

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 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 (within the meaning of Rule 144A under the Securities Act). 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 Sole Lead Manager (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 Sole Lead Manager 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.

UK MiFIR product governance / Professional investors and ECPs only target market: Solely for the purposes of the 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 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 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 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.

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 Sole Lead Manager 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 Merrill Lynch International (the "**Sole Lead Manager**") 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 Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Sole Lead Manager.



The Republic of Srpska
an entity of Bosnia and Herzegovina

€500,000,000 6.25 per cent. Notes due 2031
Issue Price: 98.961 per cent.

The issue price of the €500,000,000 6.25 per cent. Notes due 2031 (the “Notes”) of the Republic of Srpska represented by the Government of the Republic of Srpska, acting through the Ministry of Finance (the “Issuer” or the “Republic”) is 98.961 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 2 April 2031 (the “Maturity Date”). The Notes will bear interest from, and including, 2 April 2026 at the rate of 6.25 per cent. *per annum* payable annually in arrear on 2 April in each year, commencing on 2 April 2027. Payments on the Notes will be made in Euros without deduction for, or on account of, taxes imposed or levied by the Republic and/or to the extent applicable, Bosnia and Herzegovina, unless such withholding or deduction is required by law. As at the date of this Offering Circular, withholding tax of 10 per cent. is applicable under Bosnia and Herzegovina law to payments of interest in respect of the Notes to non-resident legal entities (unless otherwise provided under an applicable double taxation treaty). If payments in respect of the Notes are subject to withholding or deduction for any such tax, pursuant to “Terms and Conditions of the Notes – 8. Taxation”, the Republic 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 that Condition. See “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 admission, the Notes are excluded securities under Regulation 5 and 6 of the Public Offers and Admissions to Trading Regulations 2024 (the “POATRs”). Accordingly, this Offering Circular has not been reviewed or approved by the FCA in accordance with the rules in the Prospectus Rules: Admission to Trading on a Regulated Market sourcebook made pursuant to its rule-making powers under the POATRs (“PRM”). Notes admitted to the Official List and admitted to trading on the London Stock Exchange’s main market will not be subject to the PRM.

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) No 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 B by S&P Global Ratings Europe Limited (“S&P”) and B3 by Moody’s Deutschland GmbH (“Moody’s”). S&P and Moody’s are established in the European Union and registered under Regulation (EC) No. 1060/2009, as amended (the “CRA Regulation”). As such, S&P and Moody’s 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 S&P have been endorsed by S&P Global Ratings UK Limited (“S&P UK”) and the ratings issued by Moody’s have been endorsed by Moody’s Investors Service Ltd. (“Moody’s UK”), each in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the “UK CRA Regulation”) and have not been withdrawn. S&P UK and Moody’s UK are established in the UK and registered in accordance with the UK CRA Regulation. As such, the ratings issued by S&P and Moody’s 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 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 Certificates”), 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 depository 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 2 April 2026 (*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 Sole Lead Manager. 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”.

Sole Lead Manager
BofA Securities

This Offering Circular is dated 31 March 2026

RESPONSIBILITY STATEMENT

The Republic accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Republic, 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.

IMPORTANT NOTICES

None of the Sole Lead Manager nor any of its 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 Sole Lead Manager or any of its 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 the Sole Lead Manager or any of its 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 the Sole Lead Manager or its directors, affiliates, advisers or agents in any respect.

The Republic has not authorised the making or provision of any representation or information regarding the Republic 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 Republic or the Sole Lead Manager. 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 Republic 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 the Republic of Srpska 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 Republic 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.

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 Republic and the Sole Lead Manager 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 Republic 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 Republic and the Sole Lead Manager 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 the Sole Lead Manager 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.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of the 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. 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 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, Merrill Lynch International (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.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

In connection with Section 309B of the Securities and Futures Act (Chapter 289) 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 advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

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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 Republic'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 Republic 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 Republic 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, plans with respect to the implementation of economic policies and the pace of economic and legal reforms, expectations about the behaviour of the economy if certain economic and fiscal policies are implemented, the outlook for inflation, exchange rates, interest rates, foreign investment, trade and fiscal accounts and 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:

- relations between the governmental institutions at the BiH and Entity level, as well as political and social factors within BiH, the Republic and the Federation of Bosnia and Herzegovina (the "**Federation**") which may affect the timing and structure of economic and other reforms and the climate for foreign direct investment;
- adverse external factors, such as changes in the credit rating of BiH or the Republic, higher international interest rates, low commodities prices, increases in world commodities prices or recession or low growth in BiH and the Republic'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 Republic;
- 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 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 Republic 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 Republic, 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.

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 Conflict of Laws (*Official Gazette of SFRY, Nos. 43/82 and 72/82; Official Gazette of BiH, 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 and use its right to defend itself in the original court procedure (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**”) in connection with the subject matter of the judgment;
- (c) The recognition and enforcement of the judgment must not violate the Constitution of BiH (the “**BiH Constitution**”) and/or the Republic’s Constitution (the “**RS Constitution**”) or public policy rules;
- (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 subject matter (*res iudicata*). In case there is a proceeding on the same subject- matter and between the same parties pending before courts in BiH, the court faced with a motion for recognition of a foreign judgment will suspend the recognition proceedings until the final resolution of the pending proceedings before a court in BiH is rendered;
- (e) There must be reciprocity between BiH and the country where the judgement was rendered; and
- (f) The decision must be final and conclusive (no further appeals, revocation procedures or similar actions have commenced or are allowed), and supplied with a confirmation of finality by the issuing court.

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 Bosnian courts can be recognised 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 the written information received by the BiH Ministry of Justice dated 16 February 2026, such reciprocity does not exist with the United Kingdom (the “**UK**”) and there is no evidence that there is reciprocity with the United States of America (the “**US**”) 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 US judgments in BiH is not clear.

Furthermore, courts in BiH may refuse to recognise 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 or the Republic. Public policy is defined as “foundations of social and political order as determined in the 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.

BiH lodged reservations to the original text of the New York Convention 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 subject matter of the dispute is not capable of being submitted to arbitration (i.e. subject matter of the dispute concerns rights that a party may not freely dispose) under BiH law;
- (b) where there is exclusive jurisdiction of BiH courts or other competent authority in connection with the subject matter;
- (c) where recognition and enforcement of the arbitral award would violate the BiH Constitution and/or the Republic Constitution or public policy rules;
- (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. Although modern arbitration legal systems interpret the requirement for the existence of reciprocity such as that the existence of diplomatic reciprocity would suffice, due to the lack of consistent practice in this area in BiH, there is a risk that courts in BiH may also require factual reciprocity between BiH and the country of the origin of the arbitral award, instead of diplomatic reciprocity.

The BiH and the Republic'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”, “EUR” 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.\$”, “USD” and “U.S. Dollars” are to United States Dollars and references to “Convertible Mark” or “BAM” are to the currency of BiH.

Statistical data appearing in this Offering Circular have, unless otherwise stated, been obtained from the Institute of Statistics of the Republic, the Ministry of Finance of the Republic (the “**Ministry of Finance**”), the Government of the Republic (the “**RS Government**”) and the Central Bank of Bosnia and Herzegovina (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 RS 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 the Republic and/or BiH and has not been independently checked or verified. The Republic has accurately reproduced such information, and as far as the Republic 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 the Republic and BiH 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 Republic, 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 Republic, 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 Republic, other than certain components such as the imports and export of goods and foreign direct investment (“**FDI**”) as discussed in “*External Sector*”. In the absence of any information and/or data relating to the Republic, 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. The Agreement on Regional Representation and Cooperation (as defined below) provides for the use of an asterisk in respect of Kosovo* in line with UN Resolution 1244 (as defined below) and the ICJ Opinion (as defined below), which states that the designation of “Kosovo*” is without prejudice to the Republic’s position on Kosovo’s status of independence. Accordingly, the term “Kosovo” should be construed on this basis, and it is used throughout this Offering Circular in the context of regional initiatives and programmes carried out under the auspices of the European Union.

Unless otherwise stated, all annual information, including budgetary information for the Republic, 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 Republic and/or its agencies believe to be based on reasonable assumptions. Specifically, the relevant interim period in 2025 for which, and/or the relevant date in 2025 as at which, data is presented may differ depending on the most recent information available from the Republic. All such data is provided as at and in respect of the period most recently available. Final annual GDP data for 2025 is not available as of the date of this Offering Circular. Accordingly, whenever 2025 annual nominal GDP or real GDP growth data is used, it is based on estimates for the full year 2025 prepared by the Ministry of Finance. Also included in this Offering Circular is quarterly data for each quarter of 2025, which is based on preliminary GDP results for each such quarter, prepared by the Institute of Statistics of the Republic. However, such quarterly data is subject to a reconciliation process, with the preliminary results of such reconciliation expected to be published by the Institute of Statistics in July 2026 and the final 2025 annual GDP data expected to be published by the Institute of Statistics 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 Republic does not expect such revisions to be material, no assurance can be given that material changes will not be made. See *“Risk Factors—Risks Associated with the Republic’s Economy—Official economic data may be subject to some degree of uncertainty and could be revised which may adversely affect the economy and the Republic’s ability to repay principal and make payments of interest on the Notes”*.

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

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

BiH is a subscriber to the International Monetary Fund (the “**IMF**”) Enhanced General Data Dissemination System (the “**e-GDDS**”), which is designed to support transparency, encourage statistical development and help create strong synergies between data dissemination and surveillance. The e-GDDS requires subscribing member countries to: (i) commit to using the e-GDDS as a framework for statistical development; (ii) designate a country coordinator; and (iii) prepare metadata that describes (a) current practices in the production and dissemination of official statistics and (b) plans for short- and longer-term improvements in these practices.

Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the IMF’s Dissemination Standards Bulletin Board. This website and any information on it are not part of, or incorporated by reference into, this Offering Circular.

In addition, the Institute of Statistics of the Republic cooperates 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 Republic 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 European System of Accounts, 2010 (the “**ESA**”).

Review and Adjustment of Statistics

The Republic’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.

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 (“**BAM**”), is fixed against the anchor currency, the Euro, at a rate of BAM 1 to EUR 0.511292, which is equal to a rate of EUR 1.00 to BAM 1.955830.

- 1) 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 USD per BAM:

Year	U.S. Dollars per BAM ⁽¹⁾			
	High	Low	Average	Period End
	<i>(USD per BAM)</i>			
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
2025.....	1.917856	1.652302	1.734686	1.663545
For the month of				
January 2026	1.683593	1.633397	1.667935	1.640935
February 2026	1.664111	1.640935	1.653692	1.656781
March 2026 (through 19 March 2026)	1.704278	1.656781	1.688285	1.700722

Source: The Central Bank.

Notes:

- (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.
- 2) 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.\$:

Year	BAM per U.S. Dollars			
	High	Low	Average	Period End
	<i>(BAM per USD)</i>			
2020.....	0.547440	0.627917	0.582545	0.627917
2021.....	0.572954	0.630832	0.604649	0.579498
2022.....	0.489051	0.586145	0.537590	0.545344
2023.....	0.535271	0.575459	0.552763	0.564977
2024.....	0.531232	0.572442	0.553243	0.533993
2025.....	0.521416	0.605216	0.576473	0.601126
For the month of January 2026.....	0.593968	0.612221	0.599544	0.609409
February 2026	0.600921	0.609409	0.604708	0.603580
March 2026 (through 19 March 2026)	0.586759	0.603580	0.592317	0.587986

OVERVIEW OF THE REPUBLIC

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 Republic of Srpska*”, “*The Economy of the Republic*”, “*External Sector*”, “*Total and Public Debt*”, “*Monetary System*” and “*Public Finances*” for a more detailed description of the Republic.

General

The Republic is located in the western Balkan Peninsula and occupies an area of approximately 24,641 square kilometres (49 per cent. of BiH) divided by the Brčko District, a 493 square kilometres self-governing administrative unit in the north-eastern region of BiH. By virtue of its geographic position, the Republic connects the Pannonian Basin and the Adriatic Basin. The Drina and Sava rivers help connect the Republic to the European Rhine–Main–Danube Canal. The Republic is bordered by the Federation of Bosnia and Herzegovina (the “**Federation**”) and three neighbouring states: to the East by Serbia, to the Southeast by Montenegro and to the North and Southwest by Croatia.

The Republic consists of 12 cities: Banja Luka, East Sarajevo, Prijedor, Doboj, Bijeljina, Trebinje, Zvornik, Gradiška, Derventa, Teslić, Prnjavor and Laktaši, as well as 52 municipalities. The city of Banja Luka is the largest city and the administrative, economic and cultural centre of the Republic. As of the date of the last census in 2013, the Republic had a total population of approximately 1.2 million (excluding the Brčko District). As per the annual release of the Republic’s population statistics, it is estimated that the Republic had a total population of approximately 1.1 million (excluding the Brčko District) in 2024.

The Republic has a unique structure, as it is one of the two entities of BiH formed under the General Framework Agreement in December 1995. BiH has a multi-layered legal framework due to the combination of different government systems. In addition to BiH, the two constituent entities, the Republic and the Federation (together, 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 by BiH institutions. As the Entities have wide legislative competences, each of them have power to adopt their own laws that may differ across such areas of competences.

The executive branch of BiH government is headed by a three-member joint presidency (the “**Joint Presidency**”), which is elected by popular vote and consists of representatives of BiH’s three constituent groups: Bosniaks, Croats and Serbs. Two members of the Joint Presidency (one Bosniak and one Croat) are directly elected in the Federation. The third member, a Serb, is directly elected in the territory of the Republic. BiH has a bi-cameral legislature consisting of the House of Peoples and the House of Representatives. Together, these chambers form the Parliamentary Assembly of BiH. The BiH Constitution also establishes the BiH Constitutional Court, which has exclusive jurisdiction to determine all disputes arising under the BiH Constitution between the Entities and/or BiH or the institutions of BiH. The BiH Constitutional Court has jurisdiction to decide whether any provision of the constitution or law of an Entity complies with the provisions of 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. At the Entity level, the Republic has its President, who represents the Entity and has its own constitution. The Republic exercises its legislative function through its parliament, the National Assembly of the Republic (the “**RS National Assembly**”) and the Council of Peoples, the executive functions through the RS Government comprising of the Prime Minister, vice-presidents and the ministries and judicial functions through The constitutional court of the Republic (the “**RS Constitutional Court**”), the Supreme Court of the Republic, district courts, basic courts, special commercial courts (district commercial courts and high commercial court) and the prosecutor’s office.

Economy

The economy of the Republic has recorded positive growth rates from 2021 to 2025. Trends during the years 2020 to 2024 indicate that while the business environment faced significant disruption from COVID-19 in 2020, subsequent years were characterised by a favourable business environment and stable business conditions which stimulated the growth of economic activity yearly. All production areas in this period show an absolute positive

contribution to GDP growth. The decline in gross value added between 2023 and 2024 in the areas of mining and quarrying, electricity gas, steam and air-conditioning supply and manufacturing impacted the real GDP growth rate in 2024. The manufacturing industry still nonetheless remains one of the most important areas of the economy of the Republic, in terms of its contribution to the total gross share of value added in exports and the number of employees.

In 2024, the Republic recorded a nominal GDP of BAM 17.2 billion as compared to BAM 16.1 billion, BAM 14.5 billion, BAM 12.5 billion and BAM 11.1 billion in 2023, 2022, 2021 and 2020, respectively. The Republic's Institute of Statistics releases GDP data for 2025 in the form of quarterly estimates. Preliminary GDP data by production and income approach will be published on 15 July 2026, and the final GDP data by all three approaches is scheduled for release on 16 November 2026. Due to the scheduled release dates for official GDP data, the Ministry of Finance is providing its own estimates for planning and informational purposes. The Ministry estimates that nominal GDP for 2025 will be BAM 18.6 billion, with a projected increase to approximately BAM 20 billion in 2026. These figures are based on the most current information available and are subject to revision upon publication of the official data by the Institute of Statistics.

The Republic's real GDP growth for 2025 is estimated at 2.2 per cent., as compared to growth rates of 3.1 per cent. 1.9 per cent., and 3.9 per cent. for the years ended 31 December 2024, 2023 and 2022, respectively.

One of the RS Government's main policy goals is focused on fulfilling requirements for BiH's EU membership. The Republic's reform plans are more specifically set out in the Republic's Economic Reform Program for the period from 2026 to 2028 (the "**ERP 2026-2028**"), which is the three-year reform plan that is prepared by the RS Government on a rolling basis for submission to the European Commission in connection with BiH's candidacy for EU membership. The ERP 2026-2028 sets out the RS Government's 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 RS National Assembly adopted the ERP 2026-2028 at its 17th regular session held on 17 December 2025. The structural reforms, measures and activities outlined in the ERP 2026-2028 are fully aligned with the RS Government's programme and closely linked and aligned with the qualitative and quantitative steps and actions agreed under the Reform Agenda. The RS National Assembly initially adopted RS Government's programme on 2 September 2025 and subsequently affirmed it on 18 January 2026 and 17 March 2026. The RS Government's programme established seven lines of action: (1) providing short-term support for domestic consumption; (2) the establishment of an investment registry and strengthening support for the economy and the private sector; (3) providing support for exporters; (4) the activation of the labour force, with a particular focus on youth, women and pensioners; (5) focusing on child savings and investment funds; (6) implementing a legislative package for self-sustainability; and (7) focusing on data management. To achieve these programme objectives, the ERP 2026-2028 proposes comprehensive structural reforms focused on enhancing competitiveness, promoting sustainability and developing human capital within the RS Government.

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 Republic of Srpska (represented by the Government of the Republic of Srpska, acting through the Ministry of Finance).
“Sole Lead Manager”	Merrill Lynch International.
“Issue Price”	98.961 per cent. of the principal amount of the Notes.
“Notes”	EUR 500,000,000 6.25 per cent. Notes due 2031.
“Issue Date”	2 April 2026.
“Maturity Date”	2 April 2031.
“Interest on the Notes”	6.25 per cent. <i>per annum</i> .
“Interest Payment Dates”	The Notes bear interest on their outstanding principal amount from and including 2 April 2026 at the rate of 6.25 per cent. <i>per annum</i> , payable annually in arrear on 2 April in each year (each an “ Interest Payment Date ”). The first payment (for the period from and including the Issue Date to but excluding 2 April 2027 and amounting to EUR 62.50 per EUR 1,000 principal amount of Notes) shall be made on 2 April 2027. 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 6.50 per cent. <i>per annum</i> .
“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 <i>pari passu</i> without preference among themselves and at least <i>pari passu</i> in right of payment with all other present and future unsecured obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law, <i>provided, further</i> , that the Issuer 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, the Issuer 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. 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”.
“Residual Maturity Call at the Option of the Issuer”	The Issuer may, at its option, from and including the date falling 1 month prior to the Maturity Date to but excluding the Maturity Date, subject to having given not less than 15 nor more 30 calendar days’ prior notice to the Noteholders in accordance with Condition 12 (<i>Notices</i>), redeem all,

but not some only, of the outstanding Notes at their principal amount plus accrued interest up to but excluding the date set for redemption.

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*”.

“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 per cent. 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 per cent. 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 EUR100,000 and integral multiples of EUR1,000 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 depository 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 Republic of Srpska 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. As at the date of this Offering Circular, withholding tax of 10 per cent. is applicable under Bosnia and Herzegovina law to payments of interest in respect of the Notes to non-resident legal entities (unless otherwise provided under an applicable double taxation treaty). In that event, if payments in respect of the Notes are subject to withholding or deduction for any such tax, or any other Taxes, the Republic 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 “*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”

In accordance with the Decision on Budget Adopting of the Republic for 2026 (*Official Gazette of the Republic, No. 114/25*) by which the RS National Assembly adopted the Budget and the Law on Budget Execution of the Republic for 2026 (*Official Gazette of the Republic, No. 114./25*) and the Decision on long-term borrowing of the Republic for 2026 (*Official Gazette of the Republic, No. 114/25*), the net proceeds from the issuance of the Notes will be used to finance the Budget deficit, including, among other obligations, the repayment of the outstanding EUR 300 million in notes due 2026 issued by the Republic.

“Ratings”

The Notes are expected to be assigned a rating of B by S&P and B3 by Moody’s. 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 “ <i>Transfer Restrictions</i> ”.	
“Fiscal Agent”, “Paying Agent” and “Transfer Agent”	The Bank of New York Mellon, London Branch.	
“Registrar”	The Bank of New York Mellon SA/NV, Dublin Branch.	
“Security Codes for the Regulation S Notes”	ISIN:	XS3327023787
	Common Code:	332702378
	CFI:	DBFXFR
	FISN:	MINIST F SRPSKA/BD 20310401 REGS
“Security Codes for the Rule 144A Notes”	ISIN:	XS3327024322
	Common Code:	332702432
	CFI:	DBFXFR
	FISN:	MINIST F SRPSKA/BD 20310401 144A

RISK FACTORS

Potential investors should carefully review this entire Offering Circular and, in particular, should consider all the risks inherent in making such an investment. The Issuer believes that the following factors may, individually or in aggregate, affect its ability to repay the principal of, and make payments of interest and other amounts due on, the Notes or otherwise fulfil its obligations under the Notes. The value of the Notes could decline due to any of these risks and prospective investors may lose some or all of their investment. Most of these factors are contingencies which may or may not occur.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Additional risks and uncertainties not currently known to the Issuer or that the Issuer currently deems to be immaterial may also materially affect the Issuer's economy and its ability to fulfil its obligations under the Notes. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and make any other enquiries they think appropriate in order to reach their own views prior to making any investment decision.

Risks Associated with Emerging Markets

Investing in securities of emerging markets, including the Republic, involves a higher degree of risk than investing in more developed market economies and mature political and legal systems.

Investing in securities of emerging market countries, including the Republic, involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed nations, and carries in some cases significant legal, economic and political risks. With respect to economic risks, different factors may cause economic instability in the Republic, such as adverse external economic factors and external shocks, particularly those affecting economic trends in the EU and its other major trading partners as well as neighbouring countries or European countries more broadly, dependence on external financing, a narrow export base, changes in governmental economic or tax policies, high levels of inflation, high interest rates, political tensions, trade barriers, significant potential changes in the legal and regulatory environment in addition the possibility that actions of the current government may be challenged by future governments.

Although progress has been made in reforming the Republic's economic and political systems in line with BiH's objective to become a full member of the EU, the Republic's economy remains characterised by certain attributes, such as concentration in a number of key industries and reliance on imports and external financing, any or all of which may adversely impact the Republic's economy. In addition, with respect to the Republic's political systems, its legislative and judicial framework is still not in material respects fully in line with the standards adopted, for example, by the EU. For example, the Constitution of BiH remains in breach of the European Convention on Human Rights as it contains ethnic and residence-based provisions, which are not in compliance with such convention and recent rulings made by the European Court of Human Rights. Moreover, the increasing dependence on borrowing foreign currency-denominated debt including from multilateral sources and international financial institutions ("IFIs") to satisfy its financing needs makes the Republic acutely susceptible to disruptions in other emerging markets and international capital markets, such as an increased cost of funding. Such borrowings, which have increased in recent years, continue to remain crucial to secure sustainable growth in the coming periods, and such increasing reliance on foreign currency funding may result in a further increase to the Republic's exposure to, and dependence on, the global financial markets in the event it is unable to secured sufficient domestic funding. Investors' reactions to events occurring in one emerging market or region could have a "contagion" effect, in which an entire region or class of investment is disfavoured. Any increase in the perceived risks associated with investing in emerging economies may decrease foreign investments in or reduce the availability of international funding to the Republic, and/or significantly increase the cost of such foreign investments or international funding to the Republic and, consequently, there can be no assurances that access to international capital markets, foreign investments or international funding will be available.

Emerging markets are generally more sensitive to financial unrest in global financial markets, 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 Republic's economy. In addition, the Republic's economy could also be adversely affected by

negative economic, political or financial developments in neighbouring countries or European countries more broadly, in addition to those of emerging markets more generally. For example, the Republic's economy is associated with, and subject to similar risks as, the other economies of the Balkan region (including, in particular, the Federation). In addition, risks related to economic development in Europe have had and, despite recent periods of moderate stabilisation, may continue to have, a negative impact on global economic activity and financial markets.

Prospective investors should also note that emerging economies, such as the Republic's, are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate.

Generally, investment in developing countries, such as the Republic, is only suitable for sophisticated investors who can fully appreciate and bear the significance of the risks involved. Prospective investors are urged to consult their own legal and financial advisers before making an investment in the Notes.

Risks Associated with the Republic's Economy and Governance

The Republic may not succeed in implementing its proposed economic, financial and other reforms and policies, which may adversely affect the economy and the Republic's ability to repay principal and make payments of interest on the Notes.

Since the Republic was formed under the General Framework Agreement for Peace in Bosnia and Herzegovina signed on 14 December 1995 (which was initially signed in Ohio in November 1995 and then subsequently re-signed in Paris in December 1995) (the "**General Framework Agreement**"), it has undergone substantial political, financial and economic transformation. In conjunction with this transformation, the Republic has been pursuing a programme of economic structural reform with the objective of increasing competitiveness and productivity of the economy, as well as building a sustainable health system, an efficient public sector and an education and labour market adjusted to the needs of the economy, while implementing policies for European integration and regional and international cooperation. See "*The Economy of the Republic*". While the Republic has made substantial progress in developing a functioning market-based economy, the establishment of economic and institutional infrastructure that is consistent with EU standard requires further investment and may take years to complete.

The implementation of these reforms, including programmes to support further economic growth, development and diversification, depends on significant and sustained political commitment and social consensus in favour of reforms. Notwithstanding significant progress in recent years and the stated policies of the RS Government related to implementing further reforms and supporting diversification of the economy, there can be no assurance that these and other economic and financial initiatives and the reforms described in this Offering Circular will continue, will not be reversed or will achieve their intended aims in a timely manner or at all, which could result in the Republic's inability to use EU development funds. In addition, from time to time, the Republic has experienced political tensions, resulting in challenges to the political process, such as several announcements at organising referenda by the Republic, tensions between the BiH Constitutional Court and the institutions of the Republic and/or difficulties in reaching consensus within BiH due to the multi-layered legal framework owing to the combination of different government systems of BiH and the Republic. See "*—Political or social instability or a change in government could affect the implementation of its proposed economic reforms and have a negative effect on the Republic and its economy.*" Failure by the RS Government to implement its proposed economic, financial and other reforms and policies, a change in the political or social consensus relating to these policies, or a failure to fulfil conditions associated with the EU or other funding for such reform programs, may adversely affect the growth and development of the Republic's economy and, as a result, have a material adverse effect on the Republic, its economy and its ability to perform its obligations under the Notes.

