership criteria was achieved. The European Commission published a favourable report on the progress in BiH in March 2024, and on 22 March 2024, the European Council opened accession negotiations with BiH, contingent on further steps set out in the European Commission's report of 12 October 2022, which include constitutional and electoral reforms, rule of law reform and further alignment with the EU Acquis (as defined below) being taken by BiH. In doing so, the European Council invited the European Commission to prepare the negotiation framework. A date has yet to be set for the opening of formal negotiations. There can be no assurance that these negotiations will result in BiH successfully becoming a member of the EU. See "*Risk Factors—Risks relating to the Issuer—BiH may not become a member of the EU in the near future or at all*".

OVERVIEW OF THE TERMS AND CONDITIONS OF THE OFFERING

Capitalised terms not otherwise defined in this overview have the same meaning as in the Conditions. See "*Terms and Conditions of the Notes*".

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.
Joint Lead Managers...........	Deutsche Bank Aktiengesellschaft, Merrill Lynch International and UniCredit Bank d.d.
Issue Price	100.000% of the principal amount of the Notes.
Notes	€350,000,000 5.500% Notes due 2030.
Issue Date	17 July 2025.
Maturity Date.......................	17 July 2030.
Interest on the Notes............	5.500% *per annum*.
Interest Payment Dates	The Notes bear interest on their outstanding principal amount from and including 17 July 2025 at the rate of 5.500% *per annum*, payable annually in arrear on 17 July in each year (each an "**Interest Payment Date**"). The first payment (for the period from and including the Issue Date to but excluding 17 July 2026 and amounting to €55.00 per €1,000 principal amount of Notes) shall be made on 17 July 2026. See "*Terms and Conditions of the Notes—5. Interest*".
Yield......................................	As at the Issue Date and on the basis of the issue price, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes, as calculated on the pricing date, the yield to maturity of the Notes is 5.500% *per annum*.
Status	The Notes will constitute direct, general, unconditional and (subject to the provisions of the Negative Pledge) unsecured obligations of the Issuer and the full faith and credit of the Issuer is pledged for the due and punctual payment of principal and interest on the Notes and for the performance of all obligations of the Issuer in respect of the Notes. The Notes will at all times rank *pari passu* without preference among themselves and at least *pari passu* in right of payment with all other present and future unsecured External Indebtedness (as defined in the Conditions) of the Issuer, *provided*, *however*, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness of the Issuer and, in particular, the Issuer shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See "*Terms and Conditions of the Notes—3. Status*".
Redemption	Unless previously redeemed or purchased and cancelled, the Issuer will redeem each Note at its principal amount on the Maturity Date. See "*Terms and Conditions of the Notes—7. Redemption and Purchase*".
Negative Pledge....................	The Conditions will provide that, so long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to subsist any Security Interest upon the whole or any part of its present or future property, assets or revenues to secure any of its Public External Indebtedness or any Guarantee of any Public External Indebtedness of any other person, unless the Issuer shall, in the case of the creation of any Security Interest, at the same time or prior thereto, and in any other case, promptly, procure that all amounts payable in respect of the Notes are secured equally and rateably therewith or provide such other security or arrangement for the Notes as may be approved by an Extraordinary Resolution or a Written Resolution or

an Electronic Consent (each as defined in the Conditions), in each case in accordance with Condition 13.

See "*Terms and Conditions of the Notes—4. Negative Pledge*".

Debt Reporting.................... The Conditions will provide that, so long as any of the Notes remains outstanding (as defined in the Agency Agreement) the Issuer shall publish on the website of the Federal Ministry of Finance of the Issuer and in the English language (or in the case of (ii) below accompanied by an English translation) (i) the Issuer's indebtedness position as at 30 June or 31 December of each year within six months of such date by publishing updated tables reflecting developments as at such date (and any adjustments due to revisions or otherwise) in the form of the relevant tables set out in the "*Public Debt*" section of this Offering Circular and (ii) within 60 days of adoption by the Federation Government, the final budget or any amendment to a previously published final budget of the Issuer. A breach of the Issuer's debt reporting obligations under this Condition would not however be an Event of Default.

Events of Default................. The Conditions will permit the acceleration of the Notes following the occurrence of certain Events of Default.

Upon the occurrence of an Event of Default, holders of not less than 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all of the Notes to be immediately due and repayable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality.

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to such declaration of acceleration is or are cured following any such declaration and that such holders wish the declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent at its specified office), whereupon the declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to the Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any relevant Noteholder in relation thereto.

See "*Terms and Conditions of the Notes—10. Events of Default*".

Denominations .... The Notes will be offered and sold, and may only be transferred, in minimum principal amounts of €100,000 and integral multiples of €1,000, in excess thereof.

Form of Notes....................... The Notes will be in registered form, without interest coupons attached.

Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate, and Notes offered and sold in reliance upon Rule 144A will be represented, upon issue, by beneficial interests in the Restricted Global Certificate, each of which will be registered in the name of a nominee of a common depositary for Euroclear and Clearstream, Luxembourg.

Except in limited circumstances, certificates for the Notes in definitive form will not be issued to investors in exchange for beneficial interests in the Global Certificates.

See "*The Global Certificates*".

Taxation and Additional Amounts .... All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the Federation and/or, to the extent applicable, Bosnia and Herzegovina or any political subdivision or any authority thereof or therein having power to tax (collectively, "**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will

	pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions set out in "*Terms and Conditions of the Notes—8. Taxation*".
Meetings of Noteholders......	The Conditions contain provisions for calling meetings of Noteholders and, in certain circumstances, holders of other debt securities of the Issuer, to consider matters affecting their interests generally. These provisions permit defined majorities (which may, in certain circumstances, be formed of holders of debt securities of the Issuer other than the Notes) to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. See "*Terms and Conditions of the Notes—13 Meetings of Noteholders; Electronic Consents; Written Resolutions*".
Modification and Amendment..........................	The Conditions contain a provision permitting the Notes, the Conditions, the Agency Agreement or the Deed of Covenant to be amended without the consent of the Noteholders to correct a manifest error or to make any modification which is of a formal, minor or technical nature or which is not, in the sole opinion of the Issuer, materially prejudicial to the interests of the Noteholders. See "*Terms and Conditions of the Notes—13.8. Manifest error, etc.*".
Use of Proceeds	The net proceeds of the issue of the Notes will be used by the Federation for general budgetary purposes. See "*Use of Proceeds*".
Ratings.................................	The Notes are expected to be assigned a rating of B3 by Moody's and B+ by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating organisation.
Listing and Admission to Trading................................	Application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's main market.
Governing Law	The Notes, the Agency Agreement and the Deed of Covenant (each as defined in the Conditions), and any non-contractual obligations arising out of, or in connection with, the Notes, the Agency Agreement and the Deed of Covenant, will be governed by, and construed in accordance with, English law.
Transfer Restrictions...........	The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Consequently, the Notes may not be offered, sold or resold in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. See "*Transfer Restrictions*".
Fiscal Agent, Paying Agent and Transfer Agent	Deutsche Bank AG, London Branch
Registrar...............................	Deutsche Bank Luxembourg S.A.
Security Codes for the Regulation S Notes..............	ISIN:................................ XS3123478730 Common Code: .... 312347873 CFI: .... DBFNFR FISN: .... FEDERALNO MINIS/5.5 MUN 20300717

Security Codes for the Rule 144A Notes............................	ISIN:.................................	XS3123479118
	Common Code:	312347911
	CFI:	DBFNFR
	FISN:................................	FEDERALNO MINIS/5.5 MUN 20300717

RISK FACTORS

Before making an investment decision, prospective investors should carefully review the specific risk factors described below, in addition to the other information contained in this Offering Circular. The Issuer believes that the following factors may affect the Issuer's ability to fulfil its obligations under the Notes. The Issuer's results, financial condition and prospects could be materially affected by each of these risks presented. Also, other risks and uncertainties not described herein could affect the Issuer's ability to fulfil its obligations under the Notes. Additional risks and uncertainties not presently known to the Issuer, or that the Issuer currently believes are immaterial, could impair the ability of the Issuer to fulfil its obligations under the Notes. Certain other matters regarding the operations of the Issuer that should be considered before making an investment in the Notes are set out in other sections of this Offering Circular. In this Offering Circular, the most material risk factors have been presented at the beginning in each category.

Risks Relating to the Issuer

Investing in securities of emerging markets, including the Federation, involves a higher degree of risk than investing in more development market economies

An investment in an emerging market, such as the Federation, is subject to substantially greater risks than an investment in a country with a more developed economy and more developed political and legal systems. These greater risks include economic instability caused by factors such as a narrow export base, fiscal and current account deficits, risks of terrorism, reliance on FDI, high unemployment and frequent and significant potential changes in the political, economic, social, legal and regulatory environment, as well as the possibility that actions of the current government may be challenged by future governments. Accordingly, the Federation's economy is vulnerable to the impact of any deterioration in global economic conditions and external shocks, particularly those affecting economic trends in the EU and its other major trading partners. Although significant progress has been made in reforming the Federation's economy and political and legal systems, in line with BiH's objective to become a full member of the EU, the Federation's economy remains characterised by certain attributes, such as concentration in a number of key industries, reliance on imports and FDI and high unemployment, any or all of which may adversely impact the Federation's economic stability. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, such investment is appropriate for them. Generally, investments in developing countries, such as the Federation, are only suitable for sophisticated investors who can fully appreciate and bear the significance of the risks involved.

Emerging markets are generally more sensitive to external shocks, and global and regional conflicts, including conflicts between Russia and Ukraine and in the Middle East, together with associated but unpredictable economic and political consequences, could have a material adverse effect on the Federation's economy. Investment in the Notes could also be adversely affected by negative economic, financial or political developments in other countries, particularly neighbouring and major regional countries. For example, in Serbia there have been protests in recent months calling, among other things, for early parliamentary elections. Adverse economic, financial or political developments in one or more of the countries that comprise the Federation's major trading partners (many of which are in the EU), or questions about their ability to repay sovereign debt or the stability of their banking systems, could adversely affect the Federation's economy and ability to repay principal and make payments of interest on the Notes.

The Federation faces internal political risks

While the Federation has generally enjoyed internal political stability in recent years, there can be no assurance that it will continue to do so.

Since its inception, the Federation has always experienced coalition governments, meaning that no one political party has control over the Federation Government. Coalition governments can be more unstable and unpredictable than governments headed by a single political party, and coalition governments are more difficult to form and more likely to collapse due to inter-party disputes. In particular, despite the 2018 general elections being held, the House of Representatives of the Federation was unable to confirm a new executive for over four years due to a standoff between political parties and the inability of the Federation's President and Vice Presidents to agree on a nominee for Prime Minister. While election rules in the Federation now provide for government formation to be more automatic and time-bound, following intervention through a decision dated 27 April 2023 from the Office of the High Representative (an office created to oversee implementation of the Dayton Agreement (see "*Description of the Federation of Bosnia and Herzegovina—History*"), there can be no guarantee that any such coalition government will remain stable or durable over the course of its mandate.

During the general elections held in October 2022, the Organization for Security and Co-operation in Europe (the "**OSCE**") noted that while the elections in the Federation were generally conducted in a competitive environment, there were concerns about the transparency and fairness of the electoral process. Voter turnout in the October 2022 elections remained relatively low at 50.5%, continuing a downward trend from previous cycles (51.2% in 2018 and 53.6% in 2014). The next general elections are due to take place in 2026.

At the local level, there have also been challenges of political deadlock or tensions. For example, the city of Mostar, within the Federation, did not hold local elections for 12 years due to a political impasse between Bosniak and Croat parties over the electoral statute. The next local elections are due to take place in 2028.

Failures to swiftly form coalition governments or any instability in governing arrangements could affect the Federation Government's ability to implement its political agenda, including in relation to economic reforms and policies, which could, in turn, adversely affect the Federation, its economy and its ability to perform its obligations under the Notes.

Unemployment is high, and the Federation faces other labour force issues

The Federation's labour market faces a number of structural challenges, including high levels of emigration, an ageing workforce and relatively high unemployment (with an unemployment rate of 14.3% in 2024). While the employment rate in the Federation has increased from 37.5% in 2020 to 42.7% in 2024, it remains low. Women are underrepresented in the labour force, representing 60.0% of unemployed persons in 2024, while representing 51.2% of the total population. The costs of unemployment, both in terms of additional Federation Government spending and reduced tax receipts, may further have a negative impact on the financial position of the Federation.

In addition, the Federation faces a skills shortage. The shortage of qualified workers in the Federation is primarily due to skilled professionals, particularly young people, emigrating to other countries in search of better employment opportunities, limited availability of vocational training and apprenticeships and an ageing workforce. The services sector (in particular, the hospitality and hotel industry and civil engineering) has been particularly impacted by the Federation's skills shortage, although in recent years the Federation Government has implemented measures to improve the issuance of work permits for this sector and to integrate foreign labourers into the domestic services sector. Despite these efforts, there can be no assurance that such measures will be sufficient to fully address the current skills gap. There are also regional disparities in skills availability, with rural areas facing more acute shortages compared to urban centres. The unavailability of suitably skilled workers may stall development or other projects in the Federation and may impact its economic development.

The Federation's energy sector is under developed

While electricity production in the Federation is higher than consumption, the electricity generation mix is concentrated on two sources: domestic coal-fired thermal power plants, which accounted for approximately 53.0% of total electricity production in 2024, and hydropower power plants, which accounted for approximately 35.5% of total electricity production in 2024.

The Federation is exposed to challenges as a result of its reliance on thermal coal, including the significant capital and operational costs of running thermal power plants, as well as the higher level of emissions generated by thermal power plants and, the related negative impact on air quality and the environment more generally, as compared to alternative more environment-friendly methods of energy production. The two Federation-owned energy companies, Elektroprivreda Bosne i Hercegovine ("**EPBiH**") and Elektroprivreda Hrvatske Zajednice Herceg-Bosne ("**EPHZHB**"), operate at a loss, principally due to (i) their reliance on aging thermal power plants, which are costly to maintain and operate, and (ii) electricity tariffs being kept below market rates to ensure affordability for consumers. Moreover, the electricity generation and distribution infrastructure is outdated and inefficient, resulting in high maintenance costs and significant technical losses during transmission and distribution.

In addition, while the Federation has significant coal reserves, thermal coal is a finite resource and as it depletes, there may be supply constraints and the quality of the thermal coal may also deteriorate leading to higher operational costs and greater environmental impact. Furthermore, as part of its commitment to environmental sustainability and alignment with European Union policies, the Federation has been implementing regulations aimed at reducing carbon emissions and promoting cleaner energy sources. In particular, under the National Energy and Climate Plan of BiH, BIH aims to reduce greenhouse gas emissions by 41.2% (compared to 1990 levels), which equates to a reduction of 15.65 million tonnes of CO^2. The climate plan also envisages an increase in the share of renewable energy sources to 43.6% of final energy consumption in BiH, with energy efficiency targets of 6.46 million tonnes of oil equivalent for primary consumption and 4.3 million tonnes of oil equivalent for final consumption across BiH as a whole by 2030. Compliance with Federation-level regulations and BiH-level targets may require substantial capital investments to upgrade facilities, as well as increased operational costs or the adoption of alternative technologies. In addition, if BiH (on a consolidated basis) fails to meet the targets set out in the National Energy and Climate Plan, there could be financial penalties and loss of access to EU funds, as well as knock-on negative consequences for companies exporting to the EU. Any such consequences could have a material adverse effect on the Federation and its economy.

The Federation Government is committed to the development of the electric power system in the Federation to increase energy efficiency and production capacities, maintain environmental sustainability and diversify supply sources. A move away from thermal energy would require concerted efforts in policy reform, infrastructure development and financial investment. While priority renewable energy projects have been identified, there can be no assurance that such projects will be completed or that the Federation will be able to reduce its reliance on thermal energy.

The Federation also lacks the reserves and infrastructure for the production of natural gas and oil and relies on independent contracts from suppliers and imports from Russia. While the construction of a natural gas pipeline, the Southern Interconnection, which is intended to increase BiH's energy independence by connecting BiH to the broader European gas network via Croatia (which is of significant importance to the Federation and was approved by the Federation's Parliament (the "**Federation Parliament**") in 2025), there can be no assurance that this pipeline will be completed. The project is expected to cost €185 million, and to be completed by the end of 2030.

The Federation's economy has experienced subdued growth and is largely dependent on external trade

The Federation's real GDP contracted by 3.6% in 2020 and grew by 8.1% in 2021 and 4.1% in 2022, before growing at a more subdued rate of 2.0% in 2023 and 2.8% in 2024 (according to preliminary figures). Despite the implementation of reforms, the Federation's economic performance has, in the past, been hampered by a trade imbalance because of its reliance on imports and limited export diversification.

While the Federation has sought to diversity its economy, it remains reliant on two key sectors: (i) wholesale and retail trade, repair of motor vehicles and motorcycles (which represented 16.5% of GDP in 2024); and (ii) manufacturing (which represented 13.2% of GDP in 2024).

In 2024, the value of goods imported by the Federation was BAM 20,193.8 million, as compared to BAM 15,131.8 million in 2021, while the value of goods exported by the Federation was BAM 10,734.0 million in 2024, as compared to BAM 9,571.1 million in 2021. The value of goods imported by the Federation grew by 2.3% in 2024, as compared to 2023, while the value of goods exported by the Federation decreased by 3.9% over the same period. The Federation's export base remains small, narrow and undiversified, due mainly to a lack of price competitiveness and poor infrastructure. Industrial products, classified mostly by raw materials, machinery and transport equipment and miscellaneous industrial goods accounted for 74.1%, 72.9% and 71.9% of total exports by the Federation in 2024, 2023 and 2022, respectively. Any failure to reduce the Federation's reliance on imports or to increase the Federation's exports could have a material adverse effect on the Federation, its economy and its ability to perform its obligations under the Notes.

Economic conditions in the Federation are significantly affected by changes in EU and global demand for products exported to the EU, the costs of extraction, processing or production of such material and the prices for such products on the regional and global markets. In addition, adverse economic developments in EU countries, or other countries that are significant consumers of products produced in the Federation, could adversely affect the markets for the Federation's exports. Any or all of these developments may materially and adversely affect the Federation, its economy and its ability to perform its obligations under the Notes.

While efforts have been made to encourage FDI in the Federation in recent years, net FDI was BAM 820.2 million in 2023, as compared to BAM 1,063.3 million in 2022, reflecting a decrease of 22.9%. Any perceived or actual lack of transparency of administrative and judicial procedures, the Federation's complex labour and pension laws and the dual nature of BiH may, absent other measures, deter foreign investment. In addition, each of the Federation's Cantons apply differing business regulations and administrative procedures. BiH was ranked 80th out of the 133 countries ranked in the 2024 Global Innovation Index compiled by the World Intellectual Property Organization (and 37th out of the 39 European economies ranked). Any failure to increase FDI in the Federation, or any further decrease in existing FDI levels, could have a material adverse effect on the Federation Government's ability to manage its budget deficit and on the Federation's economy.

The Federation has experienced budget deficits

The Federation Government had a budget deficit (current balance) in each of 2020, 2023 and 2024. The budget deficit represented 0.67% of GDP in 2020 and 0.22% in 2023, before declining to 0.16% in 2024. The budget deficit in 2020 was primarily due to the decrease in Government revenues as a result of the COVID-19 pandemic. The budget deficits in 2023 and 2024 resulted from increases in expenditures relating to social benefits, as well as non-tax revenues underperforming as compared to budgeted amounts, which was in turn, primarily due to unexpected events including the non-realisation of planned dividends from state-owned enterprises, delays in external financing disbursements and a shortfall in anticipated receivables from the Federation Motorways Authority. There can be no assurance that the budget deficit will continue to decrease or that actual results will be in line with budgeted levels. Persistent deficits, even if modest, could erode fiscal buffers and reduce the Federation Government's ability to respond effectively to economic shocks, such as a downturn in demand for Federation exports from EU trading partners, commodity price volatility, or renewed inflationary pressures. Moreover, continued reliance on short-term domestic borrowing or deferred payments to cover financing gaps may increase rollover risks and crowd out public investment. In the event of a financing shortfall, the Federation Government may be forced to cut essential spending or seek external borrowing on less favourable terms.

In addition, the Federation Government intends to increase amounts paid to pensioners in the Federation, principally in order to maintain pensioners' purchasing powers following recent bouts of high inflation, including, in particular, inflation of 14.9% in the Federation in 2022 (see "*—Risks Relating to BiH—The war in Ukraine may impact BiH*"). If adopted, such plans will have a significant impact on budget expenditures and may further increase the Federation Government's budget deficit. Pursuant to the Law on Pension and Disability Insurance, pensions are adjusted on an annual basis based on a defined formula linked to GDP and inflation. In addition to such annual adjustments, the Federation Government may also grant one-off financial assistance packages to pensioners. The 2025 Budget (as defined below) provides for a pension adjustment (in line with the formula set out in the Law on Pension and Disability Insurance) of 4.5% (as compared to 2024 levels), which amounts to estimated increased costs of approximately BAM 150.0 million), as well as a one-off financial assistance package of BAM 200 per beneficiary (as compared to packages of BAM 100 per beneficiary in previous years), at an estimated total cost of approximately BAM 70 million. Similar annual adjustments are provided under legislation in respect of social benefits for veterans, as well as disabled persons. The 2025 Budget also provides for an increase in civil servant salaries by 13%, or approximately BAM 40 million, as well as support payments to certain sectors and vulnerable businesses. See "*Public Finance—Recent Budgets—2025 Budget of the Federation Government*". If spending on social benefits, public sector wages and other support measures continues to increase without a corresponding increase in revenues, or savings on other types of expenditures, this could result in increased budget deficits, which could, in turn, have a material adverse effect on the Federation and its economy.

Statistics and official data may be less reliable than in other jurisdictions

A range of BiH and Federation ministries and agencies (including the Central Bank) have prepared the statistical data, which appears in this Offering Circular. Certain of these statistics may be more limited in scope, less accurate, reliable or consistent in terms of basis of compilation between various ministries and institutions and published less frequently than is the case for comparable statistics prepared by other countries. In addition, the Federation has no control over the preparation of statistics at the BiH level, and certain statistics produced at the BiH level require the co-operation of each of the Entities. As a result, if either of the Entities do not produce timely or accurate statistics, it would negatively impact the quality of BiH statistics. The existence of a sizeable unofficial or "grey market" economy in BiH and the Federation may also affect the accuracy and reliability of statistical information included in this Offering Circular. Prospective investors in the Notes should, therefore, be aware that figures cited in this Offering Circular may be subject to some degree of uncertainty. Furthermore, these limitations of statistical information make adequate monitoring of key fiscal and economic indicators more difficult than for other countries.

In addition, while BiH, the Federation and the Central Bank each target timely and reliable production of statistics, standards of accuracy of statistical data may vary from BiH to the Federation, ministry to ministry or authority to authority or from period to period due to the application of different methodologies. In this Offering Circular, data is presented, as applicable, as having been provided by the relevant ministry or authority to which the data is attributed, and no attempt has been made to reconcile such data to data compiled by other ministries or by other organisations, such as the IMF or the World Bank.

BiH produces data in accordance with the IMF's SDDS. In its assessment of data adequacy for surveillance in the 2024 Article IV Staff Report published on 28 May 2024, the IMF noted that: "*Data is broadly adequate for surveillance. However, some gaps remain, especially in national accounts, government finance statistics, and the balance of payments (Annex VII). Moreover, Republika Srpska has provided Q4:2023 fiscal data with a substantial delay. Staff encouraged the authorities to resume the timely provision of data, improve the quality of statistics, and close the gaps vis-à-vis the [SDDS]*." Consolidated BiH-level reporting by the IMF and other international organisations is based on data collated from the Entities by the Agency for Statistics of BiH. While the Law on Statistics of Bosnia and Herzegovina requires the Entities to submit all necessary data to the agency for transmission to international organisations, there can be no assurance that all participants will submit such data in a timely fashion, or on the same basis. Any failure to do so could affect the reliability of such consolidated reporting. In addition, such practices also mean that consolidated data is not available for all metrics.

The statistical information presented herein is based on the latest official information currently available from the stated source. BiH and Federation official statistics, including those presented herein, are subject to review as part of a regular confirmation process. Accordingly, financial and economic information may differ from previously published figures and may be subsequently adjusted or revised. Figures presented in this Offering Circular may also be subject to rounding. Prospective investors should also be aware that none of the statistical information in this Offering Circular has been independently verified.

The Federation's legal system is developing

The Federation, as well as BiH, have each taken, and continue to take, steps aimed at further developing their respective legal systems, working to ensure comparability to the legal systems of the EU and other countries. New laws have been introduced, and efforts have been made at various government levels to harmonise laws with EU law and practice. In addition, while certain judicial reforms have been introduced, the legal system remains in transition and is subject to greater risks and uncertainties than a more developed legal system. Such risks include: (i) potential inconsistencies between and among the Federation Constitution or BiH Constitution (as applicable) and various laws, governmental, ministerial and local orders, decisions, resolutions and other acts; (ii) provisions in laws and regulations that are ambiguously worded or lack specificity and raise difficulties when implemented or interpreted; (iii) difficulties in predicting the outcome of judicial application of domestic legislation; and (iv) political or other factors resulting in inconsistent judicial determinations and interpretations or delays in the reform process.

As both BiH and the Federation are civil law jurisdictions, judicial decisions generally have no precedential value, and the courts are generally not bound by earlier court decisions taken under the same or similar circumstances. This may result in an inconsistent application of legislation and regulation to resolve the same or similar disputes. In addition, in some circumstances it may not be possible to obtain swift enforcement of a judgment or to predict the outcome of legal proceedings. These and other factors may adversely impact economic conditions and the environment for investment, including the willingness of foreign and other investors to invest in BiH and the Federation or to provide financing for domestic projects and companies. Such effects could have an adverse effect on economic conditions and growth in the Federation and, accordingly, on the ability of the Federation to repay principal and make payments of interest on the Notes.

Corruption and organised crime have been identified as concerns

A number of independent analysts and multinational institutions, such as the IMF, have identified corruption, money laundering and organised crime as concerns in BiH and the Entities. Tackling corruption is also a key requirement for BiH’s progress towards EU membership. In the 2024 Transparency International Corruption Perceptions Index, BiH ranked 114th out of 180 countries and territories under review (with the country ranked 1st considered the least corrupt), having previously been ranked 112th. By comparison, Croatia is ranked 63rd, Montenegro is ranked 65th, North Macedonia is ranked 88th and Serbia is ranked 105th. BiH’s score decreased by two points, as compared to 2023, reflecting allegations of electoral fraud in recent election cycles.

In October 2022, the U.S. Department of the Treasury’s Office of Foreign Assets Control (“**OFAC**”) announced that the former Prime Minister of the Federation, Mr. Fadil Novalić, had been added to its Specially Designated Nationals and Blocked Persons List for undermining democratic processes in BiH and the Western Balkans, alleging the misuse of pensioner data for the benefit of his own political party and contrary to applicable law. In April 2023, Mr. Novalić was also sentenced to four years in prison, while Mr. Solak, previous Director of the Federal Department of Civil Protection, was sentenced to six years in prison and Mr. Hodžić, owner of the company “FH Srebrena malina”, was sentenced to five years in prison following an investigation by the Prosecutor’s Office of BiH in relation to irregularities with respect to the emergency procurement of 100 ventilators during the COVID-19 pandemic. Allegations, evidence of or charges relating to corruption, money laundering or organised crime involving the Federation Government or members thereof, the judiciary or employees of high-profile companies, regardless of whether such allegations prove to be true, may create tensions between political parties (both governing and in opposition) and among members of the public.

While the Federation has taken steps to reduce the risk of corruption, including through the establishment of a special department dedicated to combating corruption, organized crime and inter-cantonal criminal activities in April 2025, there can no be assurance that any such steps will be sufficient or made in a timely manner. In February 2025, the Council of Europe’s anti-money laundering body, MONEYVAL, released a report urging BiH to improve its measures to combat money laundering and terrorist financing. Based on the results of its evaluation, MONEYVAL decided to apply its enhanced follow-up procedure and invited BiH to report back in December 2026. In its BiH-level compliance report published in February 2025, the Council of Europe’s Group of States against Corruption (“**GRECO**”) noted that only two of 25 recommendations outlined in the Fifth Round Evaluation Report, adopted by GRECO in December 2022 and made public in March 2023, had been implemented or dealt with in a satisfactory manner, and that further progress was needed to implement anti-corruption recommendations in BiH.

Corruption, money laundering or organised crime in BiH may have a negative impact on the overall economy and its reputation abroad, especially on its ability to attract FDI, and may adversely impact progress towards EU accession. A combination of all or some of these factors may lead to negative effects on economic and social conditions in BiH, which may, in turn, lead to a deterioration in the Federation’s public finances and a material adverse effect on the ability of the Federation to fund payments on its debt obligations, including the Notes.

The Federation has a relatively large informal economy

A significant portion of the Federation’s economy is comprised of the informal economy. The informal economy is not recorded and is only partially taxed, resulting in less revenue for the Federation Government, unreliable statistical information (including the possible understatement of GDP and the contribution to GDP of various sectors) and an inability to monitor or otherwise regulate a portion of the economy. The scale of the informal economy also facilitates corruption, money laundering and organised crime. Due to its nature, the size of the informal economy is difficult to measure and any estimates are subject to inherent uncertainty. According to estimates prepared by the Institute for Statistics of the Federation (prepared for purposes of calculating GDP), the contribution of the "non-observed economy" (excluding so-called "illegal activities") to GDP accounts for approximately 10%. The Federation Government is focussed on reducing the informal economy in the Federation. In November 2023, the Employment Strategy in the Federation for the period 2023 to 2030 (the "**Employment Strategy**") was adopted, which includes the objective of decreasing the share of informal employment in the private sector by 5%.

Although the Federation Government continues to attempt to address the informal economy, there can be no assurances that such measures will adequately address the issues and bring the informal economy into the formal sector. While growing the tax base is a key priority for the Federation Government, the reduction of potential tax and other revenue as a consequence of the informal sector may have negative effects on the economy and, as a result, in turn have a material adverse effect on the Federation, its economy and its ability to perform its obligations under the Notes.

The Federation may be subject to contagion risk from events in Republika Srpska over which is has no control

The Federation and Republika Srpska operate largely independently, and the Federation has no control over the affairs of Republika Srpska under BiH's constitutional structure. Accordingly, the Federation may be affected by economic, political, social, legal and other conditions prevailing in Republika Srpska over which it has no control and can exercise little influence. There can be no assurance that a "contagion effect" emanating from events in Republika Srpska would not negatively impact the Federation, and such effect could have a material adverse effect on the Federation and its finances. Due to BiH's complex structure, while certain legal or arbitral proceedings cases are conducted against BiH as a single entity, some disputes could directly or indirectly impact the Federation. Further, although to date Republika Srpska has not defaulted on its debt obligations, if it were to do so in the future it could have adverse consequences for BiH and the Federation due to the complicated nature of borrowings between BiH and the Entities. See "*Public Debt*". In addition, if events lead to a reduction in BiH's credit ratings or outlook or a reduction in Republika Srpska's credit rating or outlook, which, in turn, negatively impacts BiH's credit rating or outlook, it would also likely negatively impact the Federation's credit rating or outlook, as the case may be.

In August 2023, the BiH Prosecutor's Office charged former Chairman of the Presidency of BiH (and current President of Republika Srpska), Milorad Dodik, with defying decisions of the High Representative. On 26 February 2025, he was convicted by the BiH first-instance court, sentenced to one year imprisonment and banned from performing the duties of the President of Republika Srpska for six years. Dodik has refused to recognise the ruling and introduced laws barring federal law enforcement agencies from operating in Republika Srpska. Arrest warrants were issued against him and other senior officials of Republika Srpska for anti-constitutional conduct in March 2025. On 23 April 2025, agents from the BiH Investigation and Protection Agency attempted to arrest Dodik but were prevented by the Police of Republika Srpska. Allegations, evidence of or charges relating to corruption, money laundering or organised crime involving the government or members thereof or the judiciary of BiH, the Federation or Republika Srpska, or employees of high-profile companies, regardless of whether such allegations prove to be true, may create tensions between political parties (both governing and in opposition) and among members of the public.

The Federation relies on refinancing debt and external financing

The Federal Ministry of Finance (the "**FMF**") conducts regular auctions for short-term treasury bills and longer-term treasury notes in the domestic market for its funding needs. Although such auctions are typically oversubscribed, there have been occasions when auctions failed or did not raise the entire expected funding. Any future auction failures could erode investor confidence in the Federation's ability to manage its debt effectively, which could, in turn, lead to reduced participation in future auctions and higher borrowing costs. Repeated auction failures could also negatively impact the Federation's credit rating.

As at 31 March 2025, multilateral and bilateral debt accounted for 86.0% and 8.4% of the Federation Government's external debt, respectively. The Federation expects to continue to rely on multilateral and bilateral support to provide a significant portion of its public and external financing requirements in the coming years. Changes in the level of support by the Federation's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to the Federation or fund new or existing projects could have a significant adverse effect on the financial position of the Federation and its ability to perform its obligations under the Notes.

Access to concessional rate or guaranteed funding generally reduces the Federation's borrowing costs, as the interest rates in respect of such funding are generally lower than the Federation could achieve without such credit support. There can be no assurance, however, that funding at such lower rates will continue to be available in the future. If the Federation is unable to obtain such funding in the future or otherwise borrow at an acceptable cost, it could have a material adverse effect on the Federation's economy and ability to service the Federation's debt.

The Federation faces climate risk

BiH and the Federation face a significant flooding risk, particularly during the spring and autumn seasons. The mountainous terrain and river systems contribute to the flooding risk, while factors such as deforestation, inadequate infrastructure, and climate change further exacerbate the situation. According to the World Bank, the projected impacts from climate change make BiH increasingly vulnerable to natural hazards including droughts, heat waves, heavy precipitation, landslides and floods.

BiH and the Federation have repeatedly suffered serious damage from floods. During October 2024, central and southern BiH (in particular, the village of Donja Jablanica in the Federation) were struck by a severe storm, which triggered widespread flooding, mudslides and landslides, which affected several towns, caused obstruction to roads, bridges and railways and resulted in the deaths of 29 people (the "**October 2024 Floods**"). The European Commission has announced grants of €20 million and €45.7 million to assist in recovery efforts following the October 2024 Floods. See "*Description of the Federation of Bosnia and Herzegovina—Foreign Relations of BiH—European Union—Other Grants*".

There can be no assurance that BiH and the Federation will not suffer from increasingly adverse weather conditions or more frequent natural disasters, which could, in turn, require emergency or additional environmental-related spending and may have social consequences. If adverse climatic events are sustained over a long period, this may in the future have a material adverse effect on the fiscal situation in BiH and the Federation and the economies of both.

Risks Relating to BiH

BiH faces political risks

BiH has a complex legal framework comprised of a combination of different government systems. The Entities each have their own legal systems and the Brčko District also has a separate legal framework. See "*Description of the Federation of Bosnia and Herzegovina—The BiH Constitution and Government Structure of BiH*" and "*Description of the Federation of Bosnia and Herzegovina—The Federation Constitution and Government Structure of the Federation*". Relations between BiH and the Federation are defined by the General Framework Agreement for Peace in Bosnia and Herzegovina (the "**General Framework Agreement**") and the BiH Constitution, where the competencies of BiH are stated explicitly, while other competencies belong to the Entities. The distribution of competencies between the state of BiH and the Entities has been a contentious political and legal issue since the entry into force of the BiH Constitution. The BiH Constitution and the relevant case law of the Constitutional Court of BiH define the competencies and institutional relationships between BiH and the Entities. However, political practice may lead to situations where these principles are violated or disregarded, which may result in conflicting regulations. For example, in May 2025, the Constitutional Court of BiH annulled several laws and decisions adopted by the National Assembly of Republika Srpska for infringing upon the competencies of the state of BiH, particularly in the areas of justice and security, which, according to the BiH Constitution, fall under the exclusive jurisdiction of the BiH state.

While only a small number of laws are adopted at BiH level, all decisions require a majority approval in both chambers of the parliamentary assembly (the "**BiH Parliamentary Assembly**"). This structure and the complexity of the relationship between BiH and the Entities creates a risk of parliamentary paralysis or legislative gridlock such that the BiH Parliamentary Assembly is unable to pass laws or make decisions on a timely basis or at all due to political conflicts or procedural disputes, which may hinder effective governance and policy implementation and, as a result, erode public trust or lead to market instability.

BiH's complex structure is designed to preserve the ethnic identities prevalent in BiH. While BiH has been peaceful in the years since the Dayton Agreement was signed, there have been instances showing a lack of consensus between the various ethnic groups that may increase political instability. For example, in February 2020, following the ruling of the BiH Constitutional Court (the "**BiH Constitutional Court**"), which declared Republika Srpska's Law on Agricultural Land unconstitutional, representatives of Republika Srpska stated that they would suspend their participation in any matter within the jurisdiction of BiH until a new law on the BiH Constitutional Court is adopted that would exclude foreign judges from the BiH Constitutional Court, as they believed the law to breach the territorial integrity of Republika Srpska. In October 2021, Republika Srpska President Milorad Dodik announced that Republika Srpska would withdraw from BiH's military, top judiciary body and tax administration. In addition, since 2011, there have been several attempts of referendums for independence by Republika Srpska, which have met repeated resistance from BiH and the Federation as well as international stakeholders. Any actual or perceived threat to the delicate governance structure and relationship between the institutions at the BiH and Entity levels may significantly contribute to increasing political instability in BiH. Future changes in the BiH Government (including following the next general elections, which are due to take place in October 2026) or the government of the Federation or Republika Srpska, major policy shifts, increased ethnic tensions or an increased lack of consensus among members of the Presidency could contribute to a rise in political and social instability in BiH, the Federation and Republika Srpska, which could have a material adverse effect on the Federation, its economy, its ability to access the capital markets and to perform its obligations under the Notes.

The fixed exchange rate may limit the ability of the Central Bank to accommodate monetary policy

The Central Bank, which is a BiH-level institution, maintains monetary stability in BiH by issuing domestic currency in accordance with the currency board arrangement pursuant to which a fixed foreign currency exchange rate is tied to a stable foreign currency, known as the reserve currency, where the total amount of domestic currency can be freely converted to reserve currency at any time (the "**Currency Board Arrangement**"). Since 5 September 2002, the Convertible Mark has been formally pegged to the Euro at a rate of BAM 1.00 = €0.511292, having previously been pegged to the German Deutsche Mark. Any failure of the Central Bank to maintain this peg may adversely affect financial conditions in BiH and the Federation and may affect the ability of the Federation to service its debt and other financial obligations denominated in foreign currencies, including amounts due under the Notes.

The value of the Convertible Mark is impacted by a number of factors which are outside of Federation control, and the Federation does not exercise control over the Central Bank. Although the Central Bank has never defaulted on the peg and has indicated its commitment to maintaining the peg, there can be no assurance that there will not be a need for a devaluation as a result of internal or external factors.

There is a risk that a failure to maintain the peg to the Euro, which could be sudden and could result in a depreciation of the Convertible Mark, could result in reduced revenues in the balance of payments or outflows of capital from BiH, all of which could have a material adverse effect on BiH's and the Federation's economies. Although a devaluation of the Convertible Mark could make exports, particularly aluminium (as further described below), more competitive in international markets, it may not be sufficient to mitigate the impact of a devaluation.

In addition, the Law on the Central Bank of BiH (the "**Law on the Central Bank**"), which governs monetary policy in BiH, does not permit other instruments of monetary control, including the setting of interest rates. With the Currency Board Arrangement linked to the Euro, BiH's economy is susceptible to changes in euro area monetary policy. In its Selected Issues Report dated June 2024, the IMF noted that "*A widening of the spread between local interest rates and the euro area changes relative prices, with potential effects on capital flows. This is particularly pronounced in BiH since the local currency is pegged to the euro so the exchange rate cannot adapt to close this gap*". Accordingly, interest rates in BiH are largely influenced by market conditions and the policies of the European Central Bank ("**ECB**").

The Central Bank is not a lender of last resort

Governance of the monetary and financial system of BiH and financial system of the Federation is highly de-centralised. The Central Bank is responsible for implementing monetary policy but the governance and supervision of the banking system falls entirely within the jurisdiction of the Federation. See "*Monetary and Financial System*". The Central Bank is prohibited from engaging in monetary operations (except the Currency Board Arrangement and prescribing required reserve of banks), or interventions in the banking system and is not a lender of last resort. Since the banks operating in the Federation do not have an option to receive liquidity from the Central Bank, they lack support from a central bank that could help support the economy in times of crisis, such as the October 2024 Floods or during COVID-19, where no monetary support or stimulus was provided by the Central Bank. Any turmoil in the global banking sector and the wider economy, could have a negative effect on the Federation's banking sector, which may cause future bankruptcies in the banking sector of the Federation, and in turn could have a material adverse effect on the Federation, its economy and its ability to perform its obligations under the Notes.

BiH may not become a member of the EU in the near future or at all

BiH is in the process of applying for full membership of the EU. On 15 December 2022, the European Council granted BiH candidate status and in December 2023, the European Council decided to open accession negotiations with BiH, once the requisite degree of compliance with membership criteria was achieved. The European Commission published a favourable report on the progress in BiH in March 2024, and on 22 March 2024, the European Council opened accession negotiations with BiH, contingent on further steps set out in the European Commission's report of 12 October 2022, which include constitutional and electoral reforms, rule of law reform and further alignment with the Acquis, being taken by BiH. In doing so, the European Council invited the European Commission to prepare the negotiation framework. See "*Description of the Federation of Bosnia and Herzegovina—Foreign Relations of BiH—European Union—EU accession process*". A date has yet to be set for the opening of formal negotiations. There can be no assurance that these negotiations will result in BiH successfully becoming a member of the EU.

Accession is not expected in the short-term. In particular, all key decisions in respect of BiH' potential accession to the EU will require a positive unanimous decision of all EU member states. Any increase in anti-enlargement sentiment in the EU, in particular due to the simultaneous application of five other Western Balkan states (Albania, Montenegro, North Macedonia, Serbia and Kosovo), any deterioration of the security situation in BiH or the region or current or historic debt problems experienced by certain EU member states, or any prospective changes in EU laws, may also cause delays in BiH's accession process. Delays in the EU accession process due to BiH's inability to meet harmonisation criteria or a change in

EU entry criteria, or the opposition of, or disputes with. EU member states, may adversely impact BiH's economic development and, accordingly, affect the Federation's ability to repay principal and make payments of interest on the Notes.

Changes in global trade policies may impact the BiH economy

Global trade policy, including the imposition of trade barriers or tariffs, could have a material impact on BiH's and the Federation's fiscal and economic condition. In recent years, U.S. trade policy in particular has focused on protecting domestic U.S. production and there have been various tariffs that have been announced or implemented. On 1 March 2018, the United States announced the implementation of a new 25% tariff on aluminium imports. On 2 April 2025, the United States announced that it would impose a "baseline" tariff of at least 10% (and 25% on steel and aluminium) on most imports into the United States, with potentially higher tariffs on countries with a trade of goods surplus to the United States. On 16 April 2025, the Federation Government approved an initiative to start discussions on a Free Trade Agreement with the United States, following concerns over tariffs on Bosnian goods. On 28 May 2025, U.S. Court of International Trade ruled that such tariffs had been imposed illegally and must be removed within 10 days, however, its decision has been stayed by the Circuit Court for the District of Columbia while it is under appeal. There can, however, be no assurance that further or increased tariffs will not be introduced. Any of the aforementioned tariffs could have a material adverse impact on BiH's balance of trade and on the economy of BiH and the Federation. In addition, it is not yet possible to predict the further indirect effects of such tariffs on the economy of BiH or the Federation nor the impact of any potential retaliatory measures imposed in response or the effects of the volatility created by these events and announcements.

The war in Ukraine may impact BiH

In February 2022, the Russian Federation commenced war in Ukraine. These actions led the United States, the European Union and the United Kingdom, among others, to impose economic sanctions against Russia, Russian government officials and Russian corporations and financial institutions. The ongoing conflict has had an immediate impact on international capital markets, investor sentiment and commodity prices (including oil and gas, which has led to rising fuel prices and inflation). The sanctions announced to date include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organisations in Russia, severing Russia's largest bank from the U.S. financial system, barring some Russian enterprises from raising money in the U.S. market and blocking the access of Russian banks to financial markets. There remains a risk of escalation and an ongoing impact on geopolitical conditions. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate.

Although the Federation's direct exposure to the war in Ukraine is limited, the war in Ukraine has given rise to substantial volatility in international financial markets, threats to the global food supply and elevated levels of energy and other commodity prices, which have, in turn, caused a global increase in inflation including in BiH and the Federation (particularly in 2022, with inflation increasing to 14.9% in the Federation and 14.0% in BiH). In addition, it is possible that the war in Ukraine could give rise to or exacerbate existing internal political tensions within the communities that comprise BiH. While the long-term effects of the war on the Federation's economy remain to be seen, any such geopolitical conflict and fluctuations of global prices could have an adverse effect on economic conditions and growth in BiH and, accordingly, on the ability of the Federation to raise funding in the external debt markets in the future.

Legal and administrative barriers to implementation of infrastructure projects in BiH

The implementation of infrastructure projects in BiH, specifically those in the energy sector, may be subject to legal, administrative and political challenges. In particular, the Law on the Temporary Prohibition of Disposal of State Property, which was enacted by the Office of the High Representative in 2005 to prevent the transfer or sale of state-owned assets until a comprehensive legal framework is adopted at the BiH state-level due to political disputes over the status and allocation of such assets, effectively renders state-owned property unavailable for use in infrastructure development. As a result, access to strategically located land in BiH, often essential for energy generation and transmission projects, is severely restricted. In addition, due to BiH's complex and fragmented regulatory and administrative framework, the process for acquiring land rights and securing necessary permits may be time-consuming and subject to delays, which, in turn may lead to increased project costs. There is also no harmonised system for recognising and enforcing property and land use rights in BiH, which leads to legal uncertainty undermining the ability of investors to obtain clear and undisputed title or other requisite land rights critical to project development. Both BiH and the Federation require infrastructure development to support sustainable economic growth, enhance energy security, and attract foreign investment. Due to the challenges outlined, there can be no assurance that BiH and the Federation will be able to successfully implement necessary or significant projects within anticipated timelines or budgets, or at all.

Risks relating to an investment in the Notes

Possible Legal Challenge Relating to the Notes could impact the Value of the Notes

As discussed in *"—Risks Relating to the Issuer—The Federation's legal system is developing*" inconsistencies or ambiguities in the laws of the Federation or the laws of BiH can give rise to both legal and political challenges. The Federation recently 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 offered hereby. At the time of the approval of the Federation Law on Borrowing by the Federation Parliament, certain members of the opposition party indicated that they believed that the law was inconsistent with the BiH Constitution and that the Federation Government's stated procedures for approving commercial borrowings, including the Notes, was inconsistent with the Federation Law on Borrowing and the laws of BiH. Further, the opposition indicated that they would commence a legal challenge to the Federation Government's position, although no such challenge has been filed as of the date of this Offering Circular.

While the Federation Government has received legal advice that, in both cases, its interpretation of the laws of the Federation and of the BiH in respect of the legal basis and procedures for commercial borrowings, including the issuance of the Notes, is the better interpretation and that any such legal challenge is unlikely to be successful, there can be no assurances that the Government's interpretation will withstand legal challenge. Similar to other emerging markets jurisdictions in respect of the interpretation of nascent laws, the laws in BiH and the Federation are unclear as to what the legal consequence would be if the challenge is successful. Furthermore, any such legal challenge, whether or not overcome, could be protracted and cause further political tension within BiH and the Federation, and the result of any such challenge could have a material adverse effect on the value of the Notes or, in certain circumstances, the ability of the Noteholders to enforce their rights in the event the validity of the Notes is questioned as a matter of Federation law.

The terms of the Notes may be modified or waived without the consent of all the holders of the Notes

The conditions of the Notes contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider matters affecting their interests generally and for the passing of written resolutions of Noteholders without the need for a meeting. Such provisions are commonly referred to as "collective action clauses". These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or sign the relevant written resolution and Noteholders who voted in a manner contrary to the majority.

In the future, the Issuer may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the conditions of the Notes. If this occurs, the Notes could be capable of aggregation with any such future debt securities, meaning that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of all the relevant aggregated series of debt securities, including the Notes.

Any modification or actions relating to any Reserved Matter (as defined in the Conditions), including in respect of payments and other important terms, may be made (a) to the Notes with the consent of the holders of 75% of the aggregate principal amount of the outstanding Notes, and (b) to multiple series of debt securities which may be issued by the Issuer (including the Notes) with the consent of both (i) the holders of at least two thirds of the aggregate principal amount of all outstanding debt securities being aggregated and (ii) the holders of at least 50% in aggregate principal amount of the outstanding debt securities of each series being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to any Reserved Matter may be made to multiple series of the Issuer's debt securities (including the Notes) with the consent of 75% of the aggregate principal amount of the outstanding debt securities of all affected series, without requiring a particular percentage of the holders of any individual affected debt securities to vote in favour of or approve any proposed modification or action. Any modification or action proposed by the Issuer may, as the option of the Issuer, be made in respect of certain series of the Issuer's debt securities only and, for the avoidance of doubt, the collective action provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Issuer.

There is, therefore, a risk that the conditions of the Notes may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of or signing a written resolution in respect of an amendment, modification or waiver may be holders of different series of debt securities and, as such, the majority of Noteholders would not necessarily have voted in favour of or signed a written resolution in respect of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation.

The Conditions also contain a provision permitting the Notes and the Conditions to be amended without the consent of the Noteholders to correct a manifest error, or where the modification is of a formal, minor or technical nature or is not materially prejudicial to the interests of the Noteholders.

Any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

The Conditions restrict the ability of an individual holder to declare an Event of Default, and permit a majority of holders to rescind a declaration of such an Event of Default

The Conditions contain a provision which, if an Event of Default occurs, allows the holders of not less than 25% in aggregate principal amount of the outstanding Notes to declare all of the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the principal, interest and all additional amounts payable on the Notes will become immediately due and payable on the date on which the Issuer receives written notice of the declaration as aforesaid.

The Conditions also contain a provision permitting the holders of at least 50% in aggregate principal amount of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

The Issuer is not required to effect equal or rateable payment(s) with respect to its other debt obligations pursuant to the Conditions, and is not required to pay other debt obligations at the same time or as a condition of paying sums on the Notes and vice versa

In accordance with Condition 3 (*Status*), the Notes will at all times rank *pari passu* with all other present and future unsecured obligations of the Issuer. However, the Federation shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other unsecured obligations of the Issuer and, in particular, shall have no obligation to pay other unsecured obligations at the same time or as a condition of paying sums due on the Notes and vice versa. Accordingly, the Federation may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured creditors of the Federation as payments fall due.

A breach of the Issuer's debt reporting obligations under the Conditions would not be an Event of Default

The Issuer has an obligation under Condition 4.2 (*Debt Reporting*) to publish on the website of the Federal Ministry of Finance: (i) certain annual and semi-annual data concerning the Issuer's indebtedness position (in the form of each table set out under the captions "*Public Debt—Debt Balance of the Federation Government*", "*Public Debt—Federation-Level External Debt*", "*Public Debt–Federation Government Internal Debt*" and "*Public Debt–Debt Service*"); and (ii) each final budget or any amendment to a previously published final budget of the Issuer, in each case by certain specified deadlines. However, any breach of this obligation would not cause an Event of Default under the Conditions and, accordingly, Noteholders would not have an ability to accelerate the Notes in the event of any non-compliance by the Issuer with its obligations under Condition 4.2 (*Debt Reporting*).

The Notes have minimum denominations, which may affect an investor's ability to receive definitive Certificates

The Notes have denominations consisting of a minimum denomination of €100,000 plus one or more higher integral multiples of €1,000, and it is possible that Notes may be traded in amounts in excess of €100,000 that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds an amount, which is less than €100,000 in his or her account with the relevant clearing system, would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of €100,000 such that its holding amounts to such a specified denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive certificate in respect of such holding (should certificates in definitive form be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least €100,000.

Credit ratings may not reflect all risks

On 25 May 2025, S&P affirmed the Federation's long-term credit rating of "B+" (with a stable outlook), in line with its rating of BiH of "B+" (with a stable outlook). There can be no guarantee that the Federation will not experience credit downgrades or revisions to the outlook. Any future downgrade or withdrawal at any time of a credit rating assigned to the Federation by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets, which in turn may have a negative effect on the Federation's economy and its ability to perform its obligations under the Notes. A downgrade may also adversely affect the market price of the Notes and cause trading in the Notes to be volatile.

The Notes are expected to be assigned a rating of B3 by Moody's and B+ by S&P. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A credit rating is generally dependent on a number of factors, including public debt levels, past and projected future budget deficits and other considerations. Any adverse change in the credit ratings of the Notes, or of the Federation, could adversely affect the trading price of the Notes.