The Republic's economy is vulnerable to external shocks that may have a negative effect on the economic growth of the Republic and its ability to service its debt obligations.

The Republic's economy is vulnerable to and is exposed to deterioration in global economic conditions and external shocks particularly those affecting economic trends in the EU and its other major trading partners. For instance, any significant decline in the economic growth of the Republic's main trading partners, including the

EU member states, or any other deterioration in the Republic's relationships with such trading partners, could have an adverse effect on its balance of trade and adversely affect the Republic's economic growth. For example, the Republic's exports are largely directed towards certain EU member states and other countries of the region, and are reliant on demands in those countries. To the extent that member states of the EU, or other major trading partners of the Republic and BiH, experience a weakening of their economies, it could cause sharp declines in FDI inflows to BiH and exports of goods by the Republic. Net FDI inflows to the Republic amounted to EUR 156 million, EUR 110 million, EUR 204 million, EUR 527 million and EUR 283 million in 2020, 2021, 2022, 2023 and 2024, respectively. Any fluctuations or decreases in the flow of investments into the Republic's economy could lead to lower growth or result in a more severe contraction, which may impair the Republic's ability to sustain or limit the negative impact on its GDP growth or finance its current account deficit, which is largely covered by external debt. See "*Investing in securities of emerging markets, including the Republic, involves a higher degree of risk than investing in more developed market economies and mature political and legal systems*".

The Republic's economy could be significantly adversely affected by a decline in the economic performance of the countries which it has bilateral infrastructural relations, such as the Republic of Serbia. In addition to the Republic of Serbia, the People's Republic of China is an important bilateral infrastructure partner of the Republic and it participates or has concluded various energy and infrastructure projects in the Republic in recent years. See "*Description of the Republic of Srpska—Energy Sector of the Republic*" and "*Description of the Republic of Srpska—Other key bilateral relations—People's Republic of China*".

Furthermore, external shocks as a result of global and regional conflicts, including conflicts between Russia and Ukraine and in the Middle East, may adversely affect the Republic's economy. For example, if the conflict between Russia and Ukraine were to adversely affect the Republic's ability to obtain natural gas from suppliers and imports from Russia, this could negatively affect the Republic's economy. In addition, the Republic imports a relatively small amount of natural gas, of which the majority is transported to the Federation.

There can be no assurance that weaknesses in the global economy, or any other future external economic crisis, will not have a negative effect on the Republic's economy or on investors' confidence in the Republic's markets. This could affect the Republic's ability to raise capital in the international debt markets and may have a material adverse effect on the trading price of the Notes or otherwise likely affect the Republic, its economy and its ability to perform its obligations under the Notes.

BiH has a multilayer management and governance structure, which also contributes to increased political uncertainty in the Republic.

The Republic has a unitary structure, as it is one of the two entities formed under the General Framework Agreement. BiH has a multi-layered legal framework due to the combination of different government systems. The Entities have their own legal systems and the Brčko District also has a separate legal framework. As the Entities have wide legislative competences, each of them have power to adopt their own laws that may differ across such areas of competences. 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 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.

Relations between the Republic and BiH are defined by the General Framework Agreement and the BiH Constitution, which is the Annex 4 of the General Framework Agreement, where the competencies of BiH are stated explicitly, while other competencies belong to the Entities, the Republic and the Federation. The authorities of the Republic are fully committed to preserving and respecting the BiH Constitution and the structure of BiH.

The executive branch of BiH is headed by a three-member joint presidency (the "**Joint Presidency**"), which is elected by popular vote, and consists of representatives of BiH's three constituent groups: Bosniaks, Croats and Serbs. Two members of the Joint Presidency (one Bosniak and one Croat) are directly elected in the Federation. The third member, a Serb, is directly elected in the territory of the Republic. Bosnia and Herzegovina has a bi-cameral legislature consisting of the House of Peoples and the House of Representatives. Together, these chambers form the Parliamentary Assembly of BiH. The BiH Constitution also establishes the BiH

Constitutional Court, which has exclusive jurisdiction to determine all disputes arising under the BiH Constitution between: the Entities and/or BiH or the institutions of BiH. 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. At the Entity level, the Republic has its President, who represents the Entity and has its own constitution. The Republic exercises its legislative function through its parliament, the RS National Assembly and the Council of Peoples, the executive functions through the RS Government comprising of the Prime Minister, vice-presidents and the ministries and judicial functions through the Constitutional Court of the Republic (the "**RS Constitutional Court**"), the Supreme Court of the Republic, district courts, basic courts, special commercial courts (district commercial courts and high commercial court) and the prosecutor's office. See "*Description of the Republic of Srpska—The BiH Constitution and Government Structure of BiH*" and "*Description of the Republic of Srpska—The Constitution and Government Structure of the Republic*".

The multilayer structure of BiH is designed to preserve the constituent identities prevalent in BiH. While BiH has been peaceful years since the General Framework Agreement was signed, there have been instances showing a lack of consensus between the various constituent peoples that may increase political instability. Since 2011, there have been several announcements of referendums by the Republic, which have met repeated resistance from the BiH institutions and the Federation as well as international stakeholders. Most recently, in 2025, the RS National Assembly proposed a non-binding referendum on the decisions of the Office of the High International Representative, the verdicts of the BiH Constitutional Court and the decision of BiH's Central Election Commission to revoke the mandate of then-President Milorad Dodik. The referendum was scheduled for 25 October 2025 following the RS National Assembly adopting a decision to hold a referendum in the Republic. The 2025 referendum was postponed/cancelled to reduce tensions and focus on continuing dialogue and regular political processes.

Notwithstanding such events, the multilayer governance structure in BiH remains a source of political tension between BiH and the Republic. For example, following (i) the ruling of the BiH Constitutional Court (*Official Gazette of BiH, No. 16/20*), which declared the Republic's Law on Agricultural Land (*Official Gazette of the Republic, Nos. 93/06, 86/07, 14/10, 5/12 and 58/19*) unconstitutional, the (ii) ruling of the BiH Constitutional Court in Case No. U-4/21 dated 23 September 2021, which declared numerous provisions of the Republic's Law on Forests (*Official Gazette of the Republic, nos. 75/08, 60/13 and 70/20*) unconstitutional, (iii) the ruling of the BiH Constitutional Court in Case No. U-16/20 related to the concessions in the Republic and (iv) the ruling of the BiH Constitutional Court in Case No. U-10/22, which established that the Republic lacks constitutional jurisdiction to regulate legal matters that are subject matter of the Law on Immovable Property Used for the Functioning of the Public Authority (*Official Gazette of the Republic, No. 29/22*) and declaring this law ineffective. Subsequent to the criminal judgment rendered against the former President of the Republic and the termination of his mandate in 2025, the RS National Assembly enacted (i) the Law on the Non-Application of Decisions of the Constitutional Court of Bosnia and Herzegovina (*Official Gazette of the Republic, No. 60/23*), (ii) the Election Law of the Republic (*Official Gazette of the Republic, No. 61/24*), (iii) the Law on the Non-Application of Laws and the Prohibition of Activities of Unconstitutional Institutions of Bosnia and Herzegovina (*Official Gazette of the Republic, No. 19/25*), the Law on Amendments to the Criminal Code of the Republic (*Official Gazette of the Republic, No. 19/25*) and (iv) the Law on the High Judicial and Prosecutorial Council of the Republic (*Official Gazette of the Republic, No. 19/25*). In addition, representatives of the Republic 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 current law breaches the territorial integrity of the Republic. Although, representatives of the Republic continued to participate in their work within the BiH institutions and the RS National Assembly enacted the following laws: (i) the Law on the Repeal of the Laws (*Official Gazette of the Republic, No. 92/2025*), repealing the Law on the Non-Application of Decisions of the Constitutional Court of Bosnia and Herzegovina (*Official Gazette of the Republic, No. 60/23*), (ii) the Election Law of the Republic (*Official Gazette of the Republic, No. 61/24*), (iii) the Law on the Non-Application of Laws and the Prohibition of Activities of Unconstitutional Institutions of Bosnia and Herzegovina (*Official Gazette of the Republic, No. 19/25*), (iv) the Law on Amendments to the Criminal Code of the Republic (*Official Gazette of the Republic, No. 19/25*) and (v) and the Law on the High Judicial and Prosecutorial Council of the Republic (*Official Gazette of the Republic, No. 19/25*), any actual or perceived threat to the multilayer governance structure and relationship

between the institutions at the BiH and Republic levels may significantly contribute to increasing political instability in the Republic and BiH.

Future changes in the RS Government or the Council of Ministers (including following the next general elections that are due to take place in October 2026), major policy shifts, increased political tensions or an increased lack of consensus among members of the Joint Presidency could contribute to a rise in political instability in BiH, the Federation and the Republic, which could have a material adverse effect on the Republic, its economy and its ability to perform its obligations under the Notes.

Political instability or a change in government could affect the implementation of its proposed economic reforms and have a negative effect on the Republic and its economy.

Bosnia and Herzegovina, and the wider region, have experienced periods of instability, including the Bosnian War in the early 1990s. This culminated in the execution of a peace accord pursuant to the General Framework Agreement on 14 December 1995. BiH continues to experience a certain degree of political tension, particularly in light of the composition of BiH's multilayer governance structure. See "*—The BiH has a multilayer management and governance structure which also contribute to increased political uncertainty in the Republic*" above and "*Description of the Republic of Srpska—The BiH Constitution and Government Structure of BiH*" and "*Description of the Republic of Srpska—The Constitution and Government Structure of the Republic*". Most recently, on 29 August 2023, the European Court of Human Rights reiterated that the combination of territorial and ethnic restrictions outlined in BiH's constitution were discriminatory and violated the European Convention on Human Rights. In addition, the opinion published by the European Commission on 29 May 2019 recommended improvement of the constitutional framework of BiH and the Entities, to allow effective implementation of the EU Acquis (as defined below) as well as an efficient and de-politicised public administration. See "*Economy of the Republic—Foreign Relations—European Union—EU accession process*". The multi-layer structure of governance and division of responsibility between BiH and the Entities can cause delays in consensus between the authorities, sometimes impeding market access.

In the most recent parliamentary elections, which took place on 2 October 2022, the Alliance of Independent Social Democrats (the "SNSD") received the largest number of votes, winning 29 seats in the RS National Assembly, and therefore continued to retain a majority. While, the parliamentary elections 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 per cent., continuing a downward trend from previous cycles (51.2 per cent. in 2018 and 53.6 per cent. in 2014). The next parliamentary elections in the Republic and in the BiH are scheduled to be held in October 2026, alongside the presidential elections. If political tensions within BiH were to increase ahead of the 2026 elections, it may limit cooperation between the Entities and BiH institutions. It may limit the ability to agree on the EU-related laws and therefore limit progress towards EU accession, which may negatively affect the Entities' and BiH's ability to attract foreign investment.

Furthermore, following the termination of the Milorad Dodik's mandate as President in June 2025, in October 2025 the RS National Assembly appointed Ana Trisić-Babić as Acting President of the Republic, by the Decision on the appointment of the Acting President of the Republic. Following her appointment as Acting President, Ana Trisić-Babić appointed Savo Minić as Prime Minister. The Republic held an early presidential election on 23 November 2025 to determine Mr. Dodik's successor, pursuant to which SNSD candidate Siniša Karan garnered the most votes. Subsequently, the Central Election Committee of BiH annulled the votes in 17 electoral units covering 136 polling stations and ruled that the votes at these polling stations were to be repeated in February 2026 and SNSD candidate Siniša Karan again received the most votes and on 17 February 2026 Siniša Karan officially took office as President of the Republic.

In January 2026, representatives of the BiH House of Representatives of the BiH Parliament Assembly filed a challenge with the BiH Constitutional Court alleging that the appointment by Acting President Ana Trisić-Babić of Savo Minić as Prime Minister was in violation of the BiH Constitution, because the RS Constitution does not recognise the role of "Acting President". After formal appointment and confirmation by the Central Election Commission as a President of the Republic, president Siniša Karan formally reappointed Savo Minić as Prime Minister in March 2026. However, there can be no assurances that there will not be challenges to the constitutionality of future governments.

Any actual or perceived political instability or significant changes in the political climate in the Republic (and, more broadly, BiH), including changes affecting the stability of the RS Government or BiH or otherwise involving a reversal or blocking of reform policies, may have a negative effect on the Republic, its economy and its ability to perform its obligations under the Notes. Moreover, there can be no assurance that the Republic will complete the implementation of proposed strategies and reforms within the allotted time periods.

Although BiH has remained relatively peaceful since the end of the Bosnian War, there can be no assurance that it will not experience political instability as a result of political unrest. In the event that political unrest should take place, such a development could have an adverse material impact on foreign direct investment in BiH and the Republic or their reputation in the region and internationally. A complex political environment may also have negative implications on BiH and the Republic's fiscal accounts and future growth trajectory. The lack of a broad political consensus that encompasses BiH's and the Republic's various political and constituent groups may undermine the RS Government's ability to implement the full extent of its economic and other reform programmes, and BiH's progress towards EU membership, which could detrimentally impact the Republic's economy.

In addition, should the existing or future RS Government or BiH fail or be unable to implement meaningful structural, judicial, legislative, economic and/or other reforms (particularly as required by BiH's application for EU membership), as reforms of this nature may be politically unpopular, then the Republic's economy may not achieve sustainable growth over the medium-term. The extent to which the Republic will be able to attract broad scale investment in the absence of such reforms is uncertain, and its ability to perform its obligations under the Notes, its economy (including its ability to raise capital in the external debt markets in the future) may be affected.

Sanctions imposed on certain persons could have an indirect adverse impact on the Republic's economy.

On 5 January 2022, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") imposed sanctions on Milorad Dodik (who was the Serb member of the Joint Presidency at that time) due to his calling for the transfer of state competencies from BiH to the Republic. On 11 April 2022, the UK government imposed sanctions on Milorad Dodik (who was the Serb member of the Joint Presidency at that time) and Željka Cvijanović, including an asset freeze and travel ban, for their efforts to undermine the legitimacy and functionality of the state of Bosnia and Herzegovina. On 31 July 2023, OFAC imposed sanctions on Nenad Stevandić (the current Speaker and President of the National Assembly), Radovan Visković (who was the Republic's Prime Minister at that time), Željka Cvijanović (the current Serb member of the Joint Presidency) and Milos Bukejlović (who was the Republic's Minister of Justice at the time). On 29 October 2025, OFAC removed the above-mentioned individuals from the sanctions list but the sanctions from the UK remain in effect. As at the date of this Offering Circular, none of the foregoing sanctioned individuals are members of the current RS Government. In the future, should any elected member of the RS Government become subject to sanctions or should additional countries impose sanctions, this could have an adverse effect on the Republic.

While BiH maintains independent diplomatic relationships with the US, the Republic's economic and political relations with the US and other countries may be affected by any further sanctions or sanctions imposed by other countries, which could also impact the ability of the Republic to attract foreign investment, to facilitate its economic development, and those factors could in turn have a material adverse effect on the Republic, its economy and its ability to perform its obligations under the Notes.

The Republic has a high dependence on foreign lending and any deterioration in its relationship with the international finance community may impact its high debt levels and increase liquidity risk.

The support of the international community is a key factor for the credit stability of the Republic. As at 31 December 2025, multilateral and bilateral debt accounted for 50.4 per cent. and 36.0 per cent. of the Republic's external debt, respectively. The Republic 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 Republic's multilateral and bilateral creditors or changes in the terms on which such creditors provide financial assistance to the Republic or fund new or existing projects could have a significant adverse effect on the financial position of the Republic and its ability to perform its obligations under the Notes.

To date, the RS Government has concluded bilateral and multilateral loans with the EU, the IMF, the World Bank, the Council of Europe Development Bank, the Republic of Serbia, the European Investment Bank, the

Republic of Korea, the International Fund for Agricultural Development (“IFAD”), the OPEC Fund for International Development, Japan International Cooperation Agency (JICA), the Republic of Austria and Hungarian Export-Import Bank. As at 31 December 2025, the Republic has approved funding from the EU (for EUR 138.7 million), the IMF (with an aggregate value of SDR 746.1 million), the World Bank (with an aggregate value of SDR 376.5 million and EUR 576.3 million) and the European Investment Bank (“EIB”) (with an aggregate value of EUR 576.3 million). Although cooperation with other nations has generally been seamless, some support has been cancelled due to political circumstances such as in the case of certain Kreditanstalt für Wiederaufbau-funded projects. While there have been no significant deadlocks to date, no assurances can be given that the Republic’s current bilateral and multilateral cooperation and relationship with such countries, organisations and IFIs will continue. Any deterioration in the political climate of the Republic and its relations with BiH that would cause delay in consensus and/or restrict market access could negatively impact continued support from such creditors in the future and could increase pressure on RS Government expenditures and, in turn, have an impact on the wider economy of the Republic.

The Ministry of Finance conducts regular auctions for short-term treasury bills and longer-term treasury notes in the domestic market for its funding needs. Although to date there has never been a case where the demand for securities is less than the supply, if in the future auctions failed or did not raise the entire expected funds, those failures could erode investor confidence in the Republic’s ability to manage its debt effectively, which could, in turn, lead to reduced participation in future auctions and higher borrowing costs.

There can be no assurances that a tightening of liquidity conditions in the future because of, for example, further deterioration of public finances of certain European countries due to inflation or economic conditions, will not lead to new funding uncertainty or result in increased volatility and widening of credit spreads. If these conditions continue to persist, or should there be any further turbulence in these or other markets, this could have a material adverse effect on the Republic’s ability to access foreign investment (including from IFIs and multilateral sources) or meet its economic growth targets pursuant to the Republic’s Economic Reform Program 2026 – 2028. See “*Economy of the Republic—Economic Reform Program of the Republic (2026 to 2028)*”. Accordingly, the Republic, its economy and its ability to perform its obligations under the Notes may be adversely affected by financial and/or economic crises that are existing or may occur in the future, including, but not limited to, as a result of issues arising adverse economic conditions in the Eurozone or in the global economy.

The Republic’s economy is small and thus largely dependent on external trade, particularly imports.

The Republic’s economy remains small, narrow and undiversified, due mainly to a lack of price competitiveness and poor infrastructure. At the level of the Republic, the trade deficit of goods was EUR 552 million (9.7 per cent. of GDP) in 2020, a decrease of 7.9 per cent. as compared to the previous year, EUR 588 million (9.2 per cent. of GDP) in 2021, an increase of 6.7 per cent. as compared to the previous year, EUR 891 million (12.0 per cent. of GDP) in 2022, an increase of 51.5 per cent. as compared to the previous year, EUR 949 million (11.5 per cent. of GDP) in 2023, an increase of 6.4 per cent. as compared to the previous year, and EUR 1,173 million (13.3 per cent. of GDP) in 2024, an increase of 23.6 per cent. as compared to the previous year. In 2025, it is estimated that the trade deficit decreased to EUR 1,163 million (12.2 per cent. of GDP). The increase in the trade deficit of goods since 2020 was largely attributable to a decline in external demand for the Republic’s exports in addition to a decreased domestic consumption which reduced imports. Although export growth outpaced import growth in relative terms in 2025, the overall level of imports remained substantially higher than exports, resulting in a continued trade gap. There can be no assurances that the continued trade gap will not adversely affect the capacity of the Republic’s economy to generate foreign currency assets sufficient to cover liabilities arising from External Public Debt (as defined below), which may in turn have an adverse effect on the Republic, its economy and its ability to perform its obligations under the Notes.

The Republic’s economy is reliant on a small number of industrial sectors and exports to a limited number of trading partners, and adverse market conditions affecting one or more of these sectors or economic developments in these trading partners could have a material and adverse effect on overall economic conditions in the Republic.

While in recent years the Republic has sought to diversify its economy, certain of its economic sectors remain reliant on a limited product and trading partners. For example, the industry sector (which is composed of (i) mining and quarrying, (ii) manufacturing, (iii) electricity, gas, steam and air conditioning supply and (iv) water supply, sewerage, waste management and remediation activities) remains heavily reliant on electricity,

gas, steam and air conditioning supply, which in 2024 accounted for 24.3 per cent. of the sector's real gross value added ("GVA") growth rate. See "*The Economy of the Republic—Gross Value Added*". There was a reduction of activity in the GVA growth rate of the industry sector (including its sub-sectors) in 2020 as compared to 2019 due to the events arising from COVID-19 as well as in 2024 as compared to 2023 mainly due to the result of reduced output in the energy sector and in mining and quarrying.

In addition, the Republic's principal export markets are concentrated, with exports to EU countries accounting for approximately 69.7 per cent. of the Republic's total exports in 2025 and member states of CEFTA accounting for 24.4 per cent. See "*External Sector—Geographic diversification of trade in goods*" for further information. As a result, economic conditions in the Republic are significantly affected by changes in EU and global demand for such products, 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 Republic, could adversely affect the markets for the Republic's exports. See "*—The Republic's economy is vulnerable to external shocks that may have a negative effect on the economic growth of the Republic's and its ability to service its debt obligations.*"

Any or all of these developments may materially and adversely affect the Republic, its economy and its ability to perform its obligations under the Notes.

Limited revenues, together with higher expenses, and fiscal risks arising from the Republic's social security system may adversely affect the Republic's ability to repay principal and make payments of interest on the Notes.

The net fiscal surplus in the consolidated general RS Government budget, accordingly to preliminary execution figures, for the nine months ended 30 September 2025 amounted to BAM 143.2 million (representing 1.1 per cent. of GDP), against the expected fiscal deficit of BAM 280.1 million (being 1.5 per cent. of expected GDP) in 2025. For the nine months ended 30 September 2024, the consolidated general Government Budget recorded a surplus of BAM 152.0 million, against the fiscal deficit of BAM 272.4 million in 2024. See "*Public Finance—Budget Execution*".

The 2026 consolidated general RS Government budget contemplates a total fiscal deficit of BAM 452.2 million, or 2.3 per cent. of GDP. However, various factors could affect the RS Government's spending and result in widening of the fiscal deficit with resulting negative implications in the future periods. Such factors include, but are not limited to, increased RS Government subsidies (specifically subsidies to the agricultural sector as a result of severe weather conditions) and the inability of the economy to utilise more labour force from the labour market. Social pressures, such as public support for increases in public sector wages, a stagnant population growth and an ageing population due to low birth rate, could also restrict the RS Government's ability to assign the same level of priority to maintain the public finances at stable levels.

Fiscal risks also exist due to the Republic's social security system, pursuant to which state benefits are paid out of contributions from the current work force. The budget for the general RS Government sector includes the consolidated budgets of various sub-sectors, being the central RS Government, the local self-government units and social security funds. Social security funds include the Health Insurance Fund, the Public Institution Fund for Child Protection, the Employment Bureau and the Pension and Disability Insurance Fund, with the Pension and Disability Insurance Fund gaining the status of a budget user from 1 January 2016 and operating through the treasury business system.

The budget expenditures relating to social security benefits from compulsory social security funds represents the largest expenditure in the consolidated general RS Government budget. See "*Public Finance—Budget Execution—Consolidated General Government Budget*". In the nine months ended 30 September 2025, social security benefits from compulsory social security funds amounted to BAM 2,336.6 million, or approximately 42.3 per cent. of the total expenditure in the general RS Government budget, as compared to BAM 2,149.6 million or 42.5 per cent., during the corresponding period of 2024. The level of compensation to RS Government employees remains high and amounted to BAM 1,120.6 million, or 10.1 per cent. of GDP in 2020, BAM 1,161 million, or 9.3 per cent. of GDP in 2021, BAM 1,375.2 million, or 9.5 per cent. of GDP in 2022, BAM 1,522.1 million, or 9.5 per cent. of GDP in 2023 and BAM 1,606.4 million, or 9.3 per cent. of GDP in 2024. In the nine months ended 30 September 2025, compensation of employees amounted to BAM 1,409.5 million, or approximately 25.5 per cent. of the total expenditure in the general government budget, as compared to BAM 1,200.3 million or 23.7 per cent., during the corresponding period of 2024. After social security benefits

from compulsory social security funds, expenditure on the compensation of employees currently represents the largest category of expenditure in the Budget and this may continue in the future, driven by worsening demographics (such as an increasingly ageing population and reduced birth rate). See “*Public Finance—Budget Execution—Consolidated General Government Budget*” and “*Public Finance—Recent Developments*”.

The Republic may be subject to contagion risk from events in the Federation over which it has no control.

The Republic and the Federation operate largely independently, and the Republic has no control over the affairs of the Federation under BiH’s constitutional structure. Accordingly, the Republic may be affected by economic, political, social, legal and other conditions prevailing in the Federation over which it has no control and can exercise little influence. There can be no assurance that a “contagion effect” emanating from events in the Federation would not negatively impact the Republic, and such effect could have a material adverse effect on the Republic and its finances. Due to BiH’s multi-layered structure, while certain legal or arbitral proceedings cases are conducted against BiH as a single entity, some disputes could directly or indirectly impact the Republic. Further, although to date the Federation 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 Republic 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 the Federation’s credit rating or outlook, which, in turn, negatively impacts BiH’s credit rating or outlook, it would also likely negatively impact the Republic’s credit rating or outlook, as the case may be.

The Republic is subject to natural disasters, including droughts and floods, which has negatively affected it in the past and may negatively affect it in the future.

Natural disasters are a threat to the Republic’s economy because the Republic’s economy is dependent on a number of climate sensitive sectors, such as agriculture, energy sector and tourism. A change in climate may have several consequences, including lower agricultural and manufacturing productivity, fragile ecosystems, adverse impact on health and biodiversity, financial market disruption, lower GDP and altered migration patterns.

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. In particular, BiH and the Republic face a significant flooding risk, especially 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. In 2014, BiH experienced severe floods (the “**2014 Floods**”) that were primarily caused by heavy rainfall, which resulted in the flooding of the Bosna river all the way to Sava river. Over 26 municipalities of the Republic, including 46,621 residential and other facilities, were flooded, schools were damaged or destroyed in 5 municipalities, and 28,941 persons evacuated. The 2014 floods resulted in the Republic incurring damage to property in a total amount of BAM 1,893.8 million. Increased spending by the Republic to repair flood damage led to a consolidated deficit of 3.2 per cent. of GDP in 2014. More recently, in October 2024, BiH experienced severe floods in central and southern BiH (in particular, the village of Donja Jablanica in the Federation) were struck by a severe storm. This severe storm 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 “**2024 Floods**”). While the areas most affected by the 2024 Floods were not located in the Republic, there can be no assurances that such flooding will not negatively affect the Republic as it did in 2014.

Expenditures associated with natural disaster relief efforts may adversely affect the Republic’s budgetary position and, as a result, may impair the Republic’s ability to service payments on the Notes. In addition, as agriculture, forestry and fisheries account for a significant portion of the Republic’s total revenue (producing BAM 1,256.7 million, or 7.3per cent. of the total GDP in current prices, in 2024), any natural disasters or other effects associated with climate change could have a material adverse effect on the Republic, its economy and its ability to perform its obligations under the Notes.

A significant portion of the Republic’s economy is not recorded.

A significant portion of the Republic’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 RS Government, unreliable statistical information (including the 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. In IMF's working papers for BiH in July 2025, the IMF noted that the World Bank estimates approximately 30 per cent. of workers in BiH are employed in the informal sector. Given the fact of the high share of the informal economy in GDP, the RS Government (i) adopted at its session held on 17 September 2025, the Decision on the formation of the Coordination Committee for the fight against the informal economy (*Official Gazette of the Republic, No. 84/25*), which had the main task of preparing and coordinating the activities of the RS Government in the processes carried out to combat and suppress the informal economy in the Republic in the field of labour and business and (ii) the full implementation of the new Law on Fiscalisation, aimed at reducing and ultimately eliminating the space for informal economy activities related to the underreporting of turnover.

Although the RS 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. Whilst growing the tax base is a key priority for the RS 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 Republic, its economy and its ability to perform its obligations under the Notes.

A negative change in the Republic's credit rating could adversely affect the market price of the Notes or the Republic's ability to repay principal and make payments of interest on the Notes.

Moody's reaffirmed the Republic's credit rating of "B3" (with a stable outlook) on 13 March 2026. The long-term debt rating of the Republic provided by S&P is now "B" (with a negative outlook) as affirmed on 6 February 2025. S&P revised the outlook to negative in February 2025 primarily due to restricted access to external financing following U.S. sanctions on its political leadership and related entities and the concern regarding the upcoming Eurobond maturity in April 2026, as available liquidity covered only a portion of annual debt service, making refinancing dependent on uncertain market conditions and reflecting heightened refinancing and liquidity risk.

Although the Republic's situation improved materially after the vast majority of U.S. sanctions were lifted, the outlook remained negative in February 2026 due to political transition, governance weaknesses and rising contingent liabilities. There can be no guarantee that the Republic will not experience credit downgrades or further negative revisions to the outlook. Deterioration in key economic indicators or the materialisation of any of the risks discussed herein may contribute to credit rating downgrades. In addition, any rating action taken with respect to BiH can be expected to impact the Republic'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 Republic's credit rating, the Republic's debts (including the Notes) are not direct or indirect obligations of BiH or guaranteed in any way by BiH. Any adverse changes in an applicable credit rating or credit rating outlook of either the Republic or BiH could adversely affect the trading price of the Notes.

In addition, any adverse change in the credit ratings of the Republic could adversely affect the RS Government's ability to refinance existing indebtedness, liquidity available on the Republic's financial markets and the ability of the RS Government to raise additional financing from sovereign or private creditors or IFIs, any of which in turn may have a negative effect on the Republic's economy and its ability to perform its obligations under the Notes.

Any future downgrade or withdrawal at any time of a credit rating assigned to the Republic by any rating agency could have a material adverse effect on its cost of borrowing and could limit its access to debt capital markets. A downgrade may also adversely affect the market price of the Notes and cause trading in the Notes to be volatile. Furthermore, unsolicited ratings may not benefit from government input but could also negatively impact the Republic's cost of borrowing. In addition, any downgrade of the sovereign credit rating of BiH may lead to a similar action in the Republic.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Ratings may not reflect the potential impact of all risks related to structure, market, the risk factors discussed in this section and other that may affect the value of the Notes.

Official economic data may be subject to some degree of uncertainty and could be revised which may adversely affect the economy and the Republic's ability to repay principal and make payments of interest on the Notes.

A number of government ministries including the Ministry of Finance, along with the Central Bank and the Institute of Statistics, have prepared the statistical data, which appears in this Offering Circular. Certain of these statistics, particularly preliminary or estimated data, may be more limited in scope, less accurate, reliable and/or consistent in terms of basis of compilation between various ministries and institutions, and published less frequently compared to existing members of the EU. In addition, the Republic 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. Moreover, standards of accuracy of some statistical data may vary from ministry to ministry or from period to period. Furthermore, the existence of an unofficial or "grey" economy may affect the accuracy and reliability of the Republic's statistical information.

While the Republic, BiH and the Central Bank each target timely and reliable production of statistics, standards of accuracy of statistical data may vary from BiH to the Republic, 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 Special Data Dissemination Standard ("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. Such practices also mean that consolidated data is not available for all metrics.

Moreover, certain statistical information contained in this Offering Circular are provisional or otherwise based on estimates that the Republic and/or its agencies believe to be based on reasonable assumptions. However, there may be differences between preliminary or estimated statistical data set forth in the Offering Circular and actual results. Similarly, certain of these statistics contain projections based on the Republic's current view with respect to future events and financial results. Whilst these statistics (although provisional or projections) contains an element of estimated economic performance of the Republic, which provides a reasonable basis for estimating key economic indicators, these figures may differ from the actual numbers once published as an element of this data is estimated and may change or continually be revised based on future developments. Accordingly, the financial and economic information set out in this Offering Circular may be subsequently adjusted or revised and may differ from previously published financial and economic information depending on the most recent information available to the Republic and/or its agencies. Similarly, the targets and assumptions in the RS Government budget of 2026 are based on the most recently available information and may be further adjusted, amended or revised, whether as part of regular review or otherwise, to take into account the prevalent economic and fiscal indicators, which are evolving based on numerous factors that are highly uncertain and rapidly changing. No assurance can be given that such adjustment, amendment or revision may not be material. Consequently, prospective investors in the Notes should be aware that figures relating to the Republic's GDP and many other figures cited in this Offering Circular may be subject to some degree of uncertainty. These limitations on statistical information may make adequate monitoring of key fiscal and economic indicators more difficult.

The statistical data appearing in this Offering Circular has, unless otherwise stated, been obtained from public sources and documents. The statistical information presented herein is based on the latest official information currently available from the stated source. However, the development of statistical information relating to the Republic is an on-going process, and revised figures are produced on a continuous basis. 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 be aware that none of the statistical information in this Offering Circular has been independently verified.

As a result, investors may face difficulty in assessing the risks of investing in the Notes, which may adversely affect the liquidity and price of the Notes.

Corruption and money laundering may adversely affect economic and social conditions in the Republic and have a material adverse effect on the Republic's economy.

As in many other emerging market jurisdictions, concerns relating to the level of corruption and money laundering remain a significant issue in the Republic and in BiH. For example, in January 2025, Nenad Nesic resigned from his position as BiH Minister of Security following his arrest in December 2024 on charges of corruption, abuse of office, money laundering and bribe-taking. Fighting corruption and money laundering are key priorities for the Republic, and over the years, the RS Government has made steady progress in improving accountability, governance standards and the legislative framework in the Republic. However, in Transparency International's Corruption Perceptions Index survey of 180 countries, BiH was ranked 109 in 2025 and 114 in 2024, indicating that a perception of public sector corruption within the country remains widespread. Moreover, 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. Additionally, in February 2025, BiH entered a one-year observation period imposed by the Financial Action Task Force ("FATF"), a global money laundering and terrorist financing watchdog, and if significant progress was deemed not to be achieved at the end of the one-year period, it is possible that FATF would potentially list BiH as a jurisdiction under increased monitoring, which is also known as "greylisting". Such greylisting label could adversely impact the reputation of BiH as well as the Republic, which could have negative effects on the economic conditions in the Republic.

Any such perception, allegations or evidence of corruption, money laundering or organised crime involving the RS Government and/or members thereof, irrespective of whether such allegations prove to be factual or unfounded and whether honestly made or politically motivated, may create tensions between political parties, including parties within the governing coalition, otherwise destabilise the governing coalition and/or lead to early elections. In addition, any increase in perceived risk associated with corruption, money laundering or organised crime may have a negative impact on the Republic's economy and its reputation abroad, especially on its ability to attract foreign investment. Also, while the RS Government has implemented several reforms with the aim of increasing the efficiency of its domestic measures, there can be no certainty that the ongoing reforms will produce the desired result or that the new strategies will prove successful. A combination of all or some of these factors may have negative effects on economic and social conditions in the Republic. See "*Economy of the Republic—Money Laundering, Organised Crime and Corruption*".

Risks Associated with the Republic's Debt

If the Republic's debt levels continue to grow to finance its budget deficit, it may have a material adverse effect on its economy and its ability to service its debt, including the Notes.

The Republic has a high level of debt from IFIs, various bilateral and multilateral partner countries, and its existing international euro-denominated bonds. The total debt related to multilateral and bilateral creditors amounted to BAM 3,712.6 million as at 31 December 2025, representing an 8.4 per cent. increase as compared to BAM 3,425.1 million as at 31 December 2024, which was primarily the result of disbursing funds for financing large investment projects, including, among others, the Corridor Vc project financed by EBRD, a second project for water and sanitation in the Republic financed by EIB in addition to disbursing funds approved for budget support under the World Bank Second Health Sectors Programmatic Development Policy Loan and Health Systems Improvement Project. See "*—The Republic has a high dependence on foreign lending and any deterioration in its relationship with the international finance community may impact its high debt levels and increase liquidity risk*".

In 2024, the Republic's Public Debt (as defined in "**Total and Public Debt**") amounted to BAM 5,792.4 million, which was equal to about 91.3 per cent. of its tax revenues. The Republic's Public Debt decreased from 42.5 per cent. of GDP in 2020 to 40.7 per cent. of GDP in 2021, 36.8 per cent. of GDP in 2022, 33.0 per cent.

of GDP in 2023 and 33.7 per cent. of GDP in 2024. The figures in 2020 were primarily the result of increased borrowings required in order to mitigate the macroeconomic and public health impacts of COVID-19. The decrease in the following years was primarily due to stronger GDP growth.

Despite reduction efforts, the Republic faces substantial expenses relating to public wages, social benefits (including pensions and healthcare) and interest payments, which in the aggregate represented 31.1 per cent. of the Republic's GDP in 2020, 29.5 per cent. of the Republic's GDP in 2021, 29.7 per cent. of the Republic's GDP in 2022, 30.8 per cent. of the Republic's GDP in 2023, 31.7 per cent. of the Republic's GDP in 2024 and budgeted 33.2 per cent. of the Republic's GDP for 2025 based on estimates by the Ministry of Finance.

In the absence of adequate reform, the risk of increases in expenses relating to pensions and healthcare over then long-term is compounded by the fact that the old-age dependency ratio (the proportion of the working age population aged 15 to 64, to people aged 65 or older) remains high (2.8:0 as at 31 December 2024).

In addition, the RS Government has undertaken a number of major infrastructure projects that are expected to be carried out over the medium term and are expected to create upward pressure on RS Government expenditure, for which it relies heavily on international borrowing. In particular, large investment projects, such as the 5c corridor highway, the Sustainable, Integrated and Safe Road Infrastructure Project and the Medical Complex Banja Luka, is expected to keep financing needs at high levels in the foreseeable future. In addition to international borrowing, the Republic also supports such infrastructure projects, many of which are with state-owned/controlled commercial enterprises (“SOEs”), through government subsidies or grants and by assumptions of and/or guarantees of debt by the Republic. Moreover, the Republic had two large contingent liabilities, amounting to approximately BAM 400 million in total, related to off-balance sheet activities involving two infrastructure projects with SOEs for which it made payments in 2025..

Future instances of unstable revenue and increasing expenses can materially increase the Republic's fiscal deficit, which may require it to borrow more than currently expected. Additionally, failure to make timely payments, missed payments or other technical defaults in respect of the Republic's debt stock could result in an event of default under such indebtedness, which could cross default the Republic's other debt, such as the Notes. Or even if such technical non-compliance does not result in an event of default, it can cause concern amongst rating agencies and investors, which could adversely impact the price of the Notes. For example, in late 2025, the Republic failed to make timely payment on its war debt obligations due to a technical system error, which the Republic rectified as soon as it was brought to their attention. Although this delayed payment was for a *de minimis* amount (BAM 1.9 million, or 0.003 per cent. of total repaid debt in 2025) and was not considered a default, this was technical issue was highlighted in S&P's February 2026 credit rating report on the Republic.

Future borrowings beyond unsustainable levels or events of default (technical or otherwise) in the Republic's debt stock, may negatively impact the Republic's sovereign credit rating or have an adverse effect on the price of the Notes or the ability of the Issuer' to repay its indebtedness, including the Notes.

The Republic's inability to refinance existing indebtedness in the short or medium term may have a material adverse effect on the Republic's ability to service its debt, including the Notes.

In line with its fiscal accountability and economic reforms set out in the Economic Reform Program of the Republic for the period 2026 to 2028 (“ERP”), the RS Government is undertaking measures, which are intended to maintain a controlled fiscal deficit at a level below three per cent. of GDP, and to keep public debt below 55 per cent. of GDP. According to ERP 2026-2028, Total Debt is projected to be 38.4 per cent. of GDP in 2026, while Public Debt is projected to be 34.3 per cent. of GDP (both as defined in “**Total Debt and Public Debt**”). The RS Government's debt management is enshrined in the Debt Management Strategy of the Republic for the period from 2025 to 2028 (“MTDS”). The main debt management goal is to ensure there are sufficient funds to finance approved investment projects, refinance existing indebtedness and finance the execution of the Budget, in each case at minimum cost and risk to the Republic. In order to achieve this, the MTDS sets various portfolio limits on the Republic's debt (each as further described in “*Total and Public Debt*”) in order to reduce exposure to risks, as well as their targeted values. See “*Total and Public Debt—Overview*” and “*Total and Public Debt—Debt Management*”. There can be no assurance that the objectives outlined by the ERP will be achieved and that the Republic's Total Debt and Public Debt (each as defined in “*Total and Public Debt*”) will reach the targeted value. Achieving targets settled with MTDS depends on a number of variables both inside and outside of the RS Government's control and there can be no assurances that the RS Government will reach these targets.

Whilst the financing structure, on the one hand, contributes to the decrease of costs, on the other hand, it may lead to the increase of refinancing and re-fixing risk. The Republic relies heavily on refinancing from concessional funds available from IFIs and its multilateral partners, which decreases the refinancing risks and costs. As at 31 December 2025, 12.2 per cent. of the Republic's Total Debt was denominated in a currency other than the BAM or Euros. Through BiH (and in accordance with applicable law in the Republic and BiH), the Republic is generally able to attract financing from the IFIs on favourable long-term terms for the purposes of facilitating a broad range of projects, including the IMF and the World Bank.

While the domestic financing market has to date demonstrated sufficient capacity for RS Government borrowings, given the relatively short maturity structure of the domestic financing market as well as its limited size, any deterioration in financing conditions as a result of market, economic or political factors including any increase in prevalent interest rates that affect the cost of borrowing, which may be outside the Republic's control, is likely to make it more difficult for the Republic to refinance its indebtedness on favourable terms and may have negative effects on the economy, as well as the RS Government's debt levels and borrowing costs and, as a result, have a material adverse effect on the Republic, its economy and its ability to perform its obligations under the Notes.

Any significant changes in levels of Total Debt and/or interest costs could have a material adverse effect on the Republic's economy and its ability to service its debt, including the Notes.

Consistent with its past trends, the Republic's Total Debt (as defined in "Total and Public Debt") declined from 52.4 per cent. of GDP in 2020, to 49.3 per cent., 43.7 per cent., 38.9 per cent. and 37.6 per cent. in 2021, 2022, 2023, 2024 and 2025, respectively. The figures in 2020 were primarily driven by higher financing needs and lower economic growth as a result of the impact of COVID-19 and, more specifically, due to the economic measures implemented by the RS Government to mitigate the negative effects of COVID-19. The decreasing trend in the following years were primarily driven by stronger GDP growth. Although the RS Government expects small increase of Total Debt increase in 2026, any significant increase in future domestic or external borrowings beyond sustainable thresholds to finance the Budget deficit, or provide financial support to the economy, including the issuance of further debt in the international capital markets could elevate its debt burden and put significant strain on fiscal and debt sustainability in the coming years. Furthermore, the need to service such potentially elevated levels of Total Debt may impact the Republic's ability to use available funds to make other capital investments needed for economic growth.

Moreover, an increase in the fiscal imbalances as a result of the stagnated growth, weak labour market and high public spending, could potentially contribute to a rapid build-up of Total Debt and result in compounding the future possibility of debt distress. Accordingly, if the RS Government does not carefully manage its debt in the coming periods, debt levels and interest costs may rise to an unsustainable level, which may negatively impact the Republic, its sovereign credit rating, its economy and its ability to perform its obligations under the Notes.

Depreciation of the BAM, if it occurs, may adversely affect the Republic's Public Debt and, in turn, impact its economy and public finances.

A substantial share of the Republic's Total Debt (as defined under "Total and Public Debt") is denominated in foreign currencies, particularly the Euro. As the BAM is pegged to the Euro on a fixed rate, the exchange rate risk is measured by external non-EUR debt as a percentage of Total Debt. As at 31 December 2020, 2021, 2022, 2023 and 2024, the Republic's share of debt that is denominated in a foreign currency (other than EUR) was 25.5 per cent., 23.2 per cent., 20.3 per cent., 16.6 per cent. and 16.9 per cent. of Total Debt, respectively, whereas the remainder is denominated in EUR and BAM. In order to manage currency risk, the MTDS prescribes that the Republic's external debt denominated in a foreign currency (other than EUR) should not exceed 35 per cent. of concerned debt (see "Total and Public Debt—Debt Management" for further information). The Republic's largest exposure to foreign currency denominated debt (other than EUR) is to special drawing rights ("SDR"). As at 31 December 2024, the portion of Total Debt denominated in SDR was 7.1 per cent., as compared to 10.7 per cent., 13.3 per cent., 14.8 per cent. and 15.9 per cent. as at 31 December 2023, 2022, 2021 and 2020, respectively. SDRs are particularly vulnerable to any fluctuations in the U.S. Dollar and so any strengthening of the currency could in turn increase the Republic's share of Total Debt that is denominated in SDR and require more than anticipated domestic currency to service such debt.

Whilst the Republic has improved the currency structure of its Total Debt, the Republic's debt-to-GDP ratio remains moderately sensitive to exchange rate fluctuations. Any fluctuations in exchange rates may in the future

result in an increase in the Republic's cost of borrowing and ability to refinance its debt obligations that are denominated or payable in foreign currencies (other than EUR) could reduce the amount of public funds available to fund public investment projects and service social benefits and other Budget expenditures, and could negatively impact the Republic, its economy, its credit rating and/or its ability to perform its obligations under the Notes. See *“Total and Public Debt—Public Debt Currency Structure”*.

Risks Associated with the Republic's Banking Sector

Foreign-owned banks may diminish or discontinue their support to their subsidiaries operating in the Republic.

As at 30 June 2025, foreign-owned banks accounted for approximately 48.5 per cent. of the banking sector's total assets, 50.7 per cent. of total capital, 47.5 per cent. of total loans and 49.2 per cent. of total deposits in the Republic's banking system. A significant share of the sector's asset portfolio is euro-indexed, which underlines the importance of a stable exchange rate under the currency board arrangement. There is also a state-owned IDB that operates as a wholesale bank and fund manager but does not provide deposits nor credits on its own account. In particular, the banking sector is exposed to the banking systems of other European countries, particularly Austria (21.9 per cent., of the total capital of the Republic's banking system), Italy (13.7 per cent. of the total capital of the Republic's banking system) and Slovenia (8.7 of the total capital of the Republic's banking system as at 30 June 2025). Such foreign banks may seek to rebalance their global loan portfolios in a manner adversely affecting the Republic as a result of events related or unrelated to the Republic, including, but not limited to, adverse economic developments in Europe or globally and negative factors impacting the sovereign debt markets owing to the impact of international conflicts or otherwise. In addition, foreign banks may decrease funding to their subsidiaries operating in the Republic due to actual or perceived deterioration in asset quality, particularly in a weaker than expected economic performance. As a result of these or other factors or other potential shocks, foreign banks may revise their business strategies in, or relating to, BiH and the Republic and, in particular, their decision to continue to provide existing levels of funding to their subsidiaries in the Republic. This may exert negative effects on the local currency. Resulting balance sheet mismatches may negatively affect the Republic, its economy and its ability to perform its obligations under the Notes.

Risks Associated with the Republic's Judicial and Legal System

The legal system of the Republic is not fully developed and therefore involves greater risk and uncertainty than in other more developed legal systems.

The Republic remains at an early stage in respect of taking the necessary steps aimed at developing a more mature legal system, comparable to the legal systems of member states of the EU. The European Commission's report on BiH dated 4 November 2025 (the **“EC November 2025 Report”**) concludes that BiH, including the Republic, is between an early stage of preparation and having some level of preparation with respect to judicial independence and also that concluded that no progress was made on the functioning of the judiciary key priority 6 outlined in the European Commission's publication of its opinion paper on 29 May 2019, including with respect to addressing the findings of the expert report on rule of law issues (i.e., the ‘Priebe Report’). Legislative reforms and integrity checks are key to rebuilding public trust in the justice system, but the Republic is not expected to implement any law that was repealed by the BiH Constitutional Court, in particular the law on a separate judiciary council. Although BiH, including the Republic, has some level of preparation in the area of justice, freedom and security and although some progress was made in this area, including with respect to the key priorities 7 and 8 outlined in the European Commission's publication of its opinion paper on 29 May 2019, there are still reforms that need to be implemented to satisfy the deficiencies presented in the EC November 2025 Report. If such reforms are not successfully implemented, this may result in poor functioning of the judicial system, which may undermine citizens' rights and the fight against corruption. See *“Description of the Republic of Srpska—The Judiciary”*.

The Republic, 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. While certain 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 the Republic Constitution 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 Republic 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 Republic or to provide financing for domestic projects and companies. Such effects could have an adverse effect on economic conditions and growth in the Republic and, accordingly, on the ability of the Republic to repay principal and make payments of interest on the Notes.

In accordance with the general rule prescribed by the Obligations Act of the Republic (*Official Gazette of SFRY, Nos. 29/78, 39/85, 45/89, and 57/89, Official Gazette of the Republic, Nos. 17/93, 3/96, 37/, 39/2003, and 74/04*), creditors of due claims have the right to refute any legal act (or failure to act) of the debtor which makes their claims difficult or impossible to settle using a general remedy called *actio pauliana*. Creditors have the right to initiate legal proceedings using *actio pauliana* within one to three years as of the date when the legal act of the debtor was taken (or should have been taken, in the case of a failure to act). An *actio pauliana* claim is directed against the person who has benefited from the action of the debtor (respondent). A successful creditor's challenge results in the annulment of the challenged action, to the extent necessary for the settlement of the claim of the claimant (followed by the obligation of the respondent to transfer an appropriate portion of the benefit received to the claimant). A respondent who had to transfer to the claimant the benefit received from a successful *actio pauliana* challenge may claim the successfully challenged portion of the benefit from the debtor again. Enforcement of claims against the Republic in relation to debts raised in a manner comparable to the issuance of the Notes has not been tested before the Republic's courts.

A claimant may not be able to effect service of process against the Republic or enforce a court judgment against certain assets of the Republic in certain jurisdictions.

It may not be possible to effect service of process against the Republic in courts outside the Republic or in a jurisdiction to which the Republic has not explicitly submitted.

It may also not be possible to enforce foreign court judgments against the Republic in the courts of the Republic, including English court judgments, that are predicated upon the laws of foreign jurisdictions, such as English law, without a re-examination of the merits of such judgments in the Republic's courts, although a re-examination of the merits of a judgment will generally not be conducted according to the applicable law.

When considering foreign law, the courts of the Republic may: (i) give effect to the mandatory rules of the law of another jurisdiction, including the jurisdiction of the Republic and BiH if and to the extent that under the law of that jurisdiction those rules must be applied irrespective of the law chosen by the parties, (ii) refuse to apply the foreign law if such application had the aim of avoiding the application of domestic laws and (iii) refuse to apply the foreign law if the effect of such application was incompatible with the constitution and public policy of BiH and the Republic. The application of the foreign law before the domestic courts could encounter numerous practical difficulties, mainly due to differences in concepts of legal systems, such as (i) the procedure for obtaining the content of the foreign law being complex and time consuming, and (ii) the understanding of the foreign law by a domestic court can significantly differ from the interpretation by the relevant foreign court.

The conditions for the recognition of a foreign court judgment or arbitral awards are described in "*Service of Process and Enforcement of Civil Liabilities*".

One of the requirements for recognition of court judgements and consequently enforcement is the existence of reciprocity, i.e. in the present situation, that judgments handed down by Bosnian courts can be recognised in a country of the court that issued the foreign judgment. There is a legal rebuttable 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 the written information received by the BiH Ministry of Justice dated 16 February 2026, such reciprocity does not exist with the UK and there is no evidence that there is reciprocity with the US in the matter of recognition and enforcement of judgments in commercial matters. Thus, there is a possibility that the Bosnian 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 US judgments in BiH is not clear. Furthermore, the courts in BiH may refuse to recognise 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 local public policy, which is defined as the constitutional foundations of social and political order. 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. Therefore, recognition and enforcement of a New York Convention award is available subject to the terms of the New York Convention. See “*Service of Process and Enforcement of Civil Liabilities*”.

There is also a risk that the choice of English law as the governing law of the Notes or contractual documents might not be applied by the courts of the Republic in certain circumstances. Such circumstances may include the Republic’s courts finding that the effect of application of English law would be incompatible with public policy.

There is a risk that, notwithstanding the limited waiver of sovereign immunity by the Republic pursuant to the Conditions of the Notes, a claimant will not be able to enforce a court judgment against certain assets of the Republic (including the imposition of any arrest order or attachment or seizure of such assets and their subsequent sale) in certain jurisdictions (including the Republic) without the Republic having specifically consented to such enforcement at the time when the enforcement is sought. Furthermore, the Republic reserves the right to plead sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to actions brought against it under any United States federal or state securities law. In the absence of a waiver of immunity by the Republic with respect to such actions, it may not be possible to obtain a judgment in such an action brought in a court located in the US against the Republic unless such court were to determine that the Republic is not entitled under the U.S. Foreign Sovereign Immunities Act of 1976 to sovereign immunity with respect to such actions. See “*Terms and Conditions of the Notes—Governing Law and Jurisdiction*”.