In addition, any rating action taken with respect to BiH can be expected to impact the Federation's ratings, including the rating applicable to the Notes. Investors should also note that notwithstanding the close linkage between BiH's sovereign rating and the Federation's credit rating, the Federation's debts (including the Notes) are not direct or indirect obligations of BiH or guaranteed in any way by BiH.

There can be no certainty that a credit rating will remain for any given period of time or that a credit rating will not be downgraded or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant. Deterioration in key economic indicators or the materialisation of any of the risks discussed herein may contribute to credit rating downgrades and the ratings assigned by the independent rating agencies may be subject to changes based on future developments. The Federation has no obligation to inform the Noteholders of any such revision, downgrade or withdrawal. A suspension, downgrade or withdrawal at any time of the credit rating assigned to the Federation may adversely affect the economy and the Federation's cost of borrowing and, in turn, its ability to repay principal and make payments of interest on the Notes.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

The Conditions are based on current provisions of English law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of the Notes.

A secondary market for the Notes may not develop

The Notes are new securities, which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Federation. Although application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's main market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes. Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a material adverse effect on the market value of the Notes.

Furthermore, the Notes have not been, and will not be, registered under the Securities Act or any other applicable securities laws and are being offered pursuant to an exemption from the registration requirements of the Securities Act. Accordingly, the Notes are subject to certain transfer restrictions and will bear a legend regarding those restrictions. See "*Subscription and Sale*" and "*Transfer Restrictions*". These restrictions may limit the ability of investors to resell the Notes.

Notes issued in further issues may be treated as having original issue discount for U.S. federal income tax purposes.

The Issuer may, without the consent of the Noteholders of outstanding Notes, issue further securities with identical terms as the Notes. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with original issue discount ("**OID**") even if the original Notes had no OID. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes. Any U.S. federal income tax considerations which apply to a separate series of additional Notes issued with OID will be described in the applicable offering circular. See "*Taxation—U.S. Federal Income Tax Considerations*".

There are risks relating to exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in Euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than Euros. These include the risk that exchange rates may significantly change (including changes due to a devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Euros would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. There also may be tax consequences for the holders of the Notes as a result of any foreign exchange gains or losses from any investment in the Notes. See "*Taxation—U.S. Federal Income Tax Considerations*" if you are a U.S. holder whose functional currency is the U.S. dollar.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Investors may experience difficulty in enforcing foreign judgments in the Federation. See "– A claimant may not be able to enforce a court judgment against certain assets of the Federation in certain jurisdictions."

Notes where denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum denomination of €100,000 plus one or more higher integral multiples of €1,000, and it is possible that Notes may be traded in amounts that are not integral multiples of €100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than €100,000 in his account with the relevant clearing system at the relevant time may not receive a definitive certificate in respect of such holding (should certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least €100,000.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurances can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Modification

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Noteholders must rely on the procedures of Euroclear and Clearstream, Luxembourg

The Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg and investors will have to rely on their procedures for transfer, payment and communication with the Federation.

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Global Notes. The Global Notes will be registered in the name of a nominee for, and deposited with a common depositary for, and in respect of interests held through, Euroclear and Clearstream, Luxembourg. Individual Note Certificates evidencing holdings of Notes will only be available in certain limited circumstances. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Federation will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Federation has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any the Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used by the Federation for general budgetary purposes.

DESCRIPTION OF THE FEDERATION OF BOSNIA AND HERZEGOVINA

Introduction

BiH consists of the Federation, Republika Srpska and the Brčko District. BiH declared independence from Yugoslavia on 1 March 1992 after the Parliament of the Socialist Republic of BiH held a referendum to secede amidst broader tensions in the region. BiH was internally reorganised into the Federation, Republika Srpska and the Brčko District, and BiH's internal borders were subsequently negotiated in the Dayton Agreement signed on 14 December 1995.

Source: Federal Ministry of Finance

Geography and Population

The Federation borders Republika Srpska to the north and east and Croatia to the north and southwest. The Federation has 80 local government units, which include 57 municipalities and 23 cities. Its major cities include Bihać, Goražde, Livno, Mostar, Sarajevo, Široki Brijeg, Tuzla and Zenica. The Federation's capital, largest city and the administrative, economic and cultural centre is Sarajevo.

The Federation occupies an area of approximately 26,610 square kilometres. The Federation is largely landlocked but has access to the Adriatic Sea in the south through the town of Neum. It is connected with Europe and Asia by the Pan-European Corridor X—E70 motorway, railways and international airports in Sarajevo, Mostar and Tuzla.

According to Federal Institute of Statistics estimates as at 30 June 2024 (based on the most recent census conducted in 2013), the Federation had a total population of 2,144,748 (accounting for approximately 63.0% of the total population of BiH), of which 421,531 were located in Sarajevo, 429,443 were located in Tuzla and 349,477 were located in Zenica. According to the 2013 census, the majority (approximately 70.4%) of the population were Ethnic Bosniaks. Ethnic Croats and Serbs, the other two largest ethnic groups, comprised 22.4% and 2.6% of the population, respectively. There are also a significant number of other nationalities and ethnic groups within the Federation, including Slovenians, Montenegrins, Macedonians, Ukrainians and Romani peoples. The official languages of the Federation correspond to the three largest ethnic groups in the country: Bosnian, Croatian and Serbian. Approximately 74.6% of the population speak Bosnian, whereas 21.6% and 2.0% speak Croatian and Serbian, respectively. According to the 2013 census, 71.3% of the population of the Federation were Muslims, whereas 22.1% and 2.6% were Catholic and Serbian Orthodox, respectively.

History

The history of BiH stretches back to pre-Roman times when Illyrian tribes inhabited modern-day BiH. Conflicts between inhabitants and the Romans, beginning around 229 B.C., led to two centuries of skirmishes, culminating in the Romans annexing the territory to the province of Dalmatia. In subsequent decades, a gradual process of Romanisation occurred, interrupted by the split of the Roman Empire into the western empire, with its capital in Rome, and the eastern (*i.e.*, Byzantine) empire, with its capital in Constantinople (now, Istanbul). With the division of the Roman Empire, the Drina River, which today forms a large portion of BiH's eastern border with Serbia before flowing south into BiH, became a natural border between the polities, and BiH became a buffer between the two.

A BiH proto-state began to take shape in the tenth century, but it faced regular challenges from neighbours attempting to expand religious and cultural influence into its territory. In 1130, Bosnia first emerged as an independent state under the leadership of King Kulin (or Ban Kulin). King Kulin ruled until 1204, and his rule marked a peaceful period in history, sometimes referred to as a golden age. An early parliament was formed during this period.

Ottoman Turkish armies began incursions in the region in the late fourteenth century and established various footholds, culminating in the conquest of Constantinople in 1453. The Ottoman Empire subsequently gained political control of the region, including the territory of BiH.

In 1580, the Ottoman Empire established a province that covered all of the territory of present-day BiH, as well as some parts of neighbouring countries. The Treaty of Karlowitz in 1699, which marked the end of the war between the Ottomans and western forces led by the Hapsburgs, confirmed BiH's historical borders. Ottoman rule lasted until 1878.

The 1870s were a period of social and political turmoil in Europe. At the Congress of Berlin convened in 1878 to attempt to resolve great power rivalries in south-eastern Europe, BiH was subjected to the occupation and administration of the Hapsburg Austro-Hungarian Empire. Local resistance to Hapsburg rule eventually resulted in BiH being granted semi-autonomous status until the outbreak of World War I, which is said to have started as a consequence of the assassination of the heir to the Hapsburg throne, Archduke Franz Ferdinand, in Sarajevo in 1914.

During World War I, BiH was occupied by Austro-Hungarian forces. After the war, BiH was separated from the Austro-Hungarian Empire and a new kingdom—the Kingdom of Serbs, Croats and Slovenes—was formed in 1921. In 1929, it was subsequently renamed the Kingdom of Yugoslavia (or "land of the South Slavs").

During World War II, various parts of Yugoslavia were occupied by Germany, Italy, Hungary and Bulgaria. Following the end of the war, BiH, North Macedonia and Montenegro were given separate and equal republican status within the new socialist federation of Yugoslavia. In its present borders, BiH was created on 25 November 1943 at a session of Marshall Tito's Communist Party, which took power after World War II. After the Socialist Federal Republic of Yugoslavia was created in 1945, BiH existed as one of its six consistent republics for nearly 50 years.

Growing separatist and nationalist tensions emerged across Yugoslavia at the end of the twentieth century. As a result, from 1991 to 1992, Slovenia, Croatia, BiH and North Macedonia each seceded from Yugoslavia. In particular, in March 1992, the Parliament of the Socialist Republic of Bosnia and Herzegovina held a referendum to confirm the succession vote. After the referendum, which was boycotted by the majority of the ethnic Serbs in BiH and endorsed by Bosniaks and the Croats, BiH declared independence on 1 March 1992. An international armed conflict ensued between 1992 and 1995 (the "**Bosnian War**").

The beginning of the Bosnian War saw two sides at war with each other: on one side were Croats and Bosniaks and, on the other, Serbs. However, throughout 1993, Croats and Bosniaks also fought heavily against each other. Following U.S. intervention, fighting between Bosniaks and Croats ended in March 1994, with the signing of an agreement to establish an alliance on the territory they collectively controlled (the "**Washington Agreement**"). The alliance then joined forces against the Bosnian Serbs who lost ground to the joint offensive and NATO air strikes in August 1995.

U.S. intervention ultimately led to the Dayton Agreement, signed on 14 December 1995. Under the Dayton Agreement, BiH retained its internationally-recognised borders, but was internally reorganised into the two Entities—the Federation (representing about 51% of the territory of BiH) and Republika Srpska (representing about 49%). The Brčko District, which was the only territorial issue left unresolved by the Dayton Agreement, became an administrative unit under the jurisdiction of the state and ruled by an international governor. An Office of the High Representative was also created to oversee implementation of the Dayton Agreement, and an international peacekeeping force was deployed.

BiH, after the end of the Bosnian War in 1995, was peaceful until 2014, when a series of demonstrations and riots started in the northern town of Tuzla (in the Federation) on 4 February 2014, against corruption and inequities in the labour market. The unrest quickly spread to a number of cities in BiH, including Sarajevo, the capital. The political unrest in 2014 was the largest display of violent unrest since the Bosnian War and resulted in several arrests and damage to public property, but the protests largely faded away in April 2014.

Since the Dayton Agreement was signed, BiH has applied for accession with the EU, by signing the SAA (defined below) in 2008, which entered into force in June 2015. BiH submitted its formal application for EU membership on 15 February 2016 and has been developing its foreign relations and improving its economic, political, judicial and social policies for its accession with the EU. Formal negotiations for the accession of BiH to the EU began in 2024.

Armed Forces

The armed forces of BiH (the "**Armed Forces**") were established on 1 January 2006, following the completion of the defence system reform and the transfer of the competencies in the field of defence from the Entities to BiH. With the adoption and implementation of the Law on Defence, BiH became responsible for ensuring transparent, democratic and civilian control over the Armed Forces. The Presidency makes decisions with respect to the Armed Forces by consensus, including in relation to the size and structure of the Armed Forces, the location of command and units, as well as ethnic representation. The Armed Forces should comprise at least 16,000 members, namely: 10,000 professional military personnel, 1,000 civilian personnel and 5,000 reserve members.

Chain of command and control flows from the Presidency of BiH to the Minister of Defence, then to the Chief of Joint Staff of the Armed Forces, the Commander of the Operational Command and Commander of Support and, finally, to subordinate commanders.

The Armed Forces participate in collective security operations, peace support operations and self-defence, including the fight against terrorism. It provides military defence to BiH in case of attack. The Armed Forces are also responsible for assisting civil authorities in responding to natural disaster and accidents, as well as mine activity and fulfilment of the international obligations of BiH.

The BiH Constitution and Government Structure of BiH

BiH has a complex legal framework due to the combination of different government systems. In addition to BiH, the Entities have their own legal systems, and the Brčko District also has a separate legal framework. Only a small number of laws are adopted at BiH level. As the Entities have wide legislative competences, each of them may adopt their own independent laws.

Articles 4 to 7 of the BiH Constitution stipulate that the institutions of BiH include the following:

- the BiH Parliamentary Assembly, which has two houses: the House of Peoples (the "**BiH House of Peoples**") and the House of Representatives (the "**BiH House of Representatives**");

- the Presidency, which consists of three elected members (a Serb from Republika Srpska and a Bosniak and Croat from the Federation) who rotate as the chair every eight months;

- the Council of Ministers, responsible for policies and decisions in accordance with the BiH Constitution (the "**Council of Ministers**"). The Presidency nominates the chair of the Council of Ministers, who takes office for a four-year term upon the approval of the BiH House of Representatives;

- the BiH Constitutional Court, which interprets the BiH Constitution; and

- the Central Bank, which is the sole authority for issuing currency and for monetary policy throughout BiH.

Responsibilities of BiH, the Entities and the Brčko District

The following matters are the responsibility of the institutions of BiH: foreign policy; foreign trade policy; custom policy; monetary policy; finances of the institutions and for the international obligations of BiH; immigration, refugee and asylum policy and regulation; international and inter-Entity criminal law enforcement (including relations with Interpol); establishment and operation of common and international communications facilities; regulation of inter-Entity transportation;

air traffic control and defence. BiH assumes responsibility for such other matters as are agreed by the Entities. Additional institutions may be established as necessary to carry out such responsibilities, and if the Entities agree.

The distribution of fiscal policy and public expenditure is complex and highly decentralised between BiH, the Entities and the Brčko District. See "*Public Finance*". The BiH Constitution provides that each Entity has the right to enter into agreements with states and international organisations with the consent of the BiH Parliamentary Assembly. The BiH Parliamentary Assembly may provide, by law, that certain types of agreements do not require such consent. Each Entity has a responsibility to provide assistance necessary to enable BiH to honour its international obligations and, the Constitution further provides that any financial obligations entered into by one Entity without the consent of the other prior to the first post-Dayton Agreement election of the BiH Parliamentary Assembly and the Presidency (in September 1996) are the obligations of the relevant Entity. In addition, each Entity has a responsibility to provide a safe and secure environment for all persons within its respective jurisdiction.

The BiH Parliamentary Assembly

The BiH Parliamentary Assembly consists of the BiH House of Peoples (15 Delegates with five Bosniaks and five Croats from the Federation and five Serbs from Republika Srpska) and the BiH House of Representatives (42 Members with two-thirds from the Federation and one-third from Republika Srpska). All decisions require a majority approval in both chambers. The BiH Parliamentary Assembly enacts legislation to carry out its own responsibilities, which include: (i) deciding on the sources and amounts of revenue for BiH institutions; (ii) international obligations of BiH; (iii) approving a budget for BiH; (iv) approving treaties; and (v) other matters necessary to carry out its duties or as assigned by mutual agreement of the Entities.

General elections (at which voters elect representatives to the BiH House of Representatives, as well as to the Entity parliaments and Cantonal assemblies) are held every four years, with the most recent general election held on 2 October 2022 (the "**October 2022 Elections**"). Members of the BiH House of Representatives are directly elected by citizens through a system of party-list proportional representation. During the October 2022 Elections, voter turnout was approximately 51.5%, with 28 members of the BiH House of Representatives elected from the Federation and 14 members elected from Republika Srpska. The top performing parties were: Party of Democratic Action (with 17.2% of the vote); Alliance of Independent Social Democrats (with 16.3% of the vote); and Social Democratic Party (with 8.2% of the vote). The next general elections are scheduled for October 2026, in accordance with the Election Law of BiH.

The following table sets forth the number and percentage of seats in the BiH House of Representatives held by each political party as at the date of this Offering Circular:

Name of Party	No. of seats	% share of total seats
Party of Democratic Action	8	19.0
Alliance of Independent Social Democrats	6	14.3
Social Democratic Party	5	11.9
Croatian Democratic Union of Bosnia and Herzegovina	4	9.5
Democratic Front	3	7.1
People and Justice	3	7.1
Our Party	2	4.8
The Serb Democratic Party	2	4.8
The Party of Democratic Progress	2	4.8
People's European Union	2	4.8
For Justice and Order	1	2.4
Democratic Union	1	2.4
United Srpska	1	2.4
Bosnian-Herzegovinian Initiative	1	2.4
Forward	1	2.4
Total	**42**	**100.0**

Source: BiH Parliamentary Assembly.

Members of the BiH House of Peoples are indirectly appointed after the general election of the BiH House of Representatives. While there is no specific timing set for such appointments to be made, they typically take place within a few months following the general election depending on political negotiations. Delegates are appointed to the BiH House of Peoples by Entity parliaments, typically from among elected officials or party nominees. In the Federation, the House of Peoples is responsible for appointing delegates to the BiH House of Peoples.

The following table sets forth the delegates in the BiH House of Peoples as at the date of this Offering Circular:

Name	Political Party
Bosniak Delegates	
Šefik Džaferović	The Party of Democratic Action
Safet Softić	The Party of Democratic Action
Kemal Ademović	People and Justice
Dženan Đonlagić	Democratic Front
Džemal Smajić	The Party for Bosnia and Herzegovina
Croat Delegates	
Zlatko Miletić	New Generations
Dragan Čović	The Croatian Democratic Union of Bosnia and Herzegovina
Marina Pendeš	The Croatian Democratic Union of Bosnia and Herzegovina
Ilija Cvitanović	The Croatian Democratic Union 1990
Zdenko Ćosić	The Croatian Democratic Union of Bosnia and Herzegovina
Serb Delegates	
Nikola Špiriá	The Alliance of Independent Social Democrats
Radovan Kovačević	The Alliance of Independent Social Democrats
Sredoje Noviá	The Alliance of Independent Social Democrats
Nenad Vuković	The Party of Democratic Progress
Želimir Nešković	The Serbian Democratic Party

Source: BiH Parliamentary Assembly.

Council of Ministers

The Council of Ministers of BiH is responsible for policies and decisions in accordance with the BiH Constitution. The Presidency nominates the chair of the Council of Ministers, which is confirmed by the BiH House of Representatives for a four-year term. Not more than two-thirds of all the members of the Council of Ministers can be appointed from the territory of the Federation. The Council of Ministers consists of the Ministry of Foreign Affairs, Ministry of Security, Ministry of Defence, Ministry of Finance and Treasury, Ministry of Justice, Ministry of Foreign Trade and Economic Relations, Ministry of Communication and Transport, Ministry of Human Rights and Refugees and Ministry of Civil Affairs.

The following table lists the Council of Ministers as at the date of this Offering Circular:

Name	Position
Borjana Krišto	Chairwoman of the Council of Ministers
Elmedin Konaković	Minister of Foreign Affairs
Srđan Amidžić	Minister of Finance and Treasury
Staša Košarac	Minister of Foreign Trade and Economic Relations
Zukan Helez	Minister of Defence
Ivica Bošnjak	Deputy Minister of Security
Davor Bunoza	Minister of Justice
Dubravka Bošnjak	Minister of Civil Affairs
Edin Forto	Minister of Communication and Traffic
Sevlid Hurtić	Minister of Human Rights and Refugees

Nenad Nešić resigned from the position of Minister of Security on 28 January 2025 and the resignation was also formally accepted by the Chairwoman of the Council of Ministers, Borjana Krišto, on 28 January 2025. A replacement has not yet been appointed.

The Judiciary

*High Judicial and Prosecutorial Council of BiH (the "**HJPC**")*

The HJPC is the national council of the judiciary of BiH. It is an independent body, responsible for ensuring the independence, impartiality, and professionalism of the judiciary and prosecutorial services in BiH and coordinating with the judicial and prosecutorial bodies of the Entities. The HJPC is composed of members who are judges, prosecutors, lawyers, and other legal professionals and its functions and responsibilities include: (i) appointment, dismissal, and disciplinary actions of judges and prosecutors at all levels; (ii) setting and enforcing professional standards and ethical codes for judges and prosecutors; (iii) overseeing the training and continuous education of judicial and prosecutorial staff to ensure high standards of competence and professionalism; (iv) conducting performance evaluations of judges and prosecutors to maintain the quality and efficiency of the judicial system; and (v) handling complaints and disciplinary proceedings against judges and prosecutors.

The BiH Constitutional Court

The BiH Constitutional Court was inaugurated in June 2002. The BiH Constitutional Court has nine members (four selected by the Federation's House of Representatives, two by Republika Srpska's National Assembly and three by the President of the European Court of Human Rights (the "**ECHR**")). The BiH Constitutional Court has jurisdiction for cases arising in BiH courts (with respect to violation of human rights or constitutional issues), as well as exclusive jurisdiction over cases between Entities regarding the Constitutionality of relations between an Entity and a neighbouring state or whether an Entity's Constitution conflicts with BiH's Constitution. On 8 September 1995, the Entities signed the Agreed Basic Principles, which establishes that disputes between the Entities are resolved through arbitration. See "*Risk Factors—Risks relating to BiH—BiH faces political risks*."

The BiH Constitutional Court has jurisdiction to decide whether any provision of the constitution or law of an Entity complies with the provisions of the BiH Constitution, as well as the constitutionality of the laws of BiH. The BiH Constitutional Court also has jurisdiction to examine an Entity's decision to establish relations with a neighbouring state in accordance with the BiH Constitution, including provisions relating to the sovereignty and territorial integrity of BiH. Disputes may be referred only by a member of the Presidency, chairman of the Council of Ministers, chairman or speaker or deputy speakers of either Houses of the BiH Parliamentary Assembly, one-fourth of delegates in either Houses of the BiH Parliamentary Assembly, or by one-fourth of either Houses of the Entities' parliaments. The court has jurisdiction over constitutional matters pertaining to the judgment of any court at any level in BiH. This confirms its role as a special institutional protector of rights and freedoms as established by the BiH Constitution. The BiH Constitutional Court can quash a judgment and require a retrial. The BiH Constitutional Court also has jurisdiction over issues referred to it by other courts, as well as the unblocking of the BiH Parliamentary Assembly.

The Federation Constitution and Government Structure of the Federation

Article 1 of the Federation Constitution defines the Federation as one of the two Entities composing BiH with all power, competence and responsibilities not within the exclusive competence of BiH and consisting of federal units ("**Cantons**").

The Federation exercises its legislative function through the Federation Parliament, executive functions through the Federation Executive (as defined below) comprising the Prime Minister, President, two Vice Presidents and the Government (the Prime Minister and the cabinet), and judicial functions through the Constitutional Court of the Federation (the "**Federation Constitutional Court**") and the Supreme Court, as well as Cantonal and Municipal Courts. The Federation Constitutional Court determines matters relating to constitutionality and resolves disputes between Cantons and/or between Cantons and the Federation Government or its institutions.

The Legislative Branch

Legislative authority in the Federation is exercised by the bicameral Federation Parliament, which is composed of the House of Representatives and the House of Peoples. Federal laws must be passed by both Houses. The Federation Parliament has the power to: (i) elect the President and Vice Presidents of the Federation; (ii) request to remove the President or Vice Presidents; (iii) approve the Federation Executive's cabinet (iv) enact laws to exercise responsibilities of the Federation Government; (v) grant the Cantons the authority to conclude agreements with states and international organisations and approve agreements with states and international organisations; (vi) adopt the budget of the Federation and enact legislation to levy taxes and otherwise secure the necessary financing; and (vii) perform other responsibilities as are conferred on it.

The House of Representatives

The House of Representatives is the lower chamber of the Federation Parliament. The House of Representatives has 98 members who are elected for four years. Once a proposed law has been submitted to either House, it undergoes a first reading, committee review, second reading and votes by both Houses. The right to propose laws, other regulations and general acts resides with the Prime Minister, the Federation Government and each member of each House.

In general elections, members of the House of Representatives of the Federation are elected through a system of proportional representation using semi-open party lists. Voter turnout recorded at the October 2022 Elections in respect of the elections to the Federation's House of Representatives was approximately 51.5%.

The following table shows the number and percentage of seats in the House of Representatives held by each political party as at the date of this Offering Circular:

Name of Party	Number of seats	% share of total seats
Party of Democratic Action	26	26.5
Social Democratic Party	15	15.3
Croatian Democratic Union of Bosnia and Herzegovina	15	15.3
Democratic Front	12	12.2
People and Justice	7	7.1
Our Party	6	6.1
People's European Union	5	5.1
Party for Bosnia and Herzegovina	4	4.1
The Croatian Democratic Union 1990	3	3.1
Movement of Democratic Action	1	1.0
Bosnian-Herzegovinian Initiative	1	1.0
Croatian Republican Party	1	1.0
Croatian National Shift	1	1.0
Movement for a Modern and Active Krajina	1	1.0
Total	**98**	**100.0**

Source: The House of Representatives of the Federation

The House of Peoples

The House of Peoples is the upper chamber of the Federation Parliament. It has 80 delegates who are appointed by each Cantonal legislature for a term of four years. The delegates are composed of 23 delegates from each of the Bosniak, Croat and Serb communities, as well as 11 delegates from other ethnicity communities. Members of the House of Peoples are typically indirectly appointed within a few months after the general election of the House of Representatives.

The following table shows the number and percentage of seats in the House of Peoples held by each political party as at the date of this Offering Circular:

Name of Party	Number of seats	% share of total seats
Croatian Democratic Union of Bosnia and Herzegovina	16	16.3
Party of Democratic Action	15	15.3
Social Democratic Party	13	13.3
Democratic Front	8	8.2
People and Justice	6	6.1
Our Party	4	4.1
People's European Union	3	3.1
The Croatian Democratic Union 1990	3	3.1
Alliance of Independent Social Democrats	2	2.0
Party for Bosnia and Herzegovina	2	2.0
Croatian National Shift	1	1.0
For New Generations	1	1.0
Bosnians People's Party	1	1.0
Croatian Democratic Alliance	1	1.0
Liberal Party	1	1.0
New Beginning	1	1.0
Serbian Progressive Party	1	1.0
Serb National Movement	1	1.0
Total	**80**	**100.0**

The Federation Executive

The President

The President represents the Federation and is responsible for: (i) appointing the Government and judges of the Federation's Constitutional Court; (ii) signing and ratifying international agreements on behalf of the Federation; and (iii) promulgating laws and granting pardons. 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. The Presidential term is four years, renewable once. The Federation Constitutional Court can impeach the President or a Vice President following a decision of the Federation Parliament adopted by a two-thirds majority vote of each House. The President may decide which of the two Vice Presidents shall replace him or her in case he or she is temporarily incapacitated or prevented from performing his or her presidential duties. Lidija Bradara is the current President of the Federation.

The Federation Government

The Federation Government consists of the Prime Minister and 16 ministers. The President presents the Government programme to the Federation Parliament and proposes its composition. The Federation Government is elected by a majority vote of all members of the Federation House of Representatives, and its members report to the Federation Parliament for a four-year term.

The functions of the Federation Government are as follows: (i) to execute Federation Government policies and enforce laws and policies of the Federation; (ii) to propose and make recommendations concerning legislation; (iii) to coordinate the activities of the ministries; (iv) to issue directives and regulations to facilitate the implementation and administration of laws; (v) to formulate budgetary proposals for the ministries; (vi) to respond to inquiries from either House of the Federation Parliament concerning ministerial matters; and (vii) to propose removals to the President.

The Federation Government maintains exclusive responsibilities vis-à-vis the Cantons for: (i) determining citizenship; (ii) making economic policy; (iii) setting economic and fiscal policy; (iv) combating terrorism and other inter-cantonal crimes; (v) making energy policy; and (vi) financing activities of the Federation Government through taxation and borrowing. Certain responsibilities are shared between the Federation and the Cantons, including: (i) guaranteeing and enforcing human rights; (ii) health, social welfare and environmental policy; (iii) infrastructure for communications and transport; (iv) tourism; (v) use of natural resources; and (vi) implementing laws and regulations concerning citizenship. The Cantons have responsibility for matters not expressly granted to the Federation, including: (i) policing; (ii) educational, housing, social welfare and cultural policies; (iii) provision of public services; (iv) regulating land use and local businesses; (v) regulating local energy production; and (vi) financing cantonal activities through taxation and borrowing.

The Social Democratic Party forms part of the coalition government with the Our Party, People and Justice and the Croatian Democratic Union of Bosnia and Herzegovina. In the most recent elections held in October 2022, the leader of the Social Democratic Party, Nermin Nikšić, was appointed the Prime Minister of the Federation. The other parties in the Federation include the Party of Democratic Action, the Democratic Front, European People's Union, the Party for Bosnia and Herzegovina and the Croatian Democratic Union 1990 and others.

The following table lists the principal officials of the Federation Government as at the date of this Offering Circular:

Name	Position
Nermin Nikšić	Prime Minister
Toni Kraljević	Deputy Prime Minister and Minister of Finance
Vojin Mijatović	Deputy Prime Minister and Minister of Development, Entrepreneurship and Craft
Ramo Isak	Minister of Interior
Vedran Škobić	Minister of Justice
Vedran Lakić	Minister of Energy, Mining and Industry
Andrijana Katić	Minister of Traffic and Communication
Adnan Delić	Minister of Work and Social Welfare
Nedžad Lokmić	Minister for Veterans and Disabled Veterans
Nerin Dizdar	Minister of Displaced Persons and Refugees
Nediljko Rimac	Minister of Healthcare
Jasna Duraković	Minister of Education and Science
Sanja Vlaisavljević	Minister of Culture and Sports
Amir Hasičević	Minister of Trade
Željko Nedić	Minister of Planning
Kemal Hrnjić	Minister of Agriculture, Aquaculture and Forestry
Nasiha Pozder	Minister of Environment and Tourism

The Judiciary

The Federation's courts

Article IV.C.1 of the Federation Constitution establishes that the judicial functions of the Federation will be exercised by the Federation Constitutional Court, the Supreme Court, the Cantonal courts and the Municipal Courts. Article IV.C.4 of the Federation Constitution also guarantees the independence of the courts and sets out their responsibility to ensure that all parties are treated equally and that all court proceedings shall be open, and judgments announced. Judges are nominated by the Federation President (with the consent of the Vice Presidents) and must be approved by a majority of the House of Peoples. Judges may serve until the age of 70, unless they resign or are removed.

The organization, structure and jurisdiction of courts in the Federation is governed by the Law on courts in the Federation of Bosnia and Herzegovina.

The Federation Constitutional Court

The Federation Constitutional Court consists of nine judges. The primary function of the Federation Constitutional Court is: (i) to resolve disputes between or among Cantons, municipalities, cities or the Federation Government, or between any institutions of the Federation Government; (ii) to determine if any law or proposed law by each House or by the legislature of a Canton is in accordance with the Constitution; (*iii*) to determine if any regulation or proposed regulation by the Federation Government or by a Cantonal government is in accordance with the Constitution; and (iv) to decide constitutional questions presented by the Supreme Court, the Human Rights Court, or Cantonal courts. The decisions of the Federation Constitutional Court are final and binding. If the Federation Constitutional Court finds a law or regulation (whether enacted or proposed) to be unconstitutional then the law will not remain in force, allowing for transitional arrangements up to six months.

The Supreme Court

The Supreme Court must have at least nine judges, but this number can be determined by the Federation from time to time. There are currently 41 judges at the Supreme Court. The Supreme Court is the highest court of appeals in the Federation. Judgments of the Supreme Court are final and binding.

Cantonal and Municipal Courts

Each Canton has courts, which have appellate jurisdiction over the courts of its municipalities and original jurisdiction over matters not within the competence of municipal courts. The HJPC appoints presidents of the courts.

Municipality courts, which have original jurisdiction over all civil and criminal matters except where the original jurisdiction is assigned to another court by the Federation's or Canton's constitution or laws, are established for one or more of a Canton's municipalities. Judges of the municipal courts are appointed by the HJPC.

Regional Administration

The governance structure of the Federation is split across four levels: the Federation Government, the Cantonal governments, the municipality governments and city authorities. There are ten Cantons in the Federation. Cantons are federal units with a high level of autonomy under the Federation's Constitution. A municipality is a fundamental territorial organisational unit of local self-government, formed to cover one or more populated areas in the Federation. A city is a territorial organisational unit that is formed when there are areas of two or more municipalities which are territorially linked by the everyday needs of citizens or if promulgated as cities by the Federation Parliament. The Federation has 80 local government units, which include 57 municipalities and 23 cities.

Cantons must take all necessary steps to ensure protection of the rights and freedoms and exercise their responsibilities for each of its municipalities. The activities of a Canton can be delegated to local self-government units and Cantons are obliged to do so if the majority of the population resides in the municipality or city. Delegable powers include education, tourism, local businesses and charities and television and radio. Each Canton has its own constitution, which provides for the protection of rights and freedoms in the Federation Constitution and for the creation of Cantonal legislatures, executive branches (led by a president) and judiciary.

Foreign Relations of BiH

While Article III.1 (b) of the BiH Constitution states that foreign policy is an exclusive responsibility of the institutions of BiH, article III.2 (a) of the BiH Constitution provides that each Entity may enter into agreements with foreign states and international organisations with the consent of the BiH Parliamentary Assembly. Furthermore, the BiH Parliamentary Assembly may, by law, stipulate that such consent is not required for certain types of agreements.

The Federation actively co-operates with several multilateral and bilateral partners, including the IMF, World Bank, European Bank for Reconstruction and Development ("**EBRD**") and the European Investment Bank.

The Council of Europe

BiH has been a member of the Council of Europe since 24 April 2002. The Council of Europe, which consists of 47 member states across Europe, seeks to protect human rights, democracy and the rule of law. Numerous reforms have been implemented in BiH, in co-operation with the Council of Europe, in the domains of legal and institutional organisation as well as in the fields of justice and others in which the Council of Europe is active. The Federation has also implemented, or is in the process of implementing, certain reforms relating to the protection of human rights, including enhancing social protection systems to provide support for vulnerable groups, including the elderly, disabled, and unemployed, enacting laws to protect freedom of expression and the independence of the media and enhancing the independence and efficiency of the judiciary.

European Union

EU accession process

One of BiH's foreign policy objectives is to become a member of the EU. BiH is currently a candidate for membership to the EU. The EU accession process follows a series of formal steps, from a pre-accession agreement to the ratification of the final accession treaty. These steps are primarily presided over by the European Commission, but the actual negotiations are conducted between EU Member States and BiH. BiH has been recognised by the EU as a "potential candidate country" for accession since 2003 and is on the current agenda for future enlargement of the EU.

On 16 June 2008, BiH successfully completed the first stage in the EU accession process by signing the Stabilisation and Association Agreement (the "**SAA**"), along with an interim agreement, which regulates trade and trade-related matters as of 1 July 2008. By formalising these agreements, BiH made a commitment to harmonise legislation at all levels in BiH with the *acquis communautaire* (the "**Acquis**", being the legislation and court decisions, which constitute the body of EU law) and to apply it consistently. Although ratified by all EU Member States by February 2011, the SAA could not enter in force since BiH had not fulfilled the condition regarding compliance with the 2009 decision of the ECHR in the *Sejdić-Finci* case. The ruling required the country to amend the BiH Constitution to remove discriminatory provisions from the electoral rules for the Presidency and BiH's House of Peoples.

In December 2014, the Council of the EU agreed on a renewed approach to BiH (without changing the EU accession conditions, including the implementation of the decision of the ECHR in the *Sejdić-Finci* case) and invited members of the European Commission to engage with the political leaders in BiH to secure their irrevocable commitment to undertake reforms towards EU accession. Following the agreement, upon a written commitment by the Presidency of BiH, the signature of the leaders of the 14 parliamentary parties and the endorsement by the BiH Parliamentary Assembly, the Council of the EU agreed to enter into the SAA in March 2015. The SAA was ratified and came into force on 1 June 2015. With the entry into force of the SAA, BiH opened a new chapter in its relations with the EU and confirmed its commitment to pursue EU accession. By establishing contractual relations among the parties, the SAA provides a framework of mutual commitments on a wide range of political, trade and economic issues as well as the legal basis for formalised policy dialogue.

On 15 February 2016, BiH presented its application for membership of the EU. Subsequently, on 20 September 2016, the Council of the EU invited the European Commission to submit its opinion on this application. The European Commission sent several accession questionnaires over the next few years, which BiH responded to, and the European Commission subsequently published an opinion on BiH's application on 29 May 2019 (the "**Opinion**"). The Opinion identifies 14 key priorities for BiH to fulfil in order to be recommended for commencing EU accession negotiations and provides a comprehensive roadmap for incremental reforms.

The harmonisation of legislation at all levels in BiH with the Acquis is required to be completed prior to accession to the EU. The Acquis is divided into 35 chapters for the purposes of negotiations between the EU and candidate member states. To meet the EU accession criteria, each chapter is screened by the European Commission, following which negotiations with respect to each chapter are opened and continue until resolved.

The Opinion recognised the improvements made by BiH and the Entities in regional co-operation and maintaining friendly relations with neighbours. The key findings in the Opinion are as follows:

- *Political criteria*: BiH and the Entities was advised to: (i) improve their constitutional framework to allow for the effective implementation of the Acquis; (ii) improve the electoral framework in line with European standards for transparency of political party financing; (iii) improve the protection of the fundamental rights of all citizens, including by ensuring an enabling environment for civil society, reconciliation and the protection and inclusion of vulnerable groups; (iv) complete essential steps in public administration reform; and (v) improve the application of the SAA, particularly establishing the Parliamentary Committee and developing a national plan for the adoption of the Acquis.

- *Rule of Law*: BiH and the Entities was advised to: (i) improve the functioning of the judiciary by adopting new legislation on the HJPC and of the Courts of BiH in line with European standards; (ii) enhance the functioning of the judiciary; (iii) strengthen the prevention and fight against corruption and organised crime, including money laundering and terrorism; and (iv) ensure effective functioning of border management, migration and asylum systems.

- *Economic criteria*: The Opinion recognises that BiH has achieved a certain degree of macroeconomic stability. To move to a better functioning economy, BiH was advised to: (i) improve its business environment and accelerate its decision making process, particularly in relation to public enterprises; (ii) address quality of education and its insufficient orientation towards labour market needs; and (iii) improve the quality of the physical capital, such as the insufficient development of transport and energy infrastructure and the slow adjustment of BiH's economic structure.

- *EU legislation*: BiH is recommended to align with the Acquis to implement and enforce related legislation. Particular recommendations included improving: (i) the free movement of goods; (ii) the right of establishment and freedom to provide services, information society and media; (iii) agriculture and rural development, fisheries; (iv) transport policy; (v) energy policy; (vi) economic and monetary policy; (vii) statistics, social policy and employment; (viii) enterprise and industrial policy; (ix) regional policy and coordination of structural instruments; (x) education and culture; (xi) consumer and health protection; and (xii) financial control.

- *Fundamental rights*: The Opinion recognises that BiH has a legislative and institutional framework in place and the BiH Constitutional Court made progress, for example, by repealing the provision on death penalty in Republika Srpska's constitution. Challenges remain on certain fundamental freedoms, particularly threats and violence against journalists and media workers and adopting preventative mechanisms against torture and ill-treatment.

- *Public Administration*: The Opinion recommends public administration reform to improve the overall functioning of public administration by ensuring a professional and de-politicised civil service and a coordinated approach to policy making.

On 28 April 2020, the Presidency of BiH adopted the Conclusion of the 11th Regular Session of the Presidency of Bosnia and Herzegovina, which determined that the Presidency of BiH would initiate and lead the reform to achieve the required degree of compliance with the membership criteria based on the implementation of 14 key priorities from the Opinion.

On 15 December 2022, the European Council granted BiH candidate status, on the condition that further steps would be taken. In December 2023, the European Council decided to open accession negotiations with BiH, once the requisite degree of compliance with membership criteria was achieved. The European Commission published a favourable report on the progress in BiH in March 2024 noting that BiH had: (i) reached and maintained full alignment with the EU Common Foreign and Security Policy; (ii) implemented a public administration reform action plan and public finance management strategy; (iii) adopted the Economic Reform Programme 2024-2026; (iv) appointed a working team for the growth plan reform agenda; and (v) adopted the Global Framework of Fiscal Balance 2024-2026. On 22 March 2024, the European Council opened accession negotiations with BiH, contingent on further steps set out in the European Commission's report of 12 October 2022, which include constitutional and electoral reforms, rule of law reform and further alignment with the Aquis, being taken by BiH. In doing so, the European Council invited the European Commission to prepare the negotiation framework. See "*Risk Factors—Risks relating to BiH—BiH is a candidate to accede to the EU*".

Alignment of the Federation's Legislation with the EU

The alignment of the Federation's legislation with regulations of the EU is an obligation under Article 70 of the SAA, and this process has been, and continues to be, ongoing in the Federation since mid-2007. The Federation Government's Office for Legislation and Alignment with Acquis and the Government Office for European Integration coordinate efforts to align the Federation's legislature with that of the EU. In particular, in July 2023, the Federation adopted a comprehensive package of energy laws aimed at harmonising energy sector laws with EU and Energy Community directives, including the Law on Electricity, the Law on the Use of Renewable Energy Sources and Efficient Cogeneration and the Law on Energy and Regulation of Energy Activities. See "*Economy of the Federation—Energy Sector*".

The priorities of alignment are determined in accordance with the obligations and deadlines as stipulated in the SAA and in accordance with the content of the Report on Bosnia and Herzegovina, through which the European Commission regularly reports to the Council of the EU and the European Parliament on, among other things, developments in BiH in the field of legislative and policy alignment. The foregoing priorities are also determined based on the recommendations made by the sub-committees of the Stabilisation and Association Committee between BiH and the EU and on recommendations of expert mission assessments and the determination of alignment in different fields as assessed by the relevant directorates of the European Commission.

European Commission's Report on BiH

The European Commission adopted the 2024 Enlargement Package, its annual assessment of the implementation of fundamental reforms in the Western Balkans partners. These assessments are presented together with clear and more precise recommendations on the reform priorities, which remain a prerequisite to the EU accession process, by specifically highlighting the future steps that need to be implemented by the candidate member states in order to accelerate their EU accession process and achieve long-lasting results. As part of this assessment, the European Commission published the Bosnia and Herzegovina 2024 Report on 30 October 2024 (the "**2024 Report**"). The 2024 Report acknowledged that BiH has actively engaged in the first stage of the accession negotiations and continues to implement the SAA and recommended that BiH urgently finalise a reform agenda to submit to the European Commission for agreement.

The 2024 Report noted that BiH is largely at an early stage or has made some level of preparation for the majority of the assessed criteria required for EU membership and is moderately prepared on the free movement of capital and on intellectual property laws. In the 2024 Report, the European Commission set out 115 concrete and binding recommendations as well as requests for the adoption of specific regulations or strategic documents at the BiH and Entity levels and the 2024 Report identifies areas of development and improvement required in BiH, including: (i) public administration reform; (ii) functioning of the judiciary; (iii) fight against corruption; (iv) fight against organised crime; (v) existence of a functioning market economy; (vi) capacity to cope with competitive pressure and market forces in the EU; (vii) statistics; (viii) free movement of goods; (ix) right of establishment and freedom to provide services; (x) consumer protection and public health; (xi) digital transformation and the media; (xii) economic and monetary policy; (xiii) enterprises and industrial policy; (xiv) education and culture; (xv) energy; (xvi) environmental and climate change; (xvii) agricultural and rural development; (xviii) fisheries and aquaculture; (xix) regional policy and coordination of structural investments; and (xx) financial and budgetary provisions.

*Instrument for Pre-Accession Assistance ("**IPA**")*

The IPA is the 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 that are a prerequisite for accession to the EU, including the necessary political, economic, legal and institutional reforms. The initial IPA came into force in 2007. BiH received funding allocations of €521.8 million under the IPA, of which €517.8 million was paid.

IPA 2014-2020 ("**IPA II**") came into force on 16 March 2014 and was applicable retroactively from 1 January 2014. The IPA II introduced a new framework for providing pre-accession assistance for the period from 2014 until 2020, which was adopted on 31 May 2018. Between 2014 and 2020, BiH received indicative funding allocations of €552.1 million under IPA II (including funds for the Civil Society Facility (€9.1 million), Regional Housing Programme (€10 million) special measures following major floods in 2014 (€51 million), and €314.9 million to be used to manage migration flows). The priority sectors for funding under the IPA II for BiH were democracy and governance; rule of law and fundamental rights; environmental and climate action; transport; energy; competitiveness, innovation; agriculture and rural development; and education, employment and social policies. For the period 2018-2020, BiH received an indicative allocation of €314.9 million under IPA II (including the Civil Society Facility, the Regional Housing Programme and the Special Measure in support to Bosnia and Herzegovina in managing the migration flows).

In November 2019, the European Commission launched IPA 2021-2027 ("**IPA III**") programming for beneficiary countries, including BiH. The European Commission adopted a model for a Financial Framework Partnership Agreement ("**FFPA**") between the European Commission and the governments of the IPA III beneficiaries on 31 March 2022. On this basis, individual FFPAs were agreed with the six Western Balkan beneficiaries and Türkiye and entered into force in 2022.

The IPA III budget for the seven-year period from 2021 to 2027 for all recipient countries is €14.2 billion, with funding allocations approved annually. 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.

Growth Plan for the Western Balkans

In November 2023, the European Commission adopted the Growth Plan for the Western Balkans, a strategic initiative aimed at accelerating EU integration. This Growth Plan is backed by a €6 billion Reform and Growth Facility for 2024–2027, consisting of €2 billion in grants and €4 billion in concessional loans, with payment conditioned on the implementation of specific socio-economic and fundamental reforms. Of the €6 billion in funding, 19.3% has been allocated to BiH.

Other Grants

In 2020, the European Commission adopted a €20 million assistance package to support BiH in managing migration flows.

In January 2021, the European Commission announced an additional €3.5 million in humanitarian aid to help vulnerable refugees and migrants in BiH.

In October 2024, the European Commission announced a €20 million special-measure package to finance urgent needs following the October 2024 Floods.

In May 2025, the European Commission approved a grant of €45.7 million to BiH from the EU Solidarity Fund to assist in recovery efforts following the October 2024 Floods.

United Nations

BiH became a member of the United Nations ("**UN**") on 22 May 1992. BiH contributes to the work of the UN through the activities of different bodies and a number of UN specialised agencies as well as through its Permanent Missions in New York, Geneva and Vienna, and through its embassies. BiH is an active participant in the Eastern European Group and participates in other regional groups of countries within the UN. BiH is a member of many UN bodies, including the Peacebuilding Commission and the Executive Board of UN Women. BiH's personnel are engaged in peacekeeping operations in Cyprus, Liberia, South Sudan, Afghanistan and Somalia. BiH was a Non-Permanent Member of the Security Council during the 2010—2011 term and was a member of the Human Rights Council from 2007 to 2009. BiH is also active in the organisation of conferences and other multilateral activities.

The co-operation between the Federation's institutions with the UN through its programme in BiH was founded on the basis of the UN Development Assistance Framework in Bosnia and Herzegovina 2015-2020 and through a joint steering committee between the UN and BiH. Further, the UN Sustainable Development Co-operation Framework 2021-2025 was adopted by BiH on 20 May 2022 and focuses on achieving four strategic priorities by 2025, including: (i) sustainable, resilient and inclusive growth; (ii) quality, accessible and inclusive education, health and social protection; (iii) people centered governance and rule of law; and (iv) citizens and community engagement for social cohesion.

*Co-operation with the International Criminal Tribunal for the former Yugoslavia ("**ICTY**")*

In 1993, the UN established the ICTY, a court of law dealing with war crimes committed during the Bosnian War. The National War Crime Processing Strategy was adopted by the Council of Ministers of BiH on 24 September 2020 and resulted in the prosecution of war crimes.

BiH has co-operated with ICTY and its successor institution the International Residual Mechanism for Criminal Tribunals ("**IRMCT**") through the Prosecutor's Office of BiH, which works closely with the Office of the Prosecutor of the Mechanism, processing an increasing number of requests for assistance from all prosecutors' offices in BiH to the ICTY's Office of the Prosecutor.

The revised National War Crime Processing Strategy was adopted by the Council of Ministers on 24 September 2020. The strategy provides the necessary framework for the judicial institutions at the level of BiH, the Entities and the Brčko District to process the backlog of war crimes cases more efficiently, by providing a clear criteria for distribution of cases to courts and prosecutors' offices in the Entities and the Brčko District and thus allowing BiH's Prosecutors Office to focus on the most complex cases.

According to the 2020 Report to the UN Security Council, out of the 214 yet unresolved cases, 89 proceedings for war crimes are pending before courts in BiH due to the unavailability of the indicted persons. As at 1 March 2021, 90 individuals had been sentenced to imprisonment by final verdicts issued by the ICTY, three individuals were engaged in ongoing proceedings before the IRMCT and 161 individuals had been sentenced for war crimes committed on the former territory of Yugoslavia. On 30 June 2021, two individuals were sentenced to 12 years of imprisonment each. The appeals process commenced in September 2021.

World Trade Organisation (the "WTO")

BiH applied for accession to the WTO in May 1999 and submitted its Memorandum on the Foreign Trade Regime in September 2002 to the WTO Secretariat as a basis for opening accession negotiations. The General Council of the WTO established a working party to examine BiH's application (the "**Working Party**"), and the first Working Party meeting was held in November 2003. As of the date of this Offering Circular, BiH is not a member of the WTO but is continuing to work towards signing bilateral market access agreements on goods and services and concluding multilateral negotiations and process.

The World Bank

BiH is a World Bank member, and the Federation maintains working relations with the World Bank through BiH. In October 2024, the World Bank published the Business Ready 2024 report, which ranks countries based on three pillars to measure the ease of doing business over the past 12 months. BiH ranked in the third quintile for the regulatory framework pillar, the fourth quintile for the public services pillar and the second quintile for the operational efficiency pillar.

As at 29 January 2025, the World Bank's portfolio of active projects in BiH comprised eight operations totaling U.S.$475.3 million. Areas of support include healthcare, employment, agriculture, local infrastructure, and environment.

As at 31 March 2025, the Federation had outstanding debt of BAM 562.2 million incurred under International Association for Development funding programmes and BAM 788.9 million incurred under International Bank for Reconstruction and Development funding programmes.

NATO Partnership for Peace Program

BiH has been a member of the Partnership for Peace Program ("**PfP**") since 2006, through which it benefits from the partnership co-operation with NATO and its PfP partners in areas of common interest, primarily, political-security, military and defence issues, emerging security challenges, advanced technology, disaster response, explosives detection and cyber defence. NATO retains a headquarters in Sarajevo with the primary mission of assisting the authorities of BiH with reforms and commitments related to the PfP and closer integration with NATO, and the secondary mission of providing logistic and other support to the EU's military deployment in BiH.

Since 2009, BiH has contributed officers to the NATO-led International Security Assistance Force in Afghanistan, and now contributes to NATO's Resolute Support Mission in Afghanistan. BiH was invited to join the Membership Action Plan ("**MAP**") in 2010.

Since 2014, under the Partnership Interoperability Initiative, BiH has participated in the Interoperability Platform that brings allies together with 24 selected partners that are active contributors to NATO's operations.

While becoming a member of NATO is not one of BiH's priorities, BiH is open to political dialogue and practical co-operation with the alliance in all areas of common interest.

Organisation for Security and Co-operation in Europe

BiH has been a member of the OSCE since 10 November 2000. As a country on the path towards EU membership, BiH remains committed to co-operation with the OSCE, particularly for achieving high standards in regional, political, economic and social integration. BiH contributes to these efforts through partnership and co-operation, primarily with the OSCE Mission to Bosnia and Herzegovina (the "**OSCE Mission**") which was set up in September 2017 in its territory. The OSCE Mission is based in the city of Sarajevo and relies on its network of nine field offices across BiH.

Other regional relations

One of the most important priorities of BiH's foreign policy is to maintain good relations with neighbouring countries as such co-operation safeguards and strengthens stability in the region and is likely to enhance BiH's progress towards EU integration. BiH participates, and will continue to participate, in several important regional initiatives and organisations discussed below.

Berlin Process

A high-level summit was held in Berlin on 28 August 2014, at the initiative of the Chancellor of Germany, Angela Merkel. The summit included participation by the prime ministers, the foreign ministers and the ministers of the economy of Albania, Austria, BiH, Croatia, France, Kosovo, Montenegro, North Macedonia, Serbia, Slovenia, and representatives of the European Commission and resulted in the launch of the so called "Berlin Process". The aim of the summit was to reach a common agreement on strengthening regional co-operation in the Western Balkans and establish a four-year framework (for 2014 to 2018) to resolve the remaining outstanding issues in the region.

The first practical result, in terms of adopting the joint regional projects within the "Berlin Process", was achieved at the second summit held in Vienna on 27 August 2015. The MAP REA, which deals with the areas of trade, investment, mobility and digital economy, was adopted at the fourth summit. At the summit, the Transport Community Treaty between the EU and the six participants from the Western Balkans was signed. The main role of the treaty is to connect the Western Balkans to the EU, by creating an integrated transport network between the Western Balkans participants, as well as other countries in the region, with the EU.