In addition, certain state-owned assets are statutorily exempt from enforcement procedures within the Republic. This includes the following assets: (i) assets that are non-tradable, (ii) facilities, weapons and equipment for the needs of the armed forces and the police, as well as funds provided for those purposes, (iii) ore deposits and other natural resources (iv) real estate, movables and rights of the Republic, cities, municipalities and public enterprises that are necessary for the performance of activities of general interest. Since there is no exhaustive list of the activities of public interest such general definition creates uncertainty with respect to enforcement.

In addition, the current regulations of BiH and the Republic do not contain specific procedures for waiving sovereign immunity. A so-called doctrine on restrictive immunity is the widely accepted approach to “jurisdictional immunity” (being immunity from litigating against the sovereign) which would apply in the current circumstances. The general rules on representation of the Republic (through the RS Government and, where applicable, the Public Attorney’s Office of the Republic) would be relevant for undertaking an obligation to waive the immunity.

The Republic’s court system has a developing judicial system, some of which may not happen in the time period planned or may take longer than expected, which could impact economic and other reforms.

Although, the European Commission published a favourable report on the progress in BiH in March 2024, the BiH’s and the Republic’s judicial system reforms of 2014-2018 have not all been properly implemented and have been deemed insufficient by the European Commission in the Opinion. The Opinion advised that BiH and the Republic’s judicial system needs reforms aimed at: (i) improving transparency and efficiency in the judicial process; (ii) improving efficiency of the investigation and prosecution of high level corruption; (iii) implementing a broad anti-corruption framework within the Republic’s justice system; (iv) improving accountability of the judges, prosecutors and members of the HJPC; and (v) independence and impartiality of the judiciary, including implementation of additional constitutional and legal safeguards.

There can be no certainty that the reforms adopted in the future or efforts by the Republic will produce the desired results or that the new strategies will prove successful. If the Republic is unable to effectively and successfully design and implement its reform efforts, this would likely depress confidence in the Republic’s judicial system, which may have a materially adverse effect on the Republic, its economy and the Notes.

Risks Relating to BiH

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 Republic and may affect the ability of the Republic 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 the Republic’s control, and the Republic 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 Republic’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 of Bosnia and Herzegovina is not a lender of last resort.

Governance of the monetary and financial system of BiH and financial system of the Republic is highly de-centralised. The Central Bank is responsible for implementing monetary policy but the governance and supervision of the banking system in the Republic falls entirely within the jurisdiction of the Republic. See “*Monetary System—The division of responsibilities between the Central Bank of Bosnia and Herzegovina, the Republic and BiH*”. The Central Bank is prohibited from engaging in monetary operations (except currency board arrangement and prescribing required reserve of banks), or interventions in the banking system and is not a lender of last resort to banks in the Entities or the Brčko District. For commercial or other banks that become insolvent, their only recourse is through a bank resolution procedure where the Banking Agency of the Republic (“**BARS**”) determines whether the condition of a bank is such that it cannot, or it is probable that it will not, be able to continue operating (largely in line with the European approach under Directive 2014/59/EU on establishing a framework for the recovery and resolution of credit institutions and investment firms). Since the banks operating in the Republic 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 2014 Floods, the 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 Republic’s banking sector, which may cause future bankruptcies in the banking sector of the Republic, and in turn could have a material adverse effect on the Republic, 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 any given timescale.

BiH is in the process of accessing full membership of the EU as part of its strategic goals and in order to benefit its future economic development. On 15 February 2016, BiH presented its application for membership of the EU. On 6 October 2020, the European Commission published its Bosnia and Herzegovina 2020 Report (within the framework of its 2020 Enlargement Package), which provides a comprehensive assessment of BiH's fulfilment of key priorities outline in the European Commission's publication of its opinion paper on 29 May 2019 in respect of BiH's application for 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. On 4 December 2025, the EU approved BiH's Reform Agenda, which is a key step in BiH being able to access almost one billion Euros in EU funds. See "*Description of the Republic of Srpska—Foreign Relations—European Union—EU accession process*" for further information about BiH's accession to the EU.

Nevertheless, accession is not expected in the short-term. In particular, all key decisions in respect of BiH's 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. 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 cause delays in or adversely impact BiH's EU accession process. There can be no assurances that BiH will be able to become a full member of the EU, which is a common risk for all other Western Balkan states as they are generally referred as a package deal, within any given timescale. If there are delays or other adverse developments in BiH's accession to the EU, or if BiH does not become a member of the EU, this may have an adverse impact on the Republic, its economy and its ability to perform its obligations under 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 Republic'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 per cent. tariff on aluminium imports. On 2 April 2025, the United States announced that it would impose a "baseline" tariff of at least 10 per cent. (and 25 per cent. 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. BiH originally faced a 35 per cent. tariff on its exports which was later adjusted to 30 per cent. in July 2025. On 20 February 2026, the U.S. Supreme Court ruled in *Learning Resources, Inc. v. Trump* that the use of the International Emergency Economic Powers Act (IEEPA) to impose these tariffs was unauthorised. This led to the immediate replacement of those higher rates with the current flat 15 per cent. temporary import surcharge on most goods exported to the United States. 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 will not be implemented in the future by the U.S. or another country. 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 Republic. In addition, it is not yet possible to predict the further indirect effects of such tariffs on the economy of BiH or the Republic nor the impact of any potential retaliatory measures imposed in response or the effects of the volatility created by these events and announcements.

Geopolitical tensions and conflicts, including the conflicts in Ukraine and the Middle East, could adversely affect the global economy, including BiH and the Republic.

In February 2022, conflict between Russia and Ukraine commenced, prompting the United States, the European Union and the United Kingdom, among others, to impose broad economic sanctions against Russia, including

asset freezes, travel bans, restrictions on trade and technology, and exclusion of Russian banks from international financial markets. Although BiH's and the Republic's direct exposure to the conflict in Ukraine is limited, it has contributed to volatility in international financial markets, threats to the global food supply, elevated energy and commodity prices and heightened inflation, including in BiH and the Republic. While the Republic has significant access to imports from the EU and a number of other countries comprising 53.8 per cent. (or EUR 21.5 million) of total gas imports in 2024, if the conflict between Russia and Ukraine were to adversely affect the Republic's ability to obtain natural gas from suppliers and importers from Russia (which comprised EUR 18.5 million or 46.2 per cent. of total Republic's gas import in 2024), it could negatively affect the Republic's economy. In addition, the Republic imports a relatively small amount of natural gas, of which the majority is transported to the Federation. Furthermore, it is also possible that the conflict could exacerbate existing internal political tensions within BiH.

In the Middle East, the conflict between Israel and Hamas, which commenced in October 2023, continues to present geopolitical risks despite a ceasefire agreed in October 2025. Military activity has widened across the region, including escalations involving Iran, the United States, the United Kingdom and the Houthis in Yemen, whose attacks on international shipping in the Red Sea and Gulf of Aden have disrupted global supply chains. In late February 2026, Israel and the United States launched military action against Iran, prompting retaliatory attacks and further destabilising the region, including through the risk of disruptions to the Strait of Hormuz and upward pressure on global energy prices. Due to its significant reliance on imported fuel to meet its energy needs, the Republic is especially vulnerable to an increase in oil prices. On 9 March 2026, Serbia, the Republic's second largest supplier of oil and oil derivatives (16.3 per cent. of total Republic's oil and oil derivatives import in 2024), announced the suspension of all oil and gas exports to protect domestic supply. The export ban is currently in place until 19 March 2026 but may be extended. While the Republic has access to a diversified source of oil suppliers from the EU and a number of other countries, if the ban on Serbian imports continues for a protracted period of time, it may have an adverse effect on the Republic.

The Republic cannot predict the length, progress or outcome of any of these conflicts. Potential consequences include commodity price volatility, disruptions to global energy and agricultural supply chains, heightened inflation, tighter global financial conditions and capital outflows from emerging markets. Any of these factors could have a material adverse effect on economic conditions and growth in BiH and the Republic and, accordingly, on the ability of the Republic to service its debts and raise funding in the international capital 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 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 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 Republic 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 Republic 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

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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 Republic 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 Republic may choose to grant preferential treatment to, and therefore prioritise payment obligations to, other unsecured creditors of the Republic as payments fall due.

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 their 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.

The Notes are expected to be assigned a rating of B by S&P and B3 by Moody's. 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 Republic, could adversely affect the trading price of 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.

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 Republic. 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 from time-to-time, without notice to or the consent of the Noteholders of outstanding Notes, create and issue further notes, having terms and conditions the 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. 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, or the additional notes may have a different amount of OID than the original Notes. 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*".

Investors in the Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg.

The Notes will be represented on issue by the Global Certificates, each of which will be registered in the name of a nominee of, and delivered to, a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Certificates, investors will not be entitled to receive individual certificates in definitive form in respect of the Notes.

Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificates. While the Notes are represented by the Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer 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 accountholders. A

holder of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificates.

Holders of beneficial interests in the Global Certificates 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.

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.

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. 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. taxpayer whose functional currency is the U.S. dollar.

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

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 depository 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 Republic will discharge its payment obligations under the Notes by making payments to or to the order of the common depository 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 Republic 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 advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

In accordance with the Decision on Budget Adopting of the Republic for 2026 (*Official Gazette of the Republic, No. 114/25*) by which the RS National Assembly adopted the Budget and the Law on Budget Execution of the Republic for 2026 (*Official Gazette of the Republic, No. 114./25*) and the Decision on long-term borrowing of the Republic for 2026 (*Official Gazette of the Republic, No. 114/25*), the net proceeds from the issuance of the Notes will be used to finance the Budget deficit, including, among other obligations, the repayment of the outstanding EUR 300 million in notes due 2026 issued by the Republic.

DESCRIPTION OF THE REPUBLIC OF SRPSKA

Introduction

BiH consists of the Republic of Srpska, the Federation of Bosnia and Herzegovina and the Brčko District of Bosnia and Herzegovina. The Republic was legally established on 28 February 1992, with the delivery of its constitution to the RS National Assembly. The borders generally reflect the territory held by the Serbian Army during the Bosnian War as negotiated in the General Framework Agreement. The Republic's administrative centre is Banja Luka, while the capital of BiH is Sarajevo.



Source: European Parliamentary Research Service.

Geography and Population

The BiH has three neighbouring states: Serbia to the east, Montenegro to the south-east and Croatia to the north and south-west. According to the current Law on the Territorial Organisation of the Republic, there are 12 cities and 52 municipalities within the Republic. The cities are: Banja Luka, East Sarajevo, Prijedor, Doboj, Bijeljina, Trebinje, Zvornik, Gradiška, Derventa, Teslić, Prnjavor, and Laktaši. Banja Luka is the largest city and serves as the administrative, economic, and cultural center of the Republic.

The Republic is located in the northern and eastern parts of BiH and occupies an area of approximately 24,641 square kilometres (49 per cent. of BiH) divided by the Brčko District, a 493-square kilometre self-governing administrative unit in the north-eastern region of BiH. The Republic is situated in a landlocked area and has no access to the sea. It is connected with Europe and Asia by the Pan-European Corridor X – E70 motorway, railways, and the Banja Luka International Airport.

The Republic's rivers are of particular importance to its geography. The meridional (north-south) river flows connect Central Europe with the Mediterranean macro-region. The zonal (east-west) river flows connect the Republic with the Central Balkans and Western European region. The longest rivers in the Republic are Drina (308 kilometres), Sava (205 kilometres), and Vrbas (131 kilometres), and these flow into the Black Sea drainage basin. The smaller rivers in the Republic, excluding those in Eastern regions of BiH, flow into either the Drina river basin or Sava river basin, by means of which the Republic is connected to the European Rhine–Main–Danube Canal.

The Republic is located at the meeting point of two large natural geographic and socio-economic regional units and is a link between the Pannonian Basin and the Adriatic Basin. In the northern area of the Republic, referred

to as the Peri-Pannonian region, the hilly terrain composed of cenozoic rock deposits gradually descends to flatlands with alluvial plateaus and fluvial terraces, which is also the most fertile area in the Republic. There are six mountains in this area. Towards the south, the flat land gradually turns first into a hilly terrain and then into a mountainous region which covers the largest portion of the territory of the Republic.

According to the most recent census conducted in 2013, the Republic had a total population of approximately 1.2 million (excluding the Brčko District). The highest concentration is in the cities of Banja Luka, Bijeljina and Prijedor with approximately 180,000, 104,000 and 81,000 people, respectively, representing approximately 15.4 per cent., 8.9 per cent. and 6.9 per cent. of the total population of the Republic. The majority (approximately 83 per cent.) of the population were Serbs, whereas Bosniaks and Croats, the other two constituent groups, comprised 12.7 per cent. and 2.3 per cent. of the population, respectively. There are also a significant number of other nationalities and constituent groups within the Republic, including Slovenians, Montenegrins, Macedonians, Ukrainians and Romani peoples. Following the publication of the 2013 census results in the Republic, the Institute of Statistics of the Republic prepared population estimates for the period 2013–2016. Population estimates for the years 2017–2024 are also based on the data from the 2013 census. According to the annual release of the Institute of Statistics of the Republic published on 2 June 2025, the estimated population of the Republic in 2024 is 1,110,496 inhabitants, with 186,260 residing in Banja Luka, 102,915 in Bijeljina, and 75,441 in Prijedor.

The official languages of the Republic correspond to the three constituent peoples in the country: Serbian, Bosniak and Croatian, with the Serbian language being the most widely spoken. Approximately 83.9 per cent. of the population speaks the Serbian language, whereas 12.8 per cent. and 1.5 per cent. speak the Bosniak and Croatian languages, respectively. According to the 2013 census, 82.8 per cent. of the population of the Republic, comprising mainly of Serbians, are aligned to the Serbian Orthodox Church. The Serbian Orthodox Church was formed around 1219 when St. Sava (Rastko Nemanjić) was consecrated as an autocephalous bishop within Byzantium and it has played a large role historically in the evolution of the national Serbian identity. The Bosniak and Croat population, comprising 12.7 per cent. and 2.3 per cent. of the population, are largely aligned to the Islamic and Catholic faiths, respectively, although other religious communities exist in the Republic, including non-religious (atheist) and agnostic communities.

Historical Background

The history of BiH was characterised by long periods of external control: Ottoman rule from 1463 to 1878, Austro-Hungarian rule from 1878 to 1918 and, as part of Yugoslavia, first under a Yugoslavian monarchy from 1918 to 1941, then as the Socialist Republic of Bosnia and Herzegovina within communist Yugoslavia from 1945 to 1992, which shaped the country's social, economic and cultural structure.

During World War I, BiH was occupied by Austro-Hungarian forces. After the war, the collapse of the Austro-Hungarian Empire led to the formation of the Kingdom of Serbs, Croats and Slovenians on 1 December 1918 (renamed Yugoslavia in 1929) with the Karadjordjević as the ruling dynasty and consisting of Serbia, Montenegro and the former South Slavic provinces of the Austro-Hungarian Empire. During World War II, various parts of Yugoslavia were occupied by Germany, Italy, Hungary and Bulgaria. Following the end of the war, Bosnia and Herzegovina, 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, the winning party after the Second World War. After the Socialist Federal Republic of Yugoslavia was created in 1945, BiH existed as one of its six republics for nearly 50 years.

The 1980s coincided with the growing separatist and nationalist tensions emerging in Yugoslavia. In the early 1990s, the events in former Yugoslavia and consequently in BiH started to multiply at a dramatic speed. Between 1991 and 1992, Slovenia, Croatia, BiH, and North Macedonia each seceded from Yugoslavia. In March 1992, the Parliament of the Socialist Republic of Bosnia and Herzegovina held a referendum. After the referendum, which was boycotted by majority of the Serbs and endorsed by Bosniaks and the Croats, BiH declared independence on 1 March 1992. However, the existence of the newly proclaimed state was short as an armed conflict took place in BiH 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 Serbs who lost ground to the offensive and endured NATO air strikes in August 1995.

U.S. intervention ultimately led to the General Framework Agreement, negotiated in November 1995 in Dayton, Ohio and signed on 14 December 1995, in Paris. Under the General Framework Agreement, BiH retained its internationally-recognised borders, but was internally reorganised into two Entities – the Federation (51 per cent. of the territory) and the Republic (49 per cent. of the territory). The Brčko District, which was the only territorial issue left unresolved in Dayton, was subsequently included into the BiH structure as an administrative unit under the jurisdiction of the central state and ruled by an international governor. An Office of the High Representative was also created to oversee implementation of the General Framework Agreement, and an international peacekeeping force was deployed.

Since the General Framework Agreement was signed, BiH has applied for accession to 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. On 6 October 2020, the European Commission published its Bosnia and Herzegovina 2020 Report (within the framework of its 2020 Enlargement Package), which provides a comprehensive assessment of BiH’s fulfilment of key priorities outline in the European Commission’s publication of its opinion paper on 29 May 2019 in respect of BiH’s application for membership of the EU. for further information about BiH’s accession to 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 communautaire* (the “**EU Acquis**”), being taken by BiH. In doing so, the European Council invited the European Commission to prepare the negotiation framework. On 4 December 2025, the EU approved BiH’s Reform Agenda, which is a key step in BiH being able to access certain EU funds. The European Commission concluded that the Reform Agenda, submitted on 30 September 2025, meets the objectives of the Growth Facility Regulation. The Reform Agenda outlines priority reforms aimed at accelerating the green and digital transitions, boosting private-sector development, retaining talent and strengthening fundamental rights and the rule of law. BiH must now proceed to sign and ratify both a facility agreement (the “**Facility Agreement**”) and a loan agreement (the “**Loan Agreement**”). The allocation of funding to BiH, including pre-financing, will only commence once these agreements enter into force and all conditions are fulfilled. See “—Foreign Relations—European Union—EU Accession Process.”

The BiH Constitution and Government Structure of BiH

BiH has a multi-layered legal framework due to the combination of different government systems. In addition to BiH, the Entities have their own legal systems and wide legislative competences 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 have power to adopt their own laws that may differ across such areas of competences.

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

- the Parliamentary Assembly of BiH (“**BiH Parliamentary Assembly**”), which has two houses: the House of Peoples and the House of Representatives;
- the Presidency, which consists of three elected members who rotate every eight months (the “**Joint Presidency**”). The Joint Presidency nominates the chair of the Council of Ministers, who takes office upon the approval of the House of Representatives (the “**Chair**”). The Chair nominates a Foreign Minister, a Minister for Foreign Trade and Economic Relations, the Minister of Finance and Treasury, the Minister of Communications and Transport, the Minister of Civil Affairs, the Minister of Human Rights and Refugees, the Minister of Justice, the Minister of Security, and the Minister of Defence (the “**Ministers**”) who take office upon approval of the House of Representatives. The Chair and the Ministers together form the council of ministers (the “**Council of Ministers**”);

- the Constitutional Court of BiH (the “**BiH Constitutional Court**”), which upholds the BiH Constitution; and
- the Central Bank of BiH, which is the sole authority for issuing currency and for monetary policy throughout BiH.

BiH has a tripartite, democratically elected Presidency. Representation at BiH level is generally split on a 2:1 basis between the Entities. The Joint Presidency consists of three elected individuals, one from the Republic and two from the Federation. The chair of the Joint Presidency rotates every eight months.

The BiH Constitutional Court has nine members (4 selected by the Federation’s House of Representative, two by the RS National Assembly, and three by the President of the European Court of Human Rights). The BiH Constitutional Court has exclusive jurisdiction in constitutional disputes between Entities or between BiH and one or both Entities or between BiH institutions, such as the constitutionality of relations between an Entity and a neighbouring state, or whether an Entity’s Constitution or laws conflict with BiH’s Constitution. The BiH Constitutional Court also has jurisdiction to hear constitutional complaints arising from cases in BiH ordinary courts. Finally, the BiH Constitutional Court has jurisdiction to decide questions referred to it by any BiH court regarding the constitutionality or lawfulness of any law, or regarding the existence or scope of a rule of international law. Non-constitutional disputes between Entities are subject to arbitration under Annex 5 of the Dayton Peace Agreement. See “*Risk Factors—Risks associated with the Republic’s Economy and Governance—BiH has a multilayer management and governance structure, which also contributes to increased political uncertainty in the Republic.*”

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 via the Central Bank; finances of the BiH institutions and for the international obligations of BiH; immigration, refugee and asylum policy and regulation; border control; international and inter-Entity criminal law enforcement (including relations with Interpol); collection and distribution of indirect taxes; 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 Parliamentary Assembly

The BiH Parliamentary Assembly consists of the House of Peoples (15 Delegates, 10 from the Federation, 5 from the Republic) and the House of Representatives (42 Members, two-thirds from the Federation, one-third from the Republic). All decisions require majority approval by both chambers. The BiH Parliamentary Assembly enacts legislation to implement decisions of the Presidency or to carry out its own responsibilities. Those responsibilities are to decide on the sources and amounts of revenue for BiH institutions, international obligations of BiH, approving a budget for BiH, consenting to treaties, and other matters necessary to carry out its duties or as assigned by mutual agreement of the Entities.

Each Entity has a responsibility to provide assistance necessary to enable the BiH to honour international obligations. Financial obligations entered into by one Entity without the consent of the other prior to the election of the BiH Parliamentary Assembly are the obligations of the Entity. Each Entity has the right to enter into agreements with states and international organisations, and each Entity has a responsibility to provide a safe and secure environment for all persons within their respective jurisdictions. The BiH Parliamentary Assembly approves international agreements entered into by the Entities only when the Entity incurs debt under an international treaty entered into with another State or an international organisation, including IFIs.

There is freedom of movement of goods, capital, and people throughout Bosnia and Herzegovina. At the BiH level, the BiH Parliamentary Assembly regulates Bosnian citizenship and each Entity regulates citizenship of each Entity. Each Entity and the BiH issue passports to its citizens.

Council of Ministers

The BiH Council of Ministers is responsible for policies and decisions in accordance with the BiH Constitution. The Joint Presidency nominates the chair of the Council of Ministers, who is then confirmed by the BiH House of Representatives for a four-year term. At least one-third of the Council's members must be Serbs. The Council of Ministers is composed 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 of the date of this Offering Circular:

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

In January 2025, Nenad Nesic resigned from his position as Minister of Security following his arrest in December 2024 on charges of corruption, abuse of office, money laundering and bribe-taking. A replacement has not yet been appointed. Until his successor has been appointed, the Deputy Minister of Security Ivica Bošnjak represents the Ministry of Security at the Council of Ministers.

BiH has a bicameral Parliamentary Assembly consisting of the House of Peoples and the House of Representatives. The House of Peoples is composed of 15 delegates (5 from each constituent group) appointed directly by the parliamentary assemblies of the Federation (five Bosniaks and five Croats) and the Republic (five Serbs). The House of Representatives has 42 delegates, two-thirds of whom are elected in the Federation and one-third in the Republic.

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

Name	Political Party
Bosniak Delegates	
Kemal Ademović	The Party of People and Justice
Dženan Đonlagić	The Democratic Front
Šefik Džaferović	The Party of Democratic Action
Džemal Smajić	The Party for Bosnia and Herzegovina
Safet Softić	The Party of Democratic Action
Croat Delegates	
Zdenko Čosić	The Croatian Democratic Union of Bosnia and Herzegovina
Dragan Čović	The Croatian Democratic Union of Bosnia and Herzegovina
Ilija Cvitanović	The Croatian Democratic Union 1990
Marina Pendeš	The Croatian Democratic Union of Bosnia and Herzegovina
Zlatko Miletić	Independent
Serb Delegates	
Radovan Kovačević	The Alliance of Independent Social Democrats
Želimir Nešković	The Serb Democratic Party
Snježana Novaković-Bursać ⁽¹⁾	The Alliance of Independent Social Democrats
Sredoje Nović	The Alliance of Independent Social Democrats
Nikola Špirić	The Alliance of Independent Social Democrats
Nenad Vuković ⁽¹⁾	The Party of Democratic Progress

Source: The Parliamentary Assembly of BiH.

(1) These members were removed from 10 October 2024, however they are legally contesting their removal and continue to be members until their legal contest is resolved.

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 occur within a few months following the general election, depending on the outcome of political negotiations. Delegates are appointed to the BiH House of Peoples by Entity parliaments, typically from among elected officials or party nominees.

The following table sets forth 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	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 (as part of a coalition with the Croatian Peasant Party of Bosnia and Herzegovina, the Croatian Party of Rights of Bosnia and Herzegovina and the Croatian Christian Democratic Union of Bosnia and Herzegovina).....	4	9.5
Democratic Front.....	3	7.1
People and Justice	2	4.8
Our Party	2	4.8
NES – For new Generations	2	4.8
The Serb Democratic Party	2	4.8
The Party of Democratic Progress.....	2	4.8
BH initiative - Fuad Kasumović.....	1	2.4
For Justice and Order - List of Nebojša Vukanović	1	2.4
United Srpska.....	1	2.4
Independent / Mixed Caucus.....	1	2.4
Independent / Our Party Caucus.....	1	2.4
Independent / Serb Caucus.....	1	2.4
Total	42	100

Source: The Parliamentary Assembly of BiH.

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 Constitution also establishes the BiH Constitutional Court, which was inaugurated in May 1997. It consists of nine judges, of whom four are selected by the Federation’s House of Representatives, two by the RS National Assembly and three by the president of the European Court of Human Rights (“ECHR”). The BiH Constitutional Court has exclusive jurisdiction to determine all disputes arising under the BiH Constitution between: the Entities and/or BiH or the institutions of BiH. 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 Joint Presidency, chairman of the Council of Ministers, chairman or speaker or deputy speakers of either Houses of Parliament of BiH, one-fourth of delegates in either Houses of Parliament of BiH, or by one-fourth of either Houses of Parliament of the Entities. The appellate jurisdiction of the BiH Constitutional Court is established by a constitutional provision according to which the court has jurisdiction over constitutional matters pertaining to the judgment of any court in BiH. This means that the BiH Constitutional Court represents the highest judicial instance in relation to other lower instance courts, which confirms its role in terms of representing a special institutional protector of rights and freedoms as established by the BiH Constitution. The rules of the BiH Constitutional Court permit it to act as a court of full jurisdiction

(namely, to decide the case on the merits or quash a judgment and require a retrial). The court whose judgment has been quashed is obliged to issue another judgment as part of an urgent procedure, and is bound by the legal understanding of the BiH Constitutional Court on the violation of the constitutionally guaranteed rights and fundamental freedoms of the appellant. Appellants (being individuals who claim that their constitutional rights have been violated by a judgment or other decision of any court) have the right to file an appeal after exhausting all Entity remedies, whereby the BiH Constitutional Court also takes into account the effectiveness of possible remedies. 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 Constitution and Government Structure of the Republic

Article 1 of the RS Constitution defines the Republic as a territorially integral and indivisible constitutional - legal entity (*ustavno-pravni entitet*). The Republic exercises its legislative function through its parliament, the RS National Assembly, the executive functions through the RS Government (as defined below) comprising the Prime Minister and the ministries under the jurisdiction of the Republic, and judicial functions through the Supreme Court of the Republic, high courts, lower courts and the Prosecutor's Office. The Constitutional Court of the Republic (the "**RS Constitutional Court**") decides on the constitutionality and legality of laws, regulations and other general acts in the Republic. Under Article 69 of the RS Constitution, the powers of the RS Government rest on the principle of separation of powers. The Republic has a centralised structure and is headed by directly elected President and Vice Presidents.