During the fifth summit in London on 10 July 2018, both economic reforms and political and security matters were considered, unlike previous summits. The EU presented its decision for the allocation of funds to the Western Balkans in order to enhance collective security and the economic stability of the region, to support Western Balkan countries with facing developmental threats such as severe and organised crime, drug trafficking and terrorism. The package of measures included a 95% increase of the UK's financing in the region, from £41 million from the Fund for Conflict Prevention, Security and Stability in 2018/2019, to £80 million for 2020/2021, under which the Federation indirectly benefits. A pans-Balkans Strategic Reserve Force is also stationed in the UK for rapid deployment to the Western Balkans in case of a deteriorated security situation or general instability in the region. The participants at the London summit adopted several decisions pertaining to war crimes, missing persons, regional co-operation and anti-corruption.

During the sixth summit held in Poznan, Poland on 5 July 2019, the EU reconfirmed its commitment to strengthen its co-operation in the region with a set of measures covering the following key areas: (i) transport and energy, (ii) digital economy, (iii) security, and (iv) positive neighbour relations. The EU also granted €216.8 million of financing to 13 BiH transport projects, of which €206.8 million was allocated to projects relating to the Corridor Vc highway. The participants at the Poznan summit adopted several decisions pertaining to the recognition of academic qualifications in the Western Balkans, Romani integration within the EU enlargement process, the establishment of a south-east European International Institute for Sustainable Technologies, and the reduction of roaming prices. The Poznan summit also saw the announcement of the European Commission's intention to strengthen its Investment Framework for the Western Balkans, focusing on environment and sustainable energy.

The seventh summit on the Western Balkans was held on 10 November 2020 in Sofia, Bulgaria, at which the European Commission accepted the region's positive response to the Economic and Investment Plan (the "**EIP**"), as well as commitment to better connectivity and support for key initiatives such as establishing a common regional market. The European Commission launched a Green Plan for the Western Balkans. The EIP adopted by the European Commission on 6 October 2020 aims to provide up to €9 billion of non-refundable funds from the EU, in order to accelerate the socio-economic recovery from COVID-19, and to accelerate the economic convergence of the Western Balkans with the EU. A new Guarantee Instrument for the Western Balkans is also envisaged, with the potential to attract investments worth up to €20 billion.

The eighth summit on the Western Balkans was held virtually in 2021, while the ninth was held in Berlin in 2022. This was followed by the tenth summit in 2023 in Tirana before returning to Berlin for the eleventh summit in 2024 at which the Declaration on the Common Regional Market 2025-2028 was signed.

Among the most significant results of the Berlin Process to date have been: establishment of the Regional Youth Co-operation Office in Tirana based on the German-French model; the establishment of the Western Balkans Chamber of Commerce; signing of the "Agreement on the headquarters of Transport Community Treaty Permanent Secretariat" in Belgrade; the establishment of the Western Balkans Chamber Investment Forum (representing the voice of over 350,000 companies from the region, mostly small- and medium-sized enterprises), the signing of the "Agreement on Lower Roaming Prices in the Western Balkans Region" by the representatives of the WB6 economies and endorsement of the Common Regional Market Action Plan 2025–2028, which aims to deepen economic integration and prepare the Western Balkans for inclusion in the EU Single Market

Western Balkan Six

After the launch of the Berlin Process, participants from the Western Balkans (Albania, BiH, Montenegro, North Macedonia, Serbia and Kosovo) started utilising the WB6 format with the assistance of the European Council more frequently in respect of the projects and programmes which resulted from the first summit of the "Berlin Process".

Although it has not been institutionalised, a wide range of topics discussed at all high-level meetings has shown that WB6, as an informal format, has added value for the region in both political and economic terms. Since 2014, annual meetings and high level summits have taken place regularly among the WB6.

In November 2019, Albania, Montenegro, North Macedonia and Serbia agreed on common measures to advance the implementation of the four key EU freedoms (free movement of goods, capital, services and people) as between their countries in order to further strengthen regional co-operation. The countries have stressed that this initiative is open to all of the participants in the WB6. In 2024, WB6 leaders reaffirmed their commitment to EU integration with the joint declaration of "One Region, Common Vision", supporting the EU Reform and Growth Facility and preparing national Reform Agendas.

*Central European Free Trade Agreement ("**CEFTA**")*

On 19 December 2006, BiH signed the Agreement on the Amendments and Accession to the CEFTA, which came into force on 22 November 2007. The CEFTA is a regional free trade agreement that provides the legal basis for policy formulation and implementation of trade and investment in the CEFTA region. The current parties to the CEFTA are Albania, BiH, North Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo, on behalf of Kosovo. The CEFTA provides for the liberalisation of industrial and agricultural products, preferential trade agreements to determine the origin of goods, gradual liberalisation of trade in services, equal treatment of investors, opening of the public procurement markets, an IP protection mechanism and a dispute settlement system, all of which are consistent with the WTO rules.

The CEFTA activities were integrated within the Multi-annual Action Plan for a Regional Economic Area (the "**MAP REA**"), which was endorsed by the leaders of the WB6 at the Berlin-process summit in Trieste, in 2017. The MAP REA aims to enable unobstructed flow of goods, services, capital and highly skilled labour within the Western Balkan Region, with particular focus on the promotion of further trade integration, the introduction of a dynamic regional investment space, the facilitation of regional mobility, and the creation of a digital integration agenda.

The CEFTA region is BiH's second most important foreign trade partner, after the EU. Trade in goods with CEFTA at BiH level was €6.3 billion in 2023 (of which exports were €3.1 billion and imports were €3.2 million) and €6.3 billion in 2024 (of which exports were €2.8 billion and imports were €3.5 billion).

*Regional Co-operation Council ("**RCC**")*

The RCC was established on 27 February 2008 as the successor to the Stability Pact for South Eastern Europe. The RCC works under the political guidance of the South-East European Cooperation Process. The main objectives of the RCC are: (i) the development of regional co-operation through six priority areas (economic and social development, energy and infrastructure, justice and home affairs, security, building human capital and parliamentary co-operation) and (ii) identifying projects of common interest for the countries of the region and its connection with the programmes of the European Commission. Among other regional initiatives, the RCC has actively contributed to the adoption of the Regional Roaming Agreement, which was signed at the 2nd Western Balkans Digital Summit in Belgrade in April 2019. The headquarters of the RCC Secretariat is in Sarajevo, with an office in Brussels. The institutions of the Federation regularly participate in the activities carried out within the Council for Regional Cooperation.

*Adriatic Ionian Initiative ("**AII**")*

The AII was established in 2000. Its member states are Albania, BiH, Croatia, Greece, Italy, Montenegro, North Macedonia, San Marino, Slovenia and Serbia. Its activities focus on tourism, culture and inter university co-operation, transport and maritime co-operation, environmental protection and co-operation between small- and medium-sized enterprises. Activities within this initiative are mainly related to the implementation of the EU Strategy for the Adriatic-Ionian Region ("**EUSAIR**").

EUSAIR was adopted and launched at the international conference in Brussels, on 18 November 2014. The EUSAIR member states are Albania, BiH, Croatia, Greece, Italy, Montenegro, North Macedonia, San Marino, Serbia and Slovenia. The EUSAIR priorities include strengthening co-operation in the fields of blue economy, transportation and energy networks, environmental protection and sustainable tourism. Membership in the EUSAIR is based on geographical principle (access to the Adriatic or Ionian Sea) as well as on the basis of international law. The Federation supports and actively contributes to the implementation of EUSAIR through the Coordinating mechanism for EU integration process in BiH. Participation in EUSAIR contributes towards its EU accession process. EUSAIR benefits from the long experience of intergovernmental co-operation within the Adriatic-Ionian Initiative, which created strong links between the participating countries, and generated regional co-operation between cities, chambers of commerce, universities and national parliaments. Accordingly, EUSAIR ensures further integration of the internal market, fosters co-operation between EU and non-EU participating countries and assists non-EU participating countries in their EU accession process.

*Southeast European Law Enforcement Centre ("**SELEC**")*

The SELEC was established in 1999. Current signatory states to the SELEC convention are Albania, BiH, Bulgaria, Greece, Hungary, North Macedonia, Moldova, Montenegro, Romania, Serbia and Türkiye. The objective of SELEC, within the framework of co-operation among competent authorities, is to provide support for member states and enhance coordination in preventing and combating crime, including organised crime, terrorism and trafficking, where such crime involves or appears to involve an element of trans-border activity. Representatives of the Federation regularly participate in the activities carried out within the initiative.

SELEC also provides assistance to the member states in order to align their respective law enforcement legislation with EU standards and requirements. SELEC ensures prompt and continued exchange of information among the member states relating to criminal investigation. It also supports their requests for operational assistance, as appropriate.

"Brdo-Brioni" Process

Slovenia and Croatia together launched the concept of the "Brdo Process" during an informal meeting between the then Prime Ministers of the two countries, Borut Pahor and Jadranka Kosor, in Kranjska Gora, in January 2010. The aim of establishing this regional initiative was to strengthen the ties in the Western Balkans region, so that the strengthened co-operation in the region would accelerate the European integration progress. The Brdo Process was formally initiated by the meeting of the Western Balkan leaders in Brdo near Kranj, on 20 March 2010.

As an informal regional initiative, the process was initially called the "Brdo Process" and was soon renamed the "Brdo-Briuni process", emphasising the common intention to connect the region, primarily in the areas of transport, infrastructure and energy, as well as mutual co-operation and mutual assistance on the path of Euro-Atlantic integration. To date, several meetings at the highest level under the "Brdo-Brioni" Process have been convened at the: Summit in Dubrovnik (July 2014);

Ministry of Foreign Affairs meeting on Brdo near Kranj (April 2015); Summit in Budva (June 2015); Extraordinary Summit in Zagreb (November 2015); Summit in Sarajevo (May 2016); Summit and meeting of MFAs at Brdo near Kranj (June 2016);Summit in Skopje (April 2018); Summit in Tirana (May 2019); Summit in Brdo near Kranj (May 2021); Summit in Brdo near Kranj (September 2022); Summit in Skopje (September 2023); and Summit in Tivat (October 2024). BiH and the Federation have been actively participating in this initiative since its establishment.

*Investment Framework for the Western Balkans ("**WBIF**")*

The WBIF is a European Commission financial instrument to support the development and improvement of infrastructure, as well as overall socio-economic development in Albania, BiH, Kosovo, Montenegro, North Macedonia and Serbia. The WBIF was established in 2009 as a joint initiative of the European Commission, the Council of Europe Development Bank, the EBRD, the EIB, and several bilateral donors. The World Bank Group, the KfW (defined below) and Agence Française de Développement subsequently joined the WBIF. The projects are divided into projects for co-financing technical assistance and projects for co-financing the execution of works and procurement of equipment for the implementation of an investment project. Accordingly, calls for grant applications for technical support and calls for co-financing of investments are issued.

In 2024, the 31st call for proposals for grant applications for technical assistance was conducted, and the activities of BiH's accession to the European Commission's Joint Assistance to Support Projects in European Regions instrument were initiated, which provides technical support to experts from international financial institutions to institutions applying for support projects from the WBIF instrument. In February 2025, the 11th call for applications for co-financing investment projects and the 32nd call for technical assistance were conducted.

Other key bilateral relationships

Austria

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

The trade in goods between Austria and BiH decreased from €1,386.9 billion in 2023 (of which imports were €509.9 million and exports were €877.0 billion) to €1,323.2 billion in 2024 (of which imports were €518.0 million and exports were €805.2 million). In 2024, the total exports from the Federation to Austria amounted to BAM 1,164.3 million, while the total imports from Austria amounted to BAM 757.1 million.

China

A strategic partnership agreement between BiH and China has been in place since April 1995. Recently, along with good bilateral political relations, the two countries have increased their economic co-operation, in particular in the areas of investments, infrastructure and energy projects. Imports from China to the Federation and China amounted to BAM 1,872.9 million in 2023 and BAM 2,010.1 million in 2024.

Over the past few years, overall relations between the two countries have been further enhanced not only through bilateral channels, but through the mechanisms of co-operation between China and the Central and Eastern European Countries. China and BiH plan to continue to develop co-operation within the 17+1 framework and the One Belt One Road initiative. China has engaged in various infrastructure projects in BiH, including in the Federation, including the expansion of a coal-fired power plant in Tuzla.

Croatia

BiH and the Federation have good relations with Croatia. 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.

The trade in goods between Croatia and BiH increased from €2,374.3 billion in 2023 (of which exports were €1,303.1 million and imports were €1,071.2 billion) to €2,419.7 billion in 2024 (of which exports were €1,326.2 million and imports were €1,093.5 million). Between Croatia and the Federation, the trade in goods increased from BAM 3,281.4 million in 2023 (of which exports were BAM 1,650.6 million and imports were BAM 1,630.8 million) to BAM 3,315.9 million in 2024 (of which exports were BAM 1,669.2 million and imports were BAM 1,646.7 million).

Germany

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 co-operation, further EU-integration and economic issues. Germany is one of BiH's principal donors in the field of economic co-operation. The 2015-2018 reform agenda that Germany helped initiate has played a part in reviving BiH's economic and social reform process and in moving the country closer to the EU.

Germany remains an important foreign trade and economic partner of BiH and the Federation. Trade exchange of goods at BiH level in 2024 amounted to €2,985.0 million (of which imports amounted to €1,728.7 million and exports amounted to €1,256.3 million). Germany is also a major bilateral donor to BiH. For the Federation, trade exchange of goods amounted to BAM 4,276.3 million (of which exports amounted to BAM 1,899.2 million and imports amounted to BAM 2,377.1 million). Germany is one of the principal investors in BiH. At present, the German Development Bank, Kreditanstalt für Wiederaufbau ("**KfW**") and German development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit are promoting and funding sustainable economic development, infrastructure measures, renewable energy and energy efficiency as well as supporting democracy and civil society.

Italy

Italy has strong economic relations with BiH and the Federation. Trade exchange of goods between BiH and Italy amounted to €2,542.7 million in 2024 (of which exports amounted to €648.2 million and imports amounted to €1,894.5 million) and €2,720.4 million in 2023 (of which exports amounted to €741.2 million and imports amounted to €1,979.2 million). Between the Federation and Italy, trade exchange of goods amounted to BAM 3,295.0 million in 2024 (of which exports amounted to BAM 717.0 million and imports amounted to BAM 2,578.0 million) and BAM 3,541.5 million in 2023 (of which exports amounted to BAM 810.5 million and imports amounted to BAM 2,731.0 million).

The presence of major Italian banks such as UniCredit and IntesaSanpaolo that have direct investments or control of subsidiaries is significant for the support of further Italian investments in BiH. Economic ties with BiH are also enhanced by strong cultural attraction, as well as by specific language programmes for the promotion of Italian language carried out by the Italian Government, funding both on-site language courses and scholarships. Italy also maintains a strong military presence in the Federation, through EUFOR Althea.

Serbia

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

Serbia is the largest trade partner of BiH. The trade in goods between Serbia and BiH decreased from €2,514.3 million in 2023 (of which exports were €1,067.3 million and imports were €1,447.0 million) to €2,451.0 billion in 2024 (of which exports were €940.3 million and imports were €1,510.7 million). Trade in goods between Serbia and the Federation slightly decreased from BAM 2,635.6 million in 2023 (of which exports were BAM 1,105.4 million and imports were BAM 1,530.2 million) to BAM 2,507.7 million in 2024 (of which exports were BAM 909.3 million and imports were BAM 1,598.4 million).

Türkiye

Türkiye is a prominent international supporter of BiH. Türkiye contributes directly to stability in BiH through the Türkiye-Bosnia and Herzegovina-Serbia and Türkiye-Bosnia and Herzegovina-Croatia trilateral consultation mechanisms. In addition, Türkiye has participated in development projects in BiH, such as the construction of Sarajevo-Belgrade highway.

Trade in goods with BiH increased from €921.5 million in 2023 (of which exports were €133.7 million and imports were €787.8 million) to €1,013.8 million in 2024 (of which exports were €163.0 million and imports were €850.8 million). The trade in goods with the Federation increased from BAM 1,394.3 million in 2023 (of which exports were BAM 188.2 million and imports were BAM 1,206.1 million) to BAM 1,485.5 million in 2024 (of which exports were BAM 200.8 million and imports were €1,284.7 million).

United Kingdom

The UK and BiH are developing and maintaining relations on a wide range of political, commercial, security, economic and international issues of interest to both countries. The UK and BiH have also maintained continued co-operation in the fight against organised crime and combating international terrorism, as well as in the field of security policy. In 2024, trade between the two countries totalled €124.5 million (of which exports amounted to €46.2 million and imports amounted to

€78.3 million). Between the Federation and UK, trade in 2024 totalled BAM 204.0 million (of which exports amounted to BAM 79.8 million and imports amounted to BAM 124.2 million).

Following the UK's referendum on leaving the EU, the UK has increasingly focused on bilateral co-operation. Defence and security, in particular, are viewed as key co-operation areas. The UK has submitted a proposal to BiH for a comprehensive partnership agreement, based on the modified provisions of the SAA. Consultation on this process between the countries had begun before the COVID-19 pandemic intensified in Europe. Negotiations are expected to continue with the UK, with a particular focus on increasing trade and investment between the countries.

United States

The United States played a key role in brokering the Dayton Agreement in 1995 and, since then, the United States has continued to provide support to BiH and the Federation. According to the U.S. Embassy in Sarajevo, from 1995 to 2024, the U.S. Agency for International Development ("**USAID**") provided U.S.$2 billion in assistance to BiH, with two-thirds of the funds being spent in the Federation and the remaining third in Republika Srpska.

Within the framework of co-operation with the U.S. Embassy in BiH and, previously, USAID, various projects have been implemented in BiH and the Federation. The Federation's Representative Office in the United States conducts various activities aimed at strengthening institutional, economic, scientific, cultural, energy efficiency (including renewable energy), agriculture, security and other co-operation between the Federation and the United States. Trade in goods at BiH level decreased from €508.1 million in 2023 (of which exports were €404.6 million and imports were €103.5 million) to €443.4 million in 2024 (of which exports were 323.9 million and imports were €119.5 million). At the Federation level, imports from the United States decreased to BAM 568.4 million in 2024 from BAM 724.4 million in 2023, while exports to the United States increased to BAM 189.3 million in 2024 from BAM 148.3 million in 2023.

On 2 April 2025, the United States announced that it would impose a "baseline" tariff of at least 10% (and 25% on steel and aluminium) on most imports into the United States, with potentially higher tariffs on countries with a trade of goods surplus to the United States. The imposition of certain higher tariffs on countries other than China were subsequently announced to be subject to a 90-day delay. On 16 April 2025, the Federation Government approved an initiative to start discussions on a Free Trade Agreement with the United States, following concerns over tariffs on Bosnian goods. On 28 May 2025, the U.S. Court of International Trade ruled that such tariffs had been imposed illegally and must be removed within 10 days, however, its decision has been stayed by the Circuit Court for the District of Columbia while it is under appeal.

Others

BiH and the Federation have political and economic relations with other countries such as Slovenia, Montenegro, Albania, Poland, Russia and North Macedonia, which are important bilateral partnerships for both foreign trade and infrastructure co-operation.

Legal Proceedings

As at the date of this Offering Circular, the Federation Government is not involved in any material legal proceedings.

ECONOMY OF THE FEDERATION

Key Indicators of Economic Development

The following table sets forth key economic indicators for the years indicated:

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
GROSS DOMESTIC PRODUCT	*(BAM millions, except where indicated)*				
BiH					
Nominal GDP	34,728	39,145	45,618	49,920	53,864
Real GDP growth *(%)*	(3.0)	7.4	4.2	2.0	2.4
Gross domestic product *per capita* (*BAM*)	9,994	11,337	13,284	14,488	15,799
Federation					
Nominal GDP	22,255	25,230	29,463	31,967	34,379
Real GDP growth *(%)*	(3.6)	8.1	4.1	2.0	2.8[(1)]
Gross domestic product per capita *(BAM)*	10,187	11,634	13,660	14,868	16,030
CONSUMER PRICES GROWTH RATE					
BiH					
Average annual growth rate of CPI *(%)*	(1.0)	2.0	14.0	6.1	1.7
Annual growth rate of CPI for December *(%)*	(1.6)	6.4	14.7	2.2	2.2
Federation					
Average annual growth rate of CPI *(%)*	(0.9)	2.1	14.9	5.1	1.4
Annual growth rate of CPI for December *(%)*	(1.4)	6.5	15.7	0.8	2.4
PUBLIC ACCOUNTS					
Federation Government[(2)]					
Revenue	3,905	4,333	4,796	5,446	5,944
Expenditure[(3)]	4,055	3,990	4,352	5,520	6,001
Overall Balance	(150)	343	445	(74)	(57)
BALANCE OF PAYMENTS[(4)]					
BiH					
Gross Foreign Reserves	13,868	16,348	16,066	16,290	17,641
In months of imports of goods and services	10.0	9.3	6.8	7.0	7.2
Current Account Balance	(980)	(579)	(2,001)	(1,157)	(2,129)
As a % of GDP	*(2.8)*	*(1.5)*	*(4.4)*	*(2.3)*	*(4.0)*
Goods Trade Balance	(6,268)	(7,170)	(10,183)	(10,259)	(11,747)
As a % of GDP	*(18.0)*	*(18.3)*	*(22.3)*	*(20.6)*	*(21.8)*
DEBT					
BiH					
Total External BiH State Debt[(5)]	8,239.9	8,700.8	8,559.7	7,993.2	7,772.5
Federation					
Federation Government Obligated Total Debt[(6)]	5,843.2	6,163.1	6,093.1	6,091.1	6,459.9
As a % of GDP[(7)] (%)	*26.3*	*24.4*	*20.7*	*19.1*	*18.8*
Federation Government Obligated Total Debt Service[(6)(8)]	754.9	840.5	818.7	986.6	1,136.5
As a % of GDP[(7)] (%)	*3.4*	*3.3*	*2.8*	*3.1*	*3.3*
Federation-Level External Debt[(9)]	4,982.7	5,402.0	5,410.5	5,166.7	5,053.7
As a % of GDP[(7)]	*22.4*	*21.4*	*18.4*	*16.2*	*14.7*
Federation-Level External Debt Service[(8)(9)]	489.4	524.6	543.1	824.4	886.1
As a % of GDP[(7)]	*2.2*	*2.1*	*1.8*	*2.6*	*2.6*
Federation Government Internal Debt[(10)]	860.5	761.1	682.6	924.4	1,406.2
As a % of GDP[(7)]	*3.9*	*3.0*	*2.3*	*2.9*	*4.1*
Federation Government Internal Debt Service[(8)(10)]	265.5	315.9	275.6	162.2	250.4
As a % of GDP[(7)]	*1.2*	*1.3*	*0.9*	*0.5*	*0.7*

Sources: The Central Bank, Federal Institute of Statistics, Ministry of Finance of the Federation

Notes:

(1) Estimates based on the sum of data published in respect of each of the four quarters of 2024.
(2) Federation Government budget sector data.
(3) Includes interest and non-interest expenditure.
(4) BiH level data available only.
(5) Debt for which the Ministry of Finance and Treasury of BiH is the borrower on behalf of BiH, which includes debt that is on-lent to the Entities and Brcko District.
(6) Includes total debt for which the Federation Government is obligated to settle (*i.e.,* Federation-Level External Debt and Federation Government Internal Debt). See "*Public Debt*".

(7) Federation-level GDP.
(8) Including principal and interest payments.
(9) Includes external debt that is incurred by the Federation Government for itself, as well as external debt that is incurred by the Federation Government for on-lending and, which has been transferred to the ultimate debtors (*i.e.,* Cantons, cities, municipalities, public enterprises and others) which the Federation Government is obligated to settle. See "*—Federation-Level External Debt*".
(10) The Federation Government is obligated to settle internal debt that is incurred by the Federation Government only. See *"—Federation Government Internal Debt*".

Economic Reform Programme of BiH (2025-2027)

On 22 March 2025, the Council of Ministers unanimously adopted the Economic Reform Programme of BiH for the period 2025–2027, which was prepared by the Directorate for Economic Planning with the consent of coordinators from all levels of government (the "**ERP**"). The ERP was submitted to the European Commission in March 2025.

The ERP is a strategic document for coordinating and planning economic policies, managing reforms aimed at improving competitiveness, fostering opportunities for new jobs and social inclusion, as well as meeting economic criteria in the EU pre-accession process. It sets out economic growth strategies and contains a mid-term framework for its macroeconomic and fiscal policies as well as structural reform plans, which are designed to be implemented using a series of more detailed measures. The ERP includes projections of BiH's average economic growth rate for the period 2025–2027 at around 3% annually, with growth based on domestic demand through increased private consumption and investment. The ERP summarises steps taken to implement key recommendations and policy guidance contained in the Joint Conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Türkiye, which were adopted at the meeting of the Economic and Financial Affairs Council of the European Union in May 2024.

These steps include: (i) adopting the global fiscal framework in a timely manner to provide effective guidelines for budget preparation of all budgetary entities; (ii) increasing the share of government capital overlays in GDP by adopting measures that improve public investment management and enable accelerated implementation of certain investment projects; (iii) improving the effective exchange of data on taxpayers between tax authorities and clarifying the constitutional competence for the establishment of a central register of bank accounts for natural persons in order to strengthen the efficiency of tax collection; (iv) estimating fiscal risks and contingencies associated with publicly owned enterprises and concrete policy measures to manage such risks; (v) strengthening the analytical capacities of all institutions responsible for fiscal accounting and planning; (vi) strengthening the country's capacities in the areas of macroeconomic statistics, regional accounts and labour force surveys; (vii) improving price statistics, including timely publication of consumer price index ("**CPI**") weights and development of core inflation series; and (viii) continuing to safeguard the integrity of the Currency Board Arrangement and the independence of the Central Bank.

Development Strategy of the Federation 2021-2027

On 27 April 2021, the Federation House of Representatives approved the Development Strategy of the Federation 2021-2027 (the "**Development Strategy**"), an integrated, multi-sectoral strategic document, which defines public policy and directs the socio-economic development of the Federation in line with the UN Sustainable Development Goals and EU integration priorities. The Development Strategy is comprised of four strategic goals: (i) *accelerated economic growth:* through digitalisation of the economy, technology transfer and innovation, business sector development and export promotion and value-added production; (ii) *prosperous and inclusive social development*: through education system reform, improvement of healthcare system outcomes, youth and family support, unemployment and poverty reduction; (iii) *resource efficient and sustainable development:* through natural resource protection, air quality and energy efficiency, rural development and crisis resilience; and (iv) *transparent, responsible and efficient public sector*: through improvements to the rule of law, citizen-focused public administration and public finance accountability.

Gross Domestic Product

GDP for the Federation is calculated quarterly and annually by the Federal Institute of Statistics, based on the methodology of the European System of Accounts 2010 ("**ESA 2010**") and System of National Accounts 2008 ("**SNA 2008**"). According to the SNA and ESA methodologies, GDP is the result of production of goods and services of residents in the territory of the Federation. Macroeconomic aggregates for the period 2020 to 2024 are presented by section and are harmonised with the Statistical Classification of Economic Activities in the European Community (Nace Rev.2). Annual GDP is calculated according to the production and income methodology, while quarterly GDP is calculated according to the production methodology. Quarterly GDP estimates are calculated for the purpose of presenting the real growth rate. Quarterly and annual data is adjusted each year following the publication of annual data, using the proportional Denton method.

The following table sets forth certain data regarding the Federation's nominal GDP and real GDP for the years indicated:

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024[1]**
Nominal GDP (*BAM thousands*)	22,255,014	25,229,765	29,462,753	31,966,645	34,379,413
Nominal GDP per capita (*BAM*)	10,187	11,634	13,660	14,868	16,030
Population (mid-year estimate)[2]	2,184,680	2,168,602	2,156,846	2,150,054	2,144,748
Nominal GDP growth (%)	(4.0)	13.4	16.8	8.5	7.5
Real GDP growth (%)	(3.6)	8.1	4.1	2.0	2.8
Nominal GDP (*€ thousands*)	11,378,983	12,899,972	15,064,297	16,344,537	17,578,184
Nominal GDP per capita (*€*)	5,209	5,949	6,984	7,602	8,196
Average annual exchange rate (*BAM/€*)	1.9558	1.9558	1.9558	1.9558	1.9558

Source: Federal Institute of Statistics, Ministry of Finance of the Federation.

Notes:

(1) Estimates based on the sum of data published in respect of each of the four quarters of 2024.

(2) Population estimate based on the results of the Census of Population 2013.

Nominal GDP in the Federation has increased in the last five years from €11,379 million in 2020 to an estimated €17,578 million in 2024. Real GDP in the Federation contracted by 3.6% in 2020, before growing by 8.1% in 2021, 4.1% in 2022, 2.0% in 2023 and an estimated 2.8% in 2024. CPI in the Federation was 0.9% in 2020, 2.1% in 2021, 14.9% in 2022, 5.1% in 2023 and is estimated at 1.4% in 2024. See "*Monetary and Financial System—Inflation*".

Gross Value Added

The Federation measures the value of goods and services produced in a sector of the economy using Gross Value Added ("**GVA**"). As an aggregate measure of production, the sum of GVA of all economic sectors or institutional units, plus taxes on products and services and less subsidies, is equal to GDP. GVA is used to measure the growth in the output of each sector, as the information relating to taxes and subsidies on products and services is not available for individual sectors.

The following table sets forth GVA in current prices of the sectors in the economy of the Federation for the years indicated:

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024[(1)]**
			(*BAM thousands*)		
Agriculture, forestry and fishing	1,003,396	965,547	1,060,954	1,067,094	1,105,747
Mining and quarrying	392,733	335,490	379,054	374,837	396,086
Manufacturing	3,147,751	3,943,534	4,670,671	4,716,107	4,523,877
Electricity, gas, steam and air- conditioning supply	758,018	911,737	924,455	898,421	916,357
Water supply, sewerage, waste management and remediation activities	242,040	282,986	303,123	295,225	323,382
Construction	906,656	935,115	1,160,389	1,362,854	1,515,699
Wholesale and retail trade, repair of motor vehicles and motorcycles	3,323,009	3,883,643	4,709,670	5,184,650	5,666,711
Transportation and storage	769,151	885,477	1,101,995	1,197,588	1,231,669
Accommodation and food services activities	376,690	477,920	668,984	787,993	958,871
Information and communication	993,860	1,173,351	1,458,251	1,614,835	1,720,142
Financial and insurance activities	890,826	946,142	1,042,379	1,239,473	1,348,514
Real estate activities	1,218,417	1,279,579	1,394,744	1,544,312	1,620,630
Professional, scientific and technical activities	692,590	783,336	980,772	1,107,574	1,171,016
Administrative and support service activities	272,951	340,704	449,687	547,988	598,048
Public administration and defense; compulsory social security	1,638,578	1,671,366	1,850,169	2,118,705	2,324,467
Education	1,085,411	1,149,297	1,326,025	1,523,304	1,729,214
Human health and social work activities	1,164,858	1,266,830	1,371,080	1,544,566	1,776,112
Arts, entertainment and recreation	263,802	312,299	381,713	438,427	484,645
Other service activities	291,865	306,897	359,368	391,518	439,551
Total	**19,432,602**	**21,851,250**	**25,593,483**	**27,955,471**	**29,850,738**
Financial Intermediation Services indirectly measured ("**FISIM**") (minus)	562,672	566,639	612,204	799,158	842,110
Gross value added	**18,869,930**	**21,284,611**	**24,981,279**	**27,156,313**	**29,008,629**
Taxes on products minus subsidies on products	3,385,084	3,945,154	4,481,474	4,810,332	5,370,784
Gross domestic product	**22,255,014**	**25,229,765**	**29,462,753**	**31,966,645**	**34,379,413**

Source: Federal Institute of Statistics, Ministry of Finance of the Federation

Note:
(1) Estimates based on the sum of data published in respect of each of the four quarters of 2024.

The following table sets forth the percentage contribution of the sectors of the economy of the Federation to GVA and GDP, at current prices, for the years indicated.

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024[(1)]**
			(%)		
Agriculture, forestry and fishing	4.5	3.8	3.6	3.3	3.2
Mining and quarrying	1.8	1.3	1.3	1.2	1.2
Manufacturing	14.1	15.6	15.9	14.8	13.2
Electricity, gas, steam and air- conditioning supply	3.4	3.6	3.1	2.8	2.7
Water supply, sewerage, waste management and remediation activities	1.1	1.1	1.0	0.9	0.9
Construction	4.1	3.7	3.9	4.3	4.4
Wholesale and retail trade, repair of motor vehicles and motorcycles	14.9	15.4	16.0	16.2	16.5
Transportation and storage	3.5	3.5	3.7	3.7	3.6
Accommodation and food services activities	1.7	1.9	2.3	2.5	2.8
Information and communication	4.5	4.7	4.9	5.1	5.0
Financial and insurance activities	4.0	3.8	3.5	3.9	3.9
Real estate activities	5.5	5.1	4.7	4.8	4.7
Professional, scientific and technical activities	3.1	3.1	3.3	3.5	3.4
Administrative and support service activities	1.2	1.4	1.5	1.7	1.7
Public administration and defense; compulsory social security	7.4	6.6	6.3	6.6	6.8
Education	4.9	4.6	4.5	4.8	5.0
Human health and social work activities	5.2	5.0	4.7	4.8	5.2
Arts, entertainment and recreation	1.2	1.2	1.3	1.4	1.4
Other service activities	1.3	1.2	1.2	1.2	1.3
Total	**87.3**	**86.6**	**86.9**	**87.5**	**86.8**
FISIM (minus)	2.5	2.2	2.1	2.5	2.4
Gross value added	**84.8**	**84.4**	**84.8**	**85.0**	**84.4**
Taxes on products minus subsidies on products	15.2	15.6	15.2	15.0	15.6
Gross domestic product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Federal Institute of Statistics, Ministry of Finance of the Federation

Note:
(1) Estimates based on the sum of data published in respect of each of the four quarters of 2024.

The following table sets forth annual real growth rates of GVA by activities and GDP of the economy of the Federation for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024[(1)]
			(%)		
Agriculture, forestry and fishing	8.1	(7.2)	5.1	(7.4)	2.9
Mining and quarrying	(2.3)	(15.3)	(5.7)	(7.9)	6.1
Manufacturing	(2.4)	16.2	5.3	(1.4)	3.2
Electricity, gas, steam and air- conditioning supply	(4.5)	11.4	(11.6)	(5.0)	0.2
Water supply, sewerage, waste management and remediation activities	0.4	12.2	0.8	(6.5)	1.6
Construction	6.3	2.4	2.9	7.3	5.1
Wholesale and retail trade, repair of motor vehicles and motorcycles	(8.6)	13.0	5.0	4.4	7.6
Transportation and storage	(18.1)	12.2	6.6	3.4	1.1
Accommodation and food services activities	(28.8)	19.0	20.5	6.5	12.7
Information and communication	2.1	14.8	13.5	7.6	5.5
Financial and insurance activities	0.3	6.1	4.4	5.4	4.7
Real estate activities	(2.9)	0.0	0.1	(1.0)	0.3
Professional, scientific and technical activities	0.4	9.6	9.2	7.5	4.2
Administrative and support service activities	(3.5)	18.5	6.0	8.9	6.4
Public administration and defense; compulsory social security	0.4	(0.3)	0.2	0.2	0.2
Education	(0.8)	1.9	3.7	4.1	2.2
Human health and social work activities	1.2	5.5	1.6	2.8	3.6
Arts, entertainment and recreation	(13.8)	12.6	4.9	6.3	2.3
Other service activities	0.8	0.9	5.2	2.8	4.1
Total	**(3.3)**	**8.0**	**4.1**	**2.1**	**2.8**
FISIM (minus)	4.7	1.8	3.6	4.5	4.0
Gross value added	**(3.6)**	**8.1**	**4.1**	**2.0**	**2.8**
Taxes on products minus subsidies on products	(3.6)	8.1	4.1	2.0	2.8
Gross domestic product	**(3.6)**	**8.1**	**4.1**	**2.0**	**2.8**

Source: Federal Institute of Statistics, Ministry of Finance of the Federation

Note:

(1) Estimates based on the sum of data published in respect of each of the four quarters of 2024.

Agriculture, forestry and fishing

In 2022, the GVA of the agricultural, forestry and fishing sector was BAM 1,061.0 million, or 3.6% of total GDP of the Federation in current prices. Agriculture represented 2.9% of GDP, forestry represented 0.7% of GDP and fishing represented 0.0% of GDP. In 2022, the GVA of the agricultural, forestry and fishing sector grew by 5.1% in real terms.

In 2023, the GVA of the agricultural, forestry and fishing sector was BAM 1,067.1 million, or 3.3% of total GDP of the Federation in current prices. Agriculture represented 2.7% of GDP, forestry represented 0.6% of GDP and fishing represented 0.0% of GDP. In 2023, the GVA of the agricultural, forestry and fishing sector contracted by 7.4% in real terms.

In 2024, the GVA of the agricultural, forestry and fishing sector was BAM 1,105.7 million, or 3.2% of the total GDP of the Federation in current prices. Agriculture represented 2.6% of GDP, forestry represented 0.6% of GDP and fishing represented 0.0% of GVA. In 2024, the GVA of the agricultural, forestry and fishing sector grew by 2.9% in real terms.

According to the Labour Force Survey for the Federation, in 2024, there were 37,000 persons employed in agriculture, accounting for 4.7% of the total number of employed persons, or 2.0% of the total working-age population.

As at 31 December 2023, there was approximately 729,000 hectares of agricultural land in the Federation, of which there were 394,000 hectares of arable land and gardens, 45,000 hectares of orchards, 4,000 hectares of vineyards and 286,000 hectares in meadows, as well as 443,000 hectares of pasture and 2,000 hectares of swamp and ponds.

The Federation has adopted a set of strategic goals for the agricultural sector that align with its broader development and EU integration objectives. These include: (i) focusing on modernisation and digitisation, including through the adoption of smart systems; (ii) formalising agricultural knowledge and innovation systems through new legislation; (iii) improving environmental sustainability and resource efficiency, including by promoting organic and integrated livestock production and encouraging efficient use of water and land resources. To support such initiatives, the Federation Government has allocated BAM 183 million under the 2025 Budget, which is expected to strengthen production and accelerate the development of agricultural activities.

Industry

The industrial output of the Federation has increased in recent years through the growth of the manufacturing industry, despite a decline in 2020 due to reduced levels of economic activity as a result of the COVID-19 pandemic.

The principal components of the industrial sector are manufacturing, mining and electricity supply, as well as water supply, sewerage and waste management and remediation. The Federation Government remains committed to pursue growth and development of the industry sector. See "*—Energy Sector of the Federation*" for further information on the energy sector.

In the mining sector, the Federation Government continues to actively attract foreign investment, particularly in the field of geological exploration and exploitation of mineral resources. For example, the Vareš Silver Project, a silver-lead and zinc concentrate producing mine, officially opened in March 2024 and has attracted over U.S.$250 million in foreign investment. In 2025, the Federation launched its "Just Transition" initiative in coal regions, which is partially funded by the World Bank (which is providing a loan and a grant totalling €83 million), and is aimed at supporting a shift away from coal while protecting local communities. The programme includes the closure of underground mines and the installation of solar capacity at former mining sites.

The following table shows the contribution of the principal components of the industry sector to GVA and GDP at current prices for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
			%		
Mining and quarrying	1.8	1.3	1.3	1.2	1.2
Manufacturing	14.1	15.6	15.9	14.8	13.2
Electricity and gas, steam and air-conditioning supply	3.4	3.6	3.1	2.8	2.7
Water supply, sewerage, waste management and remediation activities	1.1	1.1	1.0	0.9	0.9

Source: Federal Institute of Statistics

In 2024, the GVA of the mining and quarrying sector was BAM 396.1 million (as compared to BAM 374.8 million in 2023 and BAM 379.1 million in 2022), or 1.2% of total GDP of the Federation in current prices (as compared to 1.2% in 2023 and 1.3% in 2022). In 2024, the GVA of the mining and quarrying sector increased by 6.1% in real terms, having decreased by 7.9% in real terms in 2023 and by 5.7% in real terms in 2022.

In 2024, the GVA of the manufacturing sector was BAM 4,523.9 million (as compared to BAM 4,716.1 million in 2023 and BAM 4,670.7 million in 2022), or 13.2% of total GDP of the Federation in current prices (as compared to 14.8% in 2023 and 15.9% in 2022). In 2024, the GVA of the manufacturing sector increased by 3.2% in real terms, having decreased by 1.4% in real terms in 2023 and having increased by 5.3% in real terms in 2022.

In 2024, the GVA of the electricity and gas, steam and air- conditioning supply sector was BAM 916.4 million (as compared to BAM 898.4 million in 2023 and BAM 924.5 million in 2022), or 2.7% of total GDP of the Federation in current prices (as compared to 2.8% in 2023 and 3.1% in 2022). In 2024, the GVA of the electricity and gas, steam and air- conditioning supply sector increased by 0.2% in real terms, having decreased by 5.0% in real terms in 2023 and 11.6% in real terms in 2022.

In 2024, the GVA of the water supply, sewerage, waste management and remediation activities sector was BAM 323.4 million (as compared to BAM 295.2 million in 2023 and BAM 303.1 million in 2022), or 0.9% of total GDP of the Federation in current prices (as compared to 0.9% in 2023 and 1.0% in 2022). In 2024, the GVA of the water supply, sewerage, waste management and remediation activities sector increased by 1.6% in real terms, having decreased by 6.5% in real terms in 2023 and having increased by 0.8% in real terms in 2022.

Construction

The Federation Government has introduced reforms to achieve greater transparency and reduce costs and bureaucratic barriers in the construction sector, while increasing energy efficiency and alignment with EU standards. Under the Development Strategy, the Federation Government committed to improving digitalisation of the economy and the Federation Government intends to digitalise construction permitting procedures. See "*—Development Strategy of the Federation 2021-2027*". In October 2024, the Energy Renovation Strategy for Buildings (2024-2050) was adopted, which includes the strategic goal of transforming existing buildings into an energy-efficient and decarbonised building stock by 2050.

Growth in the construction sector is dependent on international financial institutions in order to support national and regional infrastructure projects. One key ongoing construction project, which has benefitted from such support, is the Corridor Vc project; a multimodal road corridor that connects Hungary (Budapest) and Croatia (Port of Ploče), via Osijek (Croatia) and Sarajevo. It is the first major motorway and largest infrastructure project to date in BiH, and is expected to be more than 340 km in length, of which 285 km passes through the Federation. Construction of the sections of the motorway located in the Federation is funded by loans with international financial institutions. In the period from 2008 to 2020, agreements were concluded with the European Investment Bank, the European Bank for Reconstruction and Development, the OPEC Fund and the Kuwait Fund for Arab Economic Development.

In 2022, the GVA of the construction sector was BAM 1,160.4 million, or 3.9% of total GDP of the Federation in current prices. In 2022, the GVA of the construction sector increased by 2.9% in real terms. This increase was primarily due to inflation, which led to significant nominal growth in all construction activities. With this price effect eliminated, real growth was recorded across all construction sector activities.

In 2023, the GVA of the construction sector was BAM 1,362.9 million, or 4.3% of total GDP of the Federation in current prices. In 2023, the GVA of the construction sector increased by 7.3% in real terms. This increase was primarily due to growth across all construction activities in 2023, which was, in turn, primarily due to increased specialised construction activities and construction of buildings.

In 2024, the GVA of the construction sector was BAM 1,515.7 million, or 4.4% of total GDP of the Federation in current prices. In 2024, the GVA of the construction sector increased by 5.1% in real terms. This increase was primarily due to growth across all construction activities in 2024, which was primarily driven by continued growth in specialised construction activities, as well as an increase in civil engineering activities.

Wholesale and retail trade, repair of motor vehicles and motorcycles

The trade sector is the largest sector of the Federation's economy and is comprised of wholesale accounts, retail accounts and motor vehicle accounts. The Federation Government intends to modernise and strengthen its trade sector, by implementing reforms aimed at improving competitiveness, transparency, and alignment with EU standards. Key developments include the amendment and extension of the Strategy for the Development of Trade (2025–2031), which includes goals such as the digitalisation of retail and wholesale operations, the formalisation of informal trade activities and supporting small- and medium-sized enterprises ("**SMEs**") in adapting to e-commerce and cross-border trade.

In 2022, the GVA of the trade sector amounted to BAM 4,709.7 million, or 16.0% of total GDP of the Federation in current prices. In 2022, the GVA of the trade sector increased by 5.0% in real terms. This increase was primarily due to inflation, which led to significant nominal growth across all trade sector activities. With this price effect eliminated, real growth was also recorded across all trade sector activities.

In 2023, the GVA of the trade sector amounted to BAM 5,184.7 million, or 16.2% of total GDP of the Federation in current prices. In 2023, the GVA of the trade sector increased by 4.4% in real terms. This increase was primarily due to a rebound in household consumption and stable retail activity, supported by easing inflation and moderate wage growth.

In 2024, the GVA of trade sector amounted to BAM 5,666.7 million, or 16.5% of total GDP of the Federation in current prices. In 2024, the GVA of the trade sector increased by 7.6% in real terms. This increase was primarily due to 11.1% real term growth in wholesale trade, as well as 5.0% real term growth in retail trade.

Transportation and Storage

The Federation's location (positioned at intersections of important European transport routes and connecting Central Europe with the Mediterranean macro-region) supports the development of its transportation sector. The Federation Government aims to increase the scope, quality and efficiency of its transport services by developing and modernising its transportation infrastructure and increasing its transportation capacities to support the development of its transportation sector, which is one of the key sectors of the Federation. In particular, construction is underway on Corridor Vc, which forms part of the UN International e-road network, connecting Hungary and east Croatia to BiH and the Adriatic Sea (see "—*Construction*").

In 2022, the GVA of the transportation and storage sector was BAM 1,102.0 million, or 3.7% of total GDP of the Federation in current prices. In 2022, the GVA of the transportation and storage sector increased by 6.6% in real terms. This increase was primarily due to inflation that led to significant nominal growth across all of the transportation and storage sector, with the largest contribution to the growth recorded in land transport, warehousing and support activities for transportation.

In 2023, the GVA of the transportation and storage sector was BAM 1,197.6 million, or 3.7% of total GDP of the Federation in current prices. In 2023, the GVA of the transportation and storage sector increased by 3.4% in real terms. This increase was primarily due to increases in land transport activities.

In 2024, the GVA of the transportation and storage sector was BAM 1,231.7 million, or 3.6% of total GDP of the Federation in current prices. In 2024, the GVA of the transportation and storage sector increased by 1.1% in real terms. This increase was primarily due to increases in land transport and postal and courier activities.

Accommodation and food services

The accommodation and food services sector, or tourism sector, in the Federation has generally recorded year-on-year increases in the number of tourist arrivals and overnight stays. The Federation adopted the Tourism Development Strategy of the Federation of Bosnia and Herzegovina 2022-2027 in October 2023. The number of tourist arrivals has increased from 306,000 in 2020, to 1,453,300 in 2024.

The tourism sector was negatively affected by the COVID-19 pandemic and the related restrictions on travel in 2020 and 2021. In 2020, as a result of COVID-19-related travel restrictions, arrivals of foreign citizens decreased by 86.7% (to 129,000), as compared to 2019 (971,000). In 2022, arrivals of foreign citizens increased by 81.5% (to 686,000), as compared to 2021 (378,000). This trend continued in 2023, with arrivals of foreign citizens of 912,000, an increase of 32.9%, as compared to arrivals of foreign citizens in 2022. The increase in arrivals of foreign citizens in 2023 was primarily due to an increase in arrivals from Europe.

In 2024, the total number of tourist arrivals in the Federation was 1,453,300 (an increase of 15.1% compared to 2023), of which domestic tourists made up 373,479 (an increase of 6.6% compared to 2023), accounting for 25.7% of total tourist arrivals. The number of arrivals of foreign tourists was 1,079,821 (an increase of 18.4% compared to 2023), accounting for 74.3% of total tourist arrivals.

Between 2020 and 2024, the number of total overnight stays increased by 304.8%, from 704,000 to 2,850,099. Over the same period, domestic overnight stays increased by 72.1%, while foreign overnight stays increased by 636.2%.

In 2022, the GVA of the accommodation and food services sector was BAM 669.0 million, or 2.3% of total GDP of the Federation in current prices. In 2022, the GVA of the accommodation and food services sector increased by 20.5% in real terms. This increase was primarily due to post-COVID-19 pandemic recovery in international travel following the easing of travel restrictions across Europe.

In 2023, the GVA of the accommodation and food services sector was BAM 788.0 million, or 2.5% of total GDP of the Federation in current prices. In 2023, the GVA of the accommodation and food services sector increased by 6.5% in real terms. This increase was primarily due to growth in both accommodation and food and beverage service activities.

In 2024, the GVA of the accommodation and food services sector was BAM 958.9 million, or 2.8% of total GDP of the Federation in current prices. In 2024, the GVA of the accommodation and food services sector tor increased by 12.7% in real terms. This increase was primarily due to continued growth in both accommodation and food and beverage service activities.

Information and communication

The information and communications ("**ICT**") sector consists of information technologies, construction, maintenance, use and lease of public communication networks and equipment, as well as electronic communication services.

The Federation Government is committed to the development and liberalisation of electronic communication services. There is widespread access to computers and the internet in the Federation. According to data from the Federal Institute of Statistics, the percentage of the total number of households with computer and broadband internet access has increased, from 67.0% and 73.3%, respectively, in 2020, to 74.1% and 82.3%, respectively, in 2024.

In recent years, the Federation Government has taken steps to modernise its ICT infrastructure and, in accordance with the Development Strategy, is focused on the further digitalisation of its economy. See "*—Development Strategy of the Federation 2021-2027*".

In 2022, the GVA of the ICT sector was BAM 1,458.3 million, or 4.9% of total GDP of the Federation in current prices. In 2022, the GVA of the ICT sector increased by 13.5% in real terms. This increase was primarily due to inflation, which led to significant nominal growth in all ICT activities, with the largest contribution to growth recorded in computer programming, consultancy and related activities and telecommunications.

In 2023, the GVA of the ICT sector was BAM 1,614.8 million, or 5.1% of total GDP of the Federation in current prices. In 2023, the GVA of the ICT sector increased by 7.6% in real terms. This was primarily due to increases across ICT sector activities, with the largest contribution to growth recorded in computer programming, consultancy and related activities and telecommunications.

In 2024, the GVA of the ICT sector was BAM 1,720.1 million, or 5.0% of total GDP of the Federation in current prices. In 2024, the GVA of the ICT sector increased by 5.5% in real terms. This increase was primarily due to rising demand for digital services, growth in ICT exports, and increased investment in broadband infrastructure and software development.

Financial and insurance activities

As at 31 March 2025, there were 13 banks and 504 organisational units in the Federation, of which nine banks were majority owned by foreign entities and three banks were under domestic private ownership. As at 31 December 2024, the banking sector had total assets of BAM 32.1 billion and total capital of BAM 4.1 billion.

The various reforms introduced by the Federation Government in recent years, along with continuous improvement of the legal framework of the financial sector in line with international standards and EU regulations, has provided for stable and consistent growth in the financial sector.

In 2022, the GVA of the finance and insurance sector was BAM 1,042.4 million, or 3.5% of total GDP of the Federation in current prices. In 2022, the GVA of the finance and insurance sector increased by 4.4% in real terms. This increase was primarily due to the growth of all activities within the finance and insurance sector.

In 2023, the GVA of the finance and insurance sector was BAM 1,239.5 million, or 3.9% of total GDP of the Federation in current prices. In 2023, the GVA of the finance and insurance sector increased by 5.4% in real terms. This increase was primarily due to growth of all activities within the finance and insurance sector, other than insurance reinsurance and pension funds.

In 2024, the GVA of the finance and insurance sector was BAM 1,348.5 million, or 3.9% of total GDP of the Federation in current prices. In 2024, the GVA of the finance and insurance sector increased by 4.7% in real terms. This increase was primarily due to the growth of all activities within the financial and insurance sector.

Other sectors

The sectors comprising the "other" category are real estate activities, professional, scientific and technical activities, administrative and support service activities, public administration and defence, compulsory social security, education, human health and social work activities, arts, entertainment and recreation and other service activities.

In 2022, the GVA of the other sectors was BAM 8,113.6 million, or 27.5% of total GDP of the Federation in current prices. Increased activity in the other sectors in 2022 was primarily due to the growth of all activities within other sectors, particularly professional, scientific and technical activities, which grew by 9.2% in real terms.

In 2023, the GVA of the other sectors was BAM 10,216.4 million, or 28.8% of total GDP of the Federation in current prices. Increased activity in the other sectors in 2023 was primarily due to the growth of all activities within other sectors, particularly administrative and support service activities and professional, scientific and technical activities, which grew by 8.9% and 7.5% in real terms, respectively.

In 2024, the GVA of the other sectors was BAM 10,143.6 million, or 29.5% of total GDP of the Federation in current prices. Increased activity in the other sectors in 2024 was primarily due to the growth of all activities within other sectors, particularly administrative and support service activities, which grew by 6.4%.

Energy Sector of the Federation

Overview of the Energy Sector

Electricity is primarily produced in the Federation by domestic coal-fired thermal power plants and hydropower plants (excluding small power plants), which accounted for approximately 53% and 35.5%, respectively, of total electricity production in 2024. There are nine main hydropower plants in the Federation: Čapljina, Grabovica, Jablanica, Jajce, Mostar, Mostarsko blato, Peć-Mlini, Rama and Salakovac; two coal-fired power plants: Tuzla and Kakanj; and approximately 75 small hydropower plants. The total installed capacity of power generation facilities across the Federation is 3,057 MW.

Electricity production in the Federation is higher than consumption. The Federation Government expects the balance surplus for 2024 to amount to approximately 11% of total electricity produced for the year, with the surplus electricity to be sold and exported to neigbouring countries. There have been no shortages in electricity supply over the past five years.

The distribution of energy in the Federation is performed by two companies, which are each owned by the Federation Government, EPBiH and EPHZHB.

The tables set forth below show the balance values of the electric power sector of BiH:

	Year ended 31 December 2024					
	EPBiH	**ERS**	**EPHZHB**	**Komunalno Brcko**	**Other entities**	**BiH**
			(GWh)			
Generation	**5,317.66**	**4,669.33**	**1,587.46**	**—**	**2,979.14**	**14,553.59**
Hydropower plants	1,198.43	2,028.50	1,448.89	—	56.12	4,731.94
Thermal power plants	3,954.04	2,603.22	—	—	1,926.20	8,483.46
Larger solar and wind power plant	105.60	—	138.57	—	357.39	601.56
Small and industrial power plants	59.59	37.61	—	—	639.43	736.63
Consumption	**5,713.43**	**4,266.47**	**1,525.67**	**288.18**	**9.21**	**12,131.42**
Customers connected to the distribution network	5,206.13	3,911.86	1,496.67	—	—	10,902.84
Transmission losses	—	—	—	—	—	328.46
Large customers	506.29	338.41	15.34	—	—	860.04
Power plants self-consumption and pumping	1.01	16.20	13.66	288.18	9.21	40.08

	Year ended 31 December 2023					
	EPBiH	**ERS**	**EPHZHB**	**Komunalno Brcko**	**Other entities**	**BiH**
			(GWh)			
Generation	**5,333.46**	**5,585.62**	**2,082.42**	**—**	**2,820.20**	**15,821.70**
Hydropower plants	1,565.65	2,693.75	1,931.30	—	93.14	6,283.84
Thermal power plants	3,593.97	2,823.91	—	—	1,987.36	8,405.24
Larger solar and wind power plant	100.21	—	151.12	—	119.20	370.53
Small and industrial power plants	73.63	67.96	—	—	620.50	762.09
Consumption	**5,528.75**	**4,007.28**	**1,480.25**	**277.84**	**6.49**	**11,634.63**
Customers connected to the distribution network	5,024.59	3,805.03	1,440.27	277.84	—	10,547.73
Transmission losses	—	—	—	—	—	334.02
Large customers	503.82	188.83	24.97	—	—	717.62
Power plants self-consumption and pumping	0.34	13.42	15.01	—	6.49	35.26

	Year ended 31 December 2022					
	EPBiH	**ERS**	**EPHZHB**	**Komunalno Brcko**	**Other entities**	**BiH**
			(GWh)			
Generation	**5,849.20**	**4,975.95**	**1,451.45**	**—**	**2,759.36**	**15,035.96**
Hydropower plants	1,125.62	1,978.29	1,296.81	—	57.83	4,458.55
Thermal power plants	4,544.09	2,957.13	—	—	2,128.21	9,629.43
Larger solar and wind power plant	121.16	—	154.64	—	114.59	390.39
Small and industrial power plants	58.33	40.53	—	—	458.73	557.59
Consumption	**5,423.39**	**4,505.93**	**1,505.65**	**284.85**	**4.79**	**12,057.64**
Customers connected to the distribution network	4,911.88	3,917.49	1,431.65	284.85	—	10,545.87
Transmission losses	—	—	—	—	—	333.03
Large customers	511.51	573.76	38.97	—	—	1,124.24
Power plants self-consumption and pumping	—	14.68	35.03	—	4.79	54.50

See "*Risk Factors—Risks Relating to the Issuer—The Federation's energy sector is under developed*".

The Federation Government has implemented several energy and fuel subsidy programmes in recent years, including allocating BAM 12.9 million to the Federal Ministry of Spatial Planning to be disbursed to 2,600 households to support insulation, window and door replacement, and heating system upgrades, and BAM 12.9 million to approximately 264 micro, small, and medium enterprises to improve energy efficiency and install photovoltaic systems for self-consumption.

Energy Policy

The Federation Government is committed to the development of the electric power system in the Federation to increase energy efficiency and production capacities, maintain environmental sustainability and diversify supply sources. The Federation Government intends to achieve this by improving the regulatory electrical framework, reducing subsidies for renewable energy resources and restructuring and reorganising EPBiH and EPHZHB.

In line with this aim, the Federation adopted the Law on Use of Renewable Energy Sources and Efficient Cogeneration in 2023, which aims to: (i) remove administrative barriers; (ii) establish incentives for renewable energy sources and introduce auctions to bid for certain incentive programmes; (iii) improve the legal framework around the incentive programme; and (iv) expand the responsibilities of regulators.

The energy sector is undergoing liberalisation to harmonise regulations with the EU directives from the EU Third Energy Package (a legislative package for an internal gas and electricity market in the European Union). A new Law on Energy and Regulation of Energy Activities in the Federation of Bosnia and Herzegovina (the "**Law on Energy**") was adopted in July 2023, which regulates the method of determining and implementing energy policy. The framework includes the following long-term goals: (i) a reliable and safe supply of energy and energy products; (ii) a balanced and sustainable long-term development of the energy sector; (iii) a competitive energy market based on principles of non-discrimination and transparency; (iv) protect end customers; (v) protect rights and interests of energy entities; (vi) create conditions for investment in energy; (vii) develop energy infrastructure and introduce modern technologies; (viii) foster the use of new energy sources in production and consumption; (ix) create conditions for the decarbonisation and to increase consumption of energy from renewable sources; (x) provide conditions to improve energy efficiency; (xi) improve environmental protections; and (xii) connect the energy system of the Federation with other energy systems.

The Federation also adopted the Federation of Bosnia and Herzegovina Electricity Act (the "**Electricity Act**") in 2023, which regulates the construction of power plants, electricity production and the supply and trade of electricity. The Electricity Act removes the requirement to obtain energy permits for the construction of power plants with production capacity up to 1 MW. Additionally, the Electricity Act defined market participants in an effort to ensure environmental protection and to better manage the production, storage and consumption of electricity. It also incentivises the installation of publicly accessible electric vehicle charging stations. The Electricity Act is generally in line with the commitments from the Treaty establishing the Energy Community and the provisions of the EU's Third Energy Package.

The Federation Government has identified the following projects as its priority energy projects for the coming years: for EPHZHB, the Poklecani Wind Power Plant (which is expected to have an installed capacity of 436 GWh) and the EPHZHB Solar Photovoltaic Power Plant (which is expected to have an installed capacity of 273 GWh), and for EPBiH, the Bitovnja 70MW Wind Power Plant, 250 GWh, the Vlasic 50 MW Wind Power Plant, the Ustikolina 60 MW Hydropower Plant, and the Gračanica Solar Photovoltaic Power Plant (which is expected to have an installed capacity of 66 GWh).

Electricity Generation

Coal

Reserves of brown coal and lignite are distributed from important coal basins located in the Tuzla and Zenica Doboj cantons. There are other sites with smaller reserves that are not economical or that have been abandoned due to unfavourable economies. The Federation holds a total reserve balance of coal equal to 2,700 million tonnes, of which 1,693 million tonnes is lignite and 1,007 million tonnes is brown coal. The total reserves of coal that are capable of exploitation are 1,947 million tonnes, of which 1,052 million tonnes is lignite and 895 million tonnes is brown coal. Coal is mainly used for the production of electricity in thermal power plants (over 83%). The total installed capacity of thermal power plants in the Federation is 1,190 MW. The expected annual production is approximately 5,400 GWh.

Hydropower energy

The Federation's watercourse energy has significant unused hydro potential, with approximately 40% of the Federation's potential capacity for hydroelectric power having been exploited. The most significant unused hydropower is available from rivers in the Federation, including the Bosna, Vrbas, Neretva and Una rivers. There are currently no hydropower plants under construction in the Federation. Each of EPBiH and EPHZHB are working to obtain the necessary administrative permits for the construction of hydropower plants, with the most significant, the Ustikolina Hydropower Plant on the Drina river, expected to have an installed capacity 60MW and to produce 237 GWh annually.

The total available capacity of hydropower plants in the Federation (including small hydro power plants) is 1,474 MW, with an expected annual production of 4,200 GWh. The installed capacity of small hydro power plants in the Federation is 43 MW and industrial power plants is 68 MW.

Between 2020 and 2024, the maximum rate of production of hydropower was 3,812 gigawatts per hour, which was recorded in 2021, while the minimum rate of 2,485 gigawatts per hour was recorded in 2022.

The following table sets forth the production rate of hydropower plants for the years indicated:

	2020	2021	2022	2023	2024	Average 2020-2024
Total *(GWh)*	2,619.3	3,811.8	2,484.6	3,570.6	2,708.5	3,039.0

Source: Federation Regulatory Commission- FERK Report 2024

Solar and wind energy

On 18 May 2022, the State Electricity Regulatory Commission of BiH lifted all restrictions on the exploitation of solar and wind energy sources by the Entities. The Federation has significant potential for the construction of solar and wind power plants. The highest irradiation of the sun is in the canton of Hercegovacko Neretvanjski, which averages 4.4 kilowatts hours per square metre. The most promising locations for the construction of wind farms are also in the southern and south-western part of the Federation where the average wind speed at a height of 50 meters is approximately 7-9 metres per second.

Biomass energy

The total technical potential of biomass in the Federation (for combustion and biogas) is estimated at 11 petajoules. Approximately 30% of total biomass is estimated to be suitable for combustion (being waste from the wood industry, firewood, forest waste and residues from pruning perennial crops) while 10% represents biomass suitable for the production of biogas from municipal waste, livestock and energy crops. The remaining 60% is currently considered as inaccessible due to the current infrastructure in place and, accordingly, such biomass is not taken into account in the estimate of 11 petajoules of technical biomass. According to the Study of the Renewable Energy Sources with Focus on Biomass, Geothermal Energy and Solar Energy in BiH, Sarajevo 2019 UNDP and the Institute for Statistics, 32% of current biomass consumption in the Federation for combustion for heating is derived from sources in the territory of the Federation. Further increasing the utilisation of wood biomass for energy requires increasing the efficiency of wood stoves and boilers and/or switching to more efficient forms of modern biomass.

Geothermal energy

The Federation has an estimated total geothermal potential of 197 MGWTh, most of which comes from the northern part of the Federation. Thermal water is used primarily for balneological purposes, while the energy use of geothermal energy for space heating is limited.

Electricity Distribution

The following table sets forth the number of end users and details of the electricity distribution area as at 31 December 2024:

	EPBiH		EPHZHB		Federation	
2024 Data Voltage level	**Users**	**Consumed (GWh)**	**Users**	**Consumed (GWh)**	**Users**	**Consumed (GWh)**
Industry 35 kV	65	309	3	2	68	312
Industry 10(20) kV	994	933	316	281	1,310	1,214
Households	741,434	2,464	185,766	744	927,200	3,208
Other customers	68,929	1,000	17,314	310	86,243	1,310
Public lighting	5,139	80	2,212	27	7,351	107
Total	**816,561**	**4,786**	**205,611**	**1,364**	**1,022,172**	**6,150**

Source: Federation Regulatory Commission- FERK Report 2024

During the years 2020 to 2024, the electricity needs of the Federation were met from domestic sources, with surplus amounting to an average of approximately 20% of total annual production. The largest producer and exporter of electricity is EPBiH. Individually, the largest purchaser is Mital steel plant, accounting for approximately 7% of total electricity. Excess electricity is sold on the domestic and foreign markets, including the Serbian Electricity Exchange and the Croatian Energy Exchange.

Electricity Transmission

The electricity transmission company, Elektroprenos BiH, Banja Luka is the owner of the transmission network in BiH and it is owned by the Federation (58.9%) and by Republika Srpska (41.1%). The transmission network in the territory of the Federation consists of lines of 400 kV, 220 kV and 110 kV. The total length of transmission lines within the Federation's power system is 6,500 kilometres, which is approximately 60% of the total length of transmission lines within BiH. BiH's transmission network supports market transactions inside, outside and through BiH's power system.

According to estimates prepared in the Long-Term Transmission Network Development Plan 2018-2027, it is expected that the following investments will be required for the enhancement of BiH's and the Federation's electricity transmission network during such period: (i) BAM 193.2 million for the construction of new facilities and interconnections (of which BAM 106.8 million would be allocated to the Federation's share of the network); (ii) BAM 472.0 million for the reconstruction, sanitation and extension of substations and transmission lines (of which BAM 285.8 million would be allocated to the Federation's share of the network); and (iii) BAM 13.7 million for the installation of reactors (of which BAM 7.2 million would be allocated to the Federation's share of the network). These investments are in line with the objectives set out in the Framework Energy Strategy of BiH, which prioritises infrastructure modernisation, security of supply, and cross-border integration.

As at 31 December 2024, the Federation had: 983km of 35kV overhead distribution lines and 150km of 35kV underground distribution lines; 9,198km of 10/20kV overhead distribution lines and 4,164km of 10/20kV underground distribution lines; 35,160km of 0.4kV overhead distribution lines and 5,168km of 0.4kV underground distribution lines; 98 distribution substations with a voltage of 35/10(20) kV and total installed power of 775 megavolt ampere ("**MVA**") and 12,101 distribution substations with a voltage of SS 10(20)/0.4 kVc and total installed power of 3,682 MVA.

Oil and gas

The Federation lacks the reserves and infrastructure for the production of natural gas and oil and relies on independent contracts from suppliers. In recent years, gas has accounted for approximately 2% of the energy mix in BiH and approximately 4% of the energy mix in the Federation, with approximately 73% of the imported natural gas in the Federation used for domestic heating and the remainder used in industry.

The construction of a natural gas pipeline, the Southern Interconnection, which is intended to increase BiH's energy independence by connecting BiH to the broader European gas network via Croatia (to allow for gas imports from sources other than Russia) is of significant importance to the Federation. The Law on the Southern Interconnection was adopted by the Federation's House of Representatives on 12 December 2024 and by the Federation's House of Peoples on 16 January 2025. When completed, the pipeline is expected to have a capacity of approximately 1.5 billion cubic meters and be over 180km in length. The project is expected to cost €185 million, of which €169 million is expected to be funded by the EBRD, and to be completed by the end of 2030.

There are no crude oil refineries operating in the Federation. The supply of crude oil is realised from imports. In 2024, the Federation imported 174.8 million m^3 of natural gas (with a total value of €62.5 million), as compared to 175.2 million m^3 of natural gas (with a total value of €65.6 million).

Labour Market and Social Policy

Wages

The following table sets forth the average monthly gross wage and the average monthly net wage (*i.e.,* income received following deductions for taxes and social contributions) for the years indicated:

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
Average monthly net wages (*BAM*)	956	996	1,114	1,261	1,373
Average monthly gross wages (BAM)	1,472	1,543	1,724	1,959	2,140
Average monthly net wages (*€*)	489	509	570	645	702
Average monthly real wages (*€*)	483	493	480	517	554
Average monthly gross wages (*€*)	753	789	881	1,002	1,094
Nominal growth of average monthly net wages (*%*)	3.0	4.2	11.8	13.2	8.9
Nominal growth of average monthly gross wages (*%*)	3.2	4.8	11.7	13.6	9.2
Real growth of average monthly real wages	4.0	2.1	(2.6)	7.7	7.2

Source: Federal Institute of Statistics

The average monthly net wage in 2024 was BAM 1,373 (€702). Nominally, the average monthly net wage increased by 8.9%, as compared to 2023. An increase was recorded in 19 sectors, with the highest increases recorded in the education sector (by 11.3%) and the agriculture, forestry and fishing sector (by 10.9%). The average monthly net wage in 2024 in the Federation increased in real terms by 7.3%, as compared to 2023. The highest wage was recorded in the electricity, gas, steam and air conditioning supply sector. Electricity, gas, steam and air conditioning supply sector employees represented 1.6% of total employed persons in 2024 and received on average BAM 2,054 (€1,050) per month. In 2024, the lowest average net monthly wage of BAM 820 (€419), was earned by accommodation and food service activities sector employees, which represented 5.2% of total employed persons.

Employment

Positive labour market trends in the Federation have persisted since 2021 and continued to improve in 2024. As a result of measures taken by the Federation Government to preserve jobs and wages of workers during the COVID-19 pandemic, average net wages have increased and the number of unemployed persons have decreased. These improvements have been supported by a series of active labour market policies, including wage subsidies for new hires, self-employment grants, and training and retraining programmes targeting youth, women, and long-term unemployed persons. The Federation has adopted the Labour Law, which includes requirements for written contracts, a minimum wage, provides for protection from discrimination, and safeguards against unjust dismissal. Key labour market initiatives include: (i) annually setting a minimum wage, based on economic indicators; (ii) providing subsidies for hiring youth, women, and the long-term unemployed, as well as self-employment grants; training programmes; and support for Roma inclusion; (iii) Cantonal employment programmes; and (iv) performance monitoring and evaluation by the Federation's Employment Institute. The key focus of the Federation Government's employment initiatives is on increasing employability, reducing unemployment and addressing disparities across regions and social groups.

The Employment Strategy outlines key priorities such as improving labour market governance, reducing informal employment, and aligning skills with market needs. There are three main sources of labour market data in the Federation: the Federal Institute of Statistics, which publishes data on education and the labour market; the Federal Employment Agency; and cantonal employment services, which both collect data on the provision of employment services, as well as job seekers and job vacancies.

The following table shows key employment statistics for the years indicated:

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
Employed persons	520,162	525,397	535,665	541,261	547,660
Unemployed persons	323,244	299,717	285,158	271,904	255,482
Employment rate (%)	37.5	37.8	39.6	41.3	42.7
Unemployment rate (%)	17.5	18.9	17.2	15.0	14.3
GDP per employed person (€)	21,876	24,552	28,122	30,080	—

Source: Federal Institute of Statistics, Ministry of Finance of the Federation

The employment rate in the Federation has increased from 37.5% in 2020 to 42.7% in 2024. See "*Risk Factors—Unemployment is high, and the Federation faces other labour force issues*".

Employment policies in the Federation

Employment policies in the Federation are realised through strategic and programme documents. The Ministry of Labour and Social Policy (the "**Ministry of Labour**") and the International Labour Organisation (the "**ILO**") are the institutions which set policy for the Federation. The ILO generally sets standards for employment policy to help provide a framework for the Ministry of Labour to design and implement policies.

The Employment Strategy defines the employment policies to be implemented by the Minister of Labour and the ILO. The Employment Strategy highlights the challenges facing the Federation's labour market as: (i) reliance on private consumption; (ii) declining labour force participation; (iii) emigration; and (iv) employment in the informal economy. The Employment Strategy was developed in consideration of other strategies of BiH, including the Reform Agenda and the Economic Reform Programme.

To address these challenges, the Employment Strategy defines four strategic objectives over the seven year period: (i) increasing personal employability and the alignment of skills with the requirements of the labour market; (ii) promoting the capacity of the private sector to create more jobs; (iii) ensuring that the labour market is inclusive for all members of society through more effective labour market practice; and (iv) strengthening labour market governance and increasing the policy implementation framework.

Under the first strategic objective of improving the skills of those in the labour market, the Employment Strategy aims to: (i) reduce the number of low-skilled persons by 10%; (ii) reduce the number of unemployed high-skilled persons by 10%; (iii) enroll 12% of adults and 20% of young people in training programmes; and (iv) increase the number of persons using career guidance services through Public Employment Services ("**PES**") by 20%.

To achieve the objective of promoting the capacity of the private sector to create more jobs, the Employment Strategy aims to: (i) decrease the share of informal employment by 5%; (ii) increase the share of BiH's GDP invested into research and development to 0.25%; and (iii) increase employment levels by 10%.

The Employment Strategy aims to achieve the third objective via the following outcomes: (i) reduce the ratio of those employed to unemployed; (ii) ensure the majority of unemployed persons have access to counseling and guidance services; (iii) increase the share of benefit recipients with activation and return to work by 10%; and (iv) reduce the number of unemployed women who receive childcare allowance to 10%.

To improve labour market governance, the Employment Strategy sets the following goals: (i) improve data collection on the Employment Strategy and share this with stakeholders; (ii) coordinate policy with other federal and cantonal institutions; (iii) monitor results to adjust the implementation of Government policy; (iv) ensure alignment of strategic goals across federal and cantonal institutions; and (v) create annual resource development plans for PES managers with the goal of professionalising the provision of PES.

Health Care

Health care activities in the Federation are performed at the primary, secondary and tertiary levels. Health care activities are performed by public and private health institutions in accordance with medical doctrine and by using medical technology, according to the Law on Health Care. Health care of the population is mostly financed from compulsory health insurance. The Law on Health Insurance of the Federation regulates the policy of compulsory health insurance and voluntary health insurance, the rights and obligations of patients and activities of participants and institutions that provide healthcare services.

In 2020, hospital health care in the Federation was provided in 24 hospitals (three university-clinical centres, six cantonal hospitals, nine general hospitals, three special hospitals and three rehabilitation centres/spas). Specialist-consultative health care was available to the residents of the Federation at 376 locations. There were 50 pharmacies.

The Development Strategy identifies improving the outcome of the health system as a priority matter, noting the need to promote the right to health care for all citizens of the Federation, to increase health insurance coverage, to apply lifelong learning about health, a healthy lifestyle and healthy choices, to protect the reproductive health of young people and to continuously ensure and improve the quality of health services. Targeted measures to achieve such aims include: (i) improving access to, and reducing inequality of, health services; (ii) strengthening the potential of preventive protection; (iii) strengthening the digitisation and computerisation of the health care system; (iv) improving actions in crisis public health situations; (v) strengthening the financial sustainability of the health care system and improving fairness in health care financing; and (vi) creating an environment for scientific research and biomedical research. See "*—Development Strategy of the Federation 2021-2027*".

According to the Institute for Statistics of the Federation in June 2024, the share of healthcare spending as a percentage of GDP was 8.2% in 2022, with the allocation for healthcare per inhabitant at BAM 1,124.0, reflecting an increase of 6.1% compared to 2021 levels.

Health consumption in the Federation has increased in recent years. In 2022, according to the Institute for Statistics of the Federation, total health consumption amounted to BAM 2,424.3 million, reflecting a 5.5%, increase compared to in 2021. Current public expenditure for health care amounted to BAM 1,637.8 million in 2022, representing 67.6% of total current expenditure for health care. Current private expenditure for health care amounted to BAM 786.4 million, representing 32.4% of total current expenditures for health care in 2022.

Treatment and rehabilitation services accounted for 60.0% of total health care consumption in 2022. By providers of health care services, 37.5% of total current expenditures for health care in 2022 related to hospitals (BAM 908.9 million).

Social Insurance System

The Federation Government has adopted social insurance laws, which govern health, pension, disability, and unemployment benefits, in line with its aim of addressing disparities across regions and social groups.

The Federation Government has devoted particular attention to resolving problems related to the demographic future of the Federation, and the competent ministries have begun developing strategies and policies related to this area. For example, in November 2023, the Federation Government adopted the Decision on the Development of the Strategy for Demographic Development and Recovery of the Federation of BiH (2024-2031).As the pension system of the Federation is largely based on the contribution of the working-age population for the payment of pensions, the Federation Government adopted the Employment Strategy (see *"—Labour Market and Social Policy—Employment—Employment policies in the Federation*").

which aims to relieve the burden on the pension system through a change in the ratio of employees to pensioners, targeting the long-term sustainability of the financial system.

In September 2024, the Federation Government also adopted the Strategy for the Development of the Social and Child Protection System in the Federation (2024-2030). The strategy aims to reduce poverty, mitigate the consequences of poverty and strengthen the inclusion of marginalised individuals and groups while strengthening institutional mechanisms and capacities. While implementation of the strategy remains at an early stage, the Ministry of Labour and Social Policy has begun coordinating with Cantonal and municipal authorities to align local action plans with the key priorities.

According to the Institute for Statistics of the Federation, as at 31 December 2024, the Federation had 59 centres for social welfare and 22 social protection offices with 910 employees, of which 686 employees were women. The total number of processed cases in centres for social welfare and social protection offices in the Federation for 2023 was 247,219, of which 51% related to women. There were 269,443 adult beneficiaries of social welfare in the Federation in 2023, of which 42.3% were classified as beneficiaries without enough income for sustention.

Public Private Partnerships

In 2024, the Federation prepared a law (the "**Draft PPP Law**") governing public-private partnerships ("**PPP**"), as part of long-standing efforts to align domestic legislation with EU practices. The Draft PPP Law has not yet been adopted by the Federation Parliament and, accordingly, the Federation Government has not concluded or approved any PPP contracts to date. Certain of the Federation's Cantons have adopted their own laws or by-laws on PPPs, which apply to projects within their jurisdiction.

Privatisation Process

The Agency for Privatisation in the Federation (the "**Agency**") is the specialist organisation tasked with providing advice, promotional and educational tasks related to privatisation. Among the Agency's responsibilities are: (i) initiation of the preparation of laws and regulations relating to privatisation, and participating in such preparation; (ii) monitoring and supervising enforcement of the laws and regulations in the field of privatisation; (iii) approving and conducting privatisations of companies with branches in several Cantons and other companies for which the Agency is the competent authority; (iv) carrying out the tasks related to the companies' passive sub-balances; (v) verifying the fulfillment of obligations arising from purchase-sale contracts in the privatisation process; (vi) organising training regarding privatisation and organising and co-ordinating informational, promotional and publishing activities and initiating and organising research in privatisation matters; (vii) reporting to the Government on the progress and results of the privatisation process; (viii) providing advisory assistance to the cantonal privatisation agencies and coordinating their activities; (ix) acting as an arbitrator in disputes between cantonal agencies and other privatisation process participants upon their request; (x) co-operating with relevant ministries, Cantons, agencies and other bodies and organisations of the Federation and Cantons, and international institutions and organisations; (xi) maintaining record and statistics within its scope of work; (xii) carrying out other privatisation–related tasks and duties, as set out in applicable laws and regulations.

Privatisations in the Federation began in 1999. Privatisations have taken the form of small-scale privatisation methods, large-scale privatisation methods and stock market privatisations. The last privatisation undertaken in the Federation was in 2014.

Pursuant to the Law on Privatisation of Enterprises, sales of state capital (shares and stocks) can be realised by way of tender, direct bargaining and sales through the stock exchange, as well as other privatisation methods. Decisions as to the method of sale to be used are made by the Federation Government.

Government Shareholding

As at 31 March 2025, there were 33 majority state-owned entities ("**SOEs**") in the Federation , the largest of which operate in the electricity generation, mining and transport sectors, including electricity company Elektroprivreda BiH, FBiH Railways and coal mines Banovici and Kreka. The Federation maintains a centralised register of SOEs maintained by the Financial Intelligence Agency of the Federation.

The following table sets forth the companies in which the Federation Government has an ownership interest, as at 31 March 2025.

Company name	Federation Government ownership
	(%)
JP Autoceste FBiH d.o.o Mostar	100.00
JP Ceste FBiH d.o.o Sarajev	100.00
JP Ceste d.d. Mostar	93.24
Sarajevoputevi d.d. Sarajevo	77.32
JP Željeznice FBiH d.o.o Sarajevo	91.81
JP BH Telecom d.d. Sarajevo	90.00
JP HT d.d. Mostar	50.10
JP BH Pošta d.o.o. Sarajevo	100.00
JP HP d.o.o. Mostar	62.76
JP Međunarodni aerodrom Sarajevo d.o.o	100.00
JP Elektroprivreda BiH d.d. Sarajevo	90.36
JP Elektroprivreda HZ HB d.d. Mostar	90.00
BH-GAS d.o.o. Sarajevo	100.00
Energoinvest d.d. Sarajevo	67.00
Energoinvest -Comet d.d. Sarajevo	67.01
Operator—Terminali Federacije d.o.o Sarajevo	100.00
Pretis d.d. Vogošća	51.00
Igman d.d. Konjic	51.00
Binas d.d. Bugojno	51.00
Unis Ginex d.d Goražde	51.00
BNT-TmiH d.d. Novi Travnik	51.00
TRZ Hadžići d.d.	51.00
RMU Banovići d.d.	69.53
Unis Group d.o.o. Ilidža	100.00
Feroelektro d.d. Sarajevo	60.68
Konfekcija BORAC d.d. Travnik	61.92
Fabrika duhana Mostar d.d. Mostar	67.00
Agrokomerc " d.d. Velika Kladuša	90.33
JP Nacionalni park "UNA" d.o.o. Bihać	100.00
JP Filmski Centar Sarajevo d.o.o. Sarajevo	100.00
Lutrija BiH d.o.o Sarajevo	100.00
Union banka d.d. Sarajevo	97.74
Razvojna banka Federacije Bosne I Hercegovine	100.00
ArcelorMittal Zenica d.o.o. Zenica	8.69
"ALUMINIJ" d.d. Mostar	44.00
Energopetrol d.d. Sarajevo	7.69
Sarajevo osiguranje d.d. Sarajevo	45.49

Since 2014, the Federation Government has focused on improving oversight and control of SOEs, in line with the OECD principles of good governance. A unit for SOE oversight was established at the General Secretariat of the Federation Government in 2021. Recent reform efforts in respect of SOEs include the introduction of legislation to address conflicts of interest in SOE board nominations. Work is underway to revise the legal framework governing SOEs to include clearer criteria for board appointments and dismissals, mandatory performance contracts for SOE managers and sanctions for non-compliance with reporting obligations.

Anti-Money Laundering and Anti-Corruption

At the BiH level, a number of strategies have been adopted in the area of anti-money laundering ("**AML**") and counter-terrorist financing ("**CFT**"), including: (i) the Strategy for Combatting Trafficking in Human Beings (2020 to 2023); (ii) the Strategy for the Prevention and Combatting of Terrorism (2021 to 2026); and (iii) the Strategy for the Fight Against Organised Crime (2023 to 2026), which builds on the results of the previous strategy (2017 to 2020). There is also a BiH Strategy for Preventing the Proliferation of Weapons of Mass Destruction (2018 to 2022). In June 2024, the Government of BiH adopted the BiH Strategy for the Fight Against Corruption 2024-2028 (the "**BiH Anti-Corruption Strategy**") and accompanying action plan. The adoption of this strategy has been welcomed by international bodies, including the OSCE. The BiH Anti-Corruption Strategy aligns with the 14 priorities identified as needing to be met for EU membership and which include the fight against corruption. The general objective of the BiH Anti-Corruption Strategy is to establish priorities in the field of corruption prevention and anti-corruption efforts, principles and mechanisms of joint action of all institutions in BiH, as well as all parts of society in the field, and to create or improve conditions for reducing the actual and perceived level of corruption and promote positive social values such as integrity, accountability, and transparency. The three main strategic goals of the BiH Anti-Corruption Strategy are: strengthening the system of prevention and coordination mechanisms; strengthening mechanisms for detecting and proving corrupt criminal acts and prosecuting perpetrators; and strengthening interinstitutional, regional, and international co-operation. The BiH Anti-Corruption Strategy obliges all institutions of BiH to adopt their own anti-corruption plans, containing standardised and specific measures defined in the action plan.

At the BiH level, the Financial Intelligence Department has been established as part of the State Investigation and Protection Agency. The responsibilities and activities of the Financial Intelligence Department are governed by the BiH Law on the State Investigation and Protection Agency and the Law on Prevention of Money Laundering and Financing of Terrorist Activities. The Financial Intelligence Department receives, collects, records and analyses data, information and documents, as well as investigates and submits the findings of the analyses and/or investigations, data and documents to prosecutor's offices and other relevant authorities in BiH and abroad. In addition to these tasks, the Financial Intelligence Department performs the tasks pertaining to the prevention of money laundering and financing of terrorist activities, promotes co-operation between the relevant authorities of BiH, the Federation, Republika Srpska and the Brčko District, as well as with the relevant authorities of other countries and international organisations.

In February 2024, the the BiH Parliamentary Assembly passed a new Law on AML and CFT (the "**AML/CFT Law**"). The AML/CFT Law seeks to harmonise BiH's legal and regulatory landscape with key EU standards and introduces a legal framework that recognises and regulates previously unregulated financial services and products, such as crypto assets and e-money and broadens the scope of entities covered by AML/CFT legislation (subjecting a wider array of financial institutions and businesses to AML regulation). The AML/CFT Law sets forth detailed regulation on activities relating to AML and CFT in certain professions, such as notaries and attorneys. The AML/CFT Law also establishes a permanent co-ordination body, comprising representatives appointed by the BiH Council of Ministers from competent authorities of the Federation, Republika Srpska and the Brčko District. This body aims to promote, coordinate, and co-operate in areas related to the scope of the AML/CFT Law and the fulfilment of BiH's international obligations in preventing money laundering and terrorist financing, in consultation with the entities' and Brčko District's governments.

In June 2024, BiH adopted a new Strategy for the Fight Against Corruption 2024–2028 and an accompanying action plan for implementation, aligned with the 14 key priorities for EU membership. The strategy aims to strengthen the capacity of law enforcement agencies, tax authorities, judicial bodies, and other institutions involved in tackling corruption in BiH. It also seeks to boost information exchange and cooperation between institutions in BiH and across borders.

AML/CFT measures in BiH are mainly regulated by criminal codes (at Entity levels), the AML/CFT Law, sectoral laws and regulations. The AML/CFT Law prescribes certain misdemeanours, while criminal laws in BiH provide for criminal offences of money laundering and terrorist financing. The following activities in the BiH criminal code are replicated at Federation and district level: (i) financing of terrorist activities; (ii) public incitement to terrorist activities; (iii) recruiting for terrorist activities; (iv) training for carrying out terrorist activities; and (v) organising a terrorist group. The AML/CFT Law covers (among other measures): (i) the application of preventive measures; (ii) restrictions on conducting business with customers (including cash payments); (iii) reporting to the relevant financial intelligence unit; (iv) the tasks and competences of the financial intelligence unit; (v) physical transportation of cash; (vi) obligations of other authorities; and (vii) supervision of compliance with AML/CFT requirements.

In its Fifth Round Mutual Evaluation Report published in 2024, the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("**MONEYVAL**") highlighted moderate effectiveness in nine of eleven areas, including risk understanding, international co-operation, use of intelligence and money laundering/terrorist financing investigations. The report calls for continued improvement in measures to combat money laundering and terrorist financing. As a result of the evaluation, MONEYVAL decided to apply its enhanced follow-up procedure and has invited BiH to report back in December 2026.

In May 2025, the HJPC, in partnership with the U.S. Embassy, launched two new judicial bodies in the Federation aimed at combating corruption, organised crime, and inter-cantonal offences: the Special Department of the Supreme Court and the Special Department of the Federation Prosecutor's Office. The establishment of the two bodies puts into effect legal provisions passed in 2014 that had not been fully implemented. Staffing and procurement processes for the new bodies remain underway. The establishment of the new bodies will centralise the approach to complex and sensitive matters relating to corruption, organised crime, terrorism and crimes involving Government officials, aiming to streamline proceedings and address inefficiencies in cantonal courts.

BALANCE OF PAYMENTS AND FOREIGN TRADE

External Sector Information

Information relating to the balance of payments is prepared by the Central Bank at the BiH level. No such statistics are individually collected in respect of the Federation, other than certain components such as the import and exports of goods and FDI, which are presented below.

Balance of Payments

The following table sets forth data on BiH's consolidated balance of payments for the years indicated:

	For the year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
	(BAM millions)				
Current Account	**(980)**	**(579)**	**(2,001)**	**(1,157)**	**(2,129)**
(as a % of GDP)	*(2.8)*	*(1.5)*	*(4.4)*	*(2.3)*	*(4.0)*(2)
Goods Trade *(balance)*	**(6,268)**	**(7,170)**	**(10,183)**	**(10,259)**	**(11,747)**
(as a % of GDP)	*(18.0)*	*(18.3)*	*(22.3)*	*(20.6)*	*(21.8)*(2)
Exports of goods	9,423	12,710	16,368	15,507	15,187
Imports of goods	15,691	19,880	26,551	25,766	26,934
Services *(balance)*	**1,636**	**2,827**	**3,983**	**4,391**	**4,404**
(as a % of GDP)	*4.7*	*7.2*	*8.7*	*8.8*	*8.2*(2)
Exports of services	2,590	4,053	5,669	6,424	6,751
Imports of services	954	1,226	1,686	2,033	2,347
Primary Income *(balance)*	**(192)**	**(499)**	**(598)**	**(288)**	**(161)**
Credit	935	1,193	1,437	1,948	2,362
Debit	1,128	1,692	2,034	2,236	2,522
Secondary Income *(balance)*	**3,844**	**4,263**	**4,798**	**4,999**	**5,375**
Credit	4,277	4,727	5,305	5,625	6,091
Debit	433	464	508	626	716
Capital Account	**361**	**350**	**325**	**323**	**359**
(as a % of GDP)	*1.0*	*0.9*	*0.7*	*0.7*	*0.7*(2)
Credit	369	354	328	330	366
Debit	8	4	4	8	7
Financial Account	**(878)**	**(159)**	**(1,555)**	**(416)**	**(1,532)**
(as a % of GDP)	*(2.5)*	*(0.4)*	*(3.4)*	*(0.8)*	*(2.8)*(2)
Direct Investment	**(699)**	**(1,098)**	**(1,429)**	**(1,689)**	**(1,893)**
Net acquisition of financial assets	138	150	146	183	143
Net incurrence of liabilities	837	1,248	1,575	1,872	2,037
Portfolio Investments	**4**	**82**	**261**	**449**	**394**
Net acquisition of financial assets	(26)	349	246	409	390
Net incurrence of liabilities	(30)	267	(15)	(40)	(4)
Financial Derivatives	**0**	**1**	**0**	**2**	**1**
Net acquisition of financial assets	(7)	(3)	(3)	(2)	(3)
Net incurrence of liabilities	(7)	(4)	(4)	(4)	(4)
Other Investments	**(1,430)**	**(1,839)**	**(530)**	**770**	**(1,120)**
Net acquisition of financial assets	(218)	(76)	722	1,135	691
Currency and deposits	(272)	(220)	315	742	314
Loans	(13)	(2)	71	43	(48)
Insurance and pension	25	37	38	13	23
Trade credit and advances	60	117	242	326	321
Other financial assets	(17)	(7)	56	10	(15)
Net incurrence of liabilities	1,212	1,764	1,252	365	1,811
Currency and deposits	(811)	(294)	(143)	(283)	(385)
Loans	1,429	655	442	(265)	(527)
Insurance and pension	(5)	(5)	(9)	(16)	(19)
Trade credit and advances	582	795	937	917	921
Other financial assets (including the allocation of SDR)	16	613	24	11	2
Reserve Assets	**1,246**	**2,695**	**142**	**52**	**1,086**
Monetary gold	0	0	(162)	0	313
Currency and deposits	549	441	4,432	(63)	(1,473)
Securities	696	2,254	(4,126)	113	2,243
Other Reserve Assets	1	0	(2)	2	3
Net Errors and Omissions	**(259)**	**69**	**121**	**418**	**238**

Source: Central Bank

Notes:

(1) The balance of payments statistics set out in the above table have been compiled in compliance with international standards laid down in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* ("***BPM6***").

(2) For data as at 31 December 2024, the preliminary nominal GDP estimate of BAM 53,864 million published by the Central Bank in its 2024 Annual Report has been used to calculate the ratios.

Current Account

BiH's current account deficit was 4.0% of nominal GDP in 2024, as compared to 2.3% in 2023. A substantial part of BiH's current account deficit is attributable to high domestic demand for imports and fluctuations in income from exports. Fluctuations in secondary income are primarily driven by remittances, while fluctuations in primary income are primarily driven by employer compensation inflows and investment outflows.

BiH's current account deficit increased by 84.0% to BAM 2.1 billion in 2024 from BAM 1.2 billion in 2023. The increase in the current account deficit was primarily due to an increased deficit in the goods account. In 2024, the current account deficit was largely financed by net inflows from foreign direct investment, as well as by borrowing by the private and government sectors from international creditors.

Goods Trade Balance

In 2024, BiH's goods trade deficit increased by 14.5% to BAM 11.7 billion from BAM 10.3 billion in 2023, primarily due to an increase in the value of imported goods and a decrease in the value of exports. Exports of goods totalled 15.2 billion in 2024, as compared to BAM 15.5 billion in 2023, reflecting a decrease of 2.1%, primarily due to a decline in foreign demand for the most important export product groups. Imports of goods were BAM 26.9 billion in 2024, as compared to BAM 25.8 billion in 2023, reflecting an increase of 4.5%, primarily due to relatively strong domestic consumption (despite a decline in industrial production), accompanied by a nominal increase in wages and remittances from abroad driving an increase of goods imported into BiH.

Services Account

The net balance of BiH's services account registered a surplus of BAM 1.6 billion in 2020, BAM 2.8 billion in 2021, BAM 4.0 billion in 2022 and BAM 4.4 billion in each of 2024 and 2023. Exports of services increased by 161.5%, from BAM 2.6 billion in 2020 to BAM 6.8 billion in 2024 driven by a rebound in tourism and business travel and increased demand for professional and consulting services from EU markets, while imports of services increased by 146.0%, from BAM 1.0 billion in 2020 to BAM 2.3 billion in 2024, reflecting a gradual recovery in outbound travel and rising demand for foreign technical and financial services.

Primary Income

BiH's primary income account registered a net deficit in each year between 2020 to 2024. In 2024, the primary income account deficit decreased by 44.1% to BAM 161 million, as compared to a deficit of BAM 288 million in 2023. This decreased deficit was primarily due to an increase in investment income from BAM 558.6 million in 2023 to BAM 835.1 million in 2024.

Secondary Income

BiH's secondary income account registered a net surplus in each year between 2020 to 2024. In 2024, the secondary income account registered a surplus of BAM 5.4 billion, as compared to a surplus of BAM 5.0 billion in 2023, reflecting an increase of 8.0%. The increase in the secondary income surplus in 2024 was primarily due to increases in workers' remittances from abroad (which increased by 9.2% in 2024, as compared to 2023) and pensions from abroad (which increased by 2.1% in 2024, as compared to 2023).

Remittances

Personal transfers (*i.e.,* remittances) have contributed to funding BiH's current account deficit and have been a significant contribution to the secondary income surplus since 2020.

The table below sets forth data on net personal transfers (remittances) for the years indicated:

	For the year ended 31 December				
	2020	2021	2022	2023	2024
	(BAM millions)				
Net personal transfers (remittances)	2,373.0	2,876.9	3,402.7	3,562.8	3,892.0

Source: Central Bank

Capital and Financial Accounts

Capital Account

BiH's capital account recorded a surplus of BAM 359 million in 2024, as compared to BAM 323 million in 2023, reflecting an increase of 11.1%.

The combination of net non-financial transactions in the current account and capital account renders the net position of a domestic economy as a net lender, if in surplus, and a net borrower, if in deficit, versus non-resident economies. Conceptually, this result is equal to the net balance of the financial account, which reflects the manner in which the net lending position or net borrowing position by non-residents is being financed.

In 2024, BiH's economy held a net borrowing position of BAM 1,770.0 million, as compared to a net borrowing position of BAM 834.4 million in 2023.

Financial Account

BiH's financial account registered net liabilities of BAM 1,532 million in 2024, as compared to BAM 416 million in 2023, reflecting an increase in net liabilities of BAM 1,446 million, or 268.3%. This increase in financial account liabilities in 2024 was primarily driven by higher net inflows of foreign direct investment ("**FDI**"), which rose to BAM 1,893 million, up from BAM 1,689 million in 2023. Financial account net liabilities represented 72.0% of the current account deficit registered in 2024.

Foreign Direct Investment—BiH

FDI is one of the key drivers of economic growth in BiH. Foreign investment contributes to GDP growth through the growth of physical capital by financing new investment projects (manufacturing industry), improving the efficiency of capital-intensive sectors by applying advanced technologies and innovations, as well as long-term economic sustainability by investing in renewable energy sources, infrastructure and industrial zones.

In 2024, FDI in BiH amounted to BAM 2.0 billion, an increase of 8.8%, as compared to 2023. Of the total inflows from foreign direct investment in BiH, more than half was in the form of retained earnings from the previous period, with the remainder in the form of equity and debt instruments. The largest share of FDI in the form of retained earnings was in respect of investments in the financial sector, which attracted the most significant amount of total FDI in BiH.

In 2024, BiH's financial account received BAM 2.0 billion of net investment by foreign entities in the domestic economy and by domestic entities in foreign economies ("**net FDI**") inflows, as compared to BAM 1.9 billion in 2023, reflecting an increase of 5.3%.

FDI represents an important foreign currency inflow in financing the trade and current account deficits. BiH's net FDI to current account deficit ratio was 89.0% in 2024, as compared to 163.8% in 2023.

The following table sets forth details of BiH's FDI for the periods indicated:

	For the year ended 31 December				For the nine months ended 30 Sept. 2024
	2020	**2021**	**2022**	**2023**	
	(BAM millions, except where indicated)				
Net FDI (Net liabilities)	823.50	1,183.3	1,517.5	1,895.6	1,477.4
Net FDI/Nominal GDP *(%)*	2.4	3.0	3.3	3.8	—
Net FDI/Current account balance *(%)*	84.0	204.5	75.9	163.8	—
Net FDI/Goods trade balance *(%)*	13.1	16.5	14.9	18.5	—

Source: Central Bank

The following table sets forth details of BiH's FDI, by source, for the periods indicated:

	For the year ended 31 December				For the nine months ended 30 Sept. 2024
	2020	2021	2022	2023	
	(BAM millions)				
Austria	100.8	104.7	211.4	87.9	178.8
The Netherlands	(1.1)	(55.9)	158.7	237.7	105.5
Croatia	182.0	89.7	7.2	187.2	252.5
Italy	36.0	60.7	60.1	(34.5)	15.7
Germany	84.9	124.0	229.0	204.9	240.2
Russia	(14.8)	(94.6)	(50.3)	376.3	58.0
Slovenia	60.4	75.6	81.2	173.3	193.4
Serbia	133.1	98.7	153.2	355.6	110.8
Switzerland	(21.0)	211.0	23.4	(124.3)	(42.2)
Türkiye	56.3	148.9	37.0	78.7	55.5
Other countries	207.0	420.4	606.6	352.8	309.4
Total[(1)]	**823.5**	**1,183.3**	**1,517.5**	**1,895.6**	**1,477.4**

Source: Central Bank

Note:

(1) Foreign direct investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the IMF and Organisation for Economic Cooperation and Development ("**OECD**"). The detailed methodological approach to compilation and presentation is included in the BPM6 and the OECD Framework Definition of Foreign Direct Investments, fourth edition.

In 2023, Russia accounted for the largest proportion of net inflows of FDI to BiH, accounting for 19.9% of net FDI. Such inflows primarily related to flows to Republika Srpska (net inflows of FDI to the Federation from Russia in 2023 accounted for 0.1% of total net inflows). In the nine months ended 30 September 2024, Croatia accounted for the largest proportion of net inflows of FDI to BiH, accounting for 17.1% of net FDI.

The following table sets forth details of BiH's FDI, by industry, for the periods indicated:

	For the year ended 31 December				For the nine months ended 30 Sept. 2024
	2020	2021	2022	2023	
	(BAM millions)				
Manufacture of Food Products	28.2	11.1	61.1	54.3	59.4
Manufacture of Wood and of Products of Wood and Cork, except Furniture, Manufacture of Art	(1.8)	7.2	13.3	5.2	2.6
Manufacture of Coke and Refined Petroleum Products	1.5	(52.2)	(49.3)	362.4	49.7
Manufacture of Chemicals and Chemical Products	39.1	17.0	104.2	139.4	92.2
Manufacture of Other Non-metallic Mineral Products	18.8	5.5	31.3	24.3	16.7
Manufacture of Basic Metals	(29.4)	102.6	122.8	(118.0)	(44.3)
Manufacture of Motor Vehicles, Trailers and Semi-Trailers	32.7	41.0	40.5	92.4	38.7
Wholesale Trade, except of Motor Vehicles and Motorcycles	97.3	119.9	163.3	151.5	132.6
Retail Trade, except of Motor Vehicles and Motorcycles	37.2	176.0	96.9	120.9	218.9
Telecommunications	2.3	11.0	6.8	288.9	50.0
Financial Services Activities, except Insurance and Pension Funding	156.3	12.1	148.2	304.3	388.7
Real Estate Activities	73.1	103.3	75.1	13.9	(5.5)
Other Industries	368.3	628.8	703.3	456.1	477.7
Total[(1)]	**823.5**	**1,183.3**	**1,517.5**	**1,895.6**	1,477.4

Source: Central Bank

Note:

(1) Foreign direct investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the IMF and OECD. The detailed methodological approach to compilation and presentation is included in the BPM6 and the OECD Framework Definition of Foreign Direct Investments, fourth edition.

In 2023, net inflows to the manufacturing of coke and refined petroleum products sector accounted for the largest proportion of net inflows of FDI to BiH, accounting for 19.1% of net FDI. In the nine months ended 30 September 2024, net inflows to financial services activities (except insurance and pension funding) accounted for the largest proportion of net inflows of FDI to BiH, accounting for 26.3% of net FDI.

Foreign Direct Investment—Federation

At the Federation level, net FDI was BAM 820.2 million in 2023, as compared to BAM 1,063.3 million in 2022, reflecting a decrease of 22.9%. Net FDI accounted for approximately 2.6% of the Federation's nominal GDP in 2023, as compared to 3.6% of the Federation's nominal GDP in 2022.

The following table sets forth details of the Federation's FDI, by source, for the years indicated:

	For the year ended 31 December			
	2020	2021	2022	2023
	(BAM millions)			
Austria	88.0	75.6	147.4	76.1
The Netherlands	17.7	(74.3)	133.8	226.5
Croatia	169.3	60.6	(1.2)	176.3
Italy	7.9	16.6	(0.8)	(7.7)
Germany	48.4	133.5	238.9	190.8
Russia	0.0	0.0	(1.3)	1.1
Slovenia	14.3	63.6	61.8	136.6
Serbia	12.4	19.3	48.6	(29.9)
Switzerland	(2.3)	223.4	31.8	(134.5)
Türkiye	56.2	147.2	34.8	79.9
Other countries	102.5	304.6	369.5	105.1
Total(1)	**514.4**	**970.1**	**1,063.3**	**820.2**

Source: Federal Ministry of Finance

Note:

(1) Foreign direct investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the IMF and OECD. The detailed methodological approach to compilation and presentation is included in the BPM6 and the OECD Framework Definition of Foreign Direct Investments, fourth edition. .

In 2023, the Netherlands accounted for the largest proportion of net inflows of FDI to the Federation, accounting for 27.6% of net FDI.

The following table sets forth details of the Federation's FDI, by industry, for the years indicated:

	For the year ended 31 December			
	2020	2021	2022	2023
	(BAM millions)			
Manufacture of Food Products	23.6	7.6	15.0	61.1
Manufacture of Wood and of Products of Wood and Cork, except Furniture, Manufacture of Art	0.4	3.1	11.2	2.2
Manufacture of Chemicals and Chemical Products	38.2	11.9	104.3	133.4
Manufacture of Other Non-metallic Mineral Products	15.6	0.2	27.8	22.1
Manufacture of Basic Metals	25.9	93.8	106.0	(83.3)
Manufacture of Motor Vehicles, Trailers and Semi-Trailers	16.8	21.5	30.4	52.3
Wholesale Trade, except of Motor Vehicles and Motorcycles	70.1	88.4	118.1	106.5
Retail Trade, except of Motor Vehicles and Motorcycles	36.6	166.7	57.7	85.6
Telecommunications	(0.6)	9.2	4.0	4.8
Financial Services Activities, except Insurance and Pension Funding	129.7	(6.8)	130.9	295.8
Real Estate Activities	61.3	93.7	49.9	(0.8)
Other Industries	96.8	480.8	408.0	140.5
Total(1)	**515.4**	**970.1**	**1063.3**	**820.2**

Source: Federal Ministry of Finance

Note:

(1) Foreign direct investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the IMF and OECD. The detailed methodological approach to compilation and presentation is included in the BPM6 and the OECD Framework Definition of Foreign Direct Investments, fourth edition.

In 2023, net inflows to financial services activities (except insurance and pension funding) accounted for the largest proportion of net inflows of FDI to the Federation, accounting for 36.1% of net FDI.

FDI Legislation and Initiatives

The Federation Government has implemented a number of initiatives to attract FDI, including introducing a Foreign Investments Act, which sets out the principles of foreign investment policy and regulation and is in addition to the BiH-level Law on Policy of Foreign Direct Investments in Bosnia and Herzegovina.

A number of the investment incentives introduced by the Federation Government target free trade zones. The Federation Government has also introduced investor incentives aimed at research and development expenditures.