The Executive Branch

*The President of the Republic (the "**President**")*

The President represents the Republic and its unity and is responsible for: (i) nominating the Prime Minister for appointment by the RS National Assembly; (ii) nominating the president and judges of the RS Constitutional Court on the proposal of the HJPC; and (iii) promulgating laws and granting pardons. The President awards decorations and recognitions determined by the law. By decree and upon the proposal of the RS Government, the President appoints and recalls the heads of missions of the Republic in foreign countries and proposes ambassadors and other international representatives of BiH from the Republic. The President is elected in direct general elections and his/her mandate lasts for four years. The people of the Republic can impeach the President and Vice-President of the Republic by the same procedure through which they were elected. The President has two vice-presidents, each elected from a different constituent group (one Bosniak and one Croat). The President may decide which of the two vice-presidents shall replace them in case they are temporarily incapacitated or prevented from performing their presidential duties. Following the termination of Milorad Dodik's mandate as President in August 2025 (with the effect from 12 June 2025), the Republic held an early presidential election on 23 November 2025 to determine Mr. Dodik's successor, pursuant to which the SNSD candidate Siniša Karan won the most votes. Subsequently, the Central Election Committee of BiH annulled the votes in 17 electoral units covering 136 polling stations and ordered a repeat vote in February 2026. Following the repeated voting process, Siniša Karan once again secured the highest number of votes and remains the confirmed winner of the presidential election. Accordingly, Siniša Karan is currently serving as President of the Republic.

The RS Government

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

The functions of the RS Government are as follows: (i) to propose statutes, other regulations and general acts; (ii) to propose development plans (strategic, long-term territorial development documents which define the basic goals and principles for spatial development of the Republic based on overall economic, social and cultural-historical development, sector strategies and other development documents), and budget and final accounts; (iii) to ensure the implementation of laws; (iv) to pass decrees, decisions and other acts required for the implementation of laws; (v) to give its opinion on proposals for laws and other regulations and general legal acts submitted to the RS National Assembly by other parties; (vi) to establish the principles for internal organisation of the ministries and other administrative bodies and organisations of the Republic, and to appoint and recall officials to and from the ministries and other bodies and administrative organisations of the Republic;

(vii) to manage and co-ordinate the work of the ministries and other bodies and administrative organisations of the Republic; (viii) to supervise the work of the ministries and other bodies and administrative organisations of the Republic, and recall or cancel their acts if they are not in line with laws or other legal acts passed by the RS Government; and (ix) to perform other activities in accordance with the RS Constitution and applicable law.

The SNSD is a Serbian political party in BiH as well as currently the largest party in the governing coalition in the Republic. Željka Cvijanović is currently serving as the Serb member of the Presidency of BiH, the collective head of BiH. Savo Minić was re-appointed by the RS National Assembly as the Prime Minister of the Republic (the “**Prime Minister**”). Mr. Minić was initially appointed as the Prime Minister on 2 September 2025 but resigned on 15 January 2026. At the session held on 18 January 2026, he was re-elected by the National Assembly and formed a new Government, which was duly confirmed and has since assumed office. After formal appointment and confirmation by the Central Election Commission as a President of the Republic, president Siniša Karan formally nominated Savo Minić as Prime Minister, and Prime Minister Minić was reappointed by RS National Assembly in March 2026. Mr. Minić. resigned again on 16 March 2026 and he and the members of the Government were re-elected by the National Assembly at the session held on 17 March 2026.

The following table lists the current principal officials of the RS Government as of the date of this Offering Circular:

Name	Position
Savo Minić	Prime Minister
Zlatan Klokić	Minister for European Integration and International Cooperation
Borivoje Golubović	Minister of Education and Culture
Zora Vidović	Minister of Finance
Željko Budimir	Minister of the Interior
Goran Selak	Minister of Justice
Senka Jujić	Minister of Administration and Local Self-Government
Radan Ostojić	Minister of Labour, War Veterans and Disabled People’s Protection
Ned Puhovac	Minister of Trade and Tourism
Petar Đokić	Minister of Energy and Mining
Zoran Stevanović	Minister of Transport and Communications
Andelka Kuzmić	Minister of Agriculture, Forestry and Water Management
Bojan Vipotnik	Minister of Spatial Planning, Construction and Ecology
Radenko Bubić	Minister of Economy and Entrepreneurship
Alen Šeranić	Minister of Health and Social Welfare
Draga Mastilović	Minister for Scientific and Technological Development and Higher Education
Irena Ignjatović	Minister of Family, Youth and Sports

The Legislative Branch

Legislative authority in the Republic is exercised by the RS National Assembly and the Council of Peoples.

The RS National Assembly

The RS National Assembly is a single-chamber parliament and is the holder of constitutional and legislative power in the Republic. The RS National Assembly has the power to: (i) amend the RS Constitution, pass statutes, and other general acts; (ii) adopt the budget, final accounts, development plan and spatial plan; (iii) determine the territorial organisation, (iv) calls referenda; (v) decide on public borrowing; (vi) call for the elections of members to the RS National Assembly and the Presidency of the Republic; (vii) elect, appoint and dismiss officials; (viii) control the work of the RS Government; (ix) grant amnesty, and (x) perform other functions in accordance with the RS Constitution and applicable law.

The RS National Assembly elects delegates to the House of Peoples of the BiH Parliamentary Assembly. It ratifies agreements concluded with states and international organisations with the consent of the BiH Parliamentary Assembly. The RS National Assembly has 83 members who are elected by constituencies determined by law for four years. The right to propose laws, other regulations and general acts resides with the President, the RS Government, each member of the RS National Assembly or at least 3,000 voters.

The last parliamentary elections were held on 2 October 2022. The next parliamentary elections are scheduled for October 2026 in accordance with the Election Law of BiH (*Source: Official Gazette of Bosnia and*

Herzegovina, Nos. 23/01, 7/02, 9/02, 20/02, 25/02, 4/04, 20/04, 25/05, 77/05, 11/06, 24/06, 33/08, 37/08, 32/10, 48/11, 63/11, 18/13, 7/14, 31/16, 54/17, 41/20, 38/22, 51/22, 67/22, 24/24, and 24/24).

The following table shows the number and percentage of seats in the RS National Assembly held by each political party as at the date of this Offering Circular.

Name of Party	No. of seats	Share of total seats
		(%)
Alliance of Independent Social Democrats	32	38.6
Serbian Democratic Party.....	11	13.3
Party of Democratic Progress.....	9	10.8
Socialist Party.....	5	6.0
Alliance – DEMOS - Socialist Party of Srpska	5	6.0
People’s Party of Srpska - Democratic People’s Alliance.....	5	6.0
United Srpska	5	6.0
For Justice and Order	4	4.8
Movement for the State.....	3	3.6
People’s Front	2	2.4
Party of Democratic Action – BH Greens	2	2.4
Total	83	100

Source: The RS National Assembly.

The Council of Peoples

Laws and other regulations passed by the RS National Assembly that pertain to issues of vital national interest of any of the constituent groups shall only become effective following their approval and adoption by the Council of Peoples. If more than one leader or member-leader of a caucus in the Council of Peoples considers a certain law or regulation to concern a vital national interest, that law or regulation must be submitted to the Council of Peoples for deliberation. The leader or member-leader must reach their decision within one week of such submission. If the majority of each caucus represented in the Council of Peoples votes in favour of such a law or regulation, it shall subsequently become effective. If the Council of Peoples votes in favour of amending a law or regulation, such piece of legislation or regulation must be re-submitted to the RS National Assembly to be considered and re-approved. If an agreement cannot be reached in the Council of Peoples, or if the RS National Assembly does not approve the proposed amendment, a joint committee must be established consisting of representatives from the Council of Peoples and the RS National Assembly. This joint committee shall be based on parity and shall make decisions by consensus. The joint committee shall ensure that the wording of the relevant law or regulation reflects the adopted amendments. Once the wording of the law or regulation has been finalised and agreed, such law or regulation shall be considered to have been passed. If no consensus is reached, such law or regulation shall not be passed but shall be returned to the proponent for the procedure to be renewed. In such a case, the proponent is not allowed to re-submit the same text of a law or regulation. If the joint committee cannot reach a consensus, the matter shall be referred to the RS Constitutional Court, which must make a final judgment on whether a law concerns vital national interests of a constituent people. The Committee for Protection of Vital National Interests, which operates within the RS Constitutional Court, must decide within one week whether to admit a case for adjudication (which requires a two-third majority vote in favour of such proposal), and shall decide on those cases that are admitted within one month of adjudication.

The Judiciary

Under Articles 1 and 69 of the RS Constitution, judicial independence is secured by the division of power between the legislative, executive, constitutional and judicial branches of the government. Article 121 of the RS Constitution also guarantees the independence of the courts and their responsibility to protect human rights and freedoms, rights and interests of legal entities established by law and legality.

Judicial power in the Republic is exercised by courts of general and special jurisdiction. The courts of general jurisdiction are the Basic Courts, the District Courts and the Supreme Court, whereas the courts of special jurisdiction are the District Commercial Courts and the Higher Commercial Court.

The Basic Courts and the District Commercial Courts are the courts of first instance (in respect of the District Commercial Court, for matters of a commercial nature). The District Courts and the Higher Commercial Court serve, in principle, as appellate courts for decisions at municipal level but the District Courts have original

jurisdiction for serious criminal offences. The Supreme Court is the highest court of law. It hears both civil, commercial and criminal cases and has a special chamber for administrative cases. The RS Constitutional Court decides among others on the constitutionality of statutes, regulations and decrees, on the legality of regulations and decrees and on jurisdictional conflicts between the three branches of government or between state and municipal institutions.

The RS Constitutional Court is an autonomous and independent state body responsible for protecting the RS Constitution and laws as well as human rights and minority rights. It comprises of nine judges. Decisions of the RS Constitutional Court are final, enforceable and universally binding. It determines whether laws, regulations and other general acts are in conformity with the RS Constitution and can decide on matters of immunity of the President, its judges and RS National Assembly members. The RS Constitutional Court has the right to decide on the matters of jurisdictional conflict among bodies exercising legislative, executive and judicial power, as well as jurisdictional conflict among the Republic, its cities and municipalities. The RS Constitutional Court shall decide also on the conformity of programmes, statutes and other general acts of political organisations with the RS Constitution and the law. Any person may submit a proposal for initiation of the proceedings to review matters of constitutionality and legality. Proceedings before the RS Constitutional Court may, without limitation, be initiated by: the President of the Republic, the RS National Assembly, the Council of Peoples on issues within the framework of constitutionally determined competencies, the RS Government, the RS Constitutional Court, the Republic's Prosecutor that is appointed to the Public Prosecutor's Office (if the issue of constitutionality and legality is raised in the work of the Public Prosecutor's Office), and municipality, city, enterprise, political organisation, associations of citizens and other organisations, in each case if their right determined by the RS Constitution or law has been violated and a body authorised by the RS Constitution and law to suspend execution of regulations and other general acts inconsistent with the RS Constitution and the law.

The Republic's Public Prosecutor's Office is an independent state body which prosecutes criminal offences and other legally punishable offences and applies legal measures in order to safeguard constitutionality and legality. The establishment, organisation and jurisdiction of a Public Prosecutor's Office is regulated by the Law on Prosecutors' Offices of the Republic (*Official Gazette of the Republic, Nos. 69/16 and 48/24*). The Chief Public Prosecutors and the Deputy Chief Prosecutors are appointed for a term of six years with the possibility of reappointment and Public Prosecutors are appointed for an unlimited mandate, unless they resign, retire or are removed by the HJPC due to prescribed circumstances and in accordance with the law. The Republic's Public Prosecutor's Office consists of the General Department, which includes: the War Crimes Department, the General Crime Department, the Economic Crime Department and the Juvenile Department, and the Special Department for the Suppression of Corruption, Organised and Most Serious Forms of Economic Crime established by several laws and bylaws. The Republic's Public Prosecutors of the General Department advocates before the Supreme Court of the Republic to represent on matters relating to appeals of first instance verdicts of district courts, and represent indictments in cases in which the Supreme Court revoked a first instance verdict and ordered a retrial. In addition to this function, the General Department of the Public Prosecutor's Office may perform its role before the basic and district courts, as well as before the RS Constitutional Court. Public Prosecutors assigned to the Special Department of the Prosecutor's Office conduct investigative actions and criminal prosecution of perpetrators of criminal acts pursuant to the Law on Suppression of Corruption, Organised and Most Serious Forms of Economic Crime (*Official Gazette of the Republic, Nos. 39/16 and 91/17*). In addition to the Republic Prosecutor's Office, the organisational structure consists of six district public prosecutor's offices whose headquarters are in Banja Luka, Prijedor, Doboj, Bijeljina, East Sarajevo and Trebinje.

It is the responsibility of the HJPC to ensure the autonomy, independence, impartiality, competence and efficiency of the judiciary and the prosecutorial offices in the Republic. The responsibilities of the HJPC include the appointment, disciplinary action and dismissal of judges, except for the judges presiding over the RS Constitutional Court, and includes public prosecutors and member public prosecutors in the Republic.

As at the date of this Offering Circular, there are 28 Basic Courts, 7 District Courts, 7 Commercial District Courts, one High Commercial Court and one Supreme Court of the Republic. Basic Courts serve as first instance courts. District Courts serve as second instance courts, but also have jurisdiction to act as courts of first instance for cases in which their jurisdiction is provided. In the first instance, the District Courts have jurisdiction: (i) for criminal offenses punishable by more than 10 years' imprisonment or long-term imprisonment, unless the law provides for the jurisdiction of another court, (ii) to act during the investigation and after indictment in

accordance with the law, (iii) to judge for criminal offenses for which the Court of Bosnia and Herzegovina has transferred jurisdiction to the district courts, (iv) to decide in all administrative disputes according to the seat of the first instance administrative body, as well as requests for protection of freedoms and rights determined by the constitution, if such freedoms and rights are violated by a final individual act or action of an official in administrative bodies, or a responsible person in an enterprise, institution or other legal entity, when no other judicial protection is provided for the protection of those rights. Any conflict between courts of the same instance is resolved by a court of a higher instance. The conflict of jurisdiction of the Supreme Court of the Republic and the basic or district court shall be resolved by the Supreme Court of the Republic in a general session.

The right to appeal is regulated as a right by the constitution itself. The Law on Civil Procedure (*Official Gazette of the Republic, Nos. 58/03, 85/03, 74/05, 63/07, 105/08, 45/09, 49/09, 61/13, 109/21, and 27/24*) regulates regular legal remedies against judgments that are not final and extraordinary remedies against final judgments. Remedies are decided by a higher court.

There are no specialised panels or war crimes courts established in the Republic. War crimes are within the jurisdiction of the Court of Bosnia and Herzegovina and the Prosecutor's Office of Bosnia and Herzegovina. However, the conduct of proceedings that are considered less complex may be transferred to the competent courts in the Entities by a decision of the Court of Bosnia and Herzegovina, in accordance with the provisions of the Criminal Procedure Code of Bosnia and Herzegovina. The criteria for assessing complexity are, for example, the rank of the accused, the size of the crime itself. In the Republic, the District Courts have jurisdiction over war crimes as first instance. However, these courts do not have special panels for war crimes, but they are resolved within criminal department.

There are no special administrative courts in the Republic. Administrative proceedings are conducted before administrative bodies, and administrative disputes are resolved by the district court according to the seat of the first instance body.

Regional Administration

According to the RS Constitution, local self-government units are a fundamental part of the constitutional organisation of the Republic. The governance structure of the Republic is split across two levels: the RS Government, and the local self-government units. A municipality is a fundamental territorial organisational unit of local self-government, formed to cover a part of, one or more populated areas in the Republic. A city is a territorial organisational unit that is a coherent geographical, historic, administrative, social and economic unit which boasts an adequate standard of development. In accordance with the Law on Territorial Organisation of the Republic (*Official Gazette of the Republic, Nos. 69/09, 70/12, 83/14, 106/15, 26/19, 15/21, 37/22, 32/23, and 45/25*), the Republic has 52 municipalities and 12 cities. A city, which has no municipalities in its organisational structure, has the characteristics and fundamental features of local self-government units. The cities in the Republic comprise of Banja Luka, Istočno Sarajevo, Bijeljina, Doboj, Derвента, Gradiška, Prijedor, Trebinje, Laktaši, Prnjavor, Teslić and Zvornik. The area of the city of Istočno Sarajevo covers areas of the following municipalities: Istočna Ilidža, Istočno Novo Sarajevo, Pale, Sokolac, Istočni Stari Grad and Trnovo.

The Law on Public Administration (*Official Gazette of the Republic, Nos. 115/18, 111/21, 15/22, 56/22, Official Gazette of BiH No. 84/22, and Official Gazette of the Republic Nos. 132/22 and 90/23*) prescribes that ministries, republic administrations and republic administrative organisations shall perform activities of the administration. The Ministry of Administration and Local Self-RS Government performs administrative and other specialist activities relating to local self-government. Local self-government units have the authorities prescribed by the Law on Local Self-Government (*Official Gazette of the Republic, Nos. 97/16, 36/19, 61/21, 100/25, and 114/25*), as well as other authorities conferred by other laws. Local self-government units must exercise their authority in accordance with the RS Constitution, the law and the statute. Certain activities of a republic administration can be transferred to local self-government units by a law, in order to improve efficiency and to have more rational exercising of rights and obligations of citizens and to fulfil their needs for the interest of better living and working conditions, based on specific conditions prescribed by the law. The RS Constitution prescribes rights of all citizens, including minority groups, to be included in the execution of power in the Republic without discrimination. Further, the constitutional organisation of the Republic is based upon, among other things, the guarantee of equality among constituent peoples and the protection of rights of minority groups and other minorities, the preservation and official use of spoken languages and scripts in regions populated by

such communities, the freedom of express of national or cultural affiliation by all citizens, and the protection of national minorities' rights in the Republic.

Brčko District

After the General Framework Agreement was signed, there was disagreement over the ownership of Inter-Entity Boundary Line in Brčko Area. In the Final Award of the Arbitration Tribunal for the Dispute over the Inter-Entity Boundary Line in Brčko Area, the Statute of the Brčko District of Bosnia and Herzegovina was passed. Brčko District is a single administrative unit of local self-government existing under the sovereignty of BiH. It has a local self-government and the Entities exercise functions and powers assigned to them by this statute. The BiH Constitution, as well as relevant laws and decisions of the institutions of BiH, are directly applicable throughout the territory of Brčko District. The laws and decisions of all Brčko District authorities must be in conformity with the relevant laws and decisions of the institutions of BiH.

Armed Forces

The joint 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 (*Official Gazette of the Republic, No. 88/05*), BiH became responsible for ensuring transparent, democratic and civilian control over the Armed Forces. The Joint Presidency makes decisions over the Armed Forces by consensus. Chain of command and control continues to the Minister of Defence, to the Chief of Joint Staff of the Armed Forces, the Commander of the Operational Command and Commander of support to subordinate commanders, commands and units of 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 constituent 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.

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 action and fulfilment of international obligations of BiH.

The Armed Forces in Sarajevo command the military units. The two major commands of the Armed Forces are the operational command and the support command. For the operational command control, there are three infantry brigades, the 4th Infantry Brigade in Čapljina (in the Federation), the Fifth Infantry Brigade in Tuzla (in the Federation) and the 6th Infantry Brigade in Banja Luka (in the Republic). Each of the infantry brigades have three regiments that are each formed by soldiers from the three constituent peoples of BiH: Bosniaks, Croats and Serbs and trace their roots to the armies that were created during the Bosnian War. The Tactical Support Brigade in Sarajevo and Air Force and Air Defence Brigade at Banja Luka Airport also fall under operational command control. The support command control has a Personnel Command and Logistics Command located at Banja Luka and Travnik Dobož, respectively.

The Commander of the Operational Command of the Armed Forces is under the supreme command and control of the Presidency. The Commander is responsible for (i) issuing orders to subordinate commands and forces, necessary for the execution of assigned missions, (ii) implementing the policies of the Joint Staff, (iii) preparing operational plans based on the orders of the Chief of the Joint Staff, (iv) determining tactical command and control solutions for commands and forces within the Operational Command of the Armed Forces, (v) organising commands and forces within the authority of the Operational Command, (vi) deploying forces within the Operational Command to execute assigned missions, (vii) appointing temporary mission commanders, (viii) coordinating and approving those aspects of management and support including control of resources and equipment, (ix) the internal organisation and training and discipline necessary to carry out missions assigned to Operational Command, (x) reporting to the Chief of the Joint Staff on operational needs, and (xi) proposing initiatives to improve the interoperability of the Armed Forces with the armed forces of NATO member states.

The Commander of the Armed Forces Support Command is under the supreme command, instructions and control of the Presidency. The Commander is responsible for (i) issuing orders and instructions to subordinate administrations and forces necessary to carry out assigned missions, including orders and instructions on all

aspects of individual military training and logistics, (ii) implementing policies, regulations and orders of the Ministry of Defence and the Joint Staff related to personnel, logistics and training, (iii) preparing plans to support the operations on the orders of the Chief of the Joint Staff, (iv) providing support to the Armed Forces Operational Command on the orders of the Chief of the Joint Staff, (v) organising commands and forces in such manner as it deems necessary for the execution of assigned missions, (vi) providing support to the deployment or redeployment of the Armed Forces, (vii) coordinating and approving those aspects of management and support including the control of resources and equipment, internal organisation and training, and discipline necessary for Commands, (viii) proposing to the Chief of the Joint Staff logistical needs, and standards for training of personnel, equipping and supply of the Armed Forces, (ix) determining the training needs of the Armed Forces, (x) drafting training doctrines, (xi) organising individual training, the maintenance of the Armed Force's real estate, (xii) developing and implementing plans for the management of ammunition storage sites and weapons storage sites in accordance with international obligations, relevant laws and regulations issued by the Ministry of Defence and the Joint Staff, (xiii) issuing recommendations for the procurement of goods and services for the Armed Forces in accordance with applicable legislation, (xiv) proposing initiatives to improve interoperability of the Armed Forces with the armed forces of NATO member states, and (xv) managing personnel records in accordance with the regulation issued by the Minister of Defence.

The Armed Forces have carried out several peacekeeping missions to date as part of their participation in the United Nations, namely "Determined Support" in Afghanistan, operation "MONUSCO" in the Democratic Republic of the Congo and operation "MINUSMA" in the Republic of Mali.

Foreign Relations

Under the BiH Constitution, foreign policy is under the jurisdiction 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(d) 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. Under the Law on Procedure for Concluding and Executing International Agreements (*Official Gazette of BiH, Nos. 29/00 and 32/13*), the initiative to start the procedure to conclude the international agreements can be given by the institutions of BiH, Entities, cantons and other regional and local communities, as well as companies, institutions, non-governmental organisations and other legal entities.

The Republic is fully committed to strengthening international cooperation. The primary goal is to ensure a strong, stable, and prosperous Republic, with full institutional capacities as provided by the General Framework Agreement. In this context, despite a very challenging regional and international environment, the Republic strives to achieve its best possible positioning.

The Republic is also a member or participant in various regional initiatives, programs, and projects, such as the Berlin Initiative and the Assembly of European Regions, and it actively cooperates with a wide range of multilateral and bilateral partners. These partners include, among others, the United Nations and its agencies and funds, the German Company for International Cooperation, the IMF, the World Bank – International Development Association, the European Bank for Reconstruction and Development, the Swedish International Development Agency, the Swiss Development Cooperation Agency, the Japan International Cooperation Agency, the International Finance Corporation and the Saudi Fund for Development.

The Republic and its institutions regularly meet their international obligations and report on their implementation progress. The Republic also contributes to the implementation of Agenda 2030 and the Sustainable Development Goals by fulfilling the Sustainable Development Goals Implementation Framework in BiH, which serves as a joint roadmap for all levels of government in BiH toward achieving Agenda 2030 objectives. Additionally, the process of adopting a long-term, umbrella strategy for sustainable development of the Republic for 2026–2032 is underway. This strategy will set the main strategic development directions for the seven-year period in the areas of good governance, green transition, sustainable economic development, and quality of life for its population. The strategy will also incorporate reform commitments to meet the EU's membership criteria.

The Republic maintains nine economic representative offices abroad: in the USA (Washington), Russian Federation (Moscow), Federal Republic of Germany (Stuttgart), Kingdom of Belgium (Brussels), Republic of Greece (Thessaloniki), Austria (Vienna), Israel (Jerusalem), Serbia (Belgrade), and France (Paris). These offices

promote investment opportunities, strengthen business and economic cooperation, and maintain ties with the diaspora.

European Union

EU accession process

One of BiH's foreign policy objectives is to become a member of the EU. The EU accession process follows a series of formal steps, beginning with an Interim Agreement and the Stabilisation and Association Agreement (the "SAA"), and culminating in the ratification of the final accession treaty. In June 2000, BiH was included in the EU Stabilisation and Association Process. BiH has been recognised by the EU as a "potential candidate country" for accession since 2003.

On 16 June 2008, BiH successfully completed the first stage in the EU accession process by signing the SAA, for which negotiations had officially begun in November 2005, along with an interim agreement, which as of 1 July 2008 regulates trade and trade-related matters. By signing the SAA, BiH made a commitment to harmonise legislation at all levels in BiH with the EU Acquis and to apply it consistently. While ratified by all EU Member States by February 2011, the SAA could not enter in force, since BiH had not fulfilled the condition that was set on the compliance with the 2009 decision of the ECHR in the *Sejdić-Finci* case. Such ruling requires the country to amend the BiH Constitution to remove discriminatory provisions from the electoral rules for the Joint Presidency and BiH's House of Peoples (failure to meet a combination of the requirements of origin and place of residence – violations of Article 1 of Protocol No. 12 ECHR).

In December 2010, BiH citizens were granted visa-free travel to the Schengen area. 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 to secure their irrevocable commitment to undertake reforms towards EU accession. Following the agreement upon a written commitment by the Joint Presidency of BiH in January 2015, its signature by the leaders of the 14 parliamentary parties and its endorsement by the BiH Parliamentary Assembly, in March 2015 the Council of the EU agreed to the entry into the SAA. The SAA was ratified and entered 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. On 9 December 2016, BiH received the accession questionnaires from the European Commission (the "Questionnaire") and the responses to the Questionnaire were submitted in February 2018. On 20 June 2018, the European Commission sent 655 follow-up questions to the Questionnaire. The Joint Presidency chair of BiH at the time, Milorad Dodik, provided answers to the additional questions on 5 March 2019. 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.

On 28 April 2020, the Presidency of BiH adopted the Conclusion of the 11th Regular Session of the Presidency of Bosnia and Herzegovina (*No. 01-50-1-1301-2*), which determined that the Presidency of BiH would initiate and lead the reform in order to achieve the required degree of compliance with the membership criteria based on the implementation of 14 key priorities from the Opinion.

On 12 October 2022, the European Commission recommended granting BiH candidate status for EU membership, subject to the fulfilment of certain steps. In December 2022, the European Council granted BiH candidate country status. In December 2023, the European Council decided that accession negotiations with BiH would be opened once the necessary degree of compliance with the membership criteria is achieved. The European Council also invited the European Commission to report on progress by March 2024, with a view to making a decision.

Building on the Commission's recommendation of 12 March 2024, the European Council decided in March 2024 to open accession negotiations with BiH. The European Council invited the European Commission to

prepare the negotiating framework, to be adopted once all relevant steps set out in the European Commission's recommendation of 12 October 2022 are completed.

The European Commission has positively assessed BiH's Reform Agenda—a key step toward releasing up to EUR 976.6 million under the EU's Reform and Growth Facility. The Commission concluded that the Reform Agenda, submitted on 30 September 2025, meets the objectives of the Growth Facility Regulation. The Reform Agenda sets out priority reforms to accelerate green and digital transitions, boost private sector development, retain talent, and strengthen fundamental rights and the rule of law. BiH must now sign and ratify both the Facility Agreement and Loan Agreement. The allocation of funding to BiH, including pre-financing, can only begin once these agreements enter into force and all conditions are fulfilled.

While the EU continues to support BiH's accession path, progress remains gradual and politically challenging, and key reforms have not yet been fully implemented to significantly advance negotiations. See “*Risk Factors—Risks relating to BiH—BiH is a candidate to accede to the EU.*”

Alignment of the Republic's Legislation with the EU

The alignment of the Republic's legislation with the EU Acquis is an obligation under Article 70 of the SAA, and this process has been, and continues to be, ongoing in the Republic since mid-2007. The Republic undertakes all necessary activities to perform this process in a systematic and coherent way, in order to transpose the EU Acquis into domestic legislation in accordance with regular annual action plans prepared by the relevant ministries and adopted by the RS Government. The legal framework that governs and prescribes the Republic's efforts in this regard include: the Law on Public Administration (*Official Gazette of the Republic, No. 115/18, 111/21, 15/22, 56/22, 132/22, 90/23*), Rules of Procedure of the RS National Assembly (*Official Gazette of the Republic, No. 66/20*), the Decision on Alignment of the Republic's legislation with regulations of the EU and Practices and Standards of the Council of Europe (*Official Gazette of the Republic, No. 119/18*), the Rules of Procedure of the RS Government (*Official Gazette of the Republic, No. 123/18*), the Instruction on the Preparation of the Forms of Concordance of Draft and Proposals of Regulations with the EU Acquis and Legal Acts of the Council of Europe (*Official Gazette of the Republic, No. 102/14*), the Instruction on Preparation of the Tables of Concordance of Draft and Proposals of Regulations with the Regulations of the EU and Legal Acts of the Council of Europe (*Official Gazette of the Republic, No. 102/14*), and the Decision on Appointment of Persons Responsible for Alignment of the Republic's Legislation with Regulations of the EU (*Official Gazette of the Republic, No. 72/25*).

Action plans for harmonising the Republic's legislation with the EU Acquis have been developed since 2009. Most recently, at its 113th session on 10 April 2025, the RS Government adopted the Plan for the Harmonization of the Legislation of the Republic with the EU Acquis for the Period 2025–2027 (the “**Harmonization Plan**”), prepared by the Ministry of European Integration and International Cooperation in collaboration with the Republic's administrative bodies. The Harmonization Plan provides a comprehensive overview of the EU Acquis to be incorporated into the Republic's legal and strategic acts and includes a review of international legal sources and relevant case law from the Court of Justice of the EU.

The Committee for European Integration and Regional Cooperation—a working body of the National Assembly of the Republic—is responsible for overseeing the alignment of the Republic's legislation with the EU Acquis, as well as with the practices and standards of the Council of Europe.

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 also based 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 most recent European Commission report covers the period from 1 September 2024 to 1 September 2025 (the “**2025 Report**”). The 2025 Report identifies the following six areas for development:

- *Rule of Law and Judicial Integrity*: finalising judicial reform laws in line with European standards, including strengthening the integrity of the judiciary, combating corruption, and enhancing the fight against money laundering.
- *Functioning of Democratic Institutions*: improving legislative output, strengthen oversight, and adopt electoral reforms that align with OSCE/ODIHR and Venice Commission recommendations to eliminate discrimination.
- *Public Administration Reform*: ensuring a professional, depoliticised civil service, implement the 2023-2027 Public Administration Reform strategic framework at all government levels, and improve policy coordination.
- *Economic Criteria and Functioning Market Economy*: establishing a functioning market economy and improving the business environment, strengthening public procurement (to reduce corruption risks), and enhancing the quality of education.
- *Alignment with EU Acquis and Reform Agenda*: effect the signing and ratification of the Facility and Loan Agreements to unlock Western Balkans Growth Plan funds, and accelerating the harmonisation of legislation alignment across all levels.
- *Fundamental Rights and Border Control*: Ensuring freedom of expression, protection of journalists, and the implementation of the Frontex Status Agreement (signed in June 2025) to improve border management and operational cooperation against crime.

Instrument for Pre-Accession Assistance (“IPA”)

The IPA is the means by which the EU provides financial and technical support and assistance to countries going through the process of accession to EU. By providing this support, the EU seeks 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.

The successor to the IPA is the IPA 2014 – 2020 (“**IPA II**”), which 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.

In accordance with the Indicative Strategy Paper for BiH (2014 to 2020), EUR 552.1 million has been indicatively designated under the IPA II to support BiH through various annual action programs, of which a total of EUR 75.7 million, EUR 39.7 million, EUR 47.0 million, EUR 74.8 million, EUR 102.5 million, EUR 104.8 and EUR 107.6 million has been allocated in 2014, 2015, 2016, 2017, 2018, 2019 and 2020, respectively. The priority sectors for funding under the IPA II for BiH are democracy and governance (which includes national allocations to the Civil Society Facility: EUR 2.1. million in 2014, EUR 2.5 million in 2015, EUR 4.5 million in 2017, EUR 2 million in 2018, EUR 6 million in 2019 and EUR 2 million in 2020); rule of law and fundamental rights; environmental and climate action; transport; energy; competitiveness, innovation; agriculture and rural development; and education, employment and social policies (which includes allocations for the Regional Housing Programme – EUR 10 million in 2017 and EUR 14 million in 2018). In January 2021, the European Commission announced an additional EUR 3.5 million in humanitarian aid to help vulnerable refugees and migrants in BiH.

Within the Instrument for Pre-Accession Assistance 2021–2027 (IPA III), financial agreements have been signed with the European Commission for the annual packages 2021–2024, amounting to EUR 239.2 million. Similarly, the European Commission has adopted the Financial Decision for the IPA 2025–2027 package, which will make EUR 140.5 million available to BiH. Since 2009, BiH also received EU assistance of EUR 1.1 billion through the Western Balkans Investment Framework, leveraging total investments of EUR 6.7 billion. Overall, under the Economic and Investment Plan (EIP), Bosnia and Herzegovina benefits from EUR 1 billion of IPA funds, mobilizing additional funding of EUR 2.9 billion for priority high-impact projects.

Growth Plan for the Western Balkans

In February 2018, the European Commission published its communication, “*A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*”. This document outlines the EU-Western Balkans Strategy, reaffirming the European Union’s commitment to the accession prospects of the Western Balkans region and setting out key initiatives and priorities for enhanced engagement and support.

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 EUR 6 billion Reform and Growth Facility for 2024–2027, consisting of EUR 2 billion in grants and EUR 4 billion in concessional loans, with payment conditioned on the implementation of specific socio-economic and fundamental reforms. Of the EUR 6 billion in funding, EUR 976.6 million has been allocated to BiH.

Other Grants

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

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

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

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

Co-operation with the International Criminal Tribunal for the former Yugoslavia (“ICTY”)

The ICTY was established by United Nations Security Council Resolution 827 in 1993 as a temporary institution, with the specific mandate to investigate and prosecute crimes committed during the conflicts in the territory of the former Yugoslavia. In 2003, a decade after its establishment, the ICTY judges initiated the development of what became known as the “ICTY Completion Strategy.” The purpose of this strategy was to ensure that the ICTY would complete its mandate efficiently and within a defined timeframe, in cooperation with the judicial systems of the former Yugoslavia.

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 closely collaborates 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 Republic’s Centre of Investigation of War, War Crimes and Missing Persons and the Ministry of Internal Affairs are the Republic’s competent authorities for coordinating and cooperating with the ICTY and IRMCT.

As of 31 December 2017, the ICTY officially ceased work, and its jurisdiction was assumed by the IRMCT, with the aim of completing the remaining trials. The last case before ICTY was concluded on 31 March 2023. During its time, the ICTY indicted 161 persons of all nationalities, of whom 93 were sentenced to terms of imprisonment, for crimes against humanity and violations of values protected under international law committed in the territory of the former Yugoslavia.

Regarding the prosecution of war crimes committed in the territory of BiH by the institutions of the Republic, on 29 December 2008, the Council of Ministers of the Republic adopted the National Strategy for War Crimes Processing, with the aim of greatly improving its effectiveness in this field. As the deadlines envisaged by this strategy were not met, the Council of Ministers of the Republic adopted a Revised Strategy for War Crimes Processing on 24 September 2020, which envisaged the completion of all judicial proceedings in these cases by the end of 2023. When this deadline was also not achieved, it was initially extended until the end of 2025, and subsequently, in January 2026, the Council of Ministers of the Republic further extended the deadline for processing all war crimes cases before domestic courts until the end of 2028.

With respect to the work of judicial institutions at the programming level in the Republic, the Prosecutor’s Office of the Republic has, to date, filed indictments against more than 1,100 individuals, of whom at least 361 have been convicted and sentenced to terms of imprisonment. According to data from the Prosecutor’s Office

of the Republic, as of 31 December 2025, there remained 162 war crimes cases involving 2,006 individuals under investigation (cases in which the perpetrator is known), as well as an additional 976 other cases.

United Nations (the “UN”)

BiH has been a member of the UN since 22 May 1992 and has been actively participating through its permanent missions, contributions to UN peacekeeping operations, and membership in UN bodies such as the Peacebuilding Commission and the UN Women Executive Board. The Republic, as one of the entities within BiH, is involved in the implementation of UN-supported initiatives and policies through direct cooperation with the Resident Coordinator’s Office and UN agencies working in BiH.

Cooperation with the UN Country Team is implemented through the UN Sustainable Development Cooperation Framework 2026–2030. The Framework focuses on strategic priorities such as inclusive and green growth, human capital development, responsible institutions, and social cohesion, thereby ensuring continuity in UN–BiH cooperation.

In the context of sustainable development, BiH and the UN adopted the Sustainable Development Cooperation Framework 2021–2025, which provides a framework for the joint efforts of the UN and BiH—at all levels of government, including the Republic—for achieving inclusive growth, quality social services, people-centred governance, and citizen engagement. Throughout 2025, implementation continued through initiatives such as SDG Week, which promoted cross-level cooperation and advancement of the 2030 Agenda.

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. The Working Party held its 13th meeting in respect of BiH’s application on 7 February 2018. According to the Working Party, the accession had reached its technical maturity. BiH is planning to work towards signing bilateral market access agreements on goods and services and concluding multilateral negotiations. These negotiations are at advanced stages and BiH is expecting to become a member of the WTO in the near future.

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, one of which was pursuant to an extended fund facility and another one of which was related to the RFI. In accordance with Article IV of the IMF Agreement, representatives of the IMF regularly visit BiH to hold consultations within the Council of Ministers, the representatives of the Entities and the Central Bank. See “*Total and Public Debt*” for additional information regarding the Republic’s relationship with the IMF.

The World Bank

BiH joined the World Bank in 1993. The World Bank’s current funding priorities are focused on investments supporting reforms in three broad areas: (i) increasing inclusive private sector employment; (ii) improving sustainable service delivery; and (iii) enhancing resilience to climate change. In addition, the World Bank is prioritising infrastructure investments in energy, agriculture, water, transport, and health. The World Bank (comprising the International Bank for Reconstruction and Development and the International Development Association) has approved 81 funding programs for the Republic, totalling EUR 1.5 billion, including funding initially allocated to the Republic’s Investment Development Bank (“**IDB**”) and public companies as of December 2025.

As at 31 December 2025, the Republic had outstanding debt of BAM 663.1 million under International Development Association funding programs and BAM 246.56 million under International Bank for Reconstruction and Development funding programs.

In June 2022, the World Bank endorsed a new Country Partnership Framework for 2023–2027 (“**CPF**”) to support BiH’s recovery from the impacts of COVID-19, as well as reforms to promote job creation and a greener, more inclusive economy. This strategic framework builds on the Country Partnership Framework that was in place for 2016–2020. Over the CPF period, BiH (and, through BiH, the Republic) has access to up to U.S.\$750 million in new lending from the World Bank, subject to demand and progress in reform implementation.

In March 2023, the World Bank approved a EUR 92.3 million Health Sectors Programmatic Development Policy Loan for BiH. This program provides budget support to underpin policy efforts by BiH authorities to improve the financial sustainability of the healthcare system and the quality of health services for citizens. The Republic’s share of this loan is EUR 36.92 million (or 40.0 per cent.).

In January 2025, the World Bank approved a EUR 71 million Second Health Sectors Programmatic Development Policy Loan for BiH, the second 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 Republic’s share of this loan is EUR 28.4 million.

As at 31 December 2025, the World Bank’s portfolio of active projects in the Republic comprised seven operations totalling EUR 259.4 million, with areas of support including healthcare, employment, agriculture, and local infrastructure.

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 46 member states across Europe, seeks to protect human rights, democracy and the rule of law. Numerous reforms have been implemented in BiH, in cooperation 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 Republic has also implemented, or is in the process of implementing, certain reforms relating to the protection of human rights, the creation of local self-government units for citizens, the judiciary, education and electoral legislation in cooperation with the Council of Europe and in all other areas in which the Council of Europe acts independently or in cooperation with the European Commission or the Organisation for Security and Cooperation in Europe. As BiH is a member of the Council of Europe, and in accordance with its rules and regulations, representatives of the Republic are included as part of BiH’s delegation when attending sessions between BiH’s Parliamentary Assembly and the Congress of Local and Regional Authorities of the Council of Europe, as well as other related working bodies.

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 contributed to NATO’s Resolute Support Mission in Afghanistan.

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 cooperation with the alliance in all areas of common interest.

The Reform Program serves as a key documentation platform for the development of relations between BiH and NATO. It is adopted and implemented annually and provides the framework for standardizing the Republic’s armed forces in accordance with NATO requirements. On 9 February 2026, the Council of Ministers, acting on the proposal of the BiH and NATO Cooperation Commission, adopted the Reform Program for 2025. This document represents the principal basis for continuing reforms and fulfilling the obligations of BiH under the “Partnership for Peace” Program. The Reform Program, which is submitted to NATO in Brussels for

evaluation, covers five thematic areas: political issues, economic issues, military and defence issues, security, and legal issues.

The regular adoption and implementation of the Reform Program, as well as participation in joint educational, training, and peacekeeping missions and activities, demonstrates the commitment of all stakeholders in BiH to developing cooperation with NATO on a partnership basis. This approach does not prejudge the issue of BiH's membership in NATO, a position that has been confirmed on several occasions by the highest officials of NATO, including Secretary General Mark Rute during his visit to BiH in June 2025.

Organisation for Security and Co-operation in Europe (“OSCE”)

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 cooperation with the OSCE, particularly for achieving high standards in regional, political, economic and social integration. BiH contributes to these efforts through partnership and cooperation, 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, six of which are located in the Republic's territory – namely, Banja Luka, Bijeljina, Doboj, Trebinje, Foča and Srebrenica.

Other regional relations

One of the most important priorities of BiH's foreign policy is to maintain good relations with neighbouring countries as such cooperation 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.

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 (as defined below) at the Berlin-process summit in Trieste, in 2017. The MAP REA, later called AP CRM (Common Regional Market), 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 EUR 6.3 billion in 2023 (of which exports were EUR 3.1 billion and imports were EUR 3.2 million) and EUR 6.3 billion in 2024 (of which exports were EUR 2.8 billion and imports were EUR 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 SEECP (as defined below). The main objectives of the RCC are: the development of regional cooperation through six priority areas (economic and social development, energy and infrastructure, justice and home affairs, security, building human capital and parliamentary cooperation) and 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.

Following the 2019 Regional Roaming Agreement, the RCC supported the reduction of data roaming prices between the Western Balkans and the EU as of October 2023, with further gradual reductions continuing thereafter. The RCC also coordinated regional action under the Green Agenda, encompassing climate, energy, and environmental commitments, and led the preparation of the SEE 2030 Strategy, a long-term regional development framework aligned with the UN Sustainable Development Goals. Throughout this period, institutions from BiH, including those of the Republic, continued to regularly participate in RCC-led programs, ministerial meetings, and expert working groups, underscoring the RCC's ongoing relevance as a platform for regional cooperation and EU-related reforms.

The RCC implements activities related to the Action Plan for the Common Regional Market of the Western Balkans, in which institutions of the Republic participate. With the implementation period for the Action Plan 2021–2024 concluding in 2024, the RCC developed a new Action Plan for 2025–2028 and accompanying documents, such as the Declaration of the Western Balkans countries on the Common Regional Market 2025–2028 and the Narrative on the Action Plan, all of which were adopted at the Western Balkans Summit within the Berlin Process held in October 2024. The headquarters of the RCC Secretariat is located in Sarajevo, with an additional office in Brussels. Institutions of the Republic regularly participate in activities carried out within the RCC.

South-East European Co-operation Process (“SEECP”)

The SEECP was established in 1996 in order to promote stability, safety and cooperation in South-East Europe, and it consists of 13 “participants” from the region who also constitute the board of the Regional Co-operation Council: Serbia, Romania, Bulgaria, Greece, Türkiye, Montenegro, Albania, BiH, North Macedonia, Croatia, Slovenia, Moldova and Kosovo*.

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 cooperation, transport and maritime cooperation, environmental protection and cooperation 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 priorities include strengthening cooperation in the areas of the blue economy, transport and energy network, environmental protection and sustainable tourism. Representatives of the Republic regularly participate in the activities carried out within this initiative.

Membership of the Republic in Regional Associations

The Republic has been a member of the Federation of Regional Growth Actors in Europe (“FEDRA”) since 2016. FEDRA is an organisation that aims to network business, academic and other actors from European regions. FEDRA primarily provides support to the economic activities of regional actors, related to development and competitiveness, as well as access to the international market, European regional and interregional programs and projects. Membership in this organisation enables and facilitates the connection of businessmen and opens opportunities for the promotion of the Republic within various initiatives.

Southeast European Law Enforcement Centre (“SELEC”)

The SELEC was established in 1999. Current signatory states to the SELEC convention are Albania, BiH, Bulgaria, Croatia, Greece, Hungary, North Macedonia, Moldova, Montenegro, Romania, Serbia and Türkiye. Following its accession to the EU in July 2013, Croatia withdrew from the SELEC. The objective of SELEC, within the framework of cooperation 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 Republic regularly participate in the activities carried out within the said 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.

EU Strategy for the Danube Region (“EUSDR”)

EUSDR is a macro-regional strategy adopted by the European Commission in December 2010 and endorsed by the European Council in 2011. The strategy was jointly developed by the European Commission with the Danube Region countries and stakeholders, in order to address common challenges. The strategy represents a platform for cooperation and acceptance of the EU Acquis by candidate countries and aims to create synergies and coordination between existing policies and initiatives in the Danube region. The strategy is based on three basic thematic pillars:

- connectivity and communications – transport, navigation, related infrastructure and energy;
- environmental protection, risk prevention (protection against floods) and sustainable use of natural resources; and
- social, economic and institutional development and strengthening regional cooperation.

Through the Coordinating mechanism for EU integration process in BiH, the Republic participates in EUSDR-related initiatives with other levels of government in BiH.

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, North Macedonia, Montenegro, Serbia and Slovenia. The EUSAIR priorities include strengthening cooperation 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 Republic 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 cooperation within the Adriatic-Ionian Initiative, which created strong links between the participating countries, and generated regional cooperation between cities, chambers of commerce, universities and national parliaments. Accordingly, EUSAIR ensures further integration of the internal market, fosters cooperation between EU and non-EU participating countries and assists non-EU participating countries in their EU accession process.

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, BiH, Croatia, Kosovo*, North Macedonia, Montenegro, Serbia, Slovenia, Austria, France, and representatives of the European Commission and resulted in the launch of the so-called “The Berlin Process”.

The aim of the summit was to reach a common agreement on strengthening regional cooperation 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 third summit on the Western Balkans was held in Paris (4 July 2016) and represented the continuation of the Western Balkans Summits held in Berlin and Vienna within the “Berlin Process”. The fourth summit on the Western Balkans within the Berlin Process was held in Trieste. This summit adopted the MAP REA, which deals with the areas of trade, investment, mobility and digital economy. 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. The fifth summit on the Western Balkans within the “Berlin Process” was held in London.

During the London summit, 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. In particular, the decision was intended to support West Balkan countries with facing developmental threats such as severe and organised crime, drug trafficking and terrorism. The package of measures included an increase of the UK’s financing in the region by

95 per cent., from GBP 41 million from the Fund for Conflict Prevention, Security and Stability in 2018/2019, to GBP 80 million for 2020/2021, under which the Republic has indirect 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 cooperation and anti-corruption.

The sixth summit on the Western Balkans within the Berlin Process, was held in Poznan, Poland, on 5 July 2019. During the Poznan summit, the EU reconfirmed its commitment to strengthen its cooperation 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 neighbourly relations. The EU also granted the financing of transport projects to BiH. The EU's grant in respect of all such projects totalled EUR 216.8 million, which were allocated in respect of 13 specific transport projects, out of which EUR 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 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 EUR 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 EUR 20 billion.

At the summit in Sofia, the following were adopted: the Declaration on the Common Regional Market, the Action Plan for the Development of the Common Regional Market 2021 – 2024. Declaration of the Western Balkans Partners on the Green Agenda, Conclusions of the Berlin Process in the Field of Security, Conclusions of the Berlin Process in the Field of Health Response to COVID-19 and Conclusions of Roma Integration.

The eighth summit on the Western Balkans was held virtually in 2021, while the ninth summit took place in Berlin in 2022. At the 10th Conference on the Western Balkans, held within the framework of the Berlin Process in Tirana on 23 October 2023, several key documents were adopted: the Joint Declaration on Regional Climate Partnership, aimed at strengthening cooperation on environmental protection, climate change adaptation, and the promotion of green energy; the Agreement on Mutual Recognition of Professional Qualifications for medical doctors, pharmacists, veterinarians, and midwives; the Joint Declaration on the Single Payment Area in the euro zone; the Joint Declaration on Trade and Transport Facilitation, addressing trade and transport within CEFTA; the Regional Joint Statement on the Prevention of Plastic Pollution, including marine litter; the Joint Declaration on the Initiative for Access to Public Internet/Wireless Internet in the region; and the Joint Declaration on the Establishment of the Observatory for Convergence in the Western Balkans, which provides for regular monitoring of data and trends in key areas such as the economy, standards, and reforms to support better alignment with EU standards and legislation.

The 11th summit was held in Berlin on 14 October 2024, at which the Declaration on the Common Regional Market 2025–2028 was signed and the Agreement on Access to Higher Education and Admission to Studies in the Western Balkans was adopted.

The 12th summit on the Western Balkans within the framework of the Berlin Process took place in London on 22 October 2025, where the discussed documents stemmed from the common regional market, green transition (Green Agenda Plan 2025-2030) and digitization, including a platform for digital identities. Gender equality, Roma integration and creative economy, with funds for women and young people, are emphasised.

Among the most significant results of the Berlin Process to date have been: establishment of the Regional Youth Cooperation 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.

“Brdo-Brioni” Process

The Republic of Slovenia and the Republic of Croatia together launched the idea 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 cooperation 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 soon was renamed as the “Brdo-Brioni process”. This initiative emphasised the common intention to connect the region, primarily in the areas of transport, infrastructure and energy, as well as mutual cooperation 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 (15 July 2014); MFA meeting on Brdo near Kranj (23 April 2015); Summit in Budva (7 to 8 June 2015); Extraordinary Summit in Zagreb (25 November 2015); Summit in Sarajevo (28 to 29 May 2016); Summit and meeting of MFAs at Brdo near Kranj (3 June 2016); Summit in Skopje (27 April 2018); Summit in Tirana (8 – 9 May 2019); Summit in Brdo near Kranj (May 2021); Summit in Brdo near Kranj (September 2022); Summit in Skopje (September 2023); Summit in Tivat (October 2024); Summit in Durrës, Albania. BiH and the Republic have been actively participating in this initiative since its establishment.

“Western Balkan Six-WB6” (“WB6”)

After the Western Balkans Summit in Berlin on 28 September 2014, where the Berlin Process was launched, participants from the Western Balkans (namely, Albania, BiH, Montenegro, North Macedonia, Serbia and Kosovo*) have started utilising the WB6 format with the assistance of the European Council more frequently in respect of the projects and programs which resulted from the first summit of the “Berlin Process”.