The BiH Law on Free Trade Zones allows the establishment of free trade zones as part of the customs territory of BiH. One or more domestic or foreign legal entities registered in BiH may create a free trade zone and there are currently four such zones, all of which are located in the Federation: Vogošća, Visoko, Herzegovina-Mostar, and Holc Lukavac. Users of free trade zones do not pay taxes and contributions, other than salaries and wage-related contributions. Customs and tariffs are also not paid on imports into the free trade zones in the Federation. Foreign-owned firms have the same investment opportunities as local entities in the free trade zones.

Portfolio Investments and Net Other Investments

BiH's net portfolio investments registered net outflows (assets) of BAM 394 million in 2024, as compared to BAM 449 million in 2023.

BiH's other investment account recorded net inflows (liabilities) of BAM 1,120 million in 2024, as compared to net outflows (assets) of BAM 770 million in 2023. The net inflows recorded in 2024 were primarily due to borrowing by domestic entities through loans and trade credits and advances. The net outflows recorded in 2023 were primarily due to currency and deposits, which performed strongly in the first half of 2023.

BiH's reserve assets registered a surplus of BAM 1,086 million in 2024, as compared to a surplus of BAM 52 million in 2023. The increased surplus in 2024 was primarily due to an increase in securities. The surplus in 2023 was primarily due to currencies and deposits, which was partially offset by a decrease in foreign liabilities.

Net errors and omissions

Due to problems that may be faced in the sources of information and during the compilation of the external sector statistics, the balance of payment figures are subject to certain discrepancies. These are aggregated and accounted for under the balancing item of net errors and omissions. In 2024, BiH's net errors and omissions registered a positive balance of BAM 238 million, as compared to a positive balance of BAM 418 million in 2023.

Foreign Trade

The joint institutions of BiH are responsible for foreign trade policy, foreign investment policy and international economic relations.

BiH launched the accession process for the WTO in 1999. In December 2023, key accession-related legislation was adopted in BiH. The latest meeting with a WTO delegation took place in November 2024. See "*Description of the Federation of Bosnia and Herzegovina—Foreign Relations of BiH—World Trade Organisation ("WTO")***"**

An important achievement towards EU integration, the SAA between BiH and the EU was signed in 2008, the interim trade agreement became effective in 2008 and the full SAA became effective in June 2015, including a provision for the establishment of a free trade area between BiH and the EU within ten years. "*Description of the Federation of Bosnia and Herzegovina—Foreign Relations of BiH—European Union*"

BiH has free trade agreements with its main trading partners, the EU (through the SAA), the Central European Free Trade Agreement ("**CEFTA**") (signed in 2006), the European Free Trade Association ("**EFTA**"), Türkiye and the Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin.

Foreign Trade by Sector—BiH

The following table sets forth information on BiH's imports and exports by sector, for the years indicated:

	For the year ended 31 December				
	2020	2021	2022	2023	2024
	(BAM thousands)				
Imports					
Animals and animal products	528,792	627,040	803,148	908,441	1,017,256
Vegetable products	768,081	829,575	1,108,777	1,022,174	1,083,728
Animal or vegetable fats, oils and waxes	148,529	165,273	237,975	169,697	207,173
Foodstuffs; beverages, spirits; tobacco	1,603,862	1,788,310	2,243,097	2,505,690	2,759,720
Mineral products	1,747,232	2,716,005	4,933,874	3,839,927	3,674,479
Products of the chemical or allied industries	1,681,814	1,916,388	2,263,195	2,328,985	2,526,197
Plastic and rubber	1,237,888	1,622,530	1,917,731	1,762,681	1,861,341
Leather, fur skins; saddlery; handbags	285,869	307,397	352,592	308,499	265,253
Wood; wood charcoal; cork; manufacturers of Straw	285,422	382,859	511,980	444,123	401,804
Pulp of wood; paper and paperboard	411,392	480,758	642,747	565,188	593,086
Textile and textile articles	1,124,678	1,359,611	1,617,296	1,625,353	1,640,697
Footwear, headgear, umbrellas, sticks	301,893	334,634	431,236	411,127	398,218
Articles of stone, plaster, cement, ceramic, glass	355,550	432,237	560,948	551,951	579,454
Pearls, precious metals and articles thereof, precious and semi-precious stones	35,318	51,502	67,206	59,621	69,794
Base metals and articles thereof	1,997,796	3,314,466	4,638,618	3,777,363	3,732,707
Machinery, electrical equipment, image, sound	2,516,569	2,974,950	3,716,370	4,321,062	4,378,845
Vehicles, aircrafts, vessels	1,088,828	1,419,433	1,566,881	2,109,446	2,301,556
Optical, musical, medical instruments, clocks	317,493	315,604	366,226	382,210	419,668
Arms and ammunition, parts and accessories thereof	11,034	14,080	28,214	26,431	37,501
Miscellaneous	436,129	537,436	616,419	643,907	704,655
Works of art, collectors' pieces and antiques	424	559	9,993	3,689	1,353
Unclassified	1,692	6,254	1,925	0	0
Total(1)	**16,886,285**	**21,596,900**	**28,636,447**	**27,767,566**	**28,654,486**
Exports					
Animals and animal products	165,990	158,067	201,157	226,153	232,484
Vegetable products	254,579	281,508	241,663	196,938	234,661
Animal or vegetable fats, oils and waxes	108,292	89,206	154,827	133.191	139,664
Foodstuffs; beverages, spirits; tobacco	328,015	385,240	465,779	491,694	538,622
Mineral products	876,080	1,412,180	2,020,733	1,837,540	1,371,143
Products of the chemical or allied industries	782,977	981,795	1,329,457	1,263,993	1,328,554
Plastic and rubber	521,287	661,538	824,902	800,243	790,315
Leather, fur skins; saddlery; handbags	91,620	109,279	122,703	97,857	77,799
Wood; wood charcoal; cork; manufacturers of Straw	718,347	976,029	1,181,481	984,517	924,781
Pulp of wood; paper and paperboard	291,472	392,079	521,245	409,346	430,663
Textile and textile articles	600,299	663,942	790,640	861,820	821,167
Footwear, headgear, umbrellas, sticks	650,933	735,361	889,965	861,020	726,152
Articles of stone, plaster, cement, ceramic glass	118,380	172,288	228,528	236,636	220,451
Pearls, precious metals and articles thereof, precious and semi-precious stones	35,395	50,871	50,662	35,296	44,718
Base metals and articles thereof	1,739,955	3,095,824	4,079,321	3,081,433	2,886,428
Machinery, electrical equipment, image, sound	1,582,664	2,042,610	2,484,672	2,740,229	2,752,049
Vehicles, aircrafts, vessels	332,534	393,158	517, 904	609,833	683,451
Optical, musical, medical instruments, clocks	32,707	54,099	79,259	77,450	120,861
Arms and ammunition, parts and accessories thereof	162,212	235,110	253,860	320,096	407,573
Miscellaneous	1,127,363	1,392,700	1,534,477	1,434,019	1,342,443
Works of art, collectors' pieces and antiques	107	31	188	243	767
Unclassified	52	333	316	178	106
Total(1)	**10,521,159**	**14,273,529**	**17,973,740**	**16,699,723**	**16,074,851**

Source: Central Bank

Note:

(1) Certain figures in this table have been revised and differ from previously published figures.

Since 2020, the value of total BiH imports has increased by 69.7% from BAM 16,886.3 million to BAM 28,654.5 million in 2024. Import growth since 2020 has been primarily driven by growth in imports of foodstuffs, beverages, spirits and tobacco products; mineral products; base metals and related products; machinery, electrical equipment, image and sound products; and vehicles, aircrafts and vessels. Growth of imports in the food, beverages, spirits and tobacco sector since 2020 has been primarily driven by the general growth in household consumption. Growth of imports in the machinery, electrical equipment, image and sound, base metals and mineral product sector since 2020 has been driven by increases in prices of unprocessed fuels and industrial metals and electricity production, as well as increased demand.

Imports of machinery, electrical equipment, image and sound products have accounted for the largest proportion of BiH imports, accounting for 15.6% in 2023 and 15.3% in 2024. The comparatively high dependency on imports of certain production sectors and levels of consumer demand, coupled with falling import prices (in certain cases as a result of domestic exchange rate appreciation) has stimulated high import levels since 2020.

Since 2020, the value of BiH's total exports of goods has increased from BAM 10,521.2 million to BAM 16,074.9 million in 2024, an increase of 52.8%. Export growth since 2020 has been primarily driven by growth in the minerals, chemical (and related industry) products, base metals and machinery, electrical equipment, image and sound products sectors.

In 2024, the total value of BiH's exports of goods decreased by 3.7% to BAM 16,074.9 million, as compared to BAM 16,699.7 million in 2023. This decrease is largely due to the reduction in minerals and base metal exports in 2024, and is linked to global price developments for unprocessed fuels and electricity. Additionally, declining metal prices, driven by lower production volumes in domestic smelting and metal-processing industries, which faced higher input costs and reduced competitiveness in international markets, have impacted the export revenues from mineral commodities.

Foreign Trade by Country—BiH

The following tables set forth BiH's exports of goods, by destination, and imports of goods, by source, in value, for the years indicated:

	For the year ended 31 December				
	2020	2021	2022	2023	2024
			(BAM thousands)		
Exports					
EU	7,625,959	10,394,620	13,226,063	12,187,017	11,751,767
CEFTA	1,684,092	2,406,118	3,303,613	3,120,759	2,784,903
Austria	1,005,509	1,284,935	1,710,354	1,715,316	1,574,881
Belgium	57,407	74,101	129,483	96,443	89,329
Bulgaria	39,400	64,529	58,599	115,551	90,102
Croatia	1,362,907	1,864,306	2,676,624	2,548,638	2,593,726
Czech Republic	122,280	169,585	210,012	226,471	321,893
Egypt	75,607	42,958	28,792	12,740	11,482
France	259,689	334,229	389,595	336,576	361,956
Germany	1,630,844	2,137,576	2,666,194	2,680,393	2,457,026
Hungary	190,892	264,079	356,285	288,280	279,043
Italy	1,015,184	1,608,291	1,991,386	1,449,652	1,267,809
Kosovo	69,836	99,490	125,589	118,358	109,577
Luxembourg	68,393	82,197	97,217	14,969	5,518
Montenegro	293,645	394,449	576,469	689,771	596,041
North Macedonia	126,380	133,086	182,248	176,416	184,439
Netherlands	240,660	358,903	420,955	416,071	419,284
Poland	149,843	229,401	333,557	231,965	227,580
Romania	165,361	215,146	173,075	173,328	189,360
Russian Federation	109,294	107,501	99,684	102,226	93,398
Saudi Arabia	34,213	30,493	83,525	32,733	66,400
Serbia	1,152,068	1,722,477	2,363,435	2,087,129	1,838,962
Slovakia	117,389	156,369	180,916	168,060	175,250
Slovenia	954,078	1,219,184	1,421,819	1,356,297	1,325,462
Spain	59,383	92,513	55,998	70,105	74,032
Sweden	83,896	107,144	131,270	114,799	103,203
Switzerland	265,963	337,307	256,283	253,091	247,657
Türkiye	314,249	358,064	311,638	261,586	318,704
United Kingdom	110,112	90,087	75,590	79,667	90,295
United States of America	67,414	154,964	177,131	202,464	233,707
Other countries	374,192	540,165	690,015	680,628	728,735
Total	**10,521,159**	**14,273,529**	**17,973,740**	**16,699,723**	**16,074,851**

	For the year ended 31 December				
	2020	2021	2022	2023	2024
			(BAM thousands)		
Imports					
EU	10,275,807	12,730,902	16,297,392	16,374,101	16,949,153
CEFTA	2,145,491	2,762,877	3,517,010	3,240,181	3,449,303
Austria	682,570	823,775	1,003,269	997,183	1,013,072
Belgium	172,337	219,331	270,541	245,084	260,705
Brazil	161,849	172,045	333,836	254,201	298,009
Bulgaria	151,728	162,784	141,330	142,044	336,731
China	1,355,872	1,702,427	2,327,506	2,629,129	2,760,200
Croatia	1,523,371	1,922,537	2,844,749	2,095,023	2,138,641
Czech Republic	293,836	347,243	495,809	526,062	530,925
France	332,579	424,335	495,573	511,179	559,107
Germany	2,074,858	2,566,643	2,992,889	3,337,298	3,381,120
Greece	112,336	180,825	245,309	256,959	316,011
Hungary	465,116	574,947	692,570	623,887	695,156
India	117,483	232,532	821,516	409,484	266,639
Italy	1,949,017	2,600,538	3,540,600	3,871,009	3,705,368
Japan	86,784	111,020	130,125	181,728	174,995
Netherlands	237,917	289,888	346,378	410,079	436,129
North Macedonia	151,950	188,993	196,982	212,983	279,174
Poland	508,307	616,521	786,737	871,164	946,124
Romania	175,099	215,860	287,714	259,062	272,982
Russian Federation	359,084	629,494	658,099	461,880	332,896
Serbia	1,895,718	2,427,344	3,057,570	2,830,013	2,954,583
Slovakia	151,660	201,013	250,056	244,096	256,826
Slovenia	840,875	984,015	1,113,095	1,073,664	1,083,020
Spain	202,115	245,611	318,324	355,535	431,154
Sweden	97,380	119,573	155,328	190,760	173,933
Switzerland	117,451	150,593	158,294	166,355	206,751
Türkiye	896,725	1,269,716	1,675,148	1,540,892	1,664,098
United Kingdom	132,425	129,423	145,664	161,745	153,147
United States of America	403,345	535,557	954,923	791,263	633,426
Vietnam	127,380	130,938	146,567	169,971	172,113
Other countries	1,109,120	1,421,377	58,099	1,947,834	2,221,453
Total	**16,886,285**	**21,596,900**	**28,636,447**	**27,767,566**	**28,654,486**

The EU was the largest importer of BiH goods, purchasing 73.1% of total BiH exports in 2024 and 73.0% in 2023. The largest EU importers of BiH goods were Croatia (purchasing 16.1% of total BiH exports in 2024 and 15.3% in 2023) and Germany (purchasing 15.3% of total BiH exports in 2024 and 16.1% in 2023). Outside of the EU, the largest importer of BiH goods was Serbia, purchasing 11.5% of total BiH exports in 2024 and 12.5% in 2023.

The EU was also the source of the largest portion of BiH imports, accounting for 59.2% of total imports in 2024 and 59.0% in 2023. The largest EU exporters to BiH were Italy (accounting for 12.9% of total BiH imports in 2024 and 13.9% in 2023) and Germany (accounting for 11.8% of total BiH imports in 2024 and 12.0% in 2023).

Foreign Trade by Sector—Federation

The following table sets forth information on the Federation's imports and exports, by sector, for the periods indicated:

	For the year ended 31 December				For the three months ended 31 March	
	2021	2022	2023	2024	2024	2025
	(BAM thousands)					
Imports						
Food and live animals	1,706,149	2,085,581	2,264,806	2,524,631	612,930	653,613
Beverages and tobacco	386,663	480,238	595,716	676,676	126,585	139,286
Inedible raw materials, except fuel	197,864	296,933	216,338	185,161	47,512	47,988
Mineral fuels, lubricants and similar products	2,079,713	3,771,630	2,945,765	2,757,660	701,452	720,459
Edible oil, lard and wax of animal or plant origin	85,869	97,383	78,282	81,279	17,993	21,250
Chemical products	1,995,565	2,305,620	2,342,832	2,561,347	607,100	655,277
Industrial products, classified mostly by raw materials	4,300,411	5,838,443	4,981,579	4,919,671	1,111,694	1,226,752
Machinery and transport equipment	2,921,825	3,702,384	4,506,083	4,556,208	1,152,255	1,106,876
Miscellaneous industrial goods	1,456,800	1,763,192	1,801,068	1,929,308	454,766	487,671
Total(1)	**15,131,784**	**20,395,216**	**19,733,306**	**20,193,845**	**4,832,678**	**5,059,426**
Exports						
Food and live animals	407,352	419,049	434,668	490,541	111,711	108,066
Beverages and tobacco	51,360	56,905	61,327	77,016	15,609	14,698
Inedible raw materials, except fuel	751,417	785,595	640,876	732,049	162,505	236,119
Mineral fuels, lubricants and similar products	817,602	1,250,443	957,260	557,005	159,312	141,113
Edible oil, lard and wax of animal or plant origin	792	1,214	1,561	759	251	378
Chemical products	632,596	847,126	929,840	923,375	191,795	206,459
Industrial products, classified mostly by raw materials	2,743,673	3,799,732	2,894,226	2,677,773	630,202	695,809
Machinery and transport equipment	1,771,438	2,179,448	2,518,308	2,612,550	664,152	675,345
Miscellaneous industrial goods	2,393,896	2,728,111	2,724,738	2,661,740	665,309	696,525
Total(1)	**9,571,099**	**12,106,706**	**11,163,654**	**10,734,000**	**2,601,110**	**2,774,753**

Source: Indirect Taxation Authority of BiH database

Note:

(1) Certain figures in this table have been revised and differ from previously published figures.

Imports of industrial products, classified mostly by raw materials, accounted for the largest proportion of the Federation's imports accounting for 25.2% in 2023 and 24.4% in 2024. The large proportion of such industrial products are primarily due to the fact that the Federation does not produce a large proportion of certain types of such goods domestically and, accordingly, imports such goods.

In 2024, the value of the Federation's total imports increased by 2.3% to BAM 20,193.8 million, as compared to BAM 19,733.3 million in 2023. The growth was primarily driven by a 11.5% increase in imports of food and live animals and a 9.3% increase in imports of chemical products.

Since 2021, the value of the Federation's total exports of goods has increased from BAM 9,571.1 million to BAM 10,374.0 million in 2024, an increase of 8.4%. Export growth since 2021 has been primarily driven by growth in exports of chemical products, machinery and transport equipment and miscellaneous industrial goods, partially offset by decreases in exports of mineral fuels, lubricants and similar products.

In 2024, the total value of the Federation's exports of goods decreased by 3.8% to BAM 10,734.0 million, as compared to BAM 11,163.7 million in 2023. This decrease is largely due to a 41.8% decrease in exports of mineral fuels, lubricants and similar products, and a 7.5% decrease in exports of industrial products, classified mostly by raw materials.

Foreign Trade by Country—Federation

The following table set forth the Federation's imports of goods, by source, and exports of goods, by destination, in value, for the periods indicated:

	For the year ended 31 December				For the three months ended 31 March	
	2021	2022	2023	2024	2024	2025
	(BAM thousands)					
IMPORTS						
EU countries	**9,096,304**	**11,817,088**	**11,840,168**	**12,139,841**	**2,933,598**	**3,029,875**
of which:						
Austria	615,498	741,632	741,616	757,131	179,812	192,285
Belgium	161,730	211,006	189,190	202,450	47,862	55,587
Czech Republic	256,344	376,206	393,273	390,365	92,569	28,053
France	282,355	341,695	353,254	384,364	100,016	97,662
Greece	123,205	159,622	141,161	204,252	39,526	80
Croatia	1,568,061	2,321,300	1,630,798	1,646,742	305,254	17,569
Italy	1,746,007	2,342,031	2,731,004	2,578,018	660,032	2,089
Hungary	383,888	466,904	419,834	460,477	99,985	11,734
Netherlands	188,233	243,183	308,147	320,617	91,721	93,516
Germany	1,871,112	2,241,044	2,438,681	2,377,099	624,993	84,127
Poland	474,510	603,470	685,800	697,592	170,618	535,953
Romania	149,749	195,488	192,623	213,687	53,987	28,176
Slovakia	156,968	205,055	187,261	209,629	50,527	513,586
Slovenia	600,111	720,494	706,087	742,042	184,459	1,635
Spain	180,961	232,833	251,432	322,215	65,131	6,179
EFTA countries	**139,920**	**158,941**	**159,608**	**226,605**	**48,125**	**53,547**
of which:						
Switzerland	126,195	133,017	137,234	178,860	33,990	39,305
Other European countries	**3,169,560**	**3,920,557**	**3,520,818**	**3,603,157**	**861,117**	**864,948**
of which:						
North Macedonia	115,329	117,246	129,634	195,225	38,237	41,098
Russian Federation	545,676	539,148	372,916	242,546	101,810	83,783
Serbia	1,252,763	1,641,060	1,530,150	1,598,384	336,373	376,422
Türkiye	1,023,123	1,349,513	1,206,081	1,284,738	317,269	291,904
United Kingdom	97,561	109,811	135,335	124,172	31,533	30,727
Africa	**49,837**	**83,953**	**171,425**	**156,605**	**36,439**	**50,042**
America	**605,078**	**1,150,915**	**969,003**	**861,925**	**257,470**	**167,001**
of which:						
United States	426,350	892,188	724,365	568,351	192,094	93,850
Asia	**2,008,201**	**3,243,881**	**3,024,036**	**3,160,110**	**692,181**	**892,402**
of which:						
India	188,626	753,130	318,427	190,924	43,961	81,153
Japan	81,291	88,911	127,028	125,419	25,811	32,362
China	1,171,007	1,670,651	1,872,899	2,010,124	446,871	518,757
Oceania and Polar Regions	**60,418**	**13,450**	**33,858**	**37,265**	**1,064**	**977**
Total	**15,131,784**	**20,395,216**	**19,733,306**	**20,193,845**	**4,832,678**	**5,059,426**

	For the year ended 31 December				For the three months ended 31 March	
	2021	**2022**	**2023**	**2024**	**2024**	**2025**
			(BAM thousands)			
EXPORTS						
EU countries	**7,021,862**	**9,033,574**	**8,381,937**	**8,072,780**	**1,985,274**	**2,119,529**
of which:						
Austria..............................	932,218	1,227,382	1,289,809	1,164,338	284,538	290,783
Belgium............................	55,982	92,008	64,416	66,215	19,489	26,069
Czech Republic	124,222	151,510	174,539	280,482	47,663	95,679
France...............................	208,607	262,592	222,441	223,988	59,667	63,115
Greece	10,327	13,533	15,031	14,797	2,956	4,562
Croatia..............................	1,184,338	1,738,991	1,650,571	1,669,241	371,382	468,465
Italy	970,221	1,267,197	810,459	717,029	169,625	173,334
Hungary............................	170,505	238,947	192,045	182,867	41,396	44,157
Netherlands	274,610	331,415	329,264	334,562	91,893	78,224
Germany...........................	1,646,581	2,013,612	2,049,861	1,899,245	491,991	480,508
Poland	126,372	213,712	148,914	134,040	38,898	27,534
Romania	176,740	130,619	134,709	131,983	27,595	29,530
Slovakia............................	58,156	74,362	56,789	77,027	33,002	26,134
Slovenia............................	708,139	835,924	874,085	833,318	218,295	220,412
Spain	78,098	41,051	55,257	56,897	14,616	15,652
EFTA countries	**169,175**	**209,034**	**235,686**	**236,135**	**59,534**	**74,967**
of which:						
Switzerland.......................	148,117	170,729	200,926	191,145	48,636	44,937
Other European countries.......................	**2,001,554**	**2,451,682**	**2,106,726**	**1,913,980**	**456,850**	**451,220**
of which:						
Montenegro	296,500	399,236	376,977	357,152	87,750	94,860
North Macedonia...............	92,612	109,099	126,554	130,441	30,787	33,669
Serbia	1,014,622	1,396,575	1,105,381	909,251	203,483	228,686
Türkiye.............................	301,106	242,321	188,150	200,776	80,310	43,412
United Kingdom................	63,403	52,375	66,091	79,529	18,258	15,567
Africa...............................	**104,256**	**77,993**	**58,732**	**53,812**	**10,920**	**5,687**
America	**142,993**	**133,630**	**187,677**	**227,912**	**44,521**	**72,371**
of which:						
United States	128,775	109,875	148,314	189,255	36,300	68,581
Asia	**114,590**	**182,977**	**174,577**	**219,610**	**41,927**	**49,229**
Oceania and Polar Regions............................	**4,716**	**5,457**	**5,657**	**6,404**	**1,621**	**1,120**
Total	**9,571,099**	**12,106,706**	**11,163,654**	**10,734,000**	**2,601,110**	**2,774,753**

Sources: Indirect Taxation Authority of BiH database.

The EU was the largest importer of the Federation's goods, purchasing 75.2% of total Federation exports in 2024 and 75.1% in 2023. The largest EU importers of the Federation's good were Germany (purchasing 17.7% of total Federation exports in 2024 and 18.4% in 2023) and Croatia (purchasing 15.6% of total Federation exports in 2024 and 14.8% in 2023). Outside of the EU, the largest importer of Federation goods was Serbia, purchasing 8.5% of total Federation exports in 2024 and 9.9% in 2023.

The EU was also the source of the largest portion of the Federation's imports, accounting for 60.1% of total imports in 2024 and 60.0% in 2023. The largest EU exporters to the Federation were Italy (accounting for 12.8% of total Federation imports in 2024 and 13.8% in 2023) and Germany (accounting for 11.8% of total Federation imports in 2024 and 12.4% in 2023).

MONETARY AND FINANCIAL SYSTEM

The Law on the Central Bank regulates monetary policy of BiH. Pursuant to the Law on the Central Bank, monetary policy is the responsibility of the Central Bank, while governance and supervision of the financial system (including the banking, insurance and capital markets) are the responsibilities of the Federation and Republika Srpska.

The Central Bank maintains monetary stability by issuing domestic currency in accordance with the Currency Board Arrangement. See "*—Monetary Policy—Overview of Monetary Policy*". The Central Bank supports and maintains appropriate payment and settlement systems. It also co-ordinates the activities of all BiH banking agencies, which are in charge of bank licencing and supervision.

Within the Federation, there are supervisory and regulatory bodies that regulate the financial system: (i) the Banking Agency of the Federation (the "**FBA**") is responsible for licencing, regulation and supervision of the banking and financial system, as well as supervisory co-operation and information exchange with the Banking Agency of Republika Srpska ("**BARS**") pursuant to a co-operation agreement; (ii) the Insurance Supervisory Agency of the Federation (the "**Insurance Agency**") governs the insurance sector; (iii) the Federation's Securities Commission (the "**Securities Commission**") regulates capital markets in the Federation; (iv) internal payment operations and foreign exchange operations are substantially governed by the Law on Internal Payment Operations, the Law on Payment Transactions, the Law on Foreign Exchange Operations, as well as by various implementing bylaws adopted by the Ministry of Finance of the Federation; and (v) currency exchange operations are supervised by the Financial Police Foreign Exchange Department.

The deposit insurance system has been maintained by the Deposit Insurance Agency of BiH (the "**State DIA**") since 2002; it is responsible for insuring all eligible deposits of natural and legal persons in member banks in line with the law that governs bank deposit insurance. The deposit insurance scheme in the Federation is substantially regulated by the Law on Deposit Insurance, which is enacted at the BiH level, as well as the law and regulations governing banking operations. The current maximum amount of insured deposits is set at BAM 70,000. The maximum amount of insured deposit is determined by a decision of the Management Board of the State DIA. Pursuant to applicable law, all banks are obliged, upon receipt of a banking licence, to become members of, and conclude the necessary agreements with, the State DIA and to maintain such membership for the duration of their licence.

The Standing Financial Stability Committee (the "**SFSC**") serves as an additional platform for the exchange of information on matters pertaining to the financial system within BiH. The SFSC was established in 2009 on the basis of a memorandum of understanding, concluded between the Ministry of Finance and Treasury of BiH, the Federal Ministry of Finance and the Ministry of Finance of Republika Srpska, the Central Bank, the FBA, the BARS and the State DIA. The SFSC has no other responsibilities regarding financial stability.

See "*Risk Factors—Risks Relating to BiH—The fixed exchange rate may limit the ability of the Central Bank to accommodate monetary policy*".

Monetary Policy

The Central Bank

The Central Bank was established in June 1997 as the sole institution responsible for the implementation of monetary policy in BiH. Its primary objective is to achieve and maintain the stability of the domestic currency by issuing it in accordance with the Currency Board. See "*—Overview of Monetary Policy*". The Central Bank also contributes to coordinating the activities of all banking agencies and coordinating the exchange of information. The Central Bank is prohibited from engaging in monetary operations or interventions in the banking system.

Pursuant to the Law on the Central Bank, and in accordance with the Dayton Agreement, the Central Bank's responsibilities include the following functions:

- formulating, adopting and controlling the monetary policy of BiH by issuing the domestic currency at the exchange rate defined by the Law on the Central Bank and with full backing in freely-convertible foreign exchange and through other functions defined under this law;
- holding and managing the official foreign exchange reserves of the Central Bank in a safe and profitable manner;
- establishing and maintaining or supporting the establishment of appropriate payment and settlement systems;
- implementing regulations concerning its activities, in line with the Law on the Central Bank;
- coordinating the activities of the BARS and the FBA;

- receiving deposits from BiH and commercial banks to meet reserves requirements;
- representing BiH in international organisations in matters concerning monetary policy;
- participating in the work of international organisations relating to the strengthening of the financial and economic stability of BiH;
- issuing banknotes and coins; and
- managing the circulation of the domestic currency while adhering to the Currency Board Arrangement.

The Central Bank's governing bodies are the Governing Board and the Central Bank management ("**Central Bank Management**"). The Governing Board is the highest body of the Central Bank. The Governing Board enacts monetary policy and controls its implementation, determines the organisation of the Central Bank and enacts the financial plan of the Central Bank. The Governing Board also makes decisions on the Central Bank's involvement with international organisations, regulates the adoption of all generally applicable regulations, guidelines and instructions and approves all reports and recommendations, which are submitted to the BiH Parliamentary Assembly and the President of BiH.

Central Bank Management consists of the Governor and three Vice Governors. The Governor acts as the Chief Executive Officer of the Central Bank and is in charge of its daily operations. All powers that are not specifically assigned to the Governing Board are assigned to the Governor. Pursuant to the Law on the Central Bank, the President of BiH appoints and dismisses members of the Central Bank Management.

On the recommendation of the Governing Board, the President of BiH appoints an external auditor who audits the accounts and records of the Central Bank. The Central Bank must submit the audited financial reports, an annual activity report and economic soundness reports to the BiH Parliamentary Assembly no later than three months after the end of each financial year. The Central Bank must also submit a preliminary (unaudited) financial report to the President of BiH each quarter and in each case within one month of the end of such quarter. Additionally, the President of BiH approves the design of the banknotes and coins, and the establishment of the special reserves by the Central Bank.

According to the Law on the Central Bank, the Central Bank is based in Sarajevo with its main units in the Federation and Republika Srpska (Main Unit Mostar, Main Bank of Republika Srpska and Main Unit Sarajevo) and branches. The main units do not have legal status or authority independent of the Central Bank.

Overview of Monetary Policy

The monetary policy of BiH is based solely on the principles of the Currency Board. Under the BiH Currency Board Arrangement, the convertible mark is pegged to the anchor currency, the Euro, at the following rate: BAM 1.00 = €0.511292.

Given that the monetary policy of BiH is based on the principles of the Currency Board, the compulsory reserve requirement is the only instrument of monetary policy implemented by the Central Bank. The law does not permit other instruments of monetary control, including the setting of interest rates.

Under the Law on the Central Bank, the Central Bank may not:

- grant credit;
- maintain a deposit denominated or payable in the currency of BiH or within BiH or make any monetary of financial gift;
- engage in commerce, purchase of shares of any corporation or company, including the shares of any financial institution or otherwise have an ownership interest in any financial, commercial, agricultural, industrial or other undertaking;
- acquire by purchase, lease or otherwise any real rights in or to immovable property, except as it deems necessary or expedient for the provision of premises for the conduct of its administration and operations or for the housing of its employees, or similar requirements incidental to the performance of its function under the Law on the Central Bank; or
- be involved in capital markets operations, including with respect to securities of any kind.

The following table shows the temporary Currency Board Arrangement as at 31 May 2025:

	Total	Euros	Other currencies	BAM
	(BAM thousands)			
Official foreign currencv reserves				
Cash in foreign currencies	467,161	467,161	—	—
Deposits with foreign banks	5,760,405	5,742,123	18,282	—
Special Drawing Rights with the IMF	5,634	—	5,634	—
Debt instruments	10,063,192	9,981,697	81,495	—
Monetary gold	634,969	634,969	—	—
Total	**16,931,361**	**16,825,950**	**105,411**	**—**
Liabilities to non-residents	4,907	—	—	4,907
Net foreign currency reserves	**16,926,454**			
Monetary liabilities				
Banknotes and coin in circulation	8,084,242	—	—	8,084,242
Deposits from banks	6,506,601	252,678	—	6,253,923
Deposits from the Government and other public institutions	727,568	—	—	727,568
Total	**15,318,411**	**252,678**	**—**	**15,065,733**
Net Foreign Assets	**1,608,043**			

Source: Central Bank Monthly Report on Currency Board Arrangement as at 31 May 2025.

Net foreign currency reserves of the Central Bank represent, at any time, the difference between the fair market value of the Central Bank's assets and liabilities. Official foreign currency reserves are invested mainly in debt instruments and deposits with foreign banks.

As at 31 May 2025, net foreign currency reserves of the Central Bank, calculated as the difference between official foreign currency reserves and liabilities to non-residents, were BAM 16.9 billion and exceeded monetary liabilities by BAM 1.6 million. Liabilities to non-residents (BAM 4.9 million) largely comprised IMF accounts held by the Central Bank, being a depository in relation to BiH's membership with the IMF. Monetary liabilities consisted of the Central Bank's liabilities for banknotes and coins in circulation (BAM 8.1 billion), deposits from banks (BAM 6.5 billion) and deposits from the Government and other public depositors (BAM 0.7 billion).

Net foreign assets represent the portion of official foreign currency reserves, which can be used only for purposes and needs determined by the Law on the Central Bank.

Implementation of Monetary Policy

The reserve requirement is an important macro-prudential tool and the primary method of regulating BiH's monetary policy. Pursuant to a decision of the Governing Board of the Central Bank dated January 2025, the required reserve for all banks is 10% of deposits and borrowings, irrespective of their currency.

During 2024, commercial banks were remunerated at a rate of 50 basis points (0.50%) on required reserve funds denominated in BAM and at a rate of 30 basis points (0.30%) on required reserve funds denominated in foreign currency. No remuneration was paid in respect of excess reserves.

In 2024, the Central Bank introduced temporary changes to the required reserve policy, to provide that 5% of the calculated required reserve must be denominated in Euros and maintained in a Euro-denominated reserve account. This requirement was extended until 31 December 2025. This policy was introduced with the aim of managing the net open position of banks and also taking into account the effects on the investment policy of the Central Bank.

The table below sets forth the required reserves of banks operating in BiH for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
	(BAM millions)				
Base for required reserve calculation	26,950.2	28,677.2	30,175.6	31,917.9	34,288.5
Average reserve requirements	2,695.0	2,867.7	3,017.6	3,191.8	3,428.9
Average balance on the Required Reserve Accounts with the Central Bank	5,409.8	6,302.5	6,694.3	6,209.3	5,868.5
Balance	2,714.7	3,434.8	3,676.7	3,017.5	2,439.7

Source: Central Bank

Financial soundness indicators

The following table sets forth the financial soundness indicators for BiH for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
Capital adequacy					
CET 1 ratio *(%)*	18.1	18.7	18.7	18.7	18.7
Tier 1 ratio *(%)*	18.1	18.7	18.7	18.7	18.7
Regulatory capital ratio *(%)*	19.2	19.6	19.7	19.7	19.8
Financial leverage ratio *(%)*	10.2	10.0	9.9	10.1	10.6
on-performing loans reduced by the provisions to regulatory capital *(%)*	7.4	7.0	4.7	3.8	3.2
High exposure in relation to capital *(%)*	—	81.4	83.8	103.3	95.3
Asset quality					
Non-performing assets to the total assets *(%)*	3.4	3.2	2.5	2.1	1.8
Non-performing loans to the total loans *(%)*	6.1	5.8	4.5	3.8	3.2
Provisions for NPL to non-performing loans *(%)*	78.4	78.4	81.4	81.7	80.3
Loans concentration by economic activity *(%)*	72.0	71.3	71.7	71.2	71.1
Liquidity					
Liquid assets to total assets *(%)*	28.6	30.7	30.5	29.0	28.2
Liquid assets to short-term financial liabilities *(%)*	51.3	51.3	48.8	47.2	45.8
Liquidity coverage ratio *(%)*	—	216.9	213.8	218.1	231.9
Net stable funding ratio *(%)*	—	168.8	163.5	159.9	159.7
Deposit to loans *(%)*	120.7	130.3	130.8	131.0	130.1
Short-term financial liabilities to the total financial liabilities *(%)*	65.4	68.8	72.6	71.1	71.8
Foreign exchange risk					
dexed and foreign currency loans to the total loans *(%)*	53.9	50.2	43.3	37.6	31.9
abilities in foreign currencies to the total financial liabilities *(%)*	48.1	44.4	42.5	41.2	40.0
Net open position *(%)*	4.2	4.0	1.0	1.5	3.6
Number of banks	23	22	21	21	21

Source: Central Bank

As at 31 December 2024, the banking sector of BiH was well capitalised and all banks were in compliance with applicable capital adequacy and financial leverage ratio requirements. Top-down solvency stress tests performed based on results from the fourth quarter of 2024 indicated that the banking sector is resilient to the macroeconomic shocks and capitalisation levels would remain above the regulatory minimum of 12% and the capital conservation buffer would remain above the prescribed level of 14.5% until at least 31 December 2027.

Non-performing loans ("**NPLs**") in BiH decreased from 6.1% as at 31 December 2020 to 3.2% as at 31 December 2024. During 2024, the share of NPLs to total loans in the corporate sector decreased to 3.1% (from 4.0% as at 31 December 2023), while in the household sector this indicator decreased to 3.2% (from 3.7% as at 31 December 2023).

Money Supply

The table below sets forth certain statistics relating to money aggregates for BiH as at the dates indicated:

	As at 31 December				
	2020	2021	2022	2023	2024
			(BAM millions)		
M1[(1)]	15,055.2	17,927.5	19,878.6	21,614.6	24,110.2
QM[(2)]	13,193.8	13,588.1	13,361.3	14,176.2	15,022.2
M2[(3)]	28,249.0	31,515.6	33,240.0	35,790.8	39,132.4
Reserve money[(4)]	12,305.4	14,448.3	14,926.2	14,665.2	15,429.9
Transferable deposits in domestic currency	10,011.8	12,387.6	13,752.5	15,064.1	17,237.0
Other deposits in domestic currency	3,034.7	3,044.2	2,878.7	2,891.3	3,170.0
Transferable deposits in foreign currency	2,902.5	3,300.1	3,583.9	3,974.6	4,083.5
Other deposits in foreign currency	7,256.6	7,243.8	6,898.8	7,310.3	7,768.8

Source: Central Bank

Notes:

(1) M1 consists of cash outside banks and transferable deposits in domestic currency of all domestic sectors (except for deposits of the central government).

(2) QM consists of consists of other deposits in domestic currency, transferable and other deposits in a foreign currency of all domestic sectors (except for deposits of the central government).

(3) M2 is the sum of M1 and QM.

(4) Reserve money consists of cash outside the monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for deposits of the central government) with the monetary authorities.

In 2024, M1 increased by 11.5%, to BAM 24,110.2 million from BAM 21,614.6 million, in 2023. QM increased by 6.0%, to BAM 15,022.2 million from BAM 14,176.2 million in 2023. Accordingly, M2 increased by 9.3%, to BAM 39,132.4 million from BAM 35,790.8 million in 2023.

Loan Aggregates

BiH

The following table shows the loan aggregates of the banking sectors in BiH for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
			(BAM millions)		
Loans to BiH Institutions	11.6	14.5	8.8	3.0	0.0
Loans to Entity Governments	403.1	353.7	306.5	230.7	256.3
Loans to Cantonal Governments	142.1	185.8	202.1	266.1	301.2
Loans to Municipal Governments	357.4	350.9	365.2	360.3	424.8
Loans to Social Security Funds	205.5	189.8	165.8	173.3	223.9
Loans to other Financial Institutions	111.1	104.3	118.4	154.2	216.5
Loans to Non-financial Public Enterprises	432.3	409.0	449.5	432.0	497.0
Loans to Non-financial Private Enterprises	5,305.9	5,435.7	5,652.4	5,954.5	6,608.0
Loans to Non-profit Organisations	9.7	11.1	10.7	19.7	21.8
Loans to Households	9,073.0	9,625.4	10,165.2	10,931.3	12,020.1
Other loans	0.7	0.2	0.4	0.9	0.6
Total	**16,052.3**	**16,680.4**	**17,445.0**	**18,525.8**	**20,570.2**

Source: Central Bank

Federation

The following table shows the loans of the banks based in the Federation for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
			(BAM millions)		
Government institutions	199.0	223.3	244.8	318.6	402.3
Public and state-owned enterprises	395.2	406.5	452.5	419.9	390.8
Private enterprises and companies	6,500.3	6,616.3	7,028.4	7,537.9	8,175.1
Non-profit organisations	22.0	22.6	18.5	18.8	18.3
Banks and banking institutions	772.6	917.8	660.3	351.2	376.3
Non-banking financial institutions	83.9	91.0	86.1	116.3	195.0
Citizens	7,281.5	7,613.3	8,022.4	8,713.3	9,542.7
Other	0.1	0	0	0	0
Total loans	**15,254.6**	**15,890.8**	**16,513.0**	**17,476.0**	**19,100.5**

Source: FBA

Inflation

The following table sets forth the CPI in BiH and in the Federation for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024[(1)]
BiH					
Average annual growth rate of CPI (%)	(1.0)	2.0	14.0	6.1	1.7
Annual growth rate of CPI for December (%)	(1.6)	6.4	14.7	2.2	2.2
Federation					
Average annual growth rate of CPI *(%)*	(0.9)	2.1	14.9	5.1	1.4
Annual growth rate of CPI for December *(%)*	(1.4)	6.5	15.7	0.8	2.4

Source: Central Bank, Institute for Statistics of the Federation

Note:

(1) Estimates based on the sum of data published in respect of each of the four quarters of 2024.

The following table sets forth the average percentage change in consumer prices in the Federation by type of product or service for the years indicated:

	2020	2021	2022	2023	2024
			(%)		
Bread and cereals	3.4	3.0	31.3	8.5	(1.1)
Meat	0.0	6.6	19.8	9.4	3.6
Oils and fats	5.9	16.9	47.4	(13.9)	(4.5)
Fruits	8.3	(0.7)	12.1	11.7	5.0
Vegetables	(5.0)	3.1	17.9	17.5	(0.8)
Alcoholic beverages	1.5	0.7	5.9	7.3	4.1
Tobacco	5.0	2.4	1.1	3.5	3.3
Clothing and footwear	(10.8)	(8.8)	(6.6)	(8.0)	(9.7)
Water supply and other utility services	0.0	1.9	7.4	6.0	9.3
Electricity	0.0	1.2	(1.2)	0.0	4.0
Medications	1.8	1.1	3.6	4.3	5.6
Transportation	(8.1)	5.7	24.8	(5.1)	(0.5)
Fuels and Lubricants	(14.2)	9.9	39.4	(10.7)	(4.0)
Communication	(0.4)	(0.5)	(0.1)	(0.2)	0.1
Total inflation (CPI)	**(0.9)**	**2.1**	**14.9**	**5.1**	**1.4**

Source: Institute for Statistics of the Federation

In 2020, there was slight deflation in both BiH and the Federation, and inflation rates were low in 2021. However, in 2022, inflation increased to 14.0% in BiH and 14.9% in the Federation , in line with global inflationary trends, as a result of the war in Ukraine and global macroeconomic conditions. Inflation in the Federation was mainly driven by inflation of 39.4% in fuels and lubricants, inflation of 24.8% in transportation and inflation of 47.4% in oils and fats.

In 2023, inflation decreased to 6.1% in BiH and 5.1% in the Federation. In 2024, inflation decreased again, to 1.7% in BiH and 1.4% in the Federation. The lower inflation rates in 2023 and 2024 were primarily due to a stabilisation of the energy market, in particular in relation to segments highly exposed to transport and fuel costs.

Exchange Rates and Exchange Rate Policy

BiH and, therefore, the Federation have a fixed exchange rate system, administered in accordance with the Currency Board. Since 1 January 2002, the convertible mark has been pegged to the Euro at the exchange rate of BAM 1: €0.511292.

The exchange rate and the conditions laid down by the Law on the Central Bank apply to the purchase and sale of the BAM for the Euro. The Central Bank establishes the official exchange rate in accordance with the Law on the Central Bank and the Decision on the Exchange Rate of the Central Bank (*Official Gazette of BiH, No. 83/20*). The banks are required to publicly display and publish the exchange rates at which they buy and sell foreign currency.

The nominal effective exchange rate of the BAM appreciated by 0.3% during 2024, due to the nominal appreciation of the Euro against the Turkish Lira (12.5%), the Hungarian Forint (7.5%), the Czeck Koruna (1.95) and the Swiss Franc (1.6%). However, the real effective exchange rate, where the consumer price index was used as a deflator, depreciated by 1.7% in 2024, reflecting lower inflation rates in BiH, as compared to its main trading partners, Serbia (4.8%), Croatia (4.0%), Austria (2.9%) and Germany (2.5%). This trend continued in early 2025, with a 0.5% appreciation in the nominal effective exchange rate of the BAM recorded in March 2025, as compared to March 2024.

The real effective exchange rate is calculated from the nominal effective exchange rate, which is corrected by the balance between the local economy and the inflation of BiH's main trading partners. Accordingly, when calculating the real effective exchange rate, the nominal exchange rate is deflated by relative prices or costs in BiH's main trading partners. Since July 2005, the Central Bank considers twenty trade partners in its nominal effective exchange rate and real effective exchange rate indices.

See "*Exchange Rate History*".

Foreign Reserve Assets

Foreign exchange reserves of BiH are managed by the Central Bank in accordance with the Law on the Central Bank and its internal regulations (investment guidelines, strategic asset allocation and risk rules and parameters). The Central Bank's key management goals are security, liquidity and profitability, while respecting the principle of adequacy of foreign exchange reserves. Internal regulations stipulate quantitative and qualitative requirements and limitations for the investments of foreign exchange reserves. Any decisions on the foreign exchange reserves management and investment are made at three levels within the Central Bank organisation: (i) at a strategic level, by the Governing Board; (ii) at a tactical level, by the Investment Committee; and (iii) at an operational level, by the competent departments of the sector for monetary operations, management of foreign exchange reserves and cash.

Foreign exchange reserves consist of foreign currency in the Central Bank vault, deposits with non-resident banks, investments in securities, gold, special drawing rights ("**SDRs**") and others.

Pursuant to the Law on the Central Bank, total monetary liabilities of the Central Bank must not exceed its net foreign exchange reserves. Total monetary liabilities of the Central Bank include all banknotes and coins in circulation and receivables of all its accounts. The Central Bank may not invest more than 50% of the total unimpaired capital and reserves in currencies other than Euros. Accordingly, the Central Bank invests more than 95% of its foreign exchange reserves in Euro-denominated financial instruments.

The Central Bank restricts the exposure to credit risk by investing primarily in the bonds of the selected countries of the EEA and by placing deposits with selected central banks, the Bank for International Settlements and selected foreign commercial banks, which meet certain specified standards, including high credit ratings from internationally-recognised agencies, compliance with prescribed regulatory and risk management standards, and proven liquidity and operational stability.

The following table sets forth the net foreign assets and gross foreign reserves of the Central Bank as at the dates indicated:

	As at 31 December				
	2020	2021	2022	2023	2024
	(*BAM millions*)				
Net foreign exchange reserves	13,866.3	16,345.8	16,063.3	16,287.4	17,638.4
Monetary liabilities	(12,970.6)	(15,573.0)	(15,611.7)	(15,401.2)	(16,274.7)
Net foreign assets	**895.7**	**772.8**	**451.5**	**886.2**	**1,363.7**
Gold	291.6	302.0	160.0	175.5	555.2
Holdings of SDRs	0.9	1.9	0.1	2.1	4.8
Foreign currency	142.2	469.6	572.0	455.2	526.0
Deposits with non-resident banks	3,832.1	3,945.1	8,273.2	8,326.6	6,786.2
Investment in securities	9,601.3	11,629.6	7,060.5	7,330.6	9,768.7
Gross foreign reserves	**13,868.0**	**16,348.1**	**16,065.9**	**16,289.9**	**17,640.9**

Source: Central Bank

As at 31 December 2024, net foreign exchange reserves increased by 8.3% to BAM 17.6 billion, as compared to BAM 16.3 billion as at 31 December 2023. The movements of foreign exchange reserves in 2024 were influenced by external debt servicing, the absence of foreign borrowing, inflows from remittances, and inflows of direct foreign investments. Changes in the value of the Central Bank's portfolio had a positive impact on foreign exchange reserves during 2024.

As at 31 December 2024, foreign exchange reserves consisted of: (i) a liquid portfolio comprised of current accounts with banks and overnight deposits and securities with a maturity of one year less (representing 39.8%); (ii) an investment portfolio (*i.e.,* securities with a remaining maturity of over one year) (representing 23.1%); (iii) term deposits (representing 21.2%); (iv) securities classified using the amortised cost method (representing 6.4%); (v) funds entrusted to the management of the International Bank of Reconstruction and Development (representing 3.3%); and (vi) gold (representing 3.1%). As at 31 December 2024, fixed income securities comprised 55.4% of total net foreign exchange reserves, as compared to 50.0% as at 31 December 2023.

Gross foreign reserves have been increasing in recent years. Gross foreign reserves were BAM 17.6 billion as at 31 December 2024, as compared to BAM 16.3 billion as at 31 December 2023, BAM 16.1 billion as at 31 December 2022, BAM 16.3 billion as at 31 December 2021 and BAM 13.9 billion as at 31 December 2020.

As at 31 December 2024, the coverage ratio of monetary liabilities by net foreign exchange reserves was 108%, as compared to 107% as at 31 December 2023.

The Banking Sector of the Federation

The financial system in the Federation is heavily reliant on its banking sector. Banks are the primary source of financing for companies for working capital, investments and other purposes. While there is a nascent market for corporate bonds, issuances are infrequent and primarily by larger companies.

As at 31 March 2025, there were 13 banks and 504 organisational units in the Federation, as compared to 13 and 505, respectively, as at 31 December 2024. The banking sector had total assets of €16.4 billion, total loans of €9.8 billion and total deposits of €13.3 billion as at 31 December 2024, as compared to €14.8 billion, €8.9 billion and €12.2 billion, respectively as at 31 December 2023, €13.9 billion, €8.4 billion and €11.5 billion, respectively as at 31 December 2022, €13.2 billion, €8.1 billion and €10.8 billion, respectively as at 31 December 2021 and €12.5 billion, €7.8 billion and €10.1 billion, respectively as at 31 December 2020.

As at 31 December 2024, €4.2 billion total loans of the Federation's banking sector were to corporate customers and €4.9 billion total loans of the Federation's banking sector were to retail customers, as compared to €3.8 billion and €4.4 billion, respectively as at 31 December 2023, €3.6 billion and €4.1 billion, respectively as at 31 December 2022, €3.4 billion and €3.9 billion, respectively as at 31 December 2021 and €3.3 billion and €3.7 billion, respectively as at 31 December 2020.

In 2024, the banking sector in the Federation recorded a net profit of €710.2 million, as compared to €641.7 million in 2023, €532.1 million in 2022, €561.7 million in 2021 and €529.2 million in 2020. In 2024, the banking sector in the Federation recorded a net operating income of €303.7 million, as compared to €264.1 million in 2023, €184.8 million in 2022, €150.1 million in 2021 and €89.1 million in 2020.

The following tables sets forth the aggregate financial position and aggregate income statement of banks in the Federation as at, and for years ended, 31 December 2022, 2023 and 2024. Due to the adoption of the new Law on Accounting and Auditing in the Federation of Bosnia and Herzegovina and the Rulebook on the Chart of Accounts and Account Contents for Banks and Other Financial Organisations with the aim of harmonising with International Financial Reporting Standards, changes were made to the reports submitted by banks to the FBA in 2022; accordingly, comparable data for the years ended 31 December 2020 and 2021 is not available.