A wide range of topics discussed at all high-level meetings has shown that WB6, as an informal format (although it has not been institutionalised), has added value for the region in both political and economic terms. So far, more than 20 meetings have been held within the WB6 at the MFA level, or at presidential and governmental level.

WB6 leaders reaffirmed their political commitment to the swift implementation of the EU Growth Plan for the Western Balkans, including the Common Regional Market, gradual access to the EU Single Market, and delivery of concrete economic reforms in July 2025 in Skopje, North Macedonia.

In November 2025, in Tirana, Albania, WB6 leaders adopted a joint declaration confirming their commitment to deeper regional economic integration, full implementation of the Common Regional Market Action Plan 2025–2028, and alignment with EU rules as a pathway toward EU membership.

Investment Framework for the Western Balkans (“WBIF”)

The WBIF is a European Commission’s 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 European Bank for Reconstruction and Development (“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 2020, the 23rd, 24th and 25th calls for proposals for grant applications for technical assistance were conducted, as well as the sixth call for proposals for investment support. The results of the Fifth Call for Proposals for

Investment Projects have been published. Also in the reporting year, 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.

Since 2009, BiH also received EU assistance of EUR 1.1 billion through the WBIF, leveraging total investments of EUR 6.7 billion. Overall, under the Economic and Investment Plan (EIP), BiH benefits from EUR 1 billion of IPA funds, mobilising additional funding of EUR 2.9 billion for priority high-impact projects.

Other key bilateral relations

Republic of Serbia

BiH and the Republic have strong relations with the Republic of 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 the Republic of Serbia and BiH decreased from EUR 2,514.3 million in 2023 (of which exports were EUR 1,067.3 million and imports were EUR 1,447.0 million) to EUR 2,451.0 million in 2024 (of which exports were EUR 940.3 million and imports were EUR 1,510.7 million). Trade in goods between Serbia and the Republic increased from EUR 1,033.3 million in 2023 (of which exports were EUR 452.9 million and imports were EUR 580.4 million) to EUR 1,046.7 million in 2024 (of which exports were EUR 427.8 million and imports were EUR 618.9 million).

Cooperation between the Republic and the Republic of Serbia is intensive and takes place in accordance with the Agreement on the Establishment of Special Parallel Relations between the Republic of Serbia and the Republic. Based on this agreement, the institutions of the Republic and the Republic of Serbia have signed a number of individual agreements, which aim to further strengthen cooperation in various fields - transport and infrastructure, agriculture, environmental protection, tourism, education, internal affairs, health and many other areas.

An important aspect of cooperation is the joint sessions of the RS Government and the Government of Serbia, which are held with the aim of discussing issues of mutual interest, monitoring the implementation of existing activities and projects, and agreeing on new ones. Also, the Representative Office of the Republic in the Republic of Serbia, based in Belgrade, has a particularly important role in strengthening institutional, economic, cultural and all other types of cooperation with the Republic of Serbia. In accordance with the bilateral agreement on economic cooperation concluded by BiH and the Republic of Serbia, a joint working body was formed in which a representative of the Republic (Joint Commission for Economic Cooperation between BiH and the Republic of Serbia) was appointed.

Russia

International sanctions and accompanying countermeasures have had an indirect impact on the scope and dynamics of economic cooperation, particularly in the areas of energy and investment. Under these circumstances, the Republic seeks to preserve existing forms of cooperation in accordance with applicable legal frameworks and its international obligations. Further development of relations largely depends on the broader geopolitical context and overall international circumstances.

Trade in goods between Russia and the Republic amounted to EUR 45.2 million in 2023 (with exports totalling EUR 2.6 million and imports EUR 42.6 million) and EUR 44.1 million in 2024 (with exports totalling EUR 1.1 million and imports EUR 43.0 million). Trade in goods between Russia and BiH decreased from EUR 288.4 million in 2023 (with exports totalling EUR 52.3 million and imports EUR 236.2 million) to EUR 218.0 million in 2024 (with exports totalling EUR 47.8 million and imports EUR 170.2 million).

Germany

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

Trade exchange of goods at BiH level in 2024 amounted to EUR 2,985.0 million (of which imports amounted to EUR 1,728.7 million and exports amounted to EUR 1,256.3 million). For the Republic, trade exchange of goods amounted to EUR 642.4 million (of which exports amounted to EUR 277.4 million and imports amounted to EUR 365.0 million). Germany is one of the principal investors in BiH.

Republic of Austria

The Representative Office of the Republic in the Republic of Austria, based in Vienna, has a particularly important role in strengthening institutional, economic, cultural and all other types of cooperation with the Republic of Austria. The Republic of Austria is an important foreign trade partner of the Republic. The total foreign trade turnover of the Republic with Austria in 2024 amounted to EUR 327.8 million, which is 5.2 per cent. of the total foreign trade turnover. In 2024, the total export of the Republic to Austria amounted to EUR 199.4 million, while the total import from Austria amounted to EUR 128.4 million.

Italy

Italy has strong economic relations with the Republic. Trade exchange of goods at BiH level amounted to EUR 2.5 billion in 2024 (of which exports amounted to almost EUR 648.2 million and imports amounted to EUR 1.9 billion) and EUR 2.7 billion in 2023 (of which exports amounted to EUR 741.2 million and imports amounted to EUR 1,979.2). Between the Republic and Italy, trade exchange of goods amounted to EUR 837.5 million in 2024 (of which exports amounted to almost EUR 270.5 million and imports amounted to EUR 567.0 million) and EUR 880.6 million in 2023 (of which exports amounted to EUR 308.6 million and imports amounted to EUR 572.0 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 Republic, through EUFOR Althea.

People's Republic of 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 cooperation, in particular in the areas of investments and infrastructure and energy projects. In 2024, the trade between the Republic and China amounted to EUR 349.2 million (with exports at EUR 9.2 million and imports at EUR 340 million).

Over the past few years, the overall relations between the two countries have been further enhanced not only through bilateral channels, but through the mechanisms of cooperation between China and other Central and Eastern European countries. China and BiH plan to continue to develop cooperation within the China+17 framework and the One Belt One Road initiative. Construction of the highway Banja Luka – Prijedor – Novi Grad is also in progress, with the company “SDHS-CSI BH” d.o.o. Banja Luka. The contract provides for a period of five years for the design and construction of the said highway. The concession is granted for 30 years from the construction of the highway. The value of the construction of the highway is EUR 297 million. The length of the highway is 42 kilometres. China and BiH are also collaborating on the construction of the Dabar Hydropower Plant and the hydropower plants B-1, B-2a, and B-3 on the Bistrica River. Both projects are financed by the Export-Import Bank of China (“**China EXIM Bank**”). The Dabar project is valued at EUR 189 million, while the Bistrica project is valued at EUR 74.78 million. In addition, in 2025, financing agreements were signed for the Brčko-Bijeljina motorway with China EXIM Bank and China Construction Bank, as well as for the Vukosavlje-Brčko motorway with China EXIM Bank, in the amounts of EUR 119 million and EUR 180 million, respectively.

United States

The United States played a key role in brokering the General Framework Agreement in 1995 and, since then, the United States has continued to provide support to BiH and the Republic. According to the U.S. Embassy in Sarajevo, from 1995 to 2024, the United States Agency for International Development (“**USAID**”) provided

U.S.\$2 billion in assistance to BiH, with one-third of the funds being spent in the Republic and the remaining two-thirds in the Federation.

Within the framework of cooperation with the United States, various projects have been implemented in BiH and the Republic in the previous period. The Republic's Representative Office in the US conducts various activities aimed at strengthening institutional, economic, scientific, cultural, energy efficiency (including renewable energy), agriculture, security and other cooperation between the Republic and the US. Trade in goods at BiH level decreased from EUR 508.1 million in 2023 (of which exports were EUR 404.6 million and imports were EUR 103.5 million) to EUR 443.4 million in 2024 (of which exports were EUR 119.5 million and imports were EUR 323.9 million). In 2024, trade between the Republic and the United States totalled EUR 43.4 million (of which exports amounted to EUR 17.2 million and imports amounted to EUR 26.1 million).

During 2025, the United States launched a political and economic initiative to enhance cooperation with the Republic and BiH. The key areas of action included strengthening institutional cooperation (in the judiciary, energy, security, and digitalisation of public administration), attracting U.S. investments, increasing the presence of American companies in the Republic and BiH, and aligning key political positions of the Republic with those preferred by the U.S. administration.

The Republic has its Representation Office in the US, which conducts different activities focused on strengthening the institutional, economic, scientific, cultural and other forms of cooperation between entities in the Republic of Srpska and USA, where cooperation with the diaspora is an important aspect of cooperation.

United Kingdom

The UK Government lends its support to the Republic by encouraging the implementation of necessary reforms, particularly in fighting corruption, enhancing the business environment, judicial reform, the banking and energy sectors, strengthening the rule of law and supporting media independence.

Following the UK's referendum on leaving the EU, the UK has increasingly focused on bilateral cooperation. Defence and security, in particular, are viewed as key cooperation areas. On 25 February 2025, the Bilateral Military Cooperation Plan for 2025 between BiH and the United Kingdom was signed in Sarajevo. The plan aims to enhance defence cooperation through joint courses, exercises, seminars, and conferences in the field of military and defence activities.

In 2024, trade between BiH and the UK totalled EUR 124.5 million (of which exports amounted to EUR 46.2 million and imports amounted to EUR 78.3 million). In 2024, trade between the Republic and the UK totalled EUR 17.2 million (of which exports amounted to EUR 5.5 million and imports amounted to EUR 11.8 million).

Türkiye

Türkiye is a prominent international supporter of BiH and has played an active role in developing its EU integration. 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 development projects in BiH, such as the construction of Sarajevo-Belgrade highway.

Türkiye is an important trading partner of BiH and the Republic. Trade in goods with BiH increased from EUR 921.5 million in 2023 (of which exports were EUR 133.7 million and imports were EUR 787.8 million) to EUR 1,013.8 million in 2024 (of which exports were EUR 163.0 million and imports were EUR 850.8 million). The trade in goods between the Republic and Türkiye has also decreased from EUR 142.2 million in 2023 (of which exports were EUR 27.7 million and imports were EUR 114.5 million) to EUR 171.9 million in 2024 (of which exports were EUR 33.7 million and imports were EUR 138.2 million).

Croatia

As neighbours, Croatia and BiH 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 Republic. The trade in goods between Croatia and BiH increased from EUR 2,374.3 million in 2023 (of which exports were EUR 1,303.1 million and imports were EUR 1,071.2 million) to EUR 2,419.7 million in 2024 (of which exports were EUR 1,326.2 million and imports were EUR 1,093.5 million). Between Croatia and the Republic, the trade in

goods has increased from EUR 616.6 million in 2023 (of which exports were EUR 408.6 million and imports were EUR 208.1 million) to EUR 654.4 million in 2024 (of which exports were EUR 436.5 million and imports were EUR 208.8 million).

Japan

Japan has been a bilateral donor to BiH, including the Republic, providing Official Development Assistance (ODA) through loans, grants, and technical cooperation, with cumulative loans reaching 16.74 billion yen by financial year 2023. As at 31 December 2024, debt incurred from Japan amounted to 3 per cent. of the Republic's total external debt by 31 December 2024.

Others

BiH has strong political and economic relations with other countries such as Slovenia, Montenegro, Albania, Poland and North Macedonia, which are important bilateral partnerships for both foreign trade and infrastructure cooperation. The Republic itself also has strong political and economic relations with other countries such as Slovenia, Hungary, Montenegro, Poland, France and the Netherlands.

Legal Proceedings

The Republic is involved in the following ongoing proceedings:

Elektrogospodarstvo Slovenije razvoj in inženjering d.o.o. Maribor (“EGS”)

EGS has initiated two arbitration proceedings seeking compensation for BiH's alleged violation of two agreements related to the joint construction and joint use of the Ugljevik Thermal Power Plant. The two agreements at the centre of the dispute set forth the terms of the sharing of labour costs and obligations and the allocation of funds from the Fund for Crediting the Faster Development of Economically Underdeveloped Republics and Autonomous Provinces. Such agreements are: (i) the Self-Government Agreement dated 22 December 1981, which relates to the first unit with an installed capacity of 300 megawatts and the corresponding capacity of the coal mine; and (ii) the Self-Government Agreement dated 25 August 1989, which relates to the second unit also with an installed capacity of 300 megawatts and the corresponding coal mine capacity.

One arbitration proceeding was initiated against BiH before the International Center for Settlement of Investment Disputes (“**ICSID**”) in Washington D.C., with a claim amount of EUR 770 million. The basis for the first arbitration proceeding is the International Agreement on Reciprocal Promotion and Protection of Investments, concluded between BiH and the Republic of Slovenia and the Energy Charter Treaty.

The second, ad hoc arbitration proceeding was initiated before the Arbitration Council in Belgrade against the Subsidiary Company “Rudnik i Termoelektrana Ugljevik” a.d. Ugljevik, with a claim amount of EUR 695,175,000. The arbitration proceedings in Belgrade concluded with decisions establishing the total debt as follows: (i) EUR 67,000,000 according to the Second Partial Decision dated 3 July 2023; (ii) EUR 67,000,000 in statutory default interest, according to the Final Decision of the Arbitration Panel; and (iii) EUR 65,234,849 in damages due to undelivered electricity for the period from 1 January 2022 to 31 December 2024.

Additionally, the defendant's obligation to deliver one-third of the generated electricity to the plaintiff for the remaining operating life of “RiTE Ugljevik” was established, with the fee for this delivery subject to ongoing negotiations between the parties.

To settle the above amounts and the obligation to deliver electricity at the agreed price, the parties have so far concluded four notarised agreements regarding the deadlines and dynamics of fulfilment. The issue of paying default interest on the awarded amounts, totalling EUR 67,000,000, currently remains unresolved. Additional negotiations are underway with the Slovenian side regarding the method of settlement of this obligation. According to preliminary agreements, there is willingness to pay EGS a total amount of EUR 37,000,000 (instead of EUR 67,000,000) on the basis of mutual concessions. The claims from the Belgrade arbitration would thus be fully regulated by mutual agreements on the method of settlement.

Given that the proceedings before the ICSID Arbitration Panel existed in parallel, on 30 October 2020, the ICSID proceedings were suspended until the conclusion of the arbitration proceedings in Belgrade (i.e., until the obligations under the Belgrade panel's judgments are settled). If the remaining claim is also regulated through notarial agreements and the settlement dynamics are implemented as agreed, the Slovenian party will

waive the arbitration before the ICSID in the final agreement, and the proceedings will be considered terminated. The arbitration before the ICSID is currently suspended, and its termination depends on the full settlement of the obligations under the agreements reached with the Slovenian party.

Since the instalment payments under the agreements concluded so far are not proceeding according to the agreed schedule, the Slovenian side is seeking additional security in the form of involvement by the Government of the Republic in concluding the final agreement and abandoning the arbitration in Washington, should ZP “Rudnik i Termoelektrana Ugljevik” a.d. Ugljevik, as the debtor, and the Parent Company “Elektroprivreda Republika Srpska”, as the guarantor, be unable to settle the aforementioned obligation on time and in full.

Synergy Wealth Management

Synergy Wealth Management s.a., as plaintiff, filed a case against the Republic, requesting compensation for work as a consultant in connection with the Republic’s issuance of EUR 300,000,000 notes due 2026. The plaintiff is requesting compensation in the amount of 0.5 per cent. of the aggregate principal amount of such notes. As at the date of this Offering Circular, the case is ongoing. The Republic believes the case is without merit.

ECONOMY OF THE REPUBLIC

Macroeconomic Climate

The economy of Republic has stabilised and continued to recover from the negative effects of COVID-19 in 2020 and 2021 and recorded positive growth rates in its GDP in each year from 2021 to 2024. Trends during these years indicate that favourable and stable business conditions have stimulated the growth of the Republic's economic activity. During this period, most production areas contributed positively to GDP growth, with the exception of agriculture and industry, which exhibited fluctuating performance. For example, in 2021 and 2022, agricultural production declined. The reduced physical volume of industrial output contributed to slightly lower GDP growth rates in 2023 compared to previous years. The manufacturing industry is a key sector of the Republic's economy, making significant contributions to gross value added, exports and employment.

Economic Reforms Program

The Economic Reforms Program is the principal economic policy document of the Republic, serving as a key instrument for the implementation of structural reforms. The program covers a three-year period and is updated annually on a rolling basis. It sets out the macroeconomic and fiscal framework, economic policy objectives, and specific structural reforms designed to enhance competitiveness, promote sustainability and develop human capital.

The Economic Reforms Program is prepared in accordance with the guidelines of the European Commission for candidate and potential candidate countries, and within the framework of the Economic and Financial Dialogue with the European Commission. This approach ensures alignment between the Program's reform priorities and the Republic's process of European integration and regional economic cooperation.

Economic Reform Program (2026-2028)

The National Assembly of the Republic adopted the Economic Reform Program of the Republic for the period 2026–2028 (“**ERP 2026-2028**”) at its 17th regular session held on 17 December 2025. The Economic Reform Programme of the Republic is a document that presents, amongst others, the economic policy measures of the RS Government.

The ERP 2026-2028 was adopted in accordance with the 2025 Work Program of the RS Government and the 2025 Work Program of the National Assembly of the Republic. In preparing the ERP 2026-2028, all relevant documents were reviewed and considered, including ongoing strategic documents of the Republic, proposals from social partners and the European Commission's Guidelines for the 2026–2028 Economic Reform Programmes of Candidate and Potential Candidates. The ERP 2026–2028 was developed through a robust dialogue with social partners, who provided input and approved the document. These social partners include the Union of Employers of the Republic, the Chamber of Commerce and Industry of the Republic, and the Federation of Trade Unions of the Republic.

The European Commission introduced the new Growth Plan for the Western Balkans and adopted Regulation (EU) 2024/1449 of the European Parliament and of the Council on 14 May 2024 relating to the establishment of the Instrument for Reforms and Growth for the Western Balkans (the “**Reform and Growth Instrument**”). Accordingly, the RS Government and the relevant authorities in the Republic extensively coordinated activities related to the preparation of the Growth Plan for the Western Balkans (the “**Reform Agenda**”) and established a comprehensive and inclusive consultative process involving all of the Republic's relevant ministries and institutions. Such activities included preparing the list of reforms (the “**List of Reforms**”) and defining the quantitative and qualitative measures for the Reform Agenda in accordance with the constitutional powers and competencies of the Republic's institutions.

Subsequently, the Council of Ministers adopted the Reform Agenda and the List of Reforms at its 62nd extraordinary session, held on 30 September 2025, which were submitted to the EC for interservice consultations. Following the consultations, the European Commission adopted an Implementing Decision on 28 November 2025 on the compatibility of the Reform Agenda with EU Regulation (2024/1449).

Following the formal approval of the Reform Agenda by the European Commission, the Facility Agreement and the Loan Agreement are required to be signed. Pursuant to these agreements, BiH will be able to draw down a total of EUR 976,591,174 through the Reform and Growth Instrument.

The EUR 976,591,174 amount is comprised of a grant of, EUR 280,269,481 and a loan of EUR 696,321,693. The grant funds will be paid by the European Commission directly to the European Western Balkans Joint Fund (“EWBJF”) following the signing of a contribution agreement with the fund administrators, the EBRD and EIB (together, the “Fund Administrators”). These funds are intended to finance investment projects in BiH. The Facility Agreement serves as the financing agreement for the grants.

The loan funds will be disbursed successively, semi-annually, for the benefit of all levels of government in BiH, as follows:

- EUR 454,349,904 will be allocated to institutions at all levels of government in BiH, who will receive funding based on the successful fulfilment of the obligations set out in the Reform Agenda.; and
- EUR 241,971,788 will be allocated to institutions at all levels of government in BiH, who will receive and subsequently pay into the EWBJF as their own contribution to co-finance investment projects. Each payment will be preceded by the signing of a contribution agreement between an authorised representative of BiH and the Fund Administrators.

Prefinancing, which is provided for in an amount of up to seven per cent. of the total allocated funds for BiH (approximately EUR 68 million), will be disbursed after the entry into force of the Facility Agreement and the Loan Agreement. All other tranches will be disbursed semi-annually. The exact allocation percentages for each level of government will be determined in the coming period.

To ensure the continued effective design, implementation, and monitoring of structural reforms, the RS Government coordinated two complementary processes: the ERP 2026–2028 and the Reform Agenda. Structural reforms, measures, and activities set out in the ERP 2026-2028 were closely linked and aligned with the qualitative and quantitative steps and actions agreed under the Reform Agenda. The RS National Assembly initially adopted RS Government’s programme on 2 September 2025, and subsequently affirmed it on 18 January 2026 and 17 March 2026. The RS Government’s programme established seven lines of action: (1) providing short-term support for domestic consumption; (2) the establishment of an investment registry and strengthening support for the economy and the private sector; (3) providing support for exporters; (4) the activation of the labour force, with a particular focus on youth, women and pensioners; (5) focusing on child savings and investment funds; (6) implementing a legislative package for self-sustainability; and (7) focusing on data management. To achieve these programme objectives, the ERP 2026-2028 proposes comprehensive structural reforms focused on enhancing competitiveness, promoting sustainability, and developing human capital within the RS Government.

The proposed reforms are:

- Creating a more favourable business environment and improving sectoral competitiveness;
- Increasing the efficiency of the public sector through the reform of public enterprises and improving the performance of public administration;
- Energy and green transition;
- Accelerated digital transformation;
- Improving the transport sector by modernizing infrastructure and aligning the strategic and regulatory framework with EU policies;
- Increasing employability by improving the alignment of education and the development of practical knowledge and skills with the labour market; and
- Improving the quality and efficiency of institutional mechanisms for providing social and health care services.

Each proposed structural reform includes an analysis of the key obstacles to competitiveness and sustainable, inclusive growth, along with targeted measures to address the main challenges identified through this analysis.

Although the ERP 2026–2028 focuses on a targeted set of structural reforms, numerous additional measures are also defined and incorporated into the ministries' annual and three-year work plans. The effective implementation of these additional measures will contribute to the achievement of the main objectives.

Trends for the period 2020-2025

The following table shows key indicators of economic development in the Republic for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025(4)
Nominal GDP (EUR million) ⁽¹⁾	5,692	6,392	7,433	8,225	8,797	9,519
Real GDP growth (%)	(2.5)	6.9	3.9	1.9	3.1	2.2
On average period, price (CPI) (%)	(1.2)	1.7	12.7	7.0	1.8	4.1
External balance of goods and services (% of GDP) ⁽³⁾	(10.4)	(5.3)	(4.6)	(3.8)	(5.4)	N/A
Net FDI (EUR million) ⁽¹⁾⁽³⁾	155.8	109.5	203.8	526.8	283.1	N/A
Net FDI (% of GDP) ⁽³⁾	2.7	1.7	2.7	6.4	3.2	N/A
Real growth in average net wages (%)	6.8	3.2	1.1	4.1	8.3	4.5
LFS Unemployment rate (%) ⁽²⁾	12.9	14.3	11.2	9.1	8.8	9.1
LFS Employment rate (%) ⁽²⁾	45.5	43.5	41.9	42.6	44.0	43.8
General government fiscal balance (% of GDP)	(5.0)	(0.2)	(2.6)	(2.1)	(1.6)	(1.5)
External debt (EUR million) ⁽¹⁾	1,803.0	2,130.8	2,160.6	1,869.4	2,051.2	2,198.2
External debt (% of GDP)	31.7	33.3	29.1	22.7	23.3	23.14
External debt/goods exports (%)	103.9	94.1	77.8	70.5	79.5	80.3

Source: *The Institute of Statistics of the Republic; Ministry of Finance.*

Notes:

- (1) The calculation uses a fixed exchange rate, and the BAM data is adjusted by the Ministry of Finance according to the BAM/EUR exchange rate for the relevant period.
- (2) According to the International Labour Organisation Methodology (ILO). LFS stands for Labour Force Survey.
- (3) FDI data published by the Central Bank of BiH. Data for 2025 is not yet available.
- (4) Final 2025 annual GDP data is not available as of the date of this Offering Circular. Accordingly, 2025 annual nominal GDP and real GDP growth data is presented on the basis of estimates prepared by the Ministry of Finance. Final GDP data is prepared by the Institute of Statistics of the Republic, which initially prepares GDP data based on quarterly estimates and subsequently publishes preliminary GDP data on the basis of production and income, which data is expected to be published in July 2026. Final GDP data (on the basis of production, income and expenditure) is expected to be published in November 2026.

For the year 2025, the Republic's nominal GDP is estimated to be EUR 9,519 million, with a real GDP growth rate of 2.2 per cent. Looking ahead to 2026, the nominal GDP is forecasted to increase to EUR 10,214 million, with an anticipated real GDP growth rate of 2.6 per cent. These projections indicate sustained economic growth and positive market outlook for the forecast period.

Gross Domestic Product

The GDP for the Republic is calculated quarterly and annually by the Institute of Statistics of the Republic, using the methodologies of the SNA and the ESA. According to these methodologies, GDP represents the value of goods and services produced by residents within the Republic's territory. Macroeconomic aggregates for the period 2001 to 2024 are presented by section according to the Classification of Economic Activities DK BiH 2010, which is fully aligned in content and structure with the Statistical Classification of Economic Activities in the European Community (NACE Rev.2). Annual GDP is calculated using the production, income, and expenditure approaches, while quarterly GDP is calculated using the production approach. Both quarterly and annual data are adjusted each year following the publication of annual data, using the proportional Denton method.

The Republic's external trade statistics cover all imported and exported goods, categorised by product type, country of origin or destination, mode of payment, and time of border crossing.

The following table shows the Republic's real and nominal GDP, as well as the BAM/EUR exchange rate, for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025(2)
Gross domestic product (BAM millions).....	11,132	12,502	14,537	16,086	17,206	18,617
Gross domestic product per capita (BAM).....	9,797	11,080	12,977	14,429	15,494	16,853
Population estimates(1).....	1,136	1,128	1,120	1,115	1,110	1,105
Nominal GDP growth (%).....	(1.1)	12.3	16.3	10.7	7.0	8.2
Real GDP growth (%).....	(2.5)	6.9	3.9	1.9	3.1	2.2
Gross domestic product (EUR millions).....	5,692	6,392	7,433	8,225	8,797	9,519
Gross domestic product per capita (EUR).....	5,009	5,665	6,635	7,378	7,922	8,617
Average annual exchange rate (BAM/EUR).....	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558

Source: The Institute of Statistics of the Republic, the Ministry of Finance

(1) Population estimates are based on the results of the 2013 Population Census.