Aggregate financial position

	As at 31 December		
	2022	**2023**	**2024**
		(BAM millions)	
Cash and cash equivalents	5,908.2	6,142.5	6,773.2
Financial assets at fair value through profit or loss	28.2	33.8	33.3
Financial assets at fair value through other comprehensive income	1,401.5	1,230.9	1,224.4
Financial assets at amortised cost	19,119.1	20,856.1	23,276.7
Finance lease receivables	36.0	32. 6	35.1
Derivative financial instruments	11.8	9.0	5.3
Prepaid income tax	10.7	4.2	4.7
Deferred tax assets	23.3	37.4	35.0
Tangible assets	468.1	482.9	536.4
Intangible assets	71.4	75.7	81.4
Investments in subsidiaries, joint ventures, associates	11.7	11.7	12.3
Non-current assets held for sale and assets of discontinued operations	7.9	6.8	3.6
Other assets and receivables	25.5	24.4	41.8
Total Assets	**27,123.4**	**28,948.0**	**32,063.2**
Off-Balance Sheet Records	4,307.3	4,687.6	5,321.8
Total Assets and Off-Balance Sheet Records	**31,430.7**	**33,635.6**	**37,385.0**
Financial liabilities at fair value through profit or loss	0.3	0.7	1.3
Financial liabilities at amortised cost	23,659.4	25,102.1	27,699.9
Derivative financial instruments	0.2	14.5	16.0
Income tax liabilities	8.4	14.2	5.5
Deferred tax liabilities	4.9	5.9	7.0
Reservations	143.7	143.7	135.6
Other obligations	69.2	89.1	76.4
Total Obligations	**23,886.1**	**25,370.2**	**27,941.7**
Share capital	1,562.4	1,582.4	1,614.4
Share premium	145.9	118.1	118.1
Reserves	938.9	1,021.2	1,237.6
Revaluation Reserves	(60.1)	(55.9)	(17.4)
Profit	840.5	1,058.3	1,267.4
Loss	190.3	146.3	98.6
Total Capital	**3,237.3**	**3,577.8**	**4,121.5**
Total Liabilities and Equity	**27,123.4**	**28,948.0**	**32,063.2**
Off-Balance Sheet Records	4,307.3	4,687.6	5,321.8
Total Liabilities, Capital and Off-Balance Sheet Items	**31,430.7**	**33,635.6**	**37,385.0**

Aggregate income statement

	Year ended 31 December		
	2022	2023	2024
		(BAM millions)	
Interest income and similar income at effective interest rate	686.5	910.8	1,035.7
Interest expenses and similar expenses at the effective interest rate	90.3	88.3	141.9
Net interest income/(expense) and similar income at effective interest rate	596.2	822.5	893.8
Income from fees and commissions	471.8	526.8	591.7
Expenses from fees and commissions	88.5	140.1	149.5
Net income/(expenses) from fees and commissions	383.3	386.7	442.1
Impairment and provisions	(67.8)	(60.9)	(64.8)
Other gains and (losses) on financial assets	0.6	(12.3)	(1.2)
Net gains/(losses) from derivative financial instruments	(10.2)	0.6	0.6
Net positive/(negative) exchange rate differences	55.5	50.2	33.3
Gains and (losses) from long-term non-financial assets	6.1	4.8	14.2
Dividend income	11.7	1.2	11.0
Other income	37.2	44.3	38.9
Employee costs	254.3	292.9	321.2
Depreciation costs	66.8	67.4	73.5
Other costs and expenses	295.8	320.1	324.1
Share in the result of an associate and joint venture using equity method.	—	—	—
Impairment of goodwill	—	—	—
Profit/(loss) from ordinary business before tax	**395.8**	**556.8**	**649.1**
Current income tax	38.1	52.2	54.7
Deferred income tax	(3.7)	(12.0)	1.6
Income tax	34.4	40.3	56.3
Profit/(loss) from regular business	**361.4**	**516.5**	**592.8**
Profit or loss from discontinued operations	—	—	—
Net Profit/(loss)	**361.4**	**516.5**	**592.8**
Items that can be reclassified in the income statement	(78.4)	2.5	33.8
Items that will not be reclassified to the income statement	1.8	2.1	3.5
Other total result	**(76.6)**	**4.6**	**37.4**
Total Result	**284.8**	**521.1**	**630.2**

The following table sets forth the sectoral structure of deposits in the Federation as at the dates indicated:

	As at 31 December				
	2020	2021	2022	2023	2024
			(BAM millions)		
Government institutions	2,236.8	2,600.4	3,227.1	3,111.7	3,234.5
Public enterprises	1,453.1	1,618.7	1,723.6	1,757.4	1,790.3
Private enterprises and societies	3,783.5	4,393.7	4,997.6	5,656.2	6,443.8
Banking institutions	568.5	348.0	362.7	179.7	191.2
Non-banking financial institutions	848.3	829.5	829.8	712.6	731.7
Non-profit organisations	474.0	490.5	504.4	572.3	658.6
Households	10,236.6	10,832.5	10,742.1	11,909.8	13,051.7
Other	60.1	71.6	56.3	—	—
Total	**19,660.9**	**21,184.9**	**22,443.6**	**23,899.7**	**26,101.8**

Source: FBA

Between 2020 and 2024, total deposits, which represent the largest source of funding for banks (81.4% as at 31 December 2024), have grown from BAM 19,660.9 million to BAM 26,101.8 million.

As at 31 December 2024, households recorded the largest growth in deposits, with an increase of BAM 1.1 billion, or 9.6%, from BAM 11.9 billion as at 31 December 2023 (representing 49.8% of total deposits) to BAM 13.1 billion as at 31 December 2024 (representing 50.0% of total deposits). A decrease in household deposits was recorded in 2022, which was primarily related to the restructuring of a bank in the second quarter of 2022.

As at 31 December 2024, deposits of private enterprises and societies increased by BAM 787.6 million, or 13.9%, from BAM 5.7 billion as at 31 December 2023 (representing 23.7% of total deposits) to BAM 6.4 billion (representing 24.7%

of total deposits).

As at 31 December 2024, non-resident deposits amounted to BAM 0.6 billion, or 2.2% of total deposits, while 37.9% of total deposits of banking institutions related to deposits of banking groups.

The following table sets forth the currency breakdown of deposits in the Federation as at the dates indicated:

	As of 31 December			
	2023		2024	
	BAM deposits	Foreign currency deposits	BAM deposits	Foreign currency deposits
	(BAM millions)			
Government institutions	2,985.0	126.7	3,096.3	138.2
Public enterprises	1,356.9	400.5	1,358.8	431.5
Private enterprises and societies	4,284.4	1,371.8	5,036.4	1,407.4
Banking institutions	41.6	138.1	40.6	150.6
Non-banking financial institutions	616.9	95.7	643.4	88.3
Non-profit organizations	384.1	188.2	474.4	184.2
Households	7,295.6	4,614.2	8,441.3	4,610.4
Total	**16,964.5**	**6,935.2**	**19,091.2**	**7,010.6**

As at 31 December 2024, deposits in local currency increased by BAM 2.1 billion, or 12.5%, from BAM 17.0 billion as at 31 December 2023 (representing 71% of total deposits) to BAM 19.1 billion (representing 73.1% of total deposits), while deposits in foreign currency increased by BAM 75.4 million, or 1.1%, from BAM 6.9 billion (representing 29.0% of total deposits) as at 31 December 2023 to BAM 7.0 billion (representing 26.9% of total deposits) as at 31 December 2024.

Banking Sector Performance Indicators

The following table shows selected banking sector performance indicators for banks in the Federation as at the dates indicated:

	Year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
	(%, unless otherwise stated)				
Capital adequacy ratios					
Regulatory capital requirement (min. 12%)	19.1	19.7	19.4	19.3	19.3
Tier 1 capital (min. 9%)	18.3	18.9	18.4	18.3	18.3
CET 1 (min. 6.75%)	18.3	18.9	18.4	18.3	18.3
Financial leverage (min 6%)	10.1	10.1	9.8	9.9	10.4
Asset quality					
NPLs to total loans	6.4	6.4	4.8	3.9	3.0
Total loan loss provision coverage ratio per IFRS	7.4	6.9	6.0	5.2	4.4
Total loan loss provisioning under IFRS (*BAM millions*)	1,127.2	1,099.9	995.3	909.8	832.7
Profitability					
Profit before tax (*BAM millions*)	187.3	327.1	395.8	556.8	649.1
ROAA	0.7	1.2	1.4	1.8	1.9
ROAE	5.8	9.3	12.0	15.0	15.2
Net income from interest / average net assets	2.4	2.3	2.3	2.9	2.9
Operating income / average net assets	2.0	2.1	2.4	2.3	2.1
Total operating expenditures / total income netted by other business and direct costs	58.9	57.3	53.4	54.2	51.7
Liquidity					
Liquidity coverage ratio - LCR (min. ≥100)	268	222	211	212	254
Net stable funding ratio (min. ≥100)	—	166	162	157	159
Short-term assets / short-term liabilities	91.9	88.5	84.0	76.5	77.9
Short-term assets / net asset	62.7	63.4	62.0	56.5	57.4
Net loans / deposits	71.9	69.8	69.1	69.3	70.0
Money / total net assets	30.4	30.9	30.3	29.7	29.5
Market risk					
Capital requirement for market risk / regulatory capital	0.53	0.64	0.33	0.34	0.57
Capital requirement for market risk / total capital requirements	0.84	1.06	0.54	0.54	0.92

Source: FBA

As at 31 December 2024, the capital adequacy ratio of the banking sector of the Federation was 19.3%, significantly above the statutory minimum of 12% and represented a satisfactory capitalisation of the overall system for the existing level of risk exposure. The banking sector's capital adequacy has continuously been maintained above 15% since the FBA commenced collation of such data in 2000. As at 31 December 2024, the financial leverage ratio of the banking sector of the Federation was 10.4%, above the regulatory minimum of 6%.

As at 31 December 2024, the liquidity coverage ratio was 254%, which is significantly higher than the regulatory minimum of 100% and increased by 42.0%, as compared to as at 31 December 2023. At the end of December 2024, the net stable funding ratio was 159%, which is also higher than the regulatory minimum of 100% and reflecting an increase of 2.0%, as compared to as at 31 December 2023.

In 2024, the return on average assets was 1.95%, while the return on average total capital was 15.21%, as compared to 1.84% and 14.95%, respectively, in 2023.

Non-performing loans

The following table shows the NPLs ratios for banks in the Federation as at the dates indicated:

	As at 31 December				
	2020	2021	2022	2023	2024
			(%)		
Corporates	6.8	7.0	5.0	4.0	2.6
Retail	6.0	5.8	4.6	3.8	3.3
Total NPLs	6.4	6.4	4.8	3.9	3.0

Source: FBA

Total NPLs decreased during the period 2020 to 2024. Increased growth of the loan portfolio, a reduction in new NPLs, as well as improvements in collection activities undertaken, had a positive impact on the ratio of the share of non-performing loans in total loans, which decreased from 6.4% at the end of 2020 to 3.0% at the end of 2024. NPLs have also decreased across the portfolio of corporates and retail during this period.

The following table sets forth the risk exposure structure of the banking sector of the Federation as at the dates indicated:

	As at 31 December				
	2020	2021	2022	2023	2024
			(BAM millions)		
Risk-weighted exposures for credit risk	12,843.8	13,167.3	13,870.0	15,069.4	17,505.8
Exposure to settlement/free delivery risk	0	0	0	-	-
Market risk exposures (position and currency risk)	119.1	152.8	80.8	88.9	175.4
Risk exposures for operational risk	1,150.2	1,147.3	1,144.5	1,200.2	1,351.7
Total amount of risk exposure	**14,113.1**	**14,467.4**	**15,095.3**	**16,358.5**	**19,032.9**

Source: FBA

Total risk exposure of the banking sector in the Federation as at 31 December 2024 was BAM 19.0 billion, an increase of 6.3% as compared to BAM 16.4 billion as at 31 December 2023. The increase in total risk exposure during 2024 was primarily due to a 16.2% increase in risk weighted exposure for credit risk from BAM 15.1 billion as at 31 December 2023 to BAM 17.5 billion as at 31 December 2024, as well as a 12.6% increase in risk exposure for operational risk from BAM 1.2 billion as at 31 December 2023 to BAM 1.4 billion as at 31 December 2024.

The increase in risk-weighted exposure for credit risk was primarily due to the growth of balance sheet positions, as well as the start of the application of the Decision on Determining Additional Capital Requirements and Measures to Limit Systemic Risks, according to which, as of 30 June 2024, banks were obliged to apply higher risk weights when calculating capital requirements to (i) non-purpose and replacement loans of natural persons with a remaining term to maturity of five years or more (a 100% risk weight is applied, instead of 75%) and (ii) exposure fully secured by residential real estate, if the remaining maturity is longer than 20 years (a 75% risk weight is applied, instead of 50% risk weight).

The increase in risk exposure for operational risk was primarily due to an increase in the three-year average of the relevant indicator, due to a higher relevant indicator in 2023. An increase in risk exposure for operational risk was recorded at all banks in the Federation, with three banks exceeding an increase of 20%. The share of exposure to operational risk in total risk exposure is constantly significantly below 10%.

As of 31 December 2024, four banks had no exposure to currency risk, as their net open currency position did not exceed 2% of regulatory capital; six banks had no exposure to currency risk as of 31 December 2023.

Interest Rates

In general, banks and other financial institutions are free to determine contractual interest rates and there are no statutory interest rate caps. However, consumer protection and anti-usury laws and regulations, as well as banking supervision measures, limit excessive or abusive practices. In 2023, the FBA adopted the Decision on Temporary Measures to Mitigate the Risk of an Interest Rate Increase in response to global economic instability and inflation growth, accompanied with interest rate growth in the international market, with the aim of timely management of credit risk, protection of users of financial services and stability of the banking system. The Decision provided for an increase in the minimum rates that banks are required to apply for expected credit losses in case of a more significant interest rate growth. The Decision is intended to further stimulate banks to find a way to maintain interest rates at reasonable levels and to limit banks' actions that might have adverse effects on the economy and on systemic risk growth.

The following table sets forth the average weighted effective interest rates on loans extended by banks in the Federation for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
			(%)		
Weighted interest rates on short-term loans	2.53	2.45	2.30	2.34	2.38
Weighted interest rates on long-term loans	5.31	5.18	4.94	5.40	5.32
Weighted interest rates on aggregate loans	3.67	3.78	3.59	3.63	3.70

Source: FBA

In 2021, the weighted interest rates of short-term loans and long-term loans decreased by 0.8% and 0.23%, respectively, while the weighted interest rates of total loans increased by 0.11%, as compared to 2020. In 2022, the weighted interest rates of short-term loans, long-term loans and aggregate loans decreased by 0.15%, 0.24% and 0.19%, respectively, as compared to 2021. In 2023, the weighted interest rates of short-term loans, long-term loans and aggregate loans increased by 0.04%, 0.46% and 0.04%, respectively, as compared to 2022. In 2024, the weighted interest rates of short-term loans and aggregate loans increased by 0.04% and 0.07%, respectively, while the weighted interest rates of long-term loans decreased by 0.08%, as compared to 2023.

The FBA has implemented a number of measures to encourage the stability of interest rates and to implement proper instruments for the management of interest rate risks in the Federation. In particular, the FBA has introduced regulations focused on credit risk management enhancements to permit banks to further improve the measurement and monitoring of the effects of interest rate increases on their credit portfolios. In addition, where there is exposure to significant interest rate increases, banks are requested to set aside additional credit risk provisions. Measures implemented to date are purposefully non-monetary in nature and do not set caps or limits on banks' ability to set interest rates in line with their applicable policies.

The following table sets forth the average weighted effective interest rates on deposits held in banks in the Federation for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
			(%)		
Weighted interest rates on short-term deposits	0.34	0.21	0.41	1.19	1.61
Weighted interest rates on long-term deposits	1.05	0.75	0.62	0.97	2.21
Weighted interest rates on aggregate deposits	0.70	0.48	0.51	1.03	1.96

Source: FBA

In 2021, the weighted interest rates of short-term deposits, long-term deposits and aggregate deposits decreased by 0.08%, 0.30% and 0.22%. In 2022, the weighted interest rates of short-term deposits and aggregate deposits increased by 0.20% and 0.03%, respectively, while the weighted interest rates of long-term deposits decreased by 0.13%, as compared to 2021. In 2023, the weighted interest rates of short-term deposits, long-term deposits and aggregate deposits increased by 0.78%, 0.35% and 0.52%, respectively, as compared to 2022. In 2024, the weighted interest rates of short-term deposits, long-term deposits and aggregate deposits increased by 0.42%, 1.24% and 0.93%, respectively, as compared to 2023.

Banking Supervision and Regulation

The FBA was established by the Law on the Banking Agency of the Federation (the "**Banking Agency Law**") on 30 June 1996 as an independent, sovereign and non-profit authority to regulate, control and supervise the banking system entities (banks, banking groups, development banks, microcredit organisations ("**MCOs**"), leasing companies, factoring companies, money changers, and other financial organisations for which it is stipulated by law that they shall operate under the supervision of the FBA). The FBA is also the bank resolution authority. It does not undertake any banking activities, including the holding of required reserves; such activity is reserved to the Central Bank.

The FBA is responsible for maintaining a strong and stable banking, micro-credit and leasing system, which is market-oriented and based on the international standards of performance. It also supervises banks, MCOs and leasing companies.

The FBA's competences are defined by the Banking Agency Law and key responsibilities include: (i) conducting activities to maintain and strengthen the stability and prudent operation of the banking system; (ii) licensing and supervising operations of the banking system entities and the development bank; (iii) regulating the operations of the FBA and the banking system entities; and (iv) enacting and supervising measures relating to anti-money laundering and terrorist activity financing in co-operation with the competent authorities and institutions.

To perform and improve activities from its competence, the FBA co-operates with the Central Bank, the Deposit Insurance

Agency of Bosnia and Herzegovina, financial supervision authorities of the Federation, Republika Srpska and the Brčko District, other control authorities and other institutions and authorities. The regulatory frameworks governing the banking sectors in the Federation and Republika Srpska have been largely harmonised, with minor differences due to administrative specificities. The FBA aims to continue to improve and strengthen bank supervision, as well as its capacities for efficient supervision and restructuring.

The FBA also co-operates with the international authorities, bodies and institutions that perform supervision, resolution and other competences toward banks and other financial organisations.

In 2024, key strategic activities were carried out to align the regulatory framework with relevant EU regulations and directives, as well as to implement a supervisory approach based on best international practices that are also applied in the EU. Such activities related to maintaining equivalence with the EU regulatory and reporting framework, supervision of banking system entities, digitalisation and cyber security, preservation and strengthening of the stability of the banking system in the Federation, financial services user protection and financial inclusion, and support for sustainable and transparent business practices.

Anti-Money Laundering, Terrorism Financing, Organised Crime and Anti-Corruption Regulations

Measures, activities and procedures in the financial and non-financial sector that are undertaken in order to prevent and detect money laundering and terrorist financing activities are regulated by BiH's Law on Preventing Money Laundering and Financing Terrorist Activities, which is considered to be within the competence of BiH, rather than the Federation. See "*Economy of the Federation—Anti-Money Laundering and Anti-Corruption*".

The Federation does not have a separate legal framework governing the prevention of money laundering and financing terrorist activities. However, the FBA has adopted several bylaws regulating internal organisation, responsibilities, management and mitigation of money laundering and terrorism financing risks within financial institutions in accordance with the law.

Non-Deposit Financial Institutions Sector

The Microcredit Sector

The Law on Microcredit Organisations regulates the establishment, business activity, legal forms and registration, operations, management, supervision and termination of MCOs. Pursuant to the Law on Microcredit Organisations, an MCO is a non-deposit financial organisation whose main business activity is microcredit operations. A microcredit is a loan that, if extended by a microcredit company, does not exceed BAM 50,000 or, if extended by a microcredit foundation, does not exceed BAM 10,000.

An MCO is established and operates in the form of a capital company, a limited liability company or a joint-stock company for the purpose of making a profit. A microcredit foundation operates in a similar function, but any surplus income over expenditures must be invested in its microcredit operations. MCO activities may be performed exclusively by MCOs that are licenced by and registered with the FBA. MCOs may not accept cash deposits or savings deposits from individuals and legal entities.

The FBA is responsible for the supervision of the operations of MCOs headquartered in the Federation and MCOs with operations in the Federation and headquartered in Republika Srpska or Brcko District.

According to the FBA, as at 31 December 2024, there were 13 MCOs in the Federation.

As at 31 December 2024, the total assets of the MCO sector in the Federation were BAM 926.4 million, representing an increase of BAM 99.0 million, or 12.0%, as compared to BAM 827.4 million as at 31 December 2023. As at 31 December 2024, the total capital of the MCO sector was BAM 337.5 million, or 77.4% of the total liabilities of the leasing sector, which increased by BAM 16.9 million, or 5.3%, as compared to BAM 320.6 million as at 31 December 2023. Total revenues of the MCO sector in the Federation were BAM 152.6 million in 2024, representing an increase of BAM 6.4 million, or 4.4%, as compared to BAM 146.2 million in 2023.

The Leasing Sector

The leasing sector in the Federation plays a key role in the financial services industry by providing financing solutions that support business operations and economic growth. As at 31 December 2024, there were four leasing companies in the

Federation licensed by the FBA to conduct leasing operations. Each of the four leasing companies has established a branch in Republika Srpska.

As at 31 December 2024, total assets of the leasing sector in the Federation were BAM 568.5 million, representing an increase of BAM 43.2 million, or 8.2%, as compared to BAM 108.6 million as at 31 December 2023. As at 31 December 2024, the total capital of the leasing sector was BAM 59.0 million, or 10.4% of the total liabilities of the leasing sector, which increased by BAM 15.1 million, or 34.3%, as compared to BAM 43.9 million as at 31 December 2023. The core capital position increased by 49.8%, due to the recapitalisation of one leasing company. Total revenues of the leasing sector in the Federation were BAM 70.3 million in 2024, representing an increase of BAM 8.2 million, or 13.3%, as compared to BAM 62.1 million in 2023.

The Factoring Sector

The factoring sector in the Federation is a developing financial service industry that provides businesses with alternative financing options to help with cash flow management, reducing credit risk and improving liquidity. In accordance with the provisions of the Law on Factoring, factoring operations in the Federation may be performed by a company organised as a joint-stock company or a limited liability company with its registered office in the Federation, which must have approval from the FBA, and banks whose operations are regulated by regulations governing the operations of banks in the Federation, to which the relevant chapters of the Law on Factoring apply.

As at 31 December 2024, factoring operations in the Federation are carried out by three commercial banks, two of which are members of international banking groups headquartered in EU member states and one of which is predominantly domestically owned.

Total revenues of factoring service providers in the Federation as at 31 December 2024 amounted to BAM 651,000 (interest income, factoring fees and administrative fees), an increase of 21.5% compared to BAM 536,000 as at 31 December 2023.

Capital Markets

The capital markets in the Federation are relatively undeveloped and have smaller market capitalisation and lower liquidity than developed markets. The main actors in the Federation's capital markets include the Securities Commission (which is responsible for investor protection and development of markets), the Securities Registry (which performs the registration, safekeeping, securities data maintenance and transfer in accordance with the laws regulating the issuance and trading of securities) and the Sarajevo Stock Exchange ("**SSE**") (which is the only exchange in the Federation and is also intended to be the main trading venue for domestic securities issued in the Federation).

The legal framework of the capital markets in the Federation includes the Securities Market Law, Law on the Securities Commission, Law on Investment Funds, Law on Joint Stock Company Takeovers and Law on Business Companies, as well as several bylaws adopted by the Securities Commission and the Securities Registry. The Securities Commission is the competent regulatory and supervisory body of the Federation, with broad authority, and is responsible for: (i) regulation of securities issuances and trading; (ii) approval of issuances of securities by companies and banks; (iii) approval of securities issuances by fund management companies, investment funds, mutual funds, and other legal persons; (iv) regulation of bond issuances by Cantons and municipalities; (v) issuing the rules and control of securities trading based on securities exchange and system of listing, using electronic means; (vi) protection of investors' rights; (vii) issuing and enforcing standards of disclosure to investors and the general public on business operations of securities trading participants; (viii) issuing and enforcing corporate governance standards; and (ix) issuing conditions, issuing approvals of operations, and control of professional intermediaries and other securities trading participants.

As at 1 July 2025, the Securities Commission's market participant registry included 480 issuers, 15 fund management companies and 22 investment funds.

The SSE was founded in 2001, with trading officially commencing in April 2022. As at 1 July 2025, the largest foreign shareholders of the SSE are Borsa Istanbul, the Central Registry Agency Türkiye and Takasbank, with holdings of 9.9%, 5.0%, and 5.0%, respectively, with the remaining shares held by brokerage houses and natural persons from the Federation. Raiffeisen Bank d. d. Sarajevo is the largest shareholder, holding approximately 10.5% of the SSE's shares. Securities are listed on either the official stock exchange market or the free market of the SSE.

In 2024, a total turnover of BAM 785.7 million was realised on the SSE representing 51.69% of the total turnover on BiH stock exchanges. Of 3,090 transactions, 7,306,655 securities were traded. The only institutional investors on the market are investment funds and insurance companies. There are currently no private pension funds.

Insurance Market

The insurance industry in the Federation is underdeveloped as compared to EU member states but is at a similar stage of development as neighbouring nations, particularly Serbia and Montenegro. The Insurance Agency of BiH is responsible for providing inter-Entity harmonisation and insurance sector statistics, but the regulation and supervision of the insurance sector is performed at the Entity level, thereby creating issues regarding overall understanding of the insurance sector for effective international co-operation.

The legal framework of the insurance sector in the Federation includes the Law on Insurance, the Law on Compulsory Insurance in Traffic and the Law on Intermediation in Private Insurance.

The Federation's Insurance Agency is responsible for protecting the insured and insurers for the benefit of the insurance industry. The Federation's Insurance Agency's regulatory objectives are, in particular: (i) supervising the application of laws and bylaws in the field of insurance, as well as other regulations; (ii) regulating activities of insurance undertakings, the Protection Fund of the Federation and insurance intermediaries; (iii) building trust in the insurance market; (iv) preventing financial crime; training on benefits and risks pertaining to different classes of non-life and life insurance and other investments in the Federation, as well as providing relevant information and advice and advising and protecting customers pursuant to the nature of the risks involved and level of experience and expertise of the customers.

As at 31 December 2024, 11 reinsurance /insurance companies were operating in the Federation, of which seven were majority foreign-owned. Of the 11 companies, three were engaged exclusively in non-life insurance activities, seven conducted both non-life and life insurance activities, while one company carried out reinsurance activities. In 2024, total assets held by insurance companies of the Federation (including the results of such companies from activities in the Federation and elsewhere in BiH) amounted to BAM 1.9 billion, or 5.7% of nominal GDP. The investment portfolio of insurance companies accounted for 66.1% of total assets as at 31 December 2024 and amounted to BAM 1.3 billion.

The gross written premiums of insurers operating in the Federation (including the results of such companies from activities in the Federation and elsewhere in BiH) were BAM 753.8 million in 2024, representing an increase of 10.5%, as compared to BAM 682.5 million in 2023. In 2024, there were 3.6 million insurance contracts issued, as compared to 3.3 million in 2023, reflecting an increase of 8.5%. The largest share relates to accident insurance with 942,789 policies, followed by car insurance with 910,718 policies, and life insurance with 893,681 policies.

PUBLIC FINANCE

Introduction

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. The Fiscal Council of BiH was established in 2008 and is comprised of six members, the Chair of the Council of Ministers of BiH, the President of Republika Srpska, the Prime Minister of the Federation, the Minister of Finance and Treasury of BiH, the Minister of Finance of Republika Srpska and the Minister of Finance of the Federation (the "**Fiscal Council**").

The Fiscal Council is responsible for coordinating the fiscal policies in BiH to ensure macroeconomic stability and sustainability of public finance at all levels of government. In particular, the Fiscal Council is responsible for the preparation and adoption, annually, of a Global Framework for Fiscal Balance and Policies, which is issued for a three-year period and provides: (i) fiscal objectives of the budget of the institutions at each level of government; (ii) proposed macroeconomic projections for total indirect taxes and their allocation for the next fiscal year; and (iii) the proposed debt ceiling for borrowing for BiH institutions at each level of government (the "**Fiscal Balance Framework**"). On 24 February 2025, the Fiscal Council approved the Fiscal Balance Framework for 2025-2027.

Following the adoption of the Fiscal Balance Framework by the Fiscal Council, the Council of Ministers of BiH, each of the Federation Government and the Government of Republika Srpska are then responsible for the adoption of a framework budget document (a "**FBD**"), which sets out fiscal policy and budgeted expenditures and revenues at the relevant level of government.

The Federation Government Budget Process

According to Article III.1(c) of the Federation Constitution, the Federation has exclusive jurisdiction to adopt regulations relating to finance, financial institutions and fiscal policy of the Federation, including corporate income tax, personal income tax and certain types of non-tax revenues. The collection and distribution of indirect revenues (which include VAT, customs duties, excise duties, and road tolls) is managed at the BiH state level See "*—Descriptions of Principal Budgetary Components—Tax Revenue—Indirect Tax Revenues*".

Budget Preparation by the Federation

The budget process in the Federation takes place in two phases: (i) the medium-term planning process (which involves the development of the FBD); and (ii) the annual Federation Government budget development process. Budget preparation in the Federation proceeds in accordance with the Law on Budgets. 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.

The process begins with the Federal Ministry of Finance delivering instructions on the method and elements of the FBD to all budget users (including ministries, administrative bodies, extra-budgetary funds and other institutions financed by the Federation Government's budget) by 15 February of the relevant year. By 15 April, budget users must present their total financial requirements for the medium-term period by programme classification and with initial projections of the necessary funds for the next three-year period. Financial requests for the allocation of budget funds are submitted with detailed explanations of individual categories of revenues and expenditures. The Federal Ministry of Finance prepares the FBD by 15 June and it is adopted by the Federation Government by 30 June and published on the Federal Ministry of Finance website by 15 July. The Federation's FBD sets out a strategic framework and resource ceilings, within which the annual budget should be prepared. The Federation Government adopted its FBD for the period 2025-2027 in June 2024.

The Federal Ministry of Finance delivers a second set of budget instructions, which includes initial budget limitations and guidelines for preparing requests, to all budget users by 15 July. Budget users must then submit budget requests to the Federal Ministry of Finance by 31 August and consultations with budget users must be completed by 30 September. The Federal Ministry of Finance submits the draft budget for the next fiscal year to the Federation Government by 31 October, and, by 5 November, the Federation Government establishes the draft budget, which the Prime Minister submits to the Federation Parliament for approval. The Federation Parliament must adopt the budget by 31 December of the relevant year. If there is a delay in the adoption of the budget (as in 2024, when the budget for 2024 was adopted in July 2024), the Federal Ministry of Finance operates under a temporary financing decision (typically based on one-twelfth of the previous year's budget for each month) to ensure continuity of public services. This temporary financing decision is applied for a three-month period, following which, until a budget is adopted, only debt servicing is permitted.

The budget calendar is applied in the same way to each level of government in the Federation, with the budgetary process taking place at each level of government independently of the others. Accordingly, the Cantons, municipalities and cities prepare their budgets independently of higher or lower levels of government.

Fiscal policy

Fiscal policy coordination in the Federation is carried out through the Fiscal Coordination Body, which is responsible for proposing and implementing fiscal goals for the budget of the Federation and lower levels of government. In addition, the Fiscal Coordination Body is responsible for controlling the implementation of fiscal rules and monitoring the implementation of set goals and criteria when adopting and executing the budget.

The fiscal policy of the Federation for the years 2025-2027, as outlined in the FBD and the Guidelines of Economic and Fiscal Policy, is aimed at accelerated economic development, prosperous and inclusive social development, resource-efficient and sustainable development, and a transparent, efficient and sustainable public sector. It is based on the continuation of reform activities in five key areas: (i) reducing workload; (ii) restructuring of the tax burden; (iii) administrative improvement of the provision of public services; (iv) suppression of the informal economy; and (v) the continuous improvement of coordination and fiscal responsibility between all levels of government in the Federation.

In order to create a legal framework for the introduction of programme budgeting, a Law on Amendments to the Law on Budgets was approved on 31 January 2025. Pursuant to the Law on Amendments to the Law on Budgets, the implementation of programme budgeting will be applied by gradually introducing a programme budget format, starting at the Federation level and extra-budgetary funds at the Federation level for the budget cycle for 2026, and at the cantonal level and extra-budgetary funds at the cantonal level for the 2028 budget cycle. The implementation of programme budgeting will not apply to cities and municipalities. Programme budgeting provides for a more efficient mechanism to finance service delivery than traditional line-item budgeting. It is intended to improve efficiency and effectiveness of public expenditure and as a tool for allocating between priorities.

Budget Execution, Monitoring and Reporting

Budget execution for the Federation and its Cantons is based on the Law on Budget Execution.

The Rulebook on Financial Reporting and Annual Budget Calculation in the Federation regulates financial reporting. Consolidated periodic and annual reports are prepared by the Federation, which cover all levels of government in the Federation, as well as extra-budgetary funds. The reports are regularly published on the website of the Federal Ministry of Finance. All levels of government are subject to regulated financial reporting and publish quarterly and annual reports on budget execution. The Central Bank publishes consolidated reports on the Federation Government operations for all general Federation Government sectors. Public enterprises financed from public revenues or enterprises for which the Federation Government issues debt guarantees, including the companies responsible for the Federation's railways, roads and motorways, submit periodic and annual financial reports on the execution of the business plan to the Federal Ministry of Finance.

To address issues related to transparency and governance in public enterprises, the Federation intends to establish a unit tasked with monitoring the work of public enterprises within the General Secretariat of the Federation Government. The unit will be responsible for conducting initial analysis, including reports and recommendations from international institutions, and to draft implementing bylaws.

Amendments to the Budget Law may be made in the event of discrepancies or revised targets. There were no such amendments to the Budget Law in 2024. Exercises to rebalance the budget were made twice in the period 2020-2023, once in 2020 to propose budgetary measures and provide funds to mitigate the consequences of the COVID-19 pandemic and, once in 2023 following the appointment of the new Federation Government after the October 2022 Elections.

Public Finance Management Strategies

Public Finance Management by BiH

Efficient public finances are the foundation for meeting the requirements of the EU integration process. Reform measures expected to contribute to improvements in the quality of public finances in BiH are defined in the Comprehensive Strategy for Public Finance Management for the period 2021-2025 (the "**BiH PFM Strategy 2021-2025**"), as well as in individual strategies of all levels of government in BiH. Areas of focus under the BiH PFM Strategy 2021-2025 include: (i) the modernisation of tax administration, through increasing efficiency of processes and implementing more advanced information systems, which is expected to improve the business environment by simplifying processes for taxpayers and providing for the faster exchange of information between tax administrations; and (ii) the continuation of activities, which aim to prevent tax base erosion and profit shifting in order to increase the efficiency of the public revenue collection system.

In December 2024, the Consolidated Report on the Implementation of the Comprehensive Public Finance Management Strategy in BiH for 2023 was adopted by the Public Expenditure and Financial Accountability of the World Bank, which noted that some progress had been made in the implementation of all public finance reform areas, with a focus on improving fiscal consolidation, the introduction of programme budgeting, tax burden restructuring and improvements in financial management and audit systems.

In 2024, work began on developing a new comprehensive public financial management strategy for BiH for the period 2026-2030 (the "**Comprehensive 2026-2030 PFM Strategy**"), which serves as an integrated document consisting of the individual public financial management strategies of each of the Entities, the Brcko District and the institutions of BiH. The Comprehensive 2026-2030 PFM Strategy is expected to be adopted in the second half of 2025.

Public Finance Management by the Federation

In 2022, the Federation adopted its Public Financial Management Strategy for the period 2021-2025 (the "**Federation PFM Strategy 2021-2025**").

The objective of the Federation PFM Strategy 2021-2025 is to provide a comprehensive and integrated framework for planning, coordinating, implementing and monitoring the progress of activities involving public finance with the aim of improving macroeconomic stability, ensuring efficient and effective allocation and use of public resources, and improving the services, transparency and overall functionality of the public administration. The Federation PFM Strategy 2021-2025 sets out reforms to strengthen the legal and institutional framework for managing public finances in the Federation, in line with EU and international standards. The Federation PFM Strategy 2021-2025 defines the direction for reforms in respect of the Federation's public finances and is incorporated into the BiH PFM Strategy 2021-2025. The Federation PFM Strategy 2021-2025 aims to achieve this by covering six core areas of activities: (i) fiscal framework, (ii) public revenues, (iii) planning and budgeting, (iv) budget execution, (v) internal controls and (vi) external auditing. The Federation's Public Finance Management Strategy for the period 2026 to 2030 is currently being prepared, with the deadline for adoption by the Federation Parliament set as 30 June 2025, which deadline was extended by the Federation Government on 25 June 2025 to 31 October 2025.

The Federation Government is responsible for regularly monitoring the progress towards the strategies outlined in the Federation PFM Strategy 2021-2025.

In recent years, the Federation Government has been particularly focused on resolving matters related to the demographic future of its citizens by implementing reforms to the pensions system. In line with this aim, the Decision on the Development of the Strategy for Demographic Development and Recovery of the Federation (2024-2031) and the Employment Strategy of the Federation (2023-2030) have been adopted. These strategies aim to relieve the burden on the pension system by improving the ratio of employees to pensioners, thus ensuring the long-term sustainability of the financial system. In connection with this aim, the Pension and Disability Insurance Funds were introduced into the Federation's budget in 2020.

The Pension and Disability Insurance Fund of the Federation is a public institution established by law, which began operating in 2002. The Fund's operations are regulated by the Law on the Organisation of Pension and Disability Insurance Fund, while the exercise of rights is carried out in accordance with the Law on Pension and Disability Insurance. The primary function of the Fund is to manage the process of exercising rights from pension and disability insurance and to disburse pensions. Until the end of 2019, the Fund was an extra-budgetary organisation responsible for collecting social contributions for pension and disability insurance. Since the beginning of 2020, the Fund has operated through the Treasury Single Account, meaning that all social contributions are paid into the budget, and all pensions are paid from the budget. Most pensions are funded through collected contributions, but certain categories are paid from budgetary funds (such as, early retirement for war veterans or subsidies for individuals who do not qualify for the minimum pension).

In addition, the Federation Government has approved a Strategy for the Development of the Social and Child Protection System in the Federation (2024-2030), which is aimed at reducing poverty and mitigating its consequences, and strengthening the inclusion of marginalised individuals and groups, while strengthening institutional mechanisms and capacities, therefore enhancing financial sustainability.

2025-2027 ERP

On 21 March 2024, the European Council opened negotiations on the accession of BiH to the EU. In order to comply with the economic criteria of the "fundamentals" for EU membership, the ERP was prepared, which presents economic policy measures across BiH for the next three-year period. *See "Economy of the Federation— Economic Reform Programme of BiH (2025 to 2027)*". On 19 March 2025, the ERP was formally adopted by the BiH Council of Ministers.

The ERP sets out key macroeconomic and fiscal policies for BiH for the period, with the overarching goal of fostering sustainable economic development, stimulating employment growth and ensuring the medium- and long-term sustainability of public finances. It also includes an assessment of the impact of structural reforms set out in the draft Reform Agenda, developed under the EU Growth Plan for the Western Balkans, on BiH's macroeconomic framework and fiscal indicators for the period 2025-2027.

The Federation Government has appointed a coordinator to participate in joint activities and coordinate the participation of the Federation's institutions in the preparation the ERP.

Recent Budgets

2025 Budget of the Federation Government

The 2025 Budget Law was adopted by the Federation Parliament on 31 January 2025. The 2025 budget of the Federation Government (the "**2025 Budget**") provides for a budget in the amount of BAM 8.2 billion, and is focused on improving social welfare (including increased funding for pensions and unemployment benefits), economic development (through, among others, measures to support SMEs, innovation, and job creation), and infrastructure projects, while managing fiscal challenges.

Key elements of the 2025 Budget and fiscal package include:

- BAM 3.8 billion in payments under the Pension and Disability Insurance Act;
- BAM 186.5 million in subsidies to the agriculture sector, including veterinary medicine;
- BAM 122.7 million in funds for the health sector, including for the rehabilitation of health institutions, funds for clinical centers and funds for the prevention and early detection of malignant diseases;
- BAM 100 million in wage subsidies to employers, to provide financial support in connection with the 62% increase in minimum wage since March 2025 to BAM 1,000, with effect from 1 January 2025;
- BAM 50 million in financial aid to towns and counties affected by the October 2024 floods;
- BAM 47.0 million to be allocated for displaced persons and refugees, including sustainable return programmes;
- BAM 38.7 million to be allocated to the railways, including a transfer to the Federation railways; a transfer to settle liabilities under the Law on Financial Consolidation of JP Railways of the Federation of BiH doo Sarajevo; a transfer to the BH Railway Public Corporation; and a transfer to co-finance the construction of railway infrastructure; and
- BAM 11.3 million for the environment and green projects and tourism development.

Revenues

Budget revenues are budgeted to increase to BAM 6,801.5 million for 2025, as compared to budgeted revenues of BAM 5,978.2 million in the 2024 budget. The increase in budgeted revenues is characterised by an increase in tax revenues and receipts, and a decrease in non-tax revenues and current transfers and donations.

Tax revenues are budgeted at BAM 6,198.9 million for 2025, primarily due to an increase in pension contributions and disabled insurance, which is primarily due to the impact of the projected GDP growth and growth in the minimum wage.

Non-tax revenues are budgeted at BAM 588.6 million for 2025 and include: (i) BAM 363.5 million in loan installment repayments by end-users; (ii) BAM 30 million in dividends; and (iii) BAM 120.2 million in fees and charges related to the provision of public services such as administrative fees, court fees, charges for the use of public property, and similar levies. The remaining non-tax revenues consist of other revenues from asset utilisation, as well as revenue from premiums and fees for issued guarantees and related sources.

Expenditures

Total expenditures are budgeted to increase by 14.0% to BAM 7,038.2 million for 2025, as compared to budgeted expenditures of BAM 6,173.0 million in the 2024 budget.

The increase in budgeted expenditures in 2025, as compared to budgeted expenditures in the 2024 budget, is primarily due to a 12.6% increase in current transfers and other expenses in 2025, which is, in turn, primarily due to: (i) an increase of BAM 41.3 million, or 14%, in funds allocated for gross salaries and compensation of employees (as a result of the increase in minimum wage); (ii) an increase of BAM 1.4 million, or 8%, in financing material costs; (iii) an increase of BAM 75.1

million in current transfers to other levels of government and funds; (iv) an increase of BAM 429.3 million in current transfers to individuals, reflecting planned increases in amounts payable to pensioners, veterans and disabled persons (see "*Risk Factors—Risks Relating to the Issuer—The Federation has experienced budget deficits*"); and (v) an increase of BAM 112.7 million in subsidies to private enterprises and entrepreneurs, as compared to the 2024 budget. The increases in the Federation Government's 2025 budgeted expenditures stem from a combination of policy-driven social spending, economic support measures, and cost adjustments tied to inflation and wage reforms.

The 2025 Budget also provides for capital transfers: (i) to other levels of government and funds in the amount of BAM 147.7 million; (ii) to public enterprises in the amount of BAM 265.2 million; (iii) to financial institutions in the amount of BAM 30.0 million (of which BAM 10.0 million is allocated to the Guarantee Fund at the Development Bank, and BAM 20.0 million is allocated in funds for increasing capital in the Development Bank).

The 2025 Budget provides for interest expenses of BAM 252.6 million. Repayments of external debts are budgeted to amount to BAM 630.6 million in 2025, while repayments of domestic borrowing are budgeted to amount to BAM 451.0 million.

Public Accounts

The following table sets forth an overview of the Federation Government's actual and budgeted revenues, expenditures and overall balance of the budget sector public accounts for the years indicated:

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	*2024 Budget*	*2025 Budget*
				(BAM millions)			
A. Revenue (I + II + III)	**3,905.1**	**4,332.6**	**4,796.3**	**5,446.0**	**5,944.2**	***5,978.2***	***6,801.5***
I. Taxes	3,488.8	3,867.6	4,368.2	5,051.1	5,526.0	*5,345.0*	*6,198.9*
Taxes on profit individuals and companies	*80.9*	*71.5*	*89.0*	*115.4*	*114.4*	*96.0*	*117.8*
Pension contributions and disabled insurance	*2,022.7*	*2,177.8*	*2,458.8*	*2,821.4*	*3,067.5*	*2,992.0*	*3,618.9*
Revenues from indirect tax with unique bill	*1,385.3*	*1,618.3*	*1,820.4*	*2,114.2*	*2,344.1*	*2,256.9*	*2,462.2*
II. Non-tax income	411.8	461.8	400.5	308.6	410.6	*618.9*	*588.6*
III. Current transfers and donations	4.5	3.2	27.5	86.3	7.6	*14.3*	*14.0*
B. Expenditures (IV+V+VI+VII+VIII+IX)	**4,055.3**	**3,989.7**	**4,351.5**	**5,519.8**	**6,000.9**	***6,173.0***	***7,038.2***
IV. Current reserve	0.0	0.0	0.0	0.0	0.0	*5.2*	*5.2*
V. Gross salaries and remunerations	263.3	265.8	287.6	331.1	358.2	*384.0*	*439.2*
VI. Expenditures for goods and services	92.5	101.3	96.8	96.7	112.7	*149.5*	*160.9*
VII. Current transfers and other current expenses	3,492.5	3,459.3	3,729.5	4,730.6	5,091.4	*5,084.0*	*5,724.0*
VIII. Capital transfers	115.1	86.3	151.3	194.7	235.8	*341.9*	*456.4*
IX. Interest Expenses	91.9	77.0	86.1	166.8	202.8	*208.4*	*252.6*
C. Current balance (A-B)	**(150.3)**	**342.9**	**444.8**	**(73.8)**	**(56.7)**	***(194.8)***	***(236.7)***
X. Proceeds from the sale of non-financial assets	0.2	250.9	171.0	0.4	0.1	0.3	0.1
XI. Procurement expenditures and expenditures per basis reconstruction and disposal of non-financial assets	35.7	14.5	42.2	22.7	29.9	66.6	78.9
D. Net purchase of non-financial assets (X-XI)	**(35.5)**	**236.4**	**128.8**	**(22.3)**	**(29.8)**	**(66.3)**	**(78.8)**
E. Current balance, including net purchase of non-financial assets (C+D)	**(185.8)**	**579.3**	**573.6**	**(96.1)**	**(86.5)**	***(261.1)***	***(315.5)***
F. Receipts from financial assets and interests	**832.1**	**215.3**	**337.0**	**390.4**	**882.4**	***1,395.0***	***1,446.9***
XII. Receipts from financial assets	0.0	0.0	0.0	0.4	68.3	*100.0*	*50.0*
XIII. Receipts from long-term borrowing	672.1	115.3	287.0	252.0	640.1	*935.0*	*1,036.9*
XIV. Receipts from short-term borrowing	160.0	100.0	50.0	138.0	174.0	*360.0*	*360.0*
G. Expenditure for financial assets and debt re-payments (XV+XVI)	**674.8**	**775.8**	**748.9**	**853.1**	**956.9**	***1,235.2***	***1,116.4***
XV. Expenditure for financial assets	15.7	18.0	18.5	23.0	25.5	*31.7*	*30.1*
XVI. Expenditure for debt repayments	659.1	757.8	730.4	830.1	931.4	*1,203.6*	*1,086.3*
H. Net financing (F-G)	**157.3**	**(560.5)**	**(411.9)**	**(462.8)**	**(74.5)**	***159.8***	***330.5***

Source: Federal Ministry of Finance

Overview of Federation Government Fiscal Results

Total Federation Government revenues have grown in recent years, from BAM 3,905.1 million in 2020 to BAM 5,944.2 million in 2024. One of the principal factors in the overall growth of revenues over the period has been the growth of tax revenues. Inflationary trends have partly influenced the level of achieved growth, but considering that the rate of recorded growth in public revenues is significantly above the recorded level of inflation, there has been stable and continuous real growth in public revenue collection, largely generated by an increase in final private consumption and positive trends in the labour market (growth in the number of employees and growth in wages due to adjustment to the supply and demand ratio of qualified workforce).

Total expenditures have also grown over the past five years, from BAM 4,055.3 million in 2020 to BAM 6,000.9 million in 2024. Total expenditures decreased by 1.6% in 2021 before increasing by 9.1% in 2022, 26.9% in 2023 and 8.7% in 2024. Principal factors in the growth of expenditures since 2021 include the growth of local government expenditures and social insurance outlays.

The overall fiscal deficit (current balance) was BAM 56.7 million in 2024 (0.16% of GDP), as compared to a fiscal deficit (current balance) of BAM 73.9 million in 2023 (0.22% of GDP), a fiscal surplus (current balance) of BAM 444.8 million in 2022 (1.52% of GDP), a fiscal surplus (current balance) of BAM 342.8 million in 2021 (1.36% of GDP) and a fiscal deficit (current balance) of BAM 150.2 million in 2020 (0.67% of GDP).

2024 Revenues

Total revenues and grants increased by 9.2% to BAM 5,944.2 million in 2024 from BAM 5,446.0 million in 2023, primarily due to an increase in tax revenues, which was, in turn, due to an 8.7% increase in pension contributions and disabled insurance from BAM 2,821.4 million in 2023 to BAM 3,067.5 million in 2024, due to an increase in wages. Revenues from indirect tax with unique bill increased by 10.9% to BAM 2,344.1 million in 2024 from BAM 2,114.2 million in 2023, due to private consumption growth.

2024 Expenditures

Total expenditures increased by 8.7% to BAM 6,000.9 million in 2024 from BAM 5,519.9 million in 2023. This increase was primarily due to a 11% increase in transfers to individuals (primarily related to social support), based on an annual adjustment formula, and a 20% increase in capital transfers.

2025 Interim Fiscal Results

The following table sets forth the Federation Government's actual fiscal results for the periods indicated:

	For the three months ended 31 March	
	2024	2025
	(BAM millions)	
A. Revenue (I+II+III)	**1,395.9**	**1,514.6**
I. Taxes	1,305.6	1,439.2
Taxes on profit individuals and companies	*33.7*	*28.4*
Pension contributions and disabled insurance	*733.8*	*838.7*
Revenues from indirect tax with unique bill	*538.1*	*572.1*
II. Non-tax income	90.3	73.8
III. Current transfers and donations	0.05	1.6
B. Expenditures (IV+V+VI+VII+VIII+IX)	**1,230.7**	**1,274.9**
IV. Current reserve	0	0
V. Gross salaries and remunerations	87.5	93.3
VI. Expenditures for material and services	20.8	17.1
VII. Current transfers and other current expenses	1,067.6	1,104.5
VIII. Capital transfers	0	0
IX. Interest Expenses	54.8	60.0
C. Current balance (A-B)	**165.2**	**239.7**
X. Proceeds from the sale of non-financial assets	0.1	0.1
XI. Procurement expenditures and expenditures per basis reconstruction and disposal of non-financial assets	0.2	0.4
D. Net purchase of non-financial assets (X-XI)	**(0.1)**	**(0.3)**
E. Current balance, including net purchase of non-financial assets (C+D)	**165.1**	**239.4**
As a % of GDP[(1)]	*0.5*	*0.7*

Source: Federal Ministry of Finance

Note:

(1) At current market prices. Federation-level GDP.

Revenues

Total revenues and grants increased by 8.5% to BAM 1,514.6 million in the three months ended 31 March 2025 from BAM 1,395.9 million in the corresponding period of 2024. This increase was primarily due to an increase in pension contributions and disability insurance contributions, which was in turn primarily due to an increase in minimum wage in early 2025.

Expenditures

Total expenditures increased by 3.6% to BAM 1,274.9 million in the three months ended 31 March 2025, from BAM 1,230.7 million in the corresponding period of 2024. This increase was primarily due to an increase in current transfers, which was, in turn, as a result of an increase in Federation Government support for vulnerable businesses in line with measures set out in the 2025 Budget. See "—*Recent Budgets—2025 Budget of the Federation Government*".

Total Surplus

There was an overall surplus (current balance) of BAM 239.4 million (0.7% of GDP) in the three months ended 31 March 2025, compared to a surplus (current balance) of BAM 165.1 million (0.5% of GDP) in the three months ended 31 March 2024.

Primary Balance

The primary balance represents total revenues less primary expenditures (*i.e.,* total expenditures excluding interest expenses).

In 2020, the Federation Government's primary balance recorded a deficit of BAM 58.3 million, or (0.26)% of GDP, this deficit was primarily due to COVID-19 pandemic-related spending pressures. This was followed by surpluses in 2021 and 2022, with primary surpluses recorded of BAM 419.9 million and BAM 530.9 million, respectively, or 1.67% and 1.81% of GDP, driven by revenue growth. In 2023, the primary balance recorded a reduced surplus of BAM 92.9 million, or 0.32% of GDP, with the reduced level (as compared to 2022) as a result of increased spending due to wage increases. In 2024, the primary balance recorded a surplus of BAM 146.2 million, or 0.46% of GDP.

The table below shows the evolution of the Federation Government's primary balance for the years indicated:

	For the year ended 31 December				
	2020	2021	2022	2023	2024
	(BAM millions, except where indicated)				
Total Revenues	3,905.1	4,332.6	4,796.3	5,446.0	5,944.2
Total Expenditures	4,055.3	3,989.7	4,351.5	5,519.8	6,000.9
Interest expenses(1)	91.9	77.0	86.2	166.8	202.8
Primary Balance	(58.3)	419.9	530.9	92.9	146.2
Primary Balance/GDP (%)(2)(3)	(0.26)	1.67	1.81	0.32	0.46

Source: Federal Ministry of Finance

Notes:

(1) Including interest payments on both foreign currency debt and domestic currency debt.

(2) See "*Economy of the Federation—Gross Domestic Product*".