(2) Final 2025 annual GDP date is not available as of the date of this Offering Circular. Accordingly, 2025 annual nominal GDP and real GDP growth data is presented on the basis of estimates prepared by the Ministry of Finance. Final GDP data is prepared by the Institute of Statistics of the Republic, which initially prepares GDP data based on quarterly estimates and subsequently publishes preliminary GDP data on the basis of production and income, which data is expected to be published in July 2026. Final GDP data (on the basis of production, income and expenditure) is expected to be published in November 2026.

The following table shows the contribution to real GDP growth (expenditure approach) in percentage points for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025 ⁽¹⁾
Private final consumption expenditure.....	0.2	5.5	1.4	1.9	4.4	2.2
Government final consumption expenditure.....	3.9	3.9	1.1	2.2	5.6	1.5
Gross fixed capital formation in fixed assets.....	10.1	(5.0)	5.6	5.7	(3.0)	3.0
Change in inventories.....	-	-	-	-	-	-
Export of goods and services.....	(13.9)	23.6	4.1	3.0	(0.8)	3.5
Import of goods and services.....	(3.8)	6.2	0.3	2.6	3.5	2.5
External balance of goods and services.....	-	-	-	-	-	-
Gross domestic product.....	(2.5)	6.9	3.9	1.9	3.1	2.2

Source: The Institute of Statistics of the Republic, the Ministry of Finance

(1) 2025 annual nominal GDP and real GDP growth data is presented on the basis of preliminary estimates prepared by the Ministry of Finance. Final GDP data is prepared by the Institute of Statistics of the Republic, which initially prepares GDP data based on quarterly estimates and subsequently publishes preliminary GDP data on the basis of production and income, which data is expected to be published on 15 July 2026. Final GDP data is expected to be published on 16 November 2026. Accordingly, the figures in this Offering Circular represent the Ministry of Finance's estimate for 2025 nominal GDP and real GDP growth.

The Republic's GDP, shown in current prices, during the years 2020 to 2024 showed a trend of continuous growth from BAM 11.1 billion in 2020 in comparison to BAM 17.2 billion in 2024. GDP per capita is an indicator that shows the level of citizens' well-being in an economy, and in 2020 GDP per capita was BAM 9,797 while in 2024 it reached BAM 15,494, which is an increase of 58.1 per cent. compared to 2020.

In 2020, the Republic's GDP in real terms decreased by 2.5 per cent. due to the impact of COVID-19. Positive real growth rates were recorded in agriculture, forestry and fishing (4.7 per cent.) and in the construction sector (6.5 per cent.), while manufacturing declined by 9.2 per cent. Within the services sector, significant decreases in real growth rates were observed in accommodation and food service activities (34.5 per cent.), transportation and storage (11.9 per cent.) and wholesale and retail trade (2.8 per cent.). On the expenditure side, the highest real growth rates were recorded in gross fixed capital formation in fixed assets (10.1 per cent.), government final consumption expenditure (3.9 per cent.) and household final consumption, including non-profit institutions serving households ("NPISHs") (0.2 per cent.). Exports in real terms decreased by 13.9 per cent., while imports decreased by 3.8 per cent.

In 2021, the Republic's GDP increased by 6.9 per cent. driven by positive real growth rates in manufacturing (11.4 per cent.), electricity, gas, steam and air-conditioning supply (9.1 per cent.) and water supply and sewerage (5.9 per cent.). In the services sector, the highest real growth rates were recorded in wholesale and retail trade

(12.4 per cent.), accommodation and food service activities (35.5 per cent.), transportation and storage (10.4 per cent.), financial services (7.7 per cent.) and administrative and support service activities (10.7 per cent.). In contrast, the agriculture, forestry and fishing sector experienced a decline of 9.0 per cent. On the expenditure side, the highest real growth rates were from household final consumption, including NPISHs (5.5 per cent.), and government final consumption expenditure (3.9 per cent.), while gross fixed capital formation in fixed assets decreased by 5.0 per cent. Exports in real terms increased by 23.6 per cent., and imports increased by 6.2 per cent.

In 2022, the Republic's GDP in real terms increased by 3.9 per cent. as a result of positive real growth rates from mainly the construction sector of 2.1 per cent. and manufacturing of 1.4 per cent. In the services sector, the largest real growth rates were in wholesale and retail trade, repair of motor vehicles and motorcycles at 12.5 per cent., which has a significant share in GDP of 12.7 per cent., transport and storage at 10.9 per cent., arts, entertainment and recreation at 13.1 per cent., and administrative and support services at 10.5 per cent. and information and communication of 5.7 per cent. In contrast, there was a decline in the real growth rates in the agriculture, forestry and fishing sector by 1.9 per cent. and in electricity, gas, steam and air-conditioning supply by 3.5 per cent. Regarding expenditures GDP, the biggest real growth rates came from gross fixed capital formation in fixed assets at 5.6 per cent., household final consumption including NPISHs at 1.4 per cent., and government final consumption expenditure at 1.1 per cent. Exports, in real terms, increased by 4.1 per cent. and imports increased by 0.3 per cent.

In 2023, the GDP in real terms increased by 1.9 per cent. as a result of positive real growth rates from mainly the construction sector of 6.3 per cent., electricity, gas, steam and air-conditioning supply of 4.9 per cent., and agriculture, forestry and fishing of 2.7 per cent. In the services sector, the largest real growth rates were in administrative and support services activities at 18.2 per cent., information and communication at 10.7 per cent., arts, entertainment, and recreation at 8.9 per cent., and financial services at 6.7 per cent. In contrast, there was a decline in real growth rates in manufacturing by 6.6 per cent., wholesale and retail trade by 1.4 per cent., and mining and quarrying by 0.1 per cent. Regarding expenditures GDP, the biggest real growth rates were from gross fixed capital formation in fixed assets of 5.7 per cent., government final consumption expenditure of 2.2 per cent., and household final consumption including NPISHs of 1.9 per cent. Exports, in real terms, increased by 3.0 per cent. and imports increased by 2.6 per cent.

In 2024, the GDP in real terms increased by 3.1 per cent. as a result of positive real growth rates from the construction sector of 3.9 per cent., water supply, sewerage, waste management and remediation activities of 2.1 per cent., and agriculture, forestry and fishing of 0.9 per cent. In the services sector, the largest real growth rates were from wholesale and retail trade at 9.2 per cent., administrative and support services activities at 9.1 per cent., financial services at 7.5 per cent., professional, scientific, and technical activities at 7.4 per cent., and accommodation and food service activities at 7.3 per cent. In contrast, there was a decline in the real growth rates in mining and quarrying by 6.6 per cent., electricity, gas, steam and air-conditioning supply by 6.4 per cent., and manufacturing by 2.2 per cent. Regarding GDP by expenditure, the biggest real growth rates were from government final consumption expenditure at 5.6 per cent. and household final consumption, including NPISHs, at 4.4 per cent., while gross fixed capital formation in fixed assets decreased by 3.0 per cent. Exports, in real terms, decreased by 0.8 per cent. and imports increased by 3.5 per cent. GDP per capita grew in 2024 by 7.4 per cent. compared to the previous year.

The Ministry of Finance estimates that the nominal GDP of the Republic in 2025 amounted to EUR 8,617 million per capita.

Gross Value Added

The Republic measures the value of goods and services produced in an economic sector using the measure of 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 track sectoral output growth, as the information relating to taxes and subsidies on products and services is not available for individual sectors.

The following table shows GVA and GDP in current prices of the sectors in the economy of the Republic for the periods indicated:

	Year ended 31 December					Quarterly estimates			
	2020	2021	2022	2023	2024	2025 Q1	2025 Q2	2025 Q3	2025 Q4 ⁽¹⁾⁽²⁾
	<i>(BAM million)</i>								
Agriculture, forestry and fishing	997.6	945.1	1,086.9	1,193.5	1,256.7	268.2	323.4	393.0	347.4
Industry	2,143.0	2,593.5	2,984.2	3,287.2	3,147.9	737.1	756.0	798.7	854.3
Mining and quarrying	188.0	189.7	228.0	288.9	224.0	-	-	-	-
Manufacturing	1,245.5	1,542.9	1,861.1	1,900.8	1,995.4	411.4	492.1	520.0	561.2
Electricity, gas, steam and air-conditioning supply	576.7	732.6	759.7	953.4	766.4	-	-	-	-
Water supply, sewerage, waste management and remediation activities	132.8	128.3	135.4	144.0	162.1	-	-	-	-
Construction	679.5	734.6	823.2	915.8	978.0	133.3	228.9	313.2	377.7
Trade, transport and tourism	1,709.0	1,987.9	2,476.1	2,704.5	3,043.6	707.0	809.8	877.7	865.3
Wholesale and retail trade, repair of motor vehicles and motorcycles	1,271.9	1,458.8	1,843.5	2,004.0	2,271.9	-	-	-	-
Transportation and storage	327.5	371.2	446.3	492.3	540.1	-	-	-	-
Accommodation and food services activities	109.6	158.0	186.3	208.2	231.6	-	-	-	-
Information and communication	541.7	562.2	629.8	737.2	768.6	179.6	202.9	222.4	217.5
Financial and insurance activities	389.3	421.2	477.8	553.2	644.6	149.1	169.4	185.6	179.7
Real estate activities	454.5	463.4	471.9	516.0	551.1	136.2	144.1	148.2	148.9
Professional, scientific and technical activities; Administrative and support service activities	372.8	410.7	465.9	564.0	666.1	162.1	166.5	189.4	198.9
Professional, scientific and technical activities	309.5	334.3	363.6	429.6	489.0	-	-	-	-
Administrative and support service activities	63.4	76.4	102.2	134.4	177.0	-	-	-	-
Public administration and defense, compulsory social security; Education; Human health and social work activities	1,948.3	2,070.5	2,382.9	2,665.6	2,833.0	693.3	767.8	835.8	834.9
Public administration and defense; compulsory social security	989.0	1,029.2	1,203.0	1,279.4	1,346.1	-	-	-	-
Education	420.8	433.6	506.9	557.4	597.0	-	-	-	-
Human health and social work activities	538.6	607.7	673.1	828.8	889.9	-	-	-	-
Arts, entertainment and recreation; Other service activities	258.6	335.2	445.7	525.7	586.4	140.7	147.6	167.5	182.1
Arts, entertainment and recreation	167.6	226.2	326.5	398.7	450.7	-	-	-	-
Other service activities	90.9	109.0	119.2	127.0	135.8	-	-	-	-
FISIM (minus)	230.8	249.2	282.6	360.3	414.6	93.5	125.4	103.1	111.0
Gross value added	9,263.6	10,275.0	11,961.9	13,302.4	14,061.4	3,213.1	3,591.1	4,028.3	4,095.9
Taxes on products minus subsidies on products	1,868.3	2,226.7	2,575.1	2,783.5	3,144.4	764.6	867.8	835.7	883.2
Gross domestic product	11,131.8	12,501.7	14,537.0	16,085.9	17,205.8	3,977.8	4,458.9	4,864.0	4,979.1

Source: The Institute of Statistics of the Republic.

Notes:

- (1) 2025 annual nominal GDP and real GDP growth data is presented on the basis of preliminary estimates prepared by the Ministry of Finance. Final GDP data is prepared by the Institute of Statistics of the Republic, which initially prepares GDP data based on quarterly estimates and subsequently publishes preliminary GDP data on the basis of production and income, which data is expected to be published on 15 July 2026. Final GDP data is expected to be published on 16 November 2026. Accordingly, the figures in this Offering Circular represent the Ministry of Finance's estimate for 2025 nominal GDP and real GDP growth.
- (2) The GVA data for 2025 is not yet available in respect of certain individual sectors, and where such data is not yet available, the table shows a "-".

The following table shows the structure of the sectors within the Republic's economy for the periods indicated:

	Year ended 31 December					Quarterly estimates			
	2020	2021	2022	2023	2024 (as % of GDP)	2025 Q1	2025 Q2	2025 Q3	2025 Q4 ⁽¹⁾⁽²⁾
Agriculture, forestry and fishing	9.0	7.6	7.5	7.4	7.3	6.7	7.3	8.1	7.0
Industry	19.3	20.7	20.5	20.4	18.3	18.5	17.0	16.4	17.2
Mining and quarrying	1.7	1.5	1.6	1.8	1.3	-	-	-	-
Manufacturing	11.2	12.3	12.8	11.8	11.6	10.3	11.0	10.7	11.3
Electricity, gas, steam and air-conditioning supply	5.2	5.9	5.2	5.9	4.5	-	-	-	-
Water supply, sewerage, waste management and remediation activities	1.2	1.0	0.9	0.9	0.9	-	-	-	-
Construction	6.1	5.9	5.7	5.7	5.7	3.4	5.1	6.4	7.6
Trade, transport and tourism	15.3	16.0	17.1	16.8	17.6	17.8	18.2	18.0	17.4
Wholesale and retail trade, repair of motor vehicles and motorcycles	11.4	11.7	12.7	12.4	13.2	-	-	-	-
Transportation and storage	2.9	3.0	3.1	3.1	3.1	-	-	-	-
Accommodation and food services activities	1.0	1.3	1.3	1.3	1.3	-	-	-	-
Information and communication	4.9	4.4	4.3	4.6	4.5	4.5	4.6	4.6	4.4
Financial and insurance activities	3.5	3.4	3.2	3.4	3.8	3.7	3.8	3.8	3.6
Real estate activities	4.1	3.7	3.3	3.2	3.2	3.4	3.2	3.0	3.0
Professional, scientific and technical activities; Administrative and support service activities	3.3	3.3	3.2	3.5	3.8	4.1	3.7	3.9	4.0
Professional, scientific and technical activities	2.8	2.7	2.5	2.7	2.8	-	-	-	-
Administrative and support service activities	0.5	0.6	0.7	0.8	1.0	-	-	-	-
Public administration and defense, compulsory social security; Education; Human health and social work activities	17.5	16.5	16.4	16.7	16.5	17.4	17.2	17.2	16.8
Public administration and defense; compulsory social security	8.9	8.2	8.3	8.0	7.8	-	-	-	-
Education	3.8	3.4	3.5	3.5	3.5	-	-	-	-
Human health and social work activities	4.8	4.9	4.6	5.2	5.2	-	-	-	-
Arts, entertainment and recreation; Other service activities	2.3	2.7	3.0	3.2	3.4	3.5	3.3	3.4	3.7
Arts, entertainment and recreation	1.5	1.8	2.2	2.4	2.6	-	-	-	-
Other service activities	0.8	0.9	0.8	0.8	0.8	-	-	-	-
FISIM (minus)	2.1	2.0	1.9	2.2	2.4	2.3	2.8	2.1	2.2
Gross value added	83.2	82.2	82.3	82.7	81.7	80.8	80.5	82.8	82.3
Taxes on products minus subsidies on products	16.8	17.8	17.7	17.3	18.3	19.2	19.5	17.2	17.7
Gross domestic product	100.00	100.00	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: The Institute of Statistics of the Republic.

Notes:

- (1) 2025 annual nominal GDP and real GDP growth data is presented on the basis of preliminary estimates prepared by the Ministry of Finance. Final GDP data is prepared by the Institute of Statistics of the Republic, which initially prepares GDP data based on quarterly estimates and subsequently publishes preliminary GDP data on the basis of production and income, which data is expected to be published on 15 July 2026. Final GDP data is expected to be published on 16 November 2026. Accordingly, the figures in this Offering Circular represent the Ministry of Finance's estimate for 2025 nominal GDP and real GDP growth.
- (2) The GVA data for 2025 is not yet available in respect of certain individual sectors, and where such data is not yet available, the table shows a "-".

The following table shows the real GVA and GDP growth rates measured in current prices of the sectors in the economy of the Republic for the periods indicated:

	Year ended 31 December					Quarterly estimates			
	2020	2021	2022	2023	2024	2025 Q1	2025 Q2	2025 Q3	2025 Q4 ⁽¹⁾⁽²⁾
Agriculture, forestry and fishing	4.7	(9.0)	(1.9)	2.7	0.9	1.4	0.9	1.4	0.8
Industry	(6.5)	9.9	(0.1)	(2.7)	(3.6)	(3.7)	(1.8)	(1.9)	(3.4)
Mining and quarrying	(1.7)	4.8	0.1	(0.1)	(6.6)	-	-	-	-
Manufacturing	(9.2)	11.4	1.4	(6.6)	(2.2)	(7.6)	(2.2)	(2.0)	(5.4)
Electricity, gas, steam and air-conditioning supply	(3.9)	9.1	(3.5)	4.9	(6.4)	-	-	-	-
Water supply, sewerage, waste management and remediation activities	3.0	5.9	0.3	3.9	2.1	-	-	-	-
Construction	6.5	3.5	2.1	6.3	3.9	2.6	3.0	3.7	4.4
Trade, transport and tourism	(7.7)	13.5	11.5	0.2	7.8	3.1	2.6	1.9	3.6
Wholesale and retail trade, repair of motor vehicles and motorcycles	(2.8)	12.4	12.5	(1.4)	9.2	-	-	-	-
Transportation and storage	(11.9)	10.4	10.9	4.2	2.4	-	-	-	-
Accommodation and food services activities	(34.5)	35.5	4.6	6.1	7.3	-	-	-	-
Information and communication	7.2	4.5	5.7	10.7	1.8	4.1	4.9	4.5	5.5
Financial and insurance activities	3.4	7.7	3.0	6.7	7.5	2.4	2.9	3.6	4.7
Real estate activities	1.1	(0.8)	0.8	1.7	1.7	1.1	0.8	1.0	1.1
Professional, scientific and technical activities; Administrative and support service activities	(3.1)	7.3	4.0	9.4	7.8	3.5	2.7	4.2	3.8
Professional, scientific and technical activities	(3.3)	6.6	2.5	6.9	7.4	-	-	-	-
Administrative and support service activities	(2.1)	10.7	10.5	18.2	9.1	-	-	-	-
Public administration and defence, compulsory social security; Education; Human health and social work activities	1.2	3.2	2.3	2.5	2.1	1.8	2.2	2.2	2.1
Public administration and defence; compulsory social security	1.8	1.2	1.3	1.3	0.8	-	-	-	-
Education	(0.4)	1.9	1.9	1.1	1.9	-	-	-	-
Human health and social work activities	1.6	8.0	4.3	5.9	4.2	-	-	-	-
Arts, entertainment and recreation; Other service activities	(6.6)	8.7	9.4	7.9	4.9	3.3	3.9	4.4	4.5
Arts, entertainment and recreation	(3.4)	9.8	13.1	8.9	5.6	-	-	-	-
Other service activities	(11.7)	6.7	1.9	5.1	2.8	-	-	-	-
FISIM (minus)	2.9	4.4	2.1	7.3	5.2	0.9	1.6	2.9	2.7
Gross value added	(1.7)	5.7	3.5	1.9	2.3	1.1	1.6	1.7	1.6
Taxes on products minus subsidies on products	(5.8)	12.5	5.3	1.7	7.1	3.6	3.1	3.9	3.5
Gross domestic product	(2.5)	6.9	3.9	1.9	3.1	1.6	1.9	2.0	1.9

Source: The Institute of Statistics of the Republic.

Notes:

- (1) 2025 annual nominal GDP and real GDP growth data is presented on the basis of preliminary estimates prepared by the Ministry of Finance. Final GDP data is prepared by the Institute of Statistics of the Republic, which initially prepares GDP data based on quarterly estimates and subsequently publishes preliminary GDP data on the basis of production and income, which data is expected to be published on 15 July 2026. Final GDP data is expected to be published on 16 November 2026. Accordingly, the figures in this Offering Circular represent the Ministry of Finance's estimate for 2025 nominal GDP and real GDP growth.
- (2) The GVA data for 2025 is not yet available in respect of certain individual sectors, and where such data is not yet available, the table shows a "-".

Agriculture, forestry and fishing

Of the total area of the Republic, arable land amounts to 401,269 hectares, of which 190,771 hectares are under arable land and gardens, 21,682 hectares in orchards, 647 hectares in vineyards, 115,747 hectares in meadows and 72,422 hectares in pastures.

In 2020, the GVA of the agricultural, forestry, and fishing sector was BAM 997.6 million, or 9.0 per cent. of the total GDP in current prices. Agriculture accounted for 7.5 per cent. of GDP, forestry accounted for 1.4 per cent. of GDP, and fishing accounted for 0.1 per cent. of GDP. In 2020, the GVA of the agricultural, forestry, and fishing sector increased by 3.2 per cent. in nominal terms and 4.7 per cent. in real terms. In 2020, the share of forestry GVA was 1.4 per cent., while the share of fishing was not significant.

In 2021, the GVA of the agricultural, forestry, and fishing sector was BAM 945.1 million, or 7.6 per cent. of the total GDP in current prices. Agriculture accounted for 6.2 per cent. of GDP, forestry accounted for 1.3 per cent. of GDP, and fishing accounted for 0.0 per cent. of GDP. In 2021, the GVA of the agricultural, forestry, and fishing sector decreased by 5.3 per cent. in nominal terms and 9.0 per cent. in real terms.

In 2022, the GVA of the agricultural, forestry, and fishing sector was BAM 1,086.9 million, or 7.5 per cent. of GDP in current prices. Agriculture accounted for 6.0 per cent. of GDP, forestry accounted for 1.4 per cent. of GDP, and fishing accounted for 0.1 per cent. of GDP. In 2022, the GVA of the agricultural, forestry, and fishing sector increased by 15.0 per cent. in nominal terms and decreased by 1.9 per cent. in real terms.

In 2023, the GVA of the agricultural, forestry and fishing sector was BAM 1,193.4 million, or 7.4 per cent. of the total GDP in current prices. Agriculture represented 5.9 per cent. of GDP, forestry represented 1.4 per cent.

of GDP and fishing represented 0.1 per cent. of GDP. In 2023, the GVA of the agricultural, forestry, and fishing sector increased by 9.8 per cent. in nominal terms and 2.7 per cent. in real terms.

In 2024, the GVA of the agricultural, forestry and fishing sector was BAM 1,256.7 million, or 7.3 per cent. of the total GDP in current prices. Agriculture represented 5.9 per cent. of GDP, forestry represented 1.3 per cent. of GDP and fishing represented 0.1 per cent. of GDP. In 2024, the GVA of the agricultural, forestry, and fishing sector increased by 5.3 per cent. in nominal terms and 0.9 per cent. in real terms. According to the Labour Force Survey for the Republic, in 2024, there were 57,000 persons employed in agriculture, accounting for 13.4 per cent. of the total number of employed persons, or 5.9 per cent. of the total working-age population.

Agriculture remains a key sector in the Republic’s economic reform agenda, with the Republic’s ERP 2026-2028 identifying improving the competitiveness of agriculture, forestry and water management as strategic goals. Over the next three years, the priorities include (i) increasing the volume and productivity of domestic agricultural production, (ii) strengthening value chains in the agri-food sector (iii) expanding organic farming (iv) improving the existing forest fund and afforesting large areas of forest land that are currently unproductive and (v) modernising the sector through digitization and increased investment.

The Republic is also focused on aligning its legislative and strategic frameworks with EU standards, including the Common Agricultural Policy, to further enhance sector competitiveness. Structural reforms are ongoing, targeting higher productivity, investment, and employment. Key initiatives include:

- digitisation of land management systems;
- improvement of the market infrastructure for domestic agricultural products and support for integrating primary agricultural production with the domestic food industry;
- implementation of strategic projects, such as The Project on Resilience and Competitiveness of the Agricultural Sector, the Forestry Economy Development Project (FEDEP) with the World Bank, and the Fire Management in the Western Balkans project, and
- further construction of a network of forest truck roads, along with the implementation of the Forestry Development Strategy 2026-2035, to support sustainable development in agriculture and forestry.

To support such initiatives, in the 2026 budget alone, the RS Government has allocated BAM 180 million, which is expected to strengthen production and accelerate the development of agricultural activities.

Industry

Industrial production increased by 9.9 per cent. in 2021, while in 2022, 2023, 2024 and 2025, industrial production recorded a decline of 0.1 per cent., 3.2 per cent., 4.2 per cent., and 4.4 per cent., respectively. In 2021 and 2022, the manufacturing industry had positive growth rates of 11.4 per cent. and 1.4 per cent., while in 2020, 2023, 2024 and 2025, declines of 9.9 per cent., 6.9 per cent., 2.2 per cent. and 6.4 per cent., respectively, were recorded. In 2022, industrial companies realised exports of BAM 3.6 billion, of which 83.9 per cent. were realised in the manufacturing industry.

The principal components of the industrial sector are manufacturing, mining, and electricity supply. Based on recent macroeconomic indicators, the RS Government remains committed to pursue growth and development of the industrial sector.

See “—*The Energy Sector of the Republic*” for further information on the energy sector.

The following table shows the growth rate of industrial production (physical volume), mining, manufacturing and electricity, gas and steam for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025
	(%)					
Industrial production, physical volume	(6.7)	9.9	(0.1)	(3.2)	(4.2)	(4.4)
Mining and quarrying	(0.4)	3.0	0.7	(1.9)	(10.0)	(3.0)
Manufacturing	(9.9)	11.7	1.1	(6.9)	(2.2)	(6.4)
Electricity and gas, steam and air-conditioning supply	(3.9)	9.1	(3.6)	5.0	(6.5)	(0.3)

In 2024, the GVA of the mining and quarrying sector was BAM 224.0 million (compared to BAM 288.9 million in 2023, BAM 228 million in 2022 and BAM 189.7 million in 2021), or 1.3 per cent. of the total GDP in current prices (compared to 1.8 per cent. in 2023, 1.6 per cent. in 2022, and 1.5 per cent. in 2021). In 2024, the GVA of the quarrying sector decreased by 22.5 per cent. in nominal terms and 6.6 per cent. in real terms. In 2023, GVA increased by 26.7 per cent. in nominal terms and decreased by 0.1 per cent. in real terms. In 2022, GVA increased by 20.1 per cent. in nominal terms and 0.1 per cent. in real terms. In 2021, GVA increased by 1.0 per cent. in nominal terms and 4.8 per cent. in real terms.

In 2024, the GVA of the manufacturing sector was BAM 1,995.4 million (compared to BAM 1,900.8 million in 2023, BAM 1,861.1 million in 2022 and BAM 1