(3) At current market prices. Federation-level GDP.

The Consolidated Budget of the Federation

The consolidated budget of the Federation includes the budget of the Federation Government, the budgets of the Cantons, budgets of municipalities and cities, the budgets of extra-budgetary funds, public enterprises and institutions and transfers and grants between different levels of government.

The following table sets forth an overview of the consolidated actual and budgeted revenues, expenditures and overall balance of the Federation (on a consolidated basis) for the years indicated:

	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Actual	*2024 Budget(1)*	*2025 Budget(1)*
				(BAM millions)			
A. Revenue(2) (I+II+III)	**8,533.6**	**9,588.7**	**10,782.2**	**11,998.4**	**13,229.7**	***14,332.4***	***15,932.2***
I. Taxes	7,530.5	8,431.9	9,692.8	10,725.7	12.027.4	*11,717.1*	*13,260.3*
II. Non-tax income	977.3	1,123.8	1,056.6	1,157.6	1,157.0	*1,695.4*	*1,727.3*
III. Current transfers and donations	25.8	33.0	32.8	115.1	45.3	*919.9*	*944.5*
B. Expenditures (IV+V+VI+VII+VIII+IX)	**8,687.3**	**9,208.6**	**10,078.2**	**11,531.8**	**12,762.6**	***14,215.6***	***15,761.7***
IV. Current reserve	0.0	0.0	0.0	0.0	0.0	*48.9*	*52.4*
V. Gross salaries and remunerations	2,065.5	2,125.5	2,399.6	2,743.7	3,074.7	*3,146.2*	*3,526.4*
VI. Expenditures for material and services	1,918.4	2,000.9	2,217.6	2,492.3	2,768.1	*3,007.7*	*3,311.4*
VII. Current transfers and other current expenses	4,394.7	4,701.2	5,028.1	5,744.6	6,337.8	*7,026.9*	*7,684.6*
VIII. Capital transfers	203.4	291.4	332.1	360.8	346.4	*729.8*	*879.6*
IX. Interest Expenses	105.3	89.6	100.8	190.4	235.6	*256.0*	*307.4*
C. Current balance (A-B)	**(153.7)**	**380.1**	**704.0**	**466.6**	**467.1**	***116.8***	***170.4***
X. Proceeds from the sale of non-financial assets	20.8	277.7	196.2	20.7	24.3	*138.2*	*125.0*
XI. Procurement expenditures and expenditures per basis reconstruction and disposal of non-financial assets	320.2	394.4	450.4	455.9	594.8	*1,141.7*	*1,307.1*
D. Net purchase of non-financial assets (X-XI)	**(299.4)**	**(116.7)**	**(254.2)**	**(435.2)**	**(570.5)**	***(1,003.5)***	***(1,182.0)***
E. Current balance, including net purchase of non-financial assets (C+D) (C+D)	**(453.1)**	**263.4**	**449.8**	**31.4**	**(103.4)**	***(886.7)***	***(1,011.6)***
FINANCING ACOUNT							
F. Receipts from financial assets and interests (XII+XIII+XIV)	**907.1**	**287.1**	**406.1**	**460.6**	***1,003.8***	***1,686.0***	***1,889.9***
XII. Receipts from financial assets	17.4	7.9	6.3	7.1	*77.8*	*113.6*	*65.1*
XIII. Receipts from long-term borrowing	711.2	159.4	347.7	301.9	*710.6*	*1,169.7*	*1,397.6*
XIV. Receipts from short-term borrowing	178.5	119.8	52.0	151.6	*215.4*	*402.8*	*427.2*
G. Expenditure for financial assets and debt re-payments (XV+XVI)	**786.7**	**857.9**	**851.0**	**957.4**	***1,074.4***	***1,372.5***	***1,271.9***
XV. Expenditure for financial assets	30.6	18.7	19.9	27.2	*27.7*	*33.7*	*32.9*
XVI. Expenditure for debt repayments	756.1	839.2	831.1	930.3	*1,046.7*	*1,338.7*	*1,238.9*
H. Net financing (F-G)	**120.4**	**(570.8)**	**(444.9)**	**(496.8)**	***(70.6)***	***313.5***	***618.0***

Notes:

(1) Figures represent an aggregation of budget figures included in the budgets prepared by the Federation Government and each of the Cantons, municipalities and cities, extra-budgetary funds, public enterprises and institutions.

(2) Public revenues paid directly to other beneficiaries of BAM 370.8 million in 2020; BAM 416.0 million in 2021; BAM 428.3 million in 2022, BAM 464.3 million in 2023 and BAM 508.4 million in 2024 are not included.

Descriptions of Principal Budgetary Components

Tax Revenue

Taxes are the principal source of revenues for the consolidated budget. The tax system in the Federation consists of four main categories of taxes: (i) taxes on profit (individuals and companies); (ii) pension contributions and disability insurance; (iii) indirect taxes (including VAT, excise duties and road tolls); and (iv) other income and income based on backward obligation. Pension contributions and disabled insurance, which were introduced into the budget in 2020, are the most important direct taxes.

Indirect Tax Revenues

The collection and distribution of indirect tax revenues (which include VAT, customs duties, excise duties and road tolls) is managed at the BiH state level through the Treasury Single Account, which is operated by the Indirect Taxation

Authority. Funds are allocated amongst BiH's institutions, the Entities, and the Brčko District in accordance with the Law on Payments to the Single Account and Revenue Distribution.

Pursuant to Article 21 of the Law on the Indirect Taxation System, before any indirect tax revenues are distributed to BiH's institutions, the Entities, and the Brčko District, the total collected amount of indirect tax revenues is reduced by the amount required to service BiH's external debt obligations for the relevant budget year (*i.e.,* debt for which the Ministry of Finance and Treasury of BiH is the borrower, on behalf of BiH, and which has been on-lent to the respective beneficiaries). See "*Public Debt—BiH State Debt*". This deduction is aimed at ensuring timely repayment of external liabilities.

The remaining indirect tax revenues are then distributed as follows: first, an amount set out in the Global Framework of Fiscal Balance and Policies in BiH for the period (which is signed by the Presidents of the governments of each of the Entities and the Government of BiH) is allocated to BiH state-level institutions; second, the Brčko District receives a fixed share of 3.55%; finally, the remaining balance is transferred to the Federation and Republika Srpska, with the relevant shares calculated by reference to VAT declarations. In recent years, the average allocation coefficient for the Federation has been approximately 63% of this remaining indirect tax revenue**.**

The distribution of indirect tax revenues among beneficiaries within the Federation is conducted in accordance with the methodology prescribed by the Law on Allocation of Public Revenues, using annual guidelines that define the shares of Cantons, municipalities, and road authorities. This procedure is aimed at ensuring that BiH state level debt obligations are settled prior to indirect tax revenue distribution.

Value-added tax

VAT is applicable to the imports of goods into the territory of BiH, as well as goods and services supplied in the territory. The standard VAT rate is 17%, and the VAT regime applies equally throughout the country of BiH, including in the Federation. Taxable persons are all individuals and legal entities registered, or required to be registered, for VAT. An entity whose taxable supplies of goods and services exceed, or are likely to exceed, a threshold of BAM 100,000 (€50,000) is required to register as a VAT payer. The export of goods is zero-rated. Taxable transactions include the supply of goods and services by a taxable person, as well as the import of goods by any person.

Excises

Products subject to excise tax are: petroleum products, tobacco products, soft drinks, alcohol, alcoholic drinks and natural fruit brandy and coffee.

To finance the construction of highways and expressways, a special fuel excise tax was introduced in 2018, of BAM 0.25 per litre of fuel, with BAM 0.20 per litre allocated for highway construction and BAM 0.05 per litre designated for the construction and reconstruction of other roads.

Revenues collected from this special fuel excise tax are managed in a separate account by the Indirect Taxation Authority and distributed among the Entities and the Brčko District based on temporary decisions. After reserving 10% for revenue reconciliation**,** 59% of the total collected funds will be allocated to the Federation. Accumulated reserves are redistributed every two years, resulting in a total share allocated to the Federation of 64.9%. These funds are transferred directly to highway and road operators (JP Autoceste FBiH and JP Ceste FBiH), which use the funds to repay external debt owed to the Federation's budget.

Corporate income tax

Resident companies are subject to 10% corporate income tax ("**CIT**") on their worldwide income. A resident legal entity is an entity that is incorporated or has a place of effective management and control in the territory of the Federation. CIT is also levied on profits of permanent establishments of non-resident legal entities in the Federation.

Individual taxation

Basis: Tax residents of the Federation are taxed on worldwide income; non-residents are taxed only on Federation-source income.

Taxable income: The tax base in the Federation is the total gross taxable income paid by the employer, less employee contributions and deductible allowances (*e.g.*, the monthly basic personal allowance, dependent family member allowances).

Rates: The standard personal income tax rate is 10% in the Federation.

Capital gains: Capital gains are taxed at a rate of 10% in the Federation, although some exemptions apply, depending on the type of property, family relations, and the manner of acquiring property.

Deductions and allowances: Personal deductions in the Federation are BAM 3,600 per calendar year. Additional deductions include the dependent family member allowance, interest paid on home mortgages, and certain payments for health services.

Non-tax revenues

Non-tax revenues consist of income from entrepreneurial activities and property and income from positive exchange rate differences, fees and charges and revenues from the provision of public services and non-tax related fines.

Expenditures

Expenditures are comprised of: (i) current reserve; (ii) gross salaries and remunerations; (iii) expenditures for material and services; (iv) current transfers and other current expenses; (v) capital transfers; (vi) interest expenses; (vii) current balance; (viii) proceeds from the sale of non-financial assets; (ix) procurement expenditures and expenditures per basis reconstruction and disposal of non-financial assets; and (x) net purchase of non-financial assets.

Current reserve funds are used for exceptional purposes or for purposes for which it is shown during the year that sufficient funds have not been allocated. Current reserve funds may amount to a maximum of 3% of planned revenues, excluding earmarked revenues, own revenues and receipts.

Current transfers include all non-refundable payments made for current purposes.

Capital transfers include all non-refundable payments made for the purpose of acquiring capital (*i.e.,* long-term and permanent) assets and capital investments.

International Tax Agreements

BiH has signed 39 double tax treaties with other countries. In 2018, BiH became a member country of the OSCE's Inclusive Framework on Base Erosion Profit Sharing.

In accordance with EU and OECD recommendations, BiH has signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "**Multilateral Instrument**"), which aims to implement tax treaty measures, update international tax rules and reduce the opportunity for tax avoidance by multinational enterprises. The Multilateral Instrument entered into force on 27 August 2020 and applies across BiH, including in the Federation.

PUBLIC DEBT

BiH State Debt

External BiH state debt consists of debt for which the Ministry of Finance and Treasury of BiH is the borrower on behalf of BiH, which is created in accordance with international agreements (but excluding debt created between 2 April 1992 and 14 December 1995) and is lent by external creditors in foreign currency (predominantly in Euros) ("**External BiH State Debt**"). Significant creditors of External BiH State Debt include EIB, the International Bank for Reconstruction and Development and the International Development Association.

External BiH State Debt also includes debt that is on-lent to the Entities and Brcko District. It is paid directly from the BiH state budget by the Ministry of Finance and Treasury of BiH and serviced by the Ministry of Finance and Treasury of BiH through indirect tax revenues collected at the BiH state-level. The amount due from each Entity in respect of External BiH State Debt servicing is determined in the BiH state budget for each Entity for the current year. See "*Public Finance—Descriptions of Principal Budgetary Components—Tax Revenue—Indirect Tax Revenues*". External BiH State Debt does not include the external debt of the Entities, local government units and public enterprises for which the borrower is not the Ministry of Finance and Treasury of BiH on behalf of BiH.

The Federation is not legally liable for the financial obligations of Republika Srpska, Brčko District nor BiH-level financial obligations (unless such obligations are pass-through obligations incurred by BiH on behalf of the Federation).

The following table sets forth External BiH State Debt outstanding as at the dates indicated, including the breakdown by ultimate obligor of the debt:

	As at 31 December					As at 31 March 2025
	2020	2021	2022	2023	2024	
	(BAM millions)					
Federation[(1)]	4,980.4	5,391.3	5,408.7	5,127.3	5,035.8	4,852.4
Republika Srpska	3,141.8	3,197.9	3,042.6	2,774.1	2,643.3	2,554.3
Brčko District	51.3	48.1	48.2	45.3	49.9	50.8
BiH Institutions	66.4	63.5	60.2	46.5	43.4	41.6
Total External BiH State Debt	**8,239.9**	**8,700.8**	**8,559.7**	**7,993.2**	**7,772.5**	**7,499.2**

Source: BiH Ministry of Finance and Treasury

Note:

(1) Figures published by the Ministry of Finance and Treasury of BiH may differ from figures published by the Federation Government. See "*—Federation-Level External Debt*" for a breakdown of the Relevant Debt (as defined below) and Direct Debt (as defined below) published by the Federation Government.

The following table sets forth the External BiH State Debt service (including principal and interest payments) as at the dates indicated, serviced through indirect tax revenue, including the breakdown by ultimate obligor of the debt:

	For the Year ended 31 December					For the three months ended 31 March 2025
	2020	2021	2022	2023	2024	
	(BAM millions)					
Federation	487.3	516.3	534.6	823.4	879.0	230.5
Republika Srpska	239.5	241.8	254.2	404.0	435.1	106.6
Brčko District	9.2	7.1	7.7	10.9	14.0	4.6
BiH Institutions	8.5	7.5	5.8	16.9	4.9	2.2
Total External BiH State Debt Service	**744.5**	**772.8**	**802.4**	**1,255.2**	**1,332.9**	**344.0**

Source: BiH Ministry of Finance and Treasury

Note:

(1) Figures published by the Ministry of Finance and Treasury of BiH may differ from figures published by the Federation Government. See "*—Federation-Level External Debt*" for a breakdown of the Relevant Debt (as defined below) and Direct Debt (as defined below) published by the Federation Government.

Total BiH external debt, which comprises total External BiH State Debt and the external debt of the Entities, local government units and public enterprises for which the borrower is not the Ministry of Finance and Treasury of BiH on behalf of BiH was BAM 8,957.5 million as at 31 March 2025, BAM 9,234.6 million as at 31 December 2024, BAM 8,924.6 million as at 31 December 2023, BAM 9,810.6 million as at 31 December 2022, BAM 9,737.5 million as at 31 December 2021 and BAM 8,698.3 million as at 31 December 2020.

As at 31 December 2024, total BiH public debt (comprising BiH-level external and domestic debt) was 25.7% of BiH-level GDP, according to statistics published by the Ministry of Finance and Treasury of BiH.

Debt Issuance by the Federation

In addition to borrowing through the Ministry of Finance and Treasury of BiH, the Federation can borrow from creditors directly. The Entities each have their own debt management responsibilities and are required to ensure that their financial obligations do not conflict with the servicing of External BiH State Debt.

The Federation Law on Borrowing was adopted by the Federation Parliament in June 2025. Under the Federation Law on Borrowing, the Federation can borrow domestically and externally in domestic or foreign currency. The Federation Law on Borrowing establishes borrowing limits for the total consolidated debt of the Federation (*i.e.,* the Federation Government, together with the Federation's Cantons, cities and municipalities) and for separate debt of the Federation Government, and separately its Cantons, cities and municipalities, as well as the purposes for which borrowing can be conducted on the external or domestic market, and guarantees can be issued. The Federation Law on Borrowing provides the following restrictions:

- Consolidated Federation Debt (as defined below) is subject to a maximum limit of 60% of the Federation's GDP. Any increases in such debt above 58% of GDP require approval of the Federation Parliament.

- Short-term debt incurred to finance a budget deficit derived from the cash flow must be repaid in the fiscal year in which the debt was incurred and it must not exceed 15% of regular budget revenues generated in the previous fiscal year.

- The total public debt (including unpaid guaranteed debt) of a Canton may not exceed the average of its regular revenues over the last three years. For cities and municipalities, this limit is set at up to twice the amount of their average regular revenues during the same period.

- New indebtedness or the issuance of a Cantonal guarantee is permitted if the total amount of debt servicing and potential due liabilities in any subsequent year, including those related to the proposed new borrowing or guarantee, does not exceed 15% of the average regular revenues. For cities and municipalities, this threshold is set at up to 20%, provided that the amount allocated to debt servicing from the budget of the Canton, city or municipality does not exceed 15% of its average regular revenues recorded over the last three fiscal years. When determining the aforementioned limits, guarantees are calculated in the amount of 30% of the nominal value of the guarantee.

Debt Management Policy in the Federation

The most recent medium-term debt management strategy for the Federation was adopted by the Federation Government in August 2024 (the "**Debt Management Strategy**").

The Federation Government's principal debt management goals are to secure funds to finance the Federation Government's needs with acceptable costs and risk levels in the medium- and long-term, and to develop the domestic securities market to improve access to local funding and reduce reliance on external borrowing.

In particular, pursuant to the Debt Management Strategy, the Federal Ministry of Finance aims to: (i) maintain the share of BAM- and Euro-denominated debt above 60% of the total debt portfolio in order to reduce currency risk; (ii) maintain the share of fixed interest rate debt above 50% of the total debt portfolio (with 62.62% of debt at a fixed rate of interest and 37.38% at a variable rate of interest as at 31 December 2024); (iii) extend the average time to maturity of the debt portfolio to 6.5 years by 31 December 2025 (6.4 years as at 31 December 2024); (iv) reset interest rates on average every 4.75 years (3.9 years as at 31 December 2024); and (v) limit interest servicing costs to less than 4% of revenues.

Federation Consolidated Debt

Total consolidated debt in the Federation comprises the debt of all institutional units of the Federation that are classified in the general government sector according to the rules of the European Union statistical methodology and includes Federation Government debt of federal extra-budgetary users (including the Federation's Cantons, cities, municipalities and public enterprises) but excludes the debt between these entities (the "**Consolidated Federation Debt**").

The following table sets out a breakdown of total Consolidated Federation Debt, both in millions of BAM and as a percentage of GDP, as at the dates indicated:

	As at 31 December					As at 31 March
	2020	2021	2022	2023	2024	2025[1]
	(BAM millions)					
Internal debt of the Federation Government[2]	860.5	761.1	682.6	924.4	1,406.2	1,566.2
Securities	*849.9*	*754.3*	*678.7*	*922.9*	*1,405.2*	*1,455.2*
Bank Loans	—	—	—	—	—	*110.0*
Verified Internal Debt for which bonds are not or are not being issued	*10.7*	*6.8*	*3.9*	*1.5*	*1.0*	*1.0*
Internal debt of the Cantons	225.1	242.5	257.4	290.7	250.3	315.3
Bonds	*16.3*	*16.3*	—	—	—	—
Loans	*208.8*	*226.2*	*257.4*	*290.7*	*250.3*	*315.3*
Other	—	—	—	—	—	—
Internal debt of municipalities and cities	74.1	75.7	71.5	80.4	87.9	91.2
Bonds	—	—	—	—	—	—
Loans	*74.1*	*75.7*	*71.5*	*80.4*	*87.9*	*91.2*
Other	—	—	—	—	—	—
Internal debt of public enterprises and other users	26.2	44.5	53.0	131.3	74.1	70.8
Bonds	—	—	—	*18.1*	*18.1*	*18.1*
Loans	*26.2*	*44.5*	*53.0*	*113.2*	*56.0*	*52.7*
Other	—	—	—	—	—	—
Total Internal Debt in the Federation	**1,185.9**	**1,123.7**	**1,064.5**	**1,426.8**	**1,818.5**	**2,043.5**
External debt of the Federation Government[3]	2,321.7	2,357.6	2,110.9	1,569.1	1,230.2	1,055.9
External debt of the Cantons	214.8	230.8	285.5	317.6	439.4	442.2
External debt of municipalities and cities	191.0	199.9	206.5	191.0	178.0	175.4
External debt of public companies and other users	2,255.9	2,613.7	2,807.6	3,088.9	3,206.1	3,201.6
Total External Debt in the Federation	**4,982.7**	**5,402.0**	**5,410.5**	**5,166.7**	**5,053.7**	**4,875.1**
Total debt of the Federation Government[4]	3,182.2	3,118.7	2,793.5	2,493.6	2,636.4	2,622.1
Total debt of the Cantons	439.9	473.3	542.9	608.3	689.7	757.5
Total debt of the municipalities and cities	265.1	275.6	278.0	271.3	265.9	266.6
Total debt of public companies and other users	2,281.0	2,658.2	2,860.6	3,220.3	3,280.3	3,272.4
Total Consolidated Federation Debt (total internal debt in the Federation plus total external debt in the Federation)	**6,168.6**	**6,525.7**	**6,475.0**	**6,593.5**	**6,872.2**	**6,918.6**
Nominal GDP[6]	22,255	25,230	29,463	31,967	34,379[5]	34,379[5]
Total Consolidated Federation Debt *(as a % of GDP)* [6]	27.7	25.9	22.0	20.6	20.0	20.1
Total internal debt in the Federation *(as a % of GDP)* [6]	5.3	4.5	3.6	4.5	5.3	5.9
Total External Debt in the Federation *(as a % of GDP)* [6]	22.4	21.4	18.4	16.2	14.7	14.2

Source: Federal Ministry of Finance

Notes:

(1) Preliminary data.

(2) The Federation Government is obligated to settle internal debt that is incurred by the Federation Government only. See "—*Federation Government Internal Debt*".

(3) Includes External Debt incurred by the Federation Government on its own behalf only. The Federation Government is obligated to settle External Debt that is incurred by the Federation Government for on-lending to the Cantons, municipalities and cities, public companies and other users. See "—*Federation-Level External Debt*".

(4) Includes debt incurred by the Federation Government on its own behalf only.

(5) Estimated. For data as at 31 March 2025, the estimate for 2024 full year GDP has been used to calculate the relevant debt-to-GDP ratios.

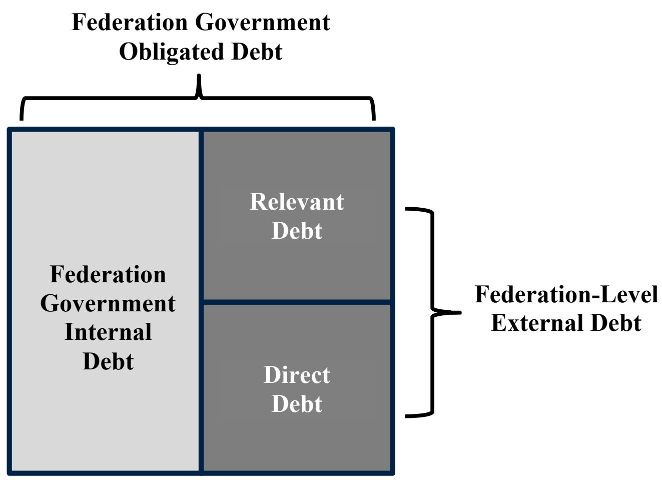
(6) Federation-level GDP.

As at 31 March 2025 (according to preliminary figures), total Consolidated Federation Debt was BAM 6,918.6 million, as compared to BAM 6,872.2 million as at 31 December 2024, representing an increase of 0.7%. Total consolidated internal debt in the Federation as at 31 March 2025 was BAM 2,043.5 million, as compared to BAM 1,818.5 million as at 31 December 2024, representing an increase of 12.4%. This increase was due to a BAM 160 million increase in internal debt of the Federation Government. Total consolidated external debt of the Federation as at 31 March 2025 was BAM 4,875.1 million, as compared to BAM 5,053.7 million as at 31 December 2024, representing a decrease of 3.5%.

Debt Balance of the Federation Government

Federation Government Obligated Total Debt is debt, which the Federation Government is obligated to settle, comprised of Federation-Level External Debt (as defined below) and Federation Government Internal Debt (as defined below).

The chart below sets out the composition of the Federation Government Obligated Debt:



Debt, which is borrowed from foreign creditors and which the Federation Government is obligated to settle and which is incurred (i) by the Ministry of Finance and Treasury of BiH for on-lending to the Federation Government ("**Relevant Debt**"); or (ii) directly by the Federation Government ("**Direct Debt**") is classified as "**External Debt**". "**Federation-level External Debt**" includes: (i) External Debt that is incurred by the Federation Government for itself (*i.e.,* excluding debt that is incurred by the Federation Government for on-lending); and (ii) External Debt that is incurred by the Federation Government for on-lending and which has been transferred to the ultimate debtors (*i.e.,* Cantons, cities, municipalities, public enterprises and others).

Internal debt is classified as debt that is not External Debt. For the purposes of Federation-level reporting for debt that the Federation Government is obligated to settle, internal debt comprises only the debt of the Federation Government ("**Federation Government Internal Debt**").

The following table sets forth the Federation Government Obligated Total Debt, which the Federation Government is obligated to settle.

	As at 31 December					As at 31 March
	2020	2021	2022	2023	2024	2025[1]
	(BAM millions)					
Federation-Level External Debt[2]	4,982.7	5,402.0	5,410.5	5,166.7	5,053.7	4,875.1
of which External Debt of Federation Government only[3]	*2,247.9*	*2,357.6*	*2,110.9*	*1,569.1*	*1,230.2*	*1,055.9*
Federation Government Internal Debt[4]	860.5	761.1	682.6	924.4	1,406.2	1,566.2
Federation Government Obligated Total Debt[5]	**5,843.2**	**6,163.1**	**6,093.1**	**6,091.1**	**6,459.9**	**6,441.3**
Nominal GDP[6]	22,255	25,230	29,463	31,967	34,379[7]	34,379[7]
External Debt of Federation Government only[3] *(as a % of Nominal GDP)* [6]	*10.1*	*9.4*	*7.2*	*4.9*	*3.6*	*3.1*
Federation-Level External Debt[2] *(as a % of Nominal GDP)* [6]	22.4	21.4	18.4	16.2	14.7	14.2
Federation Government Internal Debt *(as a % of Nominal GDP)* [6]	3.9	3.0	2.3	2.9	4.1	4.6
Federation Government Obligated Total Debt[5] *(as a % of Nominal GDP)* [6]	26.3	24.4	20.7	19.1	18.8	18.7

Source: Federal Ministry of Finance

Notes:

(1) Preliminary data.

(2) Includes external debt that is incurred by the Federation Government for on-lending and, which has been transferred to the ultimate debtors (i.e., Cantons, cities, municipalities, public enterprises and others) which the Federation Government is obligated to settle. See "—*Federation-Level External Debt*".

(3) Includes Federation Government external debt only and excludes External Debt incurred by the Federation Government on-lent and transferred to the ultimate debtors.

(4) Includes Federation Government internal debt only. See *"—Federation Government Internal Debt*".

(5) Includes total debt for which the Federation Government is obligated to settle (*i.e.*, Federation-Level External Debt and Federation Government Internal Debt).

(6) Federation-level GDP.

(7) Estimated. For data as at 31 March 2025, the estimate for 2024 full year GDP has been used to calculate the relevant debt-to-GDP ratios.

The following table sets forth the scheduled maturities of Federation Government Obligated Total Debt (including principal payments only) maturing between 2025 and 2044, by type of debt, as at 31 December 2024.

	Federation-Level External Debt	Federation Government Internal Debt[(1)]
	(BAM millions)	
2025	577	201
2026	463	140
2027	402	221
2028	394	160
2029	390	320
2030	381	70
2031	335	120
2032	271	78
2033	239	20
2034	209	45
2035	186	30
2036	314	—
2037	141	—
2038	122	—
2039	97	—
2040	84	—
2041	76	—
2042	68	—
2043	61	—
2044	53	—

Note:

(1) Includes Federation Government Internal Debt only. See *"—Federation Government Internal Debt*".

Federation-Level External Debt

As at 31 March 2025, Federation-Level External Debt was BAM 4,875.1 million (representing 70.5% of total Consolidated Federation Debt and 75.7% of Federation Government-Obligated Total Debt), as compared to BAM 5,053.7 million (representing 73.5% of total Consolidated Federation Debt and 78.2% of Federation Government-Obligated Total Debt) as at 31 December 2024, BAM 5,166.7 million (representing 78.4% of total Consolidated Federation Debt and 84.8% of Federation Government-Obligated Total Debt) as at 31 December 2023, BAM 5,410.5 million (representing 83.6% of total Consolidated Federation Debt and 88.8% of Federation Government-Obligated Total Debt) as at 31 December 2022, BAM 5,402.0 million (representing 82.8% of total Consolidated Federation Debt and 87.7% of Federation Government-Obligated Total Debt) as at 31 December 2021 and BAM 4,982.7 million (representing 80.8% of total Consolidated Federation Debt and 85.3% of Federation Government-Obligated Total Debt) as at 31 December 2020.

The following table sets forth the composition of Federation-Level External Debt, which the Federation Government is obligated to settle (including the external debt of ultimate debtors (*i.e.,* Cantons, cities, municipalities, public enterprises and others)), as at the dates indicated:

	As at 31 December					As at 31 March
	2020	2021	2022	2023	2024	2025
	(BAM millions)					
Relevant Debt	4,910.9	5,336.8	5,353.0	5,117.4	5,010.4	4,836.6
Direct Debt	71.9	65.2	57.5	49.3	43.3	38.5
Total Federation-Level External Debt	**4,982.7**	**5,402.0**	**5,410.5**	**5,166.7**	**5,053.7**	**4,875.1**

Source: Federal Ministry of Finance

The proceeds from external borrowing are primarily used for project financing of large infrastructure projects (including transport, energy, water supply and healthcare) and budget support. The proceeds of budget support loans are used to finance the budget deficit and are not linked to any specific project.

Federation-Level External Debt by Currency

The majority of Federation-Level External Debt (before SDR decomposition), 75.6% as at 31 March 2025 and 73.9% as at 31 December 2024, is denominated in Euros. A substantial portion consists of loans from the World Bank, the EBRD, the European Investment Bank and the IMF, which are denominated in SDRs. Overall, 12.8% of Federation-Level External Debt as at 31 March 2025 was denominated in SDRs (14.4% as at 31 December 2024). Most of the remaining Federation-Level External Debt (11.2% as at 31 March 2025 and 11.3% as at 31 December 2024) is denominated in U.S. Dollars.

The following table sets forth the Federation-Level External Debt, by currency (before SDR decomposition), as at the dates indicated:

	As at 31 December										As at 31 March 2025	
	2020		2021		2022		2023		2024			
	(BAM millions)	*(%)*	*(BAM millions)*	*(%)*	*(BAM millions)*	*(%)*	*(BAM millions)*	*(%)*	*(BAM millions)*	*(%)*	*(BAM millions)*	*(%)*
Euros ..	2,800.8	56.2	3,257.9	30.3	3,371.3	62.3	3,487.5	67.5	3,737.2	73.9	3,684.1	75.6
JPY	31.4	0.6	28.6	0.5	24.9	0.5	21.2	0.4	18.7	0.4	19.0	0.4
£..........	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR....	1,508.3	30.3	1,481.8	27.4	1,364.0	25.2	1,062.3	20.6	726.7	14.4	624.5	12.8
U.S.$...	642.2	12.9	633.7	11.7	650.3	12.0	595.7	11.5	571.1	11.3	547.5	11.2
Total...	**4,982.7**	**100.0**	**5,402.0**	**100.0**	**5,410.5**	**100.0**	**5,166.7**	**100.0**	**5,053.7**	**100.0**	**4,875.1**	**100.0**

Source: Federal Ministry of Finance

Federation-Level External Debt by Creditor

As at 31 March 2025, a significant portion of Federation-Level External Debt was on concessional terms, including lower than market rates (from 0-2%) and with long-term tenors (from 15 to 30 years on average), as such debt was provided by international financial institutions and bilateral creditors for development support.

The Federation Government's rescheduled debt, which was originally incurred prior to 1999 and then rescheduled, is entirely on concessional terms and is scheduled to be fully repaid by 2038. The Paris Club debt is part of the BiH external state debt incurred prior to 2 April 1992 (*i.e.,* debt that Bosnia and Herzegovina assumed as inherited international obligations of the former Socialist Federal Republic of Yugoslavia).

Federation-Level External Debt from multilateral financial institutions increased from BAM 4,018.4 million as at 31 December 2020 to BAM 4,191.9 million as at 31 March 2025. Federation-Level External Debt from bilateral institutions decreased from BAM 964.4 million as at 31 December 2020 to BAM 683.2 million as at 31 March 2025.

The following table sets forth Federation-Level External Debt, by creditor, as at the dates indicated:

	As at 31 December					As at 31 March
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
	(BAM millions)					
I. Multilateral[1]..	**4,018.4**	**4,505.1**	**4,558.5**	**4,395.0**	**4,356.6**	**4,191.9**
Council of Europe Development Bank....	59.3	86.8	89.0	91.9	89.1	89.0
European Commission	96.5	232.5	220.8	150.4	150.4	150.4
OPEC	192.9	220.7	235.4	208.4	191.7	179.3
IMF	573.4	582.3	563.7	417.1	195.2	125.3
World Bank (IDA)	1,008.8	974.9	877.3	713.9	599.6	562.2
EBRD..	507.1	611.9	649.0	714.5	719.7	696.8
World Bank (IBRD)................................	593.8	674.5	702.1	692.5	792.2	788.9
European Investment Bank	936.1	1,069.8	1,170.6	1,353.8	1,566.6	1,548.7
Other multilateral creditors	50.5	51.6	50.6	52.6	52.1	51.4
II. Bilateral...	**598.1**	**559.5**	**528.7**	**471.8**	**419.4**	**407.9**
KfW	183.8	196.5	160.4	126.6	92.9	87.0
Saudi Development Fund........................	83.1	92.7	116.9	108.7	104.5	104.2
Kuwait Fund for Arab Development.......	62.2	61.3	79.8	99.6	117.2	117.3
Other bilateral creditors...........................	269.0	209.0	171.6	136.9	104.8	99.4
III. Rescheduled Debt (Paris Club)	**366.3**	**337.4**	**323.3**	**299.9**	**277.9**	**275.3**
Total (I+II+III)	**4,982.7**	**5,402.0**	**5,410.5**	**5,166.7**	**5,053.7**	**4,875.1**

Source: Federal Ministry of Finance

Note:

(1) See "*—Multilateral Financial Institutions*".

The Federal Ministry of Finance has agreed with the Central Bank that the Central Bank will act as its payment agent for Federation-Level External Debt. The Central Bank is able to convert BAM into foreign currency, as part of its ordinary operations. See "*Monetary and Financial System*".

Federation Government Internal Debt

Federation Government Internal Debt is currently comprised of debt incurred through the issuance of marketable securities, namely, treasury bills, treasury bonds, war claim bonds and old foreign currency savings by the Federation Government to domestic creditors. It does not include the internal debt of the Cantons, municipalities and cities and public enterprises and other users, as the Federation Government is not responsible for settling such internal debt. Pursuant to the Federation Law on Borrowing, any debt that is not classified as External Debt is classified as internal debt.

The Federation Government Internal Debt is incurred in accordance with the Federation Law on Borrowing, the Law on Determining and Manner of Settlement of Internal Liabilities of the Federation, the Law on Settlement of Liabilities Based on Old Foreign Currency Savings Accounts and the Law on Determining and Realising Claims Arising During a State of War and Immediate Threat of War.

The following table sets forth the composition of the Federation Government Internal Debt as at the dates indicated:

	As at 31 December					As at 31 March
	2020	2021	2022	2023	2024	2025(1)
	(BAM millions)					
Treasury bills	100.0	50.0	50.0	100.0	120.0	70.0
Treasury bonds	640.0	630.0	590.0	820.0	1,283.0	1,383.0
War claim bonds(2)	109.9	74.3	38.7	2.9	2.2	2.2
Verified/registered debt, *of which*	10.7	6.8	3.9	1.5	1.0	1.0
Liabilities for old foreign currency savings(3)	—	—	3.9	1.5	1.0	1.0
Total Federation Government Internal Debt	**860.5**	**761.1**	**682.6**	**924.4**	**1,406.2**	**1,566.2**

Notes:
(1) Preliminary data.
(2) See "—*War claim bonds*".
(3) See "—*Liabilities for old foreign currency savings*".

As at 31 March 2025, total Federation Government Internal Debt was BAM 1,566.2 million (representing 24.3% of total Federation Government Obligated Total Debt), as compared to BAM 1,406.2 million (representing 21.8% of total Federation Government Obligated Total Debt) as at 31 December 2024, BAM 924.4 million as at 31 December 2023, BAM 682.6 million as at 31 December 2022, BAM 761.1 million as at 31 December 2021 and BAM 860.5 million as at 31 December 2020.

Treasury bills and bonds

Treasury bills and bonds are issued through public auctions and purchased principally by the banking sector in the Federation. Treasury bills are short-term instruments, with maturities of up to one year (of which the Federation Government currently offers instruments with maturities of six months, nine months and 12 months), and treasury bonds are long-term instruments, with maturities of more than one year (of which the Federation Government currently offers instruments with maturities of three years, five years, seven years and ten years).

As at 31 December 2024, the Federation Government had €732.2 million in outstanding treasury bonds, of which €40.9 million mature in 2025, €71.6 million mature in 2026, €112.5 million mature in 2027, €107.4 million mature in 2028, €163.3 million mature in 2029, €86.9 million mature in 2030, €61.4 million mature in 2031, €39.8 million mature in 2032, €10.2 million mature in 2033, €23.0 million mature in 2034 and €15.3 million mature in 2035.

The following table sets forth the weighted average original yield (at issuance) of BAM-denominated Federation Government securities as at the dates indicated:

	As at 31 December					As at 31 March
	2020	2021	2022	2023	2024	2025
				(%)		
Treasury Bills						
6 months	0.10	0.01	—	2.15	4.33	2.39
9 months	—	—	0.03	3.50	3.86	—
12 months	0.11	(0.002)	—	1.15	2.89	2.58
Bonds						
3 years	—	—	—	3.20	3.92	3.00
5 years	0.92	—	—	3.10	3.77	3.15
7 years	1.22	1.05	3.45	3.42	3.85	3.15
10 years	—	1.05	1.55	3.75	4.83	—

Source: Federal Ministry of Finance

War claim bonds

War claim bonds relate to bonds issued by the Federation Government to compensate individuals and companies for goods and services provided during the Bosnian War.

The war claim bonds issued by the Federation have a legally defined interest rate of 2.5%. As at 31 March 2025, there were seven tranches of outstanding war claim bonds, the longest dated of which matures on 30 June 2027.

Liabilities for old foreign currency savings bonds

Between 2009 and 2023, pursuant to the Law on Settlement of Liabilities for Frozen Currency Accounts, the Federation Government issued series of BAM-denominated bonds with varying maturities (typically five to ten years) and interest rates to settle obligations relating to old foreign currency savings. The debt related to old foreign currency savings was settled in 2019. Since 2019, verification of amounts and related issuances relating to old foreign currency savings are carried out in smaller amounts, with repayments made within the same year.

Debt Service

The following table sets forth the historical debt service for Federation Government Obligated Total Debt at the dates indicated (*i.e.,* the debt contracted, managed, and serviced by the Federal Ministry of Finance):

	As at 31 December					As at 31 March 2025
	2020	2021	2022	2023	2024	
	(BAM millions, except for ratios)					
Principal payments	654.1	754.6	728.3	822.3	932.7	282.2
Federation Government Internal Debt	*244.1*	*297.4*	*265.3*	*152.1*	*229.1*	*97.8*
Federation-Level External debt	*410.0*	*457.2*	*463.0*	*670.2*	*703.6*	*184.4*
Interest payments	100.8	85.9	90.4	164.3	203.8	57.6
Federation Government Internal Debt	*21.4*	*18.5*	*10.3*	*10.1*	*21.3*	*5.5*
Federation-Level External debt	*79.4*	*67.4*	*80.1*	*154.2*	*182.5*	*52.1*
Nominal GDP	22,255	25,230	29,463	31,967	34,379[(1)]	34,379[(1)]
Principal payments/GDP(%)	*2.9*	*3.0*	*2.5*	*2.6*	*2.7*	*0.8*
Interest payments/GDP (%)	*0.5*	*0.3*	*0.3*	*0.5*	*0.6*	*0.2*
Federation Government Obligated Total Debt service/GDP (%)	*3.4*	*3.3*	*2.8*	*3.1*	*3.3*	*1.0*

Source: Federal Ministry of Finance

Note:

(1) Estimated. For data as at 31 March 2025, the estimate for 2024 full year GDP has been used to calculate the relevant debt-to-GDP ratios.

The following table sets forth the debt service projections for Federation-Level External Debt, which the Federation Government is obligated to settle, by type of debt, for the years indicated: The projections are based on existing external debt stock as at 31 March 2025 and without taking into account the issuance of the Notes.

	2025[(1)]	2026	2027	2028	2029	Total Payments
	(BAM millions)					
Principal.						
Total Principal Payments	390.2	460.7	401.2	393.7	390.3	2,036.1
Floating rate.	*182.8*	*206.8*	*177.3*	*178.4*	*184.5*	*929.8*
Fixed rate	*207.4*	*253.9*	*223.9*	*215.3*	*205.8*	*1,106.3*
Interest.						
Total Interest Payments	181.6	156.0	152.8	134.5	110.7	735.5
Floating rate.	*139.3*	*116.3*	*116.6*	*101.4*	*80.9*	*554.5*
Fixed rate.	*42.2*	*39.6*	*36.2*	*33.1*	*29.8*	*181.0*
Total	**571.8**	**616.7**	**553.9**	**528.2**	**501.0**	**2,771.6**

Source: Federal Ministry of Finance

Note:

(1) 1 April—31 December 2025

The following table sets forth the debt service projections for Federation Government Internal Debt, by type of debt, for the years indicated, based on the existing internal debt stock as at 31 March 2025.

	2025(1)(2)	2026(3)	2027	2028(4)	2029	Total
			(BAM millions)			
Principal payments	**221.4**	**180.0**	**220.5**	**210.0**	**320.0**	**1,151.9**
Loans	110.0	—	—	—	—	110.0
Securities	111.4	180.0	220.5	210.0	320.0	1,041.9
Interest payments	**37.9**	**41.2**	**38.1**	**32.4**	**27.6**	**177.2**
Loans	2.3	—	—	—	—	2.3
Securities	35.7	41.2	38.1	32.4	27.6	175.0
Total	**258.3**	**221.2**	**258.6**	**242.4**	**347.6**	**1,328.1**
Loans	112.3	—	—	—	—	112.3
Securities	147.1	221.2	258.6	242.4	347.6	1,216.0

Source: Federal Ministry of Finance

Note:
(1) 1 April—31 December 2025
(2) In the first quarter of 2025, the Federal Ministry of Finance repaid BAM 90 million of treasury bills at their maturity in accordance with their terms and incurred BAM 110 million in new short-term loan financing.
(3) On 4 March 2025, the Federal Ministry of Finance issued BAM 40 million of treasury bills, which mature in 2026.
(4) On 18 March 2025, the Federal Ministry of Finance issued BAM 50.0 million of securities, which mature in 2028.

Contingent Liabilities

The following table sets forth the contingent liabilities that arise from guarantees given by the Federation Government as at the dates indicated:

	As at 31 December					As at 31 March 2025
	2020	2021	2022	2023	2024	
			(BAM millions)			
Publicly-guaranteed debt	100.0	100.1	100.6	101.3	100.8	100.5
Domestic guarantees	*100.0*	*100.1*	*100.6*	*101.3*	*100.8*	*100.5*
External guarantees	*0*	*0*	*0*	*0*	*0*	*0*

Source: Federal Ministry of Finance

As at 31 March 2025, the total exposure of the Federation Government to issued guarantees amounted to BAM 100.5 million (or 0.29% of GDP). These guarantees primarily related to guarantees issued within the framework of the credit guarantee programmes of the Guarantee Fund established in 2020 for the purpose of economic recovery from the effects of the COVID-19 pandemic. The Guarantee Fund is managed by the Development Bank of the Federation.

External guarantees issued cover different economic sectors and have fluctuated since 2020 in line with the needs of the relevant sectors.

Since 31 March 2025, a new guarantee in the amount of BAM 293.4 million has been issued in favour of the public highway company, "Autoceste FBiH".

Multilateral Financial Institutions

BiH, rather than the Federation, is a member of, or has direct relations with, a number of bilateral and multilateral organisations, such as the IMF, the World Bank, the European Union, the EBRD and the EIB. The Federation participates in bilateral and multilateral development programmes with such institutions together with relevant BiH institutions and Republika Srpska. Any funds provided by such organisations are then disbursed through the BiH, which allocates the relevant share of funding to the Federation and the Republika Srpska and, if applicable, the Brčko District.

The relevant proportion of funds to be allocated to the Federation is agreed during negotiation of the relevant funding agreement. Typically, an agreement between the BiH and the Federation will be put into place pursuant to which the relevant funds are transferred to the Federation (and any other relevant parties).

Each of the Federation and Republika Srpska are also able to negotiate and implement a project for its own benefit if the other does not wish to participate. For example, the Federation has negotiated and is participating in projects related to the CorridorVc highway.

International Monetary Fund

BiH joined the IMF and officially succeeded to the IMF membership of the former Yugoslavia in December 1995, thereby providing the country access to the quota, as well as outstanding loans and payments, on behalf of Yugoslavia. Since BiH joined the IMF, it has utilised six borrowing arrangements, four of which were under stand-by arrangements and one of which was pursuant to an extended fund facility. In accordance with Article IV of the IMF Agreement, representatives of the IMF regularly visit BiH to hold consultations within the Council of Ministers, representatives of the Entities and the Central Bank.

In April 2020, the IMF approved a SDR 265.2 million (or approximately €314.0 million) Rapid Financing Instrument (the "**RFI**") in order to support BiH's crisis efforts in relation to the COVID-19 pandemic. The Federation was allocated SDR 163.1 million (or approximately €204.4 million) which was fully utilised to support the authorities' efforts to increase spending for containing costs associated with the COVID-19 pandemic, supporting the local health sector and providing social assistance, as well as financing stabilisation measures while preserving debt sustainability. As at 31 March 2025, the total amount of outstanding debt incurred by the Federation under IMF loans was BAM 125.3 million.

The most recent IMF Article IV report was published in June 2024. At the conclusion of the 2024 Article IV mission, the Executive Board of the IMF noted, *inter alia*, that "*BiH's economy has shown resilience in a difficult environment. Growth is projected to strengthen starting this year [2024], albeit to levels that will not lead to convergence to the EU. Inflation will continue to decline, but wage pressures linger. Risks remain elevated, including from an intensification of regional conflicts and an abrupt slowdown in Europe, and domestically, from rising political tensions and more expansionary macroeconomic policies. On the other hand, opening of EU accession talks could boost reform momentum and confidence*".

In September 2024, BiH subscribed to the IMF's Special Data Dissemination Standard.

On 1 July 2025, the concluding statement for the 2025 Article IV mission was published, which noted that BiH's economy showed resilience with moderate growth of 2.5% in 2024, supported by strong domestic demand despite external pressures. The IMF highlighted rising inflation and elevated risks, advising authorities to restore fiscal buffers, improve the quality of public spending, and enhance governance and anti-corruption frameworks.

World Bank

BiH joined the World Bank in 1993. The World Bank's funding is currently focused on investments 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 March 2025, the Federation had outstanding debt of BAM 562.2 million incurred under International Association for Development funding programmes and BAM 788.9 million incurred under International Bank for Reconstruction and Development funding programmes.

In April 2020, the World Bank approved a €33.1 million loan to BiH, of which 66.0%, or €20.0 million, was allocated to, and utilised by, the Federation to finance activities relating to the strengthening of health and social protection, the public health system, the agricultural sector and veterinary services.

In July 2022, the World Bank endorsed a new Country Partnership Framework for 2022-2026 ("**CPF**") to support BiH's recovery from the impacts of the COVID-19 pandemic, as well as reforms to support job creation and a greener, more inclusive economy. The strategic framework builds on the Country Partnership Framework that was in place for 2016-2020. Over the period of the CPF, the CPF provides for BiH (and, through BiH, the Federation) access to U.S.$750 million of new lending from the World Bank, depending on the demand and progress in reform implementation.

In March 2023, the World Bank approved a €92.3 million Health Sectors Programmatic Development Policy Loan for BiH. The programme provides budget support to underpin policy efforts by BiH authorities to improve the financial sustainability of the health care systems and quality of health services its citizens receive. The Federation's share of such loan is U.S.$55.4 million (or 60.0%).

In January 2025, the World Bank approved a U.S.$75 million Second Health Sectors Programmatic Development Policy Loan for BiH, the second loan in a two-operation series designed to support BiH's efforts to strengthen the financial sustainability of its healthcare system and enhance the quality of health services for citizens. The Federation's share of such loan is U.S.$19.2 million.

As at 29 January 2025, the World Bank's portfolio of active projects in BiH comprised eight operations totaling U.S.$475.3 million. Areas of support include healthcare, employment, agriculture, local infrastructure, and environment.

EBRD

As at 28 February 2025, the EBRD had financed 243 projects to date in BiH, with a cumulative EBRD investment of €3,373 million and a current active portfolio of projects of €1,358 million. The funds disbursed to the Federation under EBRD loans are primarily used to finance infrastructure projects, in particular relating to communal infrastructure, energy, municipal infrastructure, railway and roads. As at 31 March 2025, the total amount of outstanding debt incurred by the Federation under EBRD loans was BAM 696.8 million.

European Investment Bank

Since 2000, the EIB has provided over €1,422.9 million in funding to the Federation. As at 31 March 2025, the total amount of outstanding debt incurred by the Federation under EIB loans was BAM 1,548.7 million.

The funds disbursed are mainly used to finance projects involving the construction and improvement of roads, railways, electric power system, hospitals, water and sanitation systems, flood protection, small- and medium enterprises.

Council of Europe Development Bank

Since 2005, the Council of Europe Development Bank ("**CEB**"), through its co-operation and agreements with BiH, has approved €81.0 million in funding to the Federation. As at 31 March 2025, the total amount of outstanding debt incurred by the Federation under CEB loans was BAM 89.0 million. The funds are disbursed primarily for health care, reconstruction of housing facilities for the return of refugees and displaced persons, closure of collective centres and housing care.

The European Commission

Since 1999, the European Commission, through its co-operation and agreements with BiH, has approved €101.9 million in funding to the Federation. As at 31 March 2025, the total amount of outstanding debt by the Federation under such loans was EUR 150.4 million. The funds are disbursed primarily to support the Federation's budgetary requirements.

In 2020, the EU Commission adopted a €3 billion macro-financial assistance programme for the benefit of several nations with the objective of providing financial assistance to mitigate the effects of the COVID-19 pandemic. BiH was granted a two-tranche loan in an aggregate principal amount of €250 million. The Federation received 61.5% of such financing to support its budgetary requirements As of the date of this Offering Circular, the Federation had received the first tranche in an amount of €76.9 million.

OPEC Fund for International Development

The OPEC Fund for International Development ("**OPEC**"), through its agreements with BiH, has approved €193.1 million in funding to the Federation. As at 31 March 2025, the total amount of outstanding debt under loans disbursed by OPEC to the Federation was BAM 179.3 million.

The funds are disbursed primarily for transportation, financial, agriculture, education, health and multisectoral projects in the Federation.

Kreditanstalt für Wideraufbau

Since 2004, Kreditanstalt für Wideraufbau ("**KfW**"), through its agreements with BiH, has approved €181.3 million in funding to the Federation. As at 31 March 2025, the total amount of outstanding debt under loans disbursed by KfW to the Federation was BAM 87.0 million.

The funds are disbursed primarily for energy sector, water supply and sewerage systems in the Federation.

Saudi Development Fund

The Federation has benefitted from grants and loans granted by the Saudi Development Fund through BiH. For example, in July 2023, construction started on a library for the University of Sarajevo, which is funded through a U.S.$22 million grant from the Saudi Development Fund. In total, the Saudi Development Fund has financed seven other projects in the Federation, one of which was a project for construction and renovation of hospitals.

As at 31 March 2025, the total amount of outstanding debt under loans disbursed by the Saudi Development Fund to the Federation was BAM 104.2 million.

Kuwait Fund for Arab Development

The Kuwait Fund for Arab Development, through its agreements with BiH, has approved €118.1 million in funding to the Federation. As at 31 March 2025, the total amount of outstanding debt under loans disbursed by the Kuwait Fund for Arab Development to the Federation was BAM 117.3 million.

The funds are disbursed primarily for the construction and improvement of roads, water and sanitation systems.

Paris Club

As at 31 March 2025, liabilities to Paris Club creditors amounted to BAM 275.3 million.

Debt Record

The Federation has not, within a period of 20 years prior to the date of this Offering Circular, defaulted on the principal or interest of any external debt security.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The €350,000,000 5.500% Notes due 2030 (the "**Notes**", which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) of the Federation of Bosnia and Herzegovina (the "**Issuer**"), represented by the Government of the Federation of Bosnia and Herzegovina, acting by and through the Federal Ministry of Finance, are issued subject to, and with the benefit of, an Agency Agreement dated 17 July 2025 (such agreement, as amended, supplemented and/or restated from time-to-time, the "**Agency Agreement**") made among the Issuer, Deutsche Bank Luxembourg S.A., as registrar (the "**Registrar**"), and Deutsche Bank AG, London Branch, as fiscal agent, paying agent and transfer agent (the "**Fiscal Agent**", the "**Paying Agent**" and the "**Transfer Agent**", and, collectively with the Registrar and any other Paying Agents appointed in respect of the Notes, the "**Agents**") and are constituted by a Deed of Covenant (the "**Deed of Covenant**") dated 17 July 2025 and executed by the Issuer. The original of the Deed of Covenant is held by the Fiscal Agent on behalf of the Noteholders (as defined below) at its specified office.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions contained in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours upon reasonable request by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Transfer Agents, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

*The owners shown in the records of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") of book entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them.*

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof (referred to as the "**principal amount**" of a Note). A note certificate (each, a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes. Each Certificate will be numbered serially with an identifying number, which will be recorded on the relevant Certificate and in the relevant Register (as defined below), which the Issuer will procure to be kept by the Registrar.

1.2 Title

The Registrar will maintain a separate register (each, a "**Register**") in respect of each of the Regulation S Notes and the Rule 144A Notes (each as defined in the Agency Agreement) in accordance with the provisions of the Agency Agreement. Title to the Notes passes only by registration in the relevant Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions, "**Noteholder**" and (in relation to a Note) "**holder**" means the person in whose name a Note is for the time being registered in the relevant Register (or, in the case of joint holders, the first named thereof) and "**holders**" shall be construed accordingly.

For a description of the procedures for transferring title to book entry interests in the Notes, see the Agency Agreement and "Clearing and Settlement Arrangements" below.

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

A Note may, subject to Condition 2.4, be transferred in whole or in part by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any Transfer Agent. No Note may be transferred unless each of the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred is no less than €100,000. No transfer of a Note will be valid unless and until entered on the relevant Register.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions".

2.2 Delivery of new Certificates

Each new Certificate to be issued upon the transfer of Notes will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which commercial banks and foreign exchange markets are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described in "The Global Certificates —Exchange for Certificates", owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and compliance with the legends placed on the Notes as described in "Transfer Restrictions".

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the relevant Register or as specified in the form of transfer.

2.3 Formalities Free of Charge

Registration of a transfer of Notes will be effected without charge by, or on behalf of, the Issuer or any Agent but upon payment by the Noteholder (or the giving of such indemnity as the Issuer or any Agent may reasonably require) in respect of any tax or other governmental charges, which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on (and including) the due date for any payment of principal or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the relevant Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Transfer Agent. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

The Notes constitute direct, general, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and the full faith and credit of the Issuer is pledged for the due and punctual payment of principal and interest on the Notes and for the performance of all obligations of the Issuer in respect of the Notes. The Notes will at all times rank *pari passu*, without preference among themselves and at least *pari passu* in right of payment with all other present and future unsecured External Indebtedness (as defined below) of the Issuer, *provided, however, that* the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness of the Issuer and, in particular, the Issuer shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa.

In these Conditions, "**External Indebtedness**" means any indebtedness for or in respect of any money borrowed or raised (whether or not evidenced by bonds, notes or other securities), denominated or payable, or which at the option of the relevant creditor or holder thereof may be payable, in a currency other than the lawful currency of Bosnia and Herzegovina, *provided that,* if at any time the lawful currency of Bosnia and Herzegovina is the Euro, then any indebtedness denominated or payable, or at the option of the holder thereof payable, in Euro, shall be included in the definition of "External Indebtedness".

4. COVENANTS

4.1 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Agency Agreement) the Issuer will not create or permit to subsist any Security Interest (as defined below) upon the whole or any part of its present or future property, assets or revenues to secure any of its Public External Indebtedness or any Guarantee of any Public External Indebtedness of any other person unless the Issuer shall, in the case of the creation of any Security Interest, at the same time or prior thereto, and in any other case, promptly, procure that all amounts payable in respect of the Notes are secured equally and rateably therewith or provide such other security or other arrangement for the Notes as may be approved by an Extraordinary Resolution or a Written Resolution or an Electronic Consent (each as defined in Condition 13), in each case in accordance with Condition 13.

In these Conditions:

"**Guarantee**" means, in relation to any indebtedness, any guarantee or indemnity given by the Issuer in respect of such indebtedness.

"**Public External Indebtedness**" means any External Indebtedness which is evidenced or represented by bonds, notes or other securities, which are or are capable of being quoted, listed or ordinarily purchased and sold on any international stock exchange, automated trading system, over-the-counter or other securities market.

"**Security Interest**" means any mortgage, charge, lien, pledge or other security interest including, without limitation, anything having an equivalent effect to any of the foregoing under the laws of any jurisdiction.

4.2 Debt Reporting

So long as any of the Notes remains outstanding (as defined in the Agency Agreement) the Issuer shall publish on the website of the Federal Ministry of Finance of the Issuer and in the English language (or in the case of (ii) below accompanied by an English translation) (i) the Issuer's indebtedness position as at 30 June or 31 December of each year within six months of such date by publishing updated tables reflecting developments as at such date (and any adjustments due to revisions or otherwise) in the form of each table set out under the captions "*Public Debt—Debt Balance of the Federation Government*", "*Public Debt—Federation-Level External Debt*", "*Public Debt—Federation Government Internal Debt*" and "*Public Debt—Debt Service*" in the Offering Circular and (ii) within 60 days of adoption by the Federation Government, the final budget or any amendment to a previously published final budget of the Issuer.

In this Condition 4.2, "**Offering Circular**" means the final offering circular dated 16 July 2025 prepared by the Issuer in respect of the Notes.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from, and including, 17 July 2025 at the rate of 5.500% *per annum* (the "**Rate of Interest**"), payable annually in arrear on 17 July in each year (each an "**Interest Payment Date**"). The first payment (for the period from, and including, 17 July 2025 to, but excluding, 17 July 2026 and amounting to €55.00 per €1,000 in principal amount of Notes) shall be made on 17 July 2026.

The period beginning on, and including, 17 July 2025 and ending on, but excluding, the first Interest Payment Date and each successive period beginning on, and including, an Interest Payment Date and ending on, but excluding, the next successive Interest Payment Date is called an "**Interest Period**".

5.2 Interest Accrual

Each Note will cease to bear interest from, and including, its due date for redemption unless, upon surrender of the Certificate representing such Note, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue at the rate referred to in Condition 5.1 until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) the day which is seven days after notice has been given to the Noteholders that the Fiscal Agent or the Paying Agent has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment to the relevant Noteholders under these Conditions).

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period which is shorter than a full year, it shall be calculated by applying the Rate of Interest to each €1,000 principal amount of Notes (the "**Calculation Amount**") and on the basis of (a) the actual number of days in the period from, and including, the date from which interest begins to accrue (the "**Accrual Date**") to, but excluding, the date on which it falls due, divided by (b) the actual number of days from, and including, the Accrual Date to, but excluding, the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent, with half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by Euro cheque drawn on a bank that processes payments in Euro mailed by uninsured first class mail or (if posted to an address overseas) airmail to the registered address of the Noteholder if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the relevant Register at the close of business on the date (the "**record date**") being the fifteenth day before the due date for the relevant payment of interest.

For the purposes of this Condition, a Noteholder's "**registered account**" means the Euro account maintained by, or on behalf of, it with a bank that processes payments in Euro, details of which appear on the relevant Register at the close of business, in the case of principal and interest due otherwise than on an Interest Payment Date, on the second Business Day (as defined in Condition 6.4 below) before the due date for payment and, in the case of interest due on an Interest Payment Date, on the relevant record date, and a Noteholder's "**registered address**" means its address appearing on the relevant Register at that time.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment or other laws and regulations to which the Issuer or its Agents are subject but without prejudice to the provisions of Condition 8.

6.3 No Commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day (as defined below), for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment in respect of any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition, "**Business Day**" means a day (other than a Saturday or Sunday) on which the Trans-European Automated Real Time Gross Settlement Express Transfer (T2) system is open and on which commercial banks and foreign exchange markets are open for general business in London and, in the case of surrender of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

6.5 Partial Payments

If the amount of principal or interest that is due on the Notes is not paid in full, the Registrar will annotate the relevant Register with a record of the amount of principal or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents *provided that*:

(a) there will at all times be a Fiscal Agent;

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (which may be the Fiscal Agent) having a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or such other relevant authority;

(c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the Federation of Bosnia and Herzegovina, Republika Srpska and Bosnia and Herzegovina; and

(d) there will at all times be a Registrar.

Notice of any termination or appointment and of any changes in specified offices shall be given to the Noteholders as soon as practicable thereafter by the Issuer in accordance with Condition 12.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem each Note at its principal amount on 17 July 2030.

7.2 No Other Redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 7.1 above.

7.3 Purchases

The Issuer may at any time purchase Notes at any price in the open market or otherwise. The Notes so purchased may be held or resold (*provided that* such resale is in compliance with all applicable laws) or surrendered for cancellation at the option of the Issuer or otherwise, as the case may be, in compliance with Condition 7.4.

7.4 Cancellation

All Notes which are (a) redeemed or (b) submitted for cancellation pursuant to Condition 7.3, shall be cancelled and may not be reissued or resold.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by, or on behalf of, the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied collected, withheld or assessed by, or on behalf of, the Federation of Bosnia and Herzegovina and/or, to the extent applicable, Bosnia and Herzegovina or any political subdivision or any authority thereof or therein having power to tax (collectively, "**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts, which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

(a) held by, or on behalf of, a holder who is liable to such Taxes in respect of such Note by reason of his having some connection with the Federation of Bosnia and Herzegovina and/or, to the extent applicable, Bosnia and Herzegovina other than the mere holding of the Note; or

(b) if such Note is surrendered for payment more than 30 days after the Relevant Date (as defined below), except to the extent that the holder would have been entitled to such additional amounts on surrender of such Note for payment on the last day of such period of 30 days, assuming that day to have been a Business Day (as defined in Condition 6.4).

8.2 Interpretation

In these Conditions, "**Relevant Date**" means the date on which the payment first becomes due, but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 12.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. PRESCRIPTION

Claims in respect of principal and interest will become void unless made within 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date, as defined in Condition 8.

10. EVENTS OF DEFAULT

10.1 Declaration of Acceleration

If any of the following events (each, an "**Event of Default**") occurs and is continuing:

(a) *Non-payment*: the Issuer fails to pay any amount in respect of the Notes when the same becomes due and payable and such failure continues for a period of 15 days; or

(b) *Breach of other obligations*: the Issuer does not perform or comply with any one or more of its other obligations under the Notes, other than its obligations under Condition 4.2 (*Debt Reporting*), which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after notice of such default has been given to the Issuer (with a copy to the Fiscal Agent at its specified office) by any Noteholder; or

(c) *Cross-acceleration of the Issuer*:

(i) the holders of any Public External Indebtedness of the Issuer accelerate such Public External Indebtedness or declare such Public External Indebtedness to be due and payable, or required to be prepaid (other than by an originally scheduled optional or mandatory prepayment or redemption), prior to the originally stated maturity thereof; or

(ii) the Issuer defaults in the payment of any principal of, or interest on, any Public External Indebtedness when due and payable (after expiration of any originally applicable grace period) or any Guarantee of any Public External Indebtedness given by the Issuer shall not be honoured when due and called upon (after the expiration of any originally applicable grace period);

provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned in this Condition 10.1(c) shall have occurred equals or exceeds €20,000,000 or its equivalent in other currencies; or

(d) *Moratorium*: the Issuer shall declare a general moratorium on, or in respect of, its Public External Indebtedness or any part thereof, unless the Notes are expressly excluded from any of the foregoing; or

(e) *Unlawfulness or Invalidity*: the validity of the Notes is contested by the Issuer or the Issuer shall repudiate any of its obligations under the Notes or it becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or any of such obligations shall be or become unenforceable or invalid; or

(f) *International Monetary Fund*: Bosnia and Herzegovina ceases to be a member, or becomes ineligible to use the general resources of, the International Monetary Fund,

then the holders of not less than 25% in aggregate principal amount of the outstanding Notes may, by notice in writing to the Issuer (with a copy to the Fiscal Agent), declare all of the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Issuer.

10.2 Withdrawal of Declaration of Acceleration

If the Issuer receives notice in writing from holders of at least 50% in aggregate principal amount of the outstanding Notes to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Fiscal Agent at its specified office), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity and/or security as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

12.1 Notices to the Noteholders

All notices to the Noteholders will be valid if mailed to them by first class mail or (if posted to an address overseas) by airmail to the holders (or the first of any joint named holders) at their respective addresses in the relevant Register. The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any notice shall be deemed to have been given on the second day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

12.2 Notices to the Issuer

All notices to the Issuer will be valid if sent to the Issuer at the Ministry of Finance of the Federation of Bosnia and Herzegovina at Mehmeda Spahe 5, 71000, Sarajevo, Bosnia and Herzegovina or such other address as may be notified by the Issuer to the Noteholders in accordance with Condition 12.1.

13. MEETINGS OF NOTEHOLDERS; ELECTRONIC CONSENTS; WRITTEN RESOLUTIONS

13.1 Convening Meetings of Noteholders; Conduct of Meetings of Noteholders; Electronic Consents; Written Resolutions

(a) The Issuer may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Issuer will determine the time and place of the meeting (which may be by way of conference call or by use of a videoconference platform). The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(b) The Issuer will convene a meeting of Noteholders if the holders of at least 10% in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 13.9 below) have delivered a written request to the Issuer (with a copy to the Fiscal Agent) setting out the purpose of the meeting. The Issuer will agree the time and place of the meeting. The Issuer will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(c) The Issuer will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by the Issuer.

(d) The notice convening any meeting will specify, *inter alia*;

(i) the date, time and location of the meeting;

(ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(iii) the modification record date for the meeting, which shall be no more than five business days before the date of the meeting;

(iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(vi) whether Condition 13.2 or Condition 13.3 or Condition 13.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;

(vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(viii) such information that is required to be provided by the Issuer in accordance with Condition 13.6;

(ix) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 13.7; and

(x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) In addition, the Agency Agreement contains provisions relating to Electronic Consents and Written Resolutions. All information to be provided pursuant to Condition 13.1(d) shall also be provided, *mutatis mutandis*, in respect of Electronic Consents and Written Resolutions.

(f) A "**modification record date**" in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An "**Extraordinary Resolution**" means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A "**Written Resolution**" means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to "**debt securities**" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Issuer in one or more series with an original stated maturity of more than one year.

(j) "**Debt Securities Capable of Aggregation**" means those debt securities which include or incorporate by reference this Condition 13 and Condition 14 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

13.2 Modification of this Series of Notes only

(a) Any modification of any provision of, or any action in respect of, the Notes, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) A "**Single Series Extraordinary Resolution**" means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1 by a majority of:

(i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes held by Noteholders present in person or represented by proxy; or

(ii) in the case of a matter other than a Reserved Matter, more than 50% of the aggregate principal amount of the outstanding Notes held by Noteholders present in person or represented by proxy.

(c) A "**Single Series Written Resolution**" means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75% of the aggregate principal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter more than 50% of the aggregate principal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

13.3 Multiple Series Aggregation – Single limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, *provided that* the Uniformly Applicable condition is satisfied.

(b) A "**Multiple Series Single Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A "**Multiple Series Single Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(e) The "**Uniformly Applicable**" condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for (A) the same new instrument or other consideration or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(f) It is understood that a proposal under paragraph 13.3(a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(g) Any modification or action proposed under Condition 13.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.4 Multiple Series Aggregation – Two limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A "**Multiple Series Two Limb Extraordinary Resolution**" means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 13.1, as supplemented if necessary, which is passed by a majority of:

(i) at least two thirds of the aggregate principal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A "**Multiple Series Two Limb Written Resolution**" means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least two thirds of the aggregate principal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50% of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(e) Any modification or action proposed under Condition 13.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.5 Reserved Matters

In these Conditions, "**Reserved Matter**" means any proposal:

(a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority required to pass an Extraordinary Resolution, an Electronic Consent, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Electronic Consent", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(e) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(f) to change the definition of "Uniformly Applicable";

(g) to change the definition of "outstanding" set out in the Agency Agreement or to modify the provisions of Condition 13.9;

(h) to change the legal ranking of the Notes;

(i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10.1;

(j) to change the law governing the Notes, the courts or arbitral tribunals to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 17;

(k) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(l) to modify the provisions of this Condition 13.5;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

    (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

    (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

13.6 Information

Prior to or on the date that the Issuer proposes any Extraordinary Resolution, Electronic Consent or Written Resolution pursuant to Condition 13.2, Condition 13.3 or Condition 13.4, the Issuer shall publish in accordance with Condition 14, the following information:

(a) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(b) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement and, where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(c) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 13.1(d)(vii).

13.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 13.3 and 13.4, the Issuer may appoint a calculation agent (the "**Calculation Agent**"). The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Notes and such affected series of debt securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

13.8 Manifest error, etc.

The Notes, these Conditions and the provisions of the Agency Agreement and the Deed of Covenant may be amended by the Issuer without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not in the sole opinion of the Issuer materially prejudicial to the interests of the Noteholders.

13.9 Notes controlled by the Issuer

For the purposes of: (i) determining the right to attend and vote at any meeting of Noteholders, or the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution; (ii) this Condition 13; and (iii) Condition 10, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

(a) "**public sector instrumentality**" means the Central Bank of Bosnia and Herzegovina, the Ministry of Finance of the Federation of Bosnia and Herzegovina, any other department, ministry or agency of the government of Bosnia and Herzegovina or the Federation of Bosnia and Herzegovina or any corporation, trust, financial institution or other entity owned or controlled by the government of Bosnia and Herzegovina or the Federation of Bosnia and Herzegovina or any of the foregoing; and

(b) "**control**" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to Condition 14.5, which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders, the right to give any Electronic Consent or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Issuer shall make any such certificate available for inspection during normal business hours at the specified office of the Fiscal Agent and, upon reasonable request, will allow copies of such certificate to be taken.

13.10 Publication

The Issuer shall publish all Extraordinary Resolutions, Electronic Consents and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 14.8.

13.11 Exchange and Conversion

Any Extraordinary Resolutions, Electronic Consents or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13.12 Written Resolutions and Electronic Consents

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a global Certificate held on behalf of one or more of Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or any other clearing system (the "**relevant clearing system(s)**"), then approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures:

(a) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders; or

(b) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:

   (i) in respect of a proposal pursuant to Condition 13.2, the persons holding at least 75% of the aggregate principal amount of the Notes then outstanding in the case of a Reserved Matter or at least 50% of the aggregate principal amount of the Notes then outstanding, in the case of a matter other than a Reserved Matter;

   (ii) in respect of a proposal pursuant to Condition 13.3, the persons holding at least 75% of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);

   (iii) in respect of a proposal pursuant to Condition 13.4, (x) the persons holding at least two thirds of the aggregate principal amount of the debt securities then outstanding of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50% of the aggregate principal amount of the debt securities then outstanding in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (i), (ii) and (iii), each an "**Electronic Consent**") shall, for all purposes (including Reserved Matters) take effect as (A) a Single Series Extraordinary Resolution (in the case of (i) above), (B) a Multiple Series Single Limb Extraordinary Resolution (in the case of (ii) above) or (C) a Multiple Series Two Limb Extraordinary Resolution (in the case of (iii) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or Condition 13.4) to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Relevant Consent Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Consent Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or Condition 13.4) that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders (in the case of a proposal pursuant to Condition 13.2) or holders of each affected Series of Debt Securities capable of Aggregation (in the case of a proposal pursuant to Condition 13.3 or Condition 13.4) that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to "Relevant Consent Date" shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system and any successor thereto) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 13.1 shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

14. AGGREGATION AGENT; AGGREGATION PROCEDURES

14.1 Appointment

The Issuer will appoint an aggregation agent (the "**Aggregation Agent**") to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions, the Agency Agreement or the Deed of Covenant in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

14.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

14.3 Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

14.4 Electronic Consents

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the Notes then outstanding and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

14.5 Certificate

For the purposes of Conditions 14.2, 14.3 and 14.4, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 13.2, Condition 13.3 or Condition 13.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution and, with respect to an Electronic Consent, the date arranged for consenting to the Electronic Consent.

The certificate shall:

(a) list the total principal amount of Notes outstanding and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the modification record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 13.9 on the modification record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

14.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 14 to be notified to the Fiscal Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

14.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 14 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Fiscal Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

14.8 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 10, Condition 13 and this Condition 14:

(a) through the systems of Clearstream Banking, S.A. and Euroclear Bank SA/NV and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared;

(b) in such other places and in such other manner as may be required by applicable law or regulation; and

(c) in such other places and in such other manner as may be customary.

15. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. FURTHER ISSUES

The Issuer may from time-to-time without notice to or the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

17. GOVERNING LAW, ARBITRATION AND SUBMISSION TO JURISDICTION

17.1 Governing Law

The Notes and any non-contractual obligations arising out of, or in connection with, the Notes are governed by, and will be construed in accordance with, English law.

17.2 Arbitration

Subject to Condition 17.3, any dispute arising out of or in connection with the Notes (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligation arising out of or in connection with the Notes) (a "**Dispute**") shall be referred to and finally resolved by arbitration under the Rules of Arbitration (the "**Rules**") of the International Chamber of Commerce (the "**ICC**"), which Rules are deemed to be incorporated by reference into this Condition.

(a) The arbitral tribunal shall consist of three arbitrators, each of whom shall be disinterested in the Dispute, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions.

(b) The claimant(s), irrespective of number, shall nominate jointly one arbitrator and the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, in accordance with the Rules, for confirmation by the International Court of Arbitration of the ICC (the "**ICC Court**"). If a party or parties fail(s) to nominate an arbitrator, the appointment shall be made by the ICC Court. The third arbitrator, who shall serve as president of the arbitral tribunal, shall be nominated, for confirmation by the ICC Court, by agreement of the two party-nominated arbitrators within 30 days of the nomination of the second arbitrator, or, in default of such agreement, shall be appointed by the ICC Court as soon as possible.

(c) The seat and place of arbitration shall be London, United Kingdom.

(d) The language of the arbitration shall be English.

17.3 Jurisdiction

(a) At any time before any Noteholder has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 17.2, that Noteholder or any other Noteholder, at its sole option, may elect by notice in writing to the Issuer that such Dispute(s) shall instead be heard by the courts of England or by any other court of competent jurisdiction, as more particularly described in Condition 17.3(b)(iii). Following any such election, no arbitral tribunal shall have jurisdiction in respect of any Dispute(s).

(b) In the event that any Noteholder issues a notice pursuant to Condition 17.3(a), the following provisions shall apply:

(i) subject to Condition 17.3(b)(iii), the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts;

(ii) the Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

(iii) this Condition 17.3(b) is for the benefit of the Noteholders only. As a result, and notwithstanding Condition 17.3(b)(i), to the extent allowed by law, each Noteholder may, in respect of any Dispute or Disputes, take (A) proceedings relating to a Dispute ("**Proceedings**") in any other court with jurisdiction; and (B) concurrent Proceedings in any number of jurisdictions.

17.4 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Eighth Floor, 100 Bishopsgate, London, EC2N 4AG, United Kingdom as its agent for service of process in England and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve process in any other manner permitted by law.

17.5 Waiver of Immunity

The Issuer irrevocably and unconditionally with respect to any Dispute (a) (except as otherwise specifically provided) waives to the fullest extent permitted by law any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (c) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute.

Notwithstanding any of the above, the Issuer does not waive any immunity in respect of any present or future (i) property of a military character or in use for military purposes and in each case under the control of a military authority or defence agency related to the Issuer, (ii) assets that are non-tradable (*stvari van prometa*), (iii) ore deposits and other natural resources, (iv) facilities, weapons and equipment required to meet the needs of the armed forces and police forces that are related to the Issuer, as well as funds provided for those purposes and (v) real estate (*nekretnine*), fixed operating assets necessary for the operations of the Issuer (*stalna sredstva za rad*), and stocks (*dionice*), other registered securities (*ostali registrovani vrijednosni papiri*), shares and other ownership interests in legal entities (*osnivački ili drugi ulog u pravnom licu*) owned by the Issuer. The Issuer reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it in any court of, or in, the United States of America under any United States federal or state securities law.

17.6 Other Documents

The Issuer has in the Agency Agreement and the Deed of Covenant agreed that the Agency Agreement and the Deed of Covenant, and any non-contractual obligations arising out of, or in connection with, the Agency Agreement and the Deed of Covenant, shall be governed by, and construed in accordance with, English law, and submitted to the jurisdiction of the ICC and the English courts and appointed an agent in England for service of process in terms substantially similar to those set out above. In addition, the Issuer has, in such documents, waived any rights to sovereign immunity and other similar defences which it may have, in terms substantially similar to those set out above.

18. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions, which apply to the Notes in respect of which they are issued while they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning in paragraphs 1 to 8 below.

1. FORM OF THE NOTES

The Regulation S Notes will be represented on issue by the Unrestricted Global Certificate, and the Rule 144A Notes will be represented on issue by the Restricted Global Certificate, each of which will be registered in the name of a nominee of, and delivered to, a common depositary for Euroclear and Clearstream, Luxembourg.

Beneficial interests in a Global Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. The Global Certificates will each have an ISIN and a Common Code. Beneficial interests in the Restricted Global Certificate (and any individual Certificates issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of each such Certificate, as set out therein and under "*Transfer Restrictions*".

Except in the limited circumstances described below, owners of beneficial interests in the Global Certificates will not be entitled to receive physical delivery of individual certificates in definitive form.

Book-entry interests in the Restricted Global Certificate ("**restricted book-entry interests**") may be transferred to a person who takes delivery in the form of book-entry interests in the Unrestricted Global Certificate ("**unrestricted book-entry interests**") only upon delivery by the transferor of a written certification (in the form provided in the Agency Agreement) to the effect that the transfer is made in accordance with Regulation S and in accordance with any applicable securities laws of any state of the US or any other jurisdiction.

Unrestricted book-entry interests may be transferred to a person who takes delivery in the form of restricted book-entry interests only upon delivery by the transferor of a written certification to the effect that the transfer is being made to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the US or any other jurisdiction.

Any book-entry interest in one of the Global Certificates that is transferred to a person who takes delivery in the form of a book-entry interest in the other Global Certificate will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Certificate and become a book-entry interest in the other Global Certificate, and accordingly, will thereafter be subject to all transfers, if any, and other procedures applicable to book-entry interest in that other Global Certificate for as long as that person retains the book-entry interests.

2. ACCOUNTHOLDERS

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an "**Accountholder**") (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression "**Noteholders**" and references to "**holding of Notes**" and to "**holder of Notes**" shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Federation, solely in the nominee for the clearing systems named in the relevant Register (the "**Nominee**") in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Nominee.

3. CANCELLATION

Cancellation of any Note following its redemption or purchase by the Federation will be effected by reduction in the aggregate principal amount of the Notes in the relevant Register and by the annotation of the appropriate schedule to the relevant Global Certificate.

4. PAYMENTS

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Distributions of amounts with respect to book-entry interests in the Global Certificates held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be prima facie evidence that payment has been made.

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the relevant Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

5. INTEREST CALCULATION

For so long as Notes are evidenced by a Global Certificate, interest payable to the Nominee will be calculated by applying the Rate of Interest to the outstanding principal amount of the Notes evidenced by the relevant Global Certificate and on the basis of (a) the actual number of days in the period from, and including, the Accrual Date to, but excluding, the date on which it falls due, divided by (b) the actual number of days from, and including, the Accrual Date to, but excluding, the next following Interest Payment Date. The resultant figure shall be rounded to the nearest cent (half a cent being rounded upwards).

6. NOTICES

So long as the Notes are represented by a Global Certificate or Global Certificates and such Global Certificate(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to entitled Accountholders in substitution for notification as required by Condition 12 (*Notices*) except that, so long as the Notes are listed on any stock exchange, notices shall also be published in accordance with the rules of such exchange. Any such notice shall be deemed to have been given to the Noteholders on the day after the day on which such notice is delivered to Euroclear and Clearstream, Luxembourg as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear or Clearstream, Luxembourg, as applicable, in accordance with its standard rules and procedures and otherwise in such manner as the Fiscal Agent and the applicable clearing system may approve for this purpose.

7. REGISTRATION OF TITLE

The Registrar will not register title to the Notes in a name other than that of the Nominee for a period of 15 calendar days preceding the due date for any payment of principal or interest in respect of the Notes.

8. EXCHANGE FOR CERTIFICATES

Exchange

The Restricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for individual Certificates ("**Restricted Certificates**") and the Unrestricted Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for individual Certificates (the "**Unrestricted Certificates**" and, together with the Restricted Certificates, the "**Certificates**") upon the occurrence of an Exchange Event.

For these purposes an "**Exchange Event**" means that:

(a) circumstances described in Condition 10 (*Events of Default*) have occurred; or

(b) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces that it is permanently to cease business or does in fact do so and no successor or alternative clearing system is available; or

provided that, in the case of any exchange pursuant to (b) above, the holder has given the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange.

In exchange for the relevant Global Certificate, as provided in the Agency Agreement, the Registrar will deliver or procure the delivery of an equal aggregate principal amount of duly executed Certificates in or substantially in the form set out in the Agency Agreement.

Delivery

In such circumstances, the relevant Global Certificate shall be exchanged in full for Certificates and the Federation will, at the cost of the Federation (but against such indemnity and/or security as the Registrar or Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Certificates to be executed and delivered to the Registrar for completion and dispatch to the relevant Noteholders. A person having an interest in a Global Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Federation and the Registrar may require to complete, execute and deliver such Certificates and (b) in the case of the Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB. Restricted Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

Legends

Upon the transfer, exchange or replacement of a Restricted Certificate bearing the legend referred to under "*Transfer Restrictions*" below, or upon specific request for removal of the legend on a Restricted Certificate, the Federation will deliver only Restricted Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Federation and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Federation that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the Securities Act.

TAXATION

The following is a summary of certain income tax consequences resulting from the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner.

Persons considering the purchase of the Notes should consult their own tax advisers concerning the application of the tax laws of the Federation to their particular situations, as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction. Such laws and regulations are subject to change or varying interpretations, possibly with retroactive effect. As with other areas of the Federation's legislation, tax law and practice in the Federation is not as clearly established as that of more developed jurisdictions. It is possible, therefore, that the current interpretation of the law or understanding of the practice may change or, that the law may be amended with retroactive effect. Accordingly, it is possible that payments to be made to Noteholders could become subject to taxation, or that tax rates currently in effect could be increased, in ways that cannot be anticipated as at the date of this Offering Circular.

Taxation in the Federation

The following is a general summary of the relevant tax consequences according to the taxation laws of the Federation as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive, and purchasers are urged to consult their professional advisers as to the tax consequences to them of holding or transferring Notes.

Tax Implications for Non-Residents of the Federation

Under existing taxation laws of the Federation, payments of principal on the Notes to any legal entity which is non-resident or not having its branch in the Federation will not be subject to the taxation in the Federation and no withholding tax will be required on any of such payments. On the other hand, the Federation's Corporate Income Tax Law provides that interest payments and other fees to non-residents are generally subject to withholding tax in the FBiH at a rate of 10%, however, it also sets out that there is no withholding tax regarding payment of interest on state-issued bonds. As the Federation is not considered a state, linguistic interpretation could lead to a conclusion that withholding tax would be imposed. However, the Federation's Ministry of Finance interprets this provision as including any sub-state issuers and does not intend to withhold any tax when making payment of interest on the Notes to any legal entity which is non-resident and does not have its branch in the Federation. As any amounts representing principal or interest under the Notes will be paid to the Clearing Systems, such payment would be considered as made to a non-resident legal entity. Regarding taxation of non-resident natural persons, the applicable tax laws do not envisage that principal and interest are subject to withholding tax.

In the event that a payment of principal and interest in respect of the Notes is subject to withholding or deduction for any taxation pursuant to Condition 8 (Taxation) of the Notes, the Federation has agreed to pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, subject only to certain exceptions set out in the relevant Condition. The exception is that if a Noteholder is subject to the taxation in the Federation by reason of his having some connection with the Federation and/or, to the extent applicable, BiH, other than the mere holding of the Note, that Noteholder would not be entitled to payment of any additional amounts under the relevant Condition.

Legal entity non-residents will not be subject to taxation in respect of any capital gains (determined as the difference between the sale price and the acquisition price) realised on the transfer of the Notes outside the territory of the Federation, assuming that the qualification of such transfer would be to the effect that it has happened outside of the territory of the Federation.

Individual (i.e. natural persons) non-residents are not subject to tax on capital gains with respect to transfer of the Notes outside of the Federation, considering that the non-resident individuals are considered tax payers with respect to the income realized on the territory of the Federation only, and assuming that the qualification of such transfer would be to the effect that it has happened outside of the territory of the Federation.

Tax Implications for Residents of the Federation

As regards legal entities, income from interest and capital gains realised by residents of the Federation shall be subject to tax. Such income is included in the general tax base of the legal entity and taxed at 10%.

As for the individual residents of the Federation, payments of principal and interest on the Notes and capital gain arising out of the transfer of Notes are not stated as taxable income under the Personal Income Tax Law and accordingly would not be subject to taxation.

U.S. Federal Income Tax Considerations

The following discussion is an overview of certain U.S. federal income tax consequences relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only U.S. Holders (as defined below) who purchase Notes in the original offering at the issue price (generally, the initial offering price to the public (not including bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Notes is sold for money), hold the Notes as capital assets and use the U.S. Dollar as their functional currency. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), final, temporary and proposed U.S. Treasury Regulations thereunder, and administrative and judicial interpretations, all as in effect as of the date of this Offering Circular and any of which may be repealed, revoked or modified or subject to differing interpretations, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. There can be no assurances that the Internal Revenue Service (the "**IRS**") will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS with respect to the U.S. federal income tax consequences of purchasing, owning or disposing of the Notes.

This discussion is not a complete description of all U.S. federal income tax consequences relating to the Notes and does not address U.S. state, local, foreign, gift, estate or other tax laws. This summary does not address aspects of U.S. federal income taxation that may be applicable to U.S. Holders that are subject to special tax rules, such as U.S. expatriates, "dual resident" companies, banks, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, a U.S. or non-U.S. partnership or other entity treated as a partnership for U.S. federal income tax purposes, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations or investors, dealers in securities, commodities or currencies, traders in securities that elect to use a mark-to-market method of accounting, holders that will hold a Note as part of a position in a "straddle" or as part of a "synthetic security" or as part of a "hedging", "conversion", "integrated" or constructive sale transaction for U.S. federal income tax purposes, and investors using the accrual method of accounting for U.S. federal income tax purposes and who are required to recognize income for such purposes no later than when such income is taken into account in an applicable financial statement. Moreover, this summary does not address the alternative minimum tax or the Medicare tax applicable to net investment income. Each prospective purchaser should consult its tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of acquiring, holding, retiring or other disposition of Notes.

For the purposes of this discussion, a "**U.S. Holder**" is a beneficial owner of the Notes that is, for purposes of U.S. federal income taxation, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States or any U.S. state or the District of Columbia, (iii) a trust (A) with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions or (B) that has made a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes, or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

If a partnership (or any entity or arrangement treated as a partnership for U.S. federal income tax purposes) purchases or holds the Notes, the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. If a U.S. Holder is a partner in a partnership that holds the Notes, such holder is urged to consult its own tax adviser regarding the specific tax consequences of the purchase, ownership and disposition of the Notes.

THE OVERVIEW OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF PURCHASING, OWNING AND DISPOSING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Interest

Except as set forth below, interest paid on a Note will be included in a U.S. Holder's gross income as ordinary interest income at the time it is received or accrued in accordance with the U.S. Holder's usual method of accounting for

U.S. federal income tax purposes. Interest income on the Notes will be treated as income from sources outside the United States for U.S. federal income tax purposes, including U.S. foreign tax credit limitation purposes.

Except as set forth below, the amount of income realized by a U.S. Holder will be the U.S. Dollar value of any stated interest paid on a Note in Euros, including the amount of any applicable withholding tax thereon and any additional amounts paid with respect thereto, regardless of whether the Euros are converted into U.S. Dollars. Generally, a U.S. Holder that uses the cash method of tax accounting and that receives a payment of stated interest will determine such U.S. Dollar value using the spot rate of exchange on the date of receipt. Generally, a U.S. Holder that uses the accrual method of tax accounting may determine the U.S. Dollar value of accrued interest income using the average rate of exchange for the accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, at the average rate for the partial period within each taxable year) or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period (and in the case of a partial accrual period, the spot rate on the last day of the taxable year) or on the date of receipt, if that date is within five business days of the last day of the accrual period. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS. A U.S. Holder that uses the accrual method of tax accounting will recognise U.S. source foreign currency gain or loss on the receipt of an interest payment if the exchange rate in effect on the date payment is received differs from the rate applicable to an accrual of that interest, regardless of whether the payment is converted to U.S. Dollars at such time. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the Note.

Further Issues

The Issuer may, without the consent of the Noteholders of outstanding Notes, issue further securities with identical terms as the Notes. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with OID even if the original Notes had no OID. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes. Any U.S. federal income tax considerations which apply to a separate series of additional Notes issued with OID will be described in the applicable offering circular.

Sale, Exchange, Redemption or Other Disposition of Notes

A U.S. Holder generally will recognise gain or loss on the sale, exchange, redemption or other disposition of a Note in an amount equal to the difference between the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the Note. The amount realised on a sale, exchange, redemption or other disposition for an amount in foreign currency will be the U.S. Dollar value of such amount on the date of sale, exchange, redemption or other disposition or, in the case of Notes traded on an established securities market (within the meaning of the applicable U.S. Treasury Regulations) sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale, exchange, redemption or other disposition. Such settlement date election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. An accrual basis U.S. Holder that does not make the settlement date election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

A U.S. Holder's adjusted tax basis in a Note generally will be its U.S. Dollar cost and reduced by the amount of any payments that are not qualified stated interest payments. The U.S. Dollar cost of a Note (including a Note purchased with a foreign currency) generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market (as defined in the applicable U.S. Treasury Regulations) that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

Gain or loss recognised on the sale, exchange, redemption or other disposition of a Note (other than gain or loss that is attributable to currency exchange rate fluctuations) generally will be treated as capital gain or loss from U.S. sources. A U.S. Holder will have long-term capital gain or loss if it has held the Note for more than one year at the time of such disposition. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to significant limitations. Gain or loss recognised by a U.S. Holder on the sale, exchange, redemption or other disposition of a Note that is attributable to changes in the currency exchange rates will be treated as U.S. source ordinary income or loss. Such foreign currency exchange gain or loss will generally equal the difference, if any, between the U.S. Dollar value of the purchase price of the Note based on the spot rate of exchange on (i) the date of the sale, exchange, retirement or other taxable disposition of the Note and (ii) the date on which the U.S. Holder acquired the Note. In addition, upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. Holder may realise foreign currency exchange gain or loss attributable to amounts received with respect to accrued and unpaid stated interest, which will be treated as discussed above under "—*Interest*". However, foreign currency exchange gain or loss (including with respect to accrued interest) is taken into account only to the extent of total gain or loss realised by such U.S. Holder on the transaction.

U.S. Holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Information Reporting and Backup Withholding

In general, payments of principal, interest on and the proceeds from the sale, exchange, redemption or other disposition of a Note payable to a U.S. Holder by a U.S. paying agent or other U.S. related intermediary will be reported to the IRS and to the U.S. Holder. U.S. backup withholding tax will apply to amounts subject to reporting if the U.S. Holder fails to provide an accurate taxpayer identification number, fails to certify that such U.S. Holder is not subject to backup withholding or is exempt from backup withholding or otherwise fails to comply with the applicable backup withholding requirements. Certain U.S. Holders (including corporations) are not subject to information and backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding imposed on a payment may be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided applicable tax returns or refund claims are timely filed with the IRS.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in “reportable transactions” (as defined in the U.S. Treasury Regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder that is an individual or trust may be required to treat foreign currency exchange loss from the Notes as a reportable transaction for this purpose if this loss exceeds U.S.$50,000 in a single taxable year. A penalty of up to U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases may be imposed in any taxable year on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. U.S. Holders should consult their own tax advisors as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale, exchange or retirement of the Notes.

Foreign Financial Asset Reporting

Certain U.S. Holders that own “specified foreign financial assets,” including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions may be subject to additional reporting obligations (including the filing of IRS Form 8938), if the aggregate value of all of those assets exceeds U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year, or certain other requirements are met. The Notes may be treated as specified foreign financial assets, and U.S. Holders may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to a U.S. Holder that fails to file information reports. U.S. Holders should consult their own tax advisers regarding these potential information reporting obligations.

The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The Commission’s Proposal, however, remains subject to negotiation among participating Member States. It may, therefore, be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

CLEARING AND SETTLEMENT ARRANGEMENTS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Federation believes to be reliable, but neither the Federation or the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Federation or any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Clearing Systems

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Registration and Form

Interests in the Unrestricted Global Certificate and the Restricted Global Certificate will be in uncertificated book-entry form ("**book-entry interests**"). The holdings of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the relevant Register to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg, respectively. Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

So long as Euroclear or Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of the Global Certificates, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Global Certificates for all purposes under the Agency Agreement. Consequently, none of the Federation, the Fiscal Agent, any other Agent or the Joint Lead Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. Because Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The Federation will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream, Luxembourg.

Clearing and Settlement Procedures

Upon their original issue, the Notes will be in global form represented by the Global Certificates. Interests in the Notes will be in uncertificated book-entry form. Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

The book-entry interests will trade through participants of Euroclear or Clearstream, Luxembourg and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any book-entry funds where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

General

Neither Euroclear nor Clearstream, Luxembourg is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

None of the Federation or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

SUBSCRIPTION AND SALE

Pursuant to and subject to the terms and conditions of a subscription agreement dated 16 July 2025 (the "**Subscription Agreement**") among the Issuer and the Joint Lead Managers, each of the Joint Lead Managers has severally agreed to purchase, and the Issuer has agreed to sell to each of the Joint Lead Managers, the principal amount of the Notes set forth opposite each Joint Lead Manager's name below:

	Principal amount of Notes
	(€)
Deutsche Bank Aktiengesellschaft	116,800,000
Merrill Lynch International	116,600,000
UniCredit Bank d.d.	116,600,000
Total	**350,000,000**

The Issuer has been informed that the Joint Lead Managers propose to resell the Notes at the issue price set forth on the cover page of this Offering Circular within the United Sates to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to persons outside the United States in reliance upon Regulation S. See "– *United States*" and "*Transfer Restrictions*" below. The issue price at which the Notes are offered may be changed at any time without notice.

The Issuer will reimburse the Joint Lead Managers in respect of certain of their expenses and have agreed to indemnify the Joint Lead Managers and their controlling persons against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue of the Notes.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to subscribe for Notes are subject to certain conditions precedent, including (among other things) receipt of legal opinions from legal counsel, and the Subscription Agreement may also be terminated in certain circumstances prior to payment of the issue price to the Issuer. In this situation, the issuance of the Notes may not be completed. Investors will have no rights against the Issuer or Joint Lead Managers in respect of any expense incurred or loss suffered in these circumstances. The offering of the Notes by the Joint Lead Managers is subject to the Joint Lead Managers' right to reject any order in whole or in part.

Offers and sales of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or in accordance with Rule 15a-6 thereunder.

Allocations of the Notes to potential investors in the offering will be made in accordance with customary allocation processes and procedures following the completion of the book-building process for the offering of the Notes and will be made at the sole discretion of the Issuer.

The Notes are a new issue of securities for which there currently is no market. The Issuer cannot provide assurance that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Joint Lead Managers have advised the Issuer that following the completion of the offering of the Notes, they intend to make a market in the Notes. They are not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at their sole discretion without notice. In addition, such market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, the Issuer cannot give any assurance as to the development of any market or the liquidity of any market for the Notes.

In connection with the offering of the Notes, the Joint Lead Managers may engage in over-allotment, stabilising transactions and syndicate covering transactions. Over-allotment involves sales in excess of the offering size, which creates a short position for the Joint Lead Managers. Stabilising transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Any of these activities may prevent a decline in the market price of the Notes, and may also cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the over-the-counter market or otherwise. If the Joint Lead Managers commence any of these transactions, they may discontinue them at any time.

The Issuer expects that delivery of interests in the Notes will be made against payment therefor on the Issue Date specified on the cover page of this Offering Circular, which will be the fifth Business Day following the date of pricing of the Notes (this settlement cycle being referred to as T+5). Under Rule 15c6-l of the Exchange Act, trades in the secondary market generally are required to settle in one New York business day, unless the parties to any such trade expressly agree otherwise. Accordingly, investors who wish to trade interests in the Notes on the date of pricing of the Notes or the next three New York business days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Investors in the Notes who wish to trade interests in the Notes on the date of pricing of the Notes or the next New York business day should consult their own adviser.

The Joint Lead Managers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory, mergers and acquisitions and commercial banking services to us and our affiliates in the ordinary course of business for which they have received or may receive customary fees and commissions. Certain of the Joint Lead Managers and their affiliates have performed certain investment and commercial banking or financial advisory services for the Issuer and their affiliates from time-to-time, for which they have received customary fees and commissions, and they expect to provide these services to the Issuer and their affiliates in the future, for which they expect to receive customary fees and commissions. "Affiliates" as used above is defined as under Rule 501(b) of Regulation D of the U.S. Securities Act. One or more of the Joint Lead Managers may purchase Notes offered hereby for their own account.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If the Joint Lead Managers or their affiliates have a lending relationship with the Issuer, they routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or other jurisdiction of the United States and may not be offered, sold or delivered within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with any applicable securities laws of any state or other jurisdiction of the United States. Accordingly, the Joint Lead Managers have agreed, severally and not jointly, to offer the Notes for resale in the United States initially only to persons who they reasonably believe to be QIBs, in reliance on Rule 144A, and outside the United States in offshore transactions, in reliance on Regulation S. Terms used in this paragraph have the respective meanings given to them by Regulation S.

The Notes are being offered and sold by the Joint Lead Managers outside the United States in accordance with Regulation S. The Subscription Agreement provides that the Joint Lead Managers may through their respective U.S. affiliates resell a portion of the Notes within the United States only to persons reasonably believed to be QIBs in reliance on Rule 144A. The Joint Lead Managers will effect any sales of the Notes in the United States only through their respective U.S. broker-dealer affiliates or through one or more other U.S. registered broker-dealers as permitted by the Financial Industry Regulatory Authority, Inc.'s regulations or any other applicable U.S. laws and regulations.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of any of the Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if the offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

Each Joint Lead Manager has represented, warranted and undertaken that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Federation; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Joint Lead Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Italy

The offering of the Notes has not been and will not be registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and Italian CONSOB regulations; or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of this Offering Circular or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must:

(a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation № 20307 of 15 February 2018 (as amended from time-to-time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time-to-time) and/or any other Italian authority.

Bosnia and Herzegovina

The offering of the Notes has not been and will not be registered pursuant to securities legislation applicable in Bosnia and Herzegovina and, accordingly, no Notes may be offered, and no offers to buy the Notes may be solicited, nor may copies of this Offering Circular or of any other document relating to the Notes be distributed, in Bosnia and Herzegovina.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(2) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the

Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Notification under Section 309B(1)(c) of the SFA

The Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

No action has been or will be taken in any jurisdiction by the Federation or any Joint Lead Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, each Joint Lead Managers has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

TRANSFER RESTRICTIONS

As the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes. References to "Notes" in this section should, as appropriate, be deemed to refer to the Notes themselves and/or beneficial interests therein.

By its purchase of Notes, each purchaser of Notes will be deemed to have acknowledged, represented and agreed with the Joint Lead Managers and the Issuer as follows:

1. the purchaser (a) (i) is a QIB within the meaning of Rule 144A, (ii) is acquiring the Notes for its own account or for the account of such a qualified institutional buyer and (iii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A or (b) is purchasing the Notes in an offshore transaction pursuant to, and in accordance with, Regulation S;

2. the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act, and the Notes offered hereby have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged, or otherwise transferred except pursuant to an exemption from or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws;

3. the Restricted Global Certificate and any Restricted Certificate will bear a legend to the following effect, unless the Federation determines otherwise in accordance with applicable law:

   "THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY SECURITIES LAW OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF 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, THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER ("**QIB**"), WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (4) TO THE FEDERATION OF BOSNIA AND HERZEGOVINA OR ITS AFFILIATES."

4. it understands that the Federation, the Joint Lead Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes is no longer accurate, it shall promptly notify the Federation and the Joint Lead Managers;

5. if it is acquiring any Notes for the account of one or more investor accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and

6. it acknowledges that neither the Federation, the Joint Lead Managers nor any person representing the Federation or the Joint Lead Managers, has made any representation to it with respect to the Federation or the offer or sale of any of the Notes, other than (in the case of the Federation) the information contained in this Offering Circular, which Offering Circular has been delivered to it and upon which it is relying in making an investment decision with respect to the Notes. It acknowledges that the Joint Lead Managers make no representation or warranty as to the accuracy or completeness of this Offering Circular.

GENERAL INFORMATION

Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in the Federation in connection with the issue and performance of the Notes. The issue of the Notes is authorised pursuant to the Budget of the Federation of Bosnia and Herzegovina for 2025 (Official Gazette of the Federation of BiH № 7/25), the Law on the Execution of the Budget of the Federation of Bosnia and Herzegovina for 2025 (Official Gazette of the Federation of BiH № 7/25), the Law on Debt, Borrowing and Guarantees of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of BiH № 45/25, et al.), the Ordinance on General Conditions on Issuance of Bonds of the Federation of Bosnia and Herzegovina on International Financial Markets, adopted by the Government of the Federation of Bosnia and Herzegovina (Official Gazette of the Federation of BiH № 48/25) and the Decision on the Issuance of Bonds of the Federation of Bosnia and Herzegovina on the International Financial Market, adopted by the Government of the Federation of Bosnia and Herzegovina, V. № 1209/2025 dated 10 July 2025 (Official Gazette of the Federation of BiH № 52/25).

LEI Code

The Issuer's LEI code is 2549005LLMF1PP3ZWX18.

Listing of Notes

An application has been made to the FCA for the Notes to be admitted to the Official List and to the London Stock Exchange for the Notes to be admitted to trading on the London Stock Exchange's main market; however, no assurance can be given that such application will be accepted. It is expected that admission of the Notes to the Official List and to trading on the London Stock Exchange's main market will be granted on or around 18 July 2025.

The expenses in connection with the admission of the Notes to the Official List and to trading on the London Stock Exchange's main market are expected to amount to approximately £6,850.

Clearing Systems

The Global Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg.

In respect of the Regulation S Notes, the ISIN is XS3123478730 and the common code is 312347873. In respect of the Rule 144A Notes the ISIN is XS3123479118 and the common code is 312347911.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position of the Issuer.

Documents Available for Inspection

For so long as any of the Notes are outstanding, the following documents shall be available on the Issuer's website at: https://www.fmf.gov.ba/:

(a) the Agency Agreement;

(b) the Deed of Covenant;

(c) this Offering Circular and any supplements thereto;

(d) the final budgets of the Federation for the years 2024 and 2025, together with any amendments or supplements thereto;

(e) tables reflecting developments (and any adjustments due to revisions or otherwise) as at 30 June or 31 December of each year (to be provided within six months of such date) in the form of the relevant tables (as specified in the Conditions) set out in the "*Public Debt*" section of this Offering Circular; and

(f) within 60 days of adoption by the Federation Government, each final budget of the Federation and any amendment or supplement to a previously published final budget of the Federation.

Foreign Language

The language of the Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

No Significant Change

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Issuer since 31 December 2024.

Yield

As at the Issue Date and on the basis of the issue price of the Notes, the interest rate of the Notes, the redemption amount of the Notes and the tenor of the Notes, as calculated on the pricing date, the yield to maturity of the Notes is 5.500% *per annum*. This is not an indication of future yield.

THE 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)
Mehmeda Spahe 5
71000, Sarajevo
Bosnia and Herzegovina

JOINT LEAD MANAGERS

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt am Main
Germany

Merrill Lynch International
2 King Edward St
London EC1A 1HQ
United Kingdom

UniCredit Bank d.d.
Kardinala Stepinca bb
88 000 Mostar
Bosnia and Herzegovina

LEGAL ADVISERS

to the Issuer as to English and U.S. law:
Baker Botts (UK) LLP
20 Fenchurch Street
London EC3M 3BY
United Kingdom

to the Issuer as to the laws of Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina:
Law Office Naida Custovic in cooperation with Wolf Theiss Rechtsanwälte GmbH & Co KG
Zmaja od Bosne 7
71000 Sarajevo
Bosnia and Herzegovina

to the Joint Lead Managers as to English and U.S. law:
White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

to the Joint Lead Managers as to the laws of Bosnia and Herzegovina and the Federation of Bosnia and Herzegovina:
Sijerčić & Partners
Trg djece Sarajeva 1
ARIA Mall, IX floor
71 000 Sarajevo
Bosnia and Herzegovina

FISCAL AGENT, PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
21 Moorfields
London EC2Y 9DB
United Kingdom

REGISTRAR

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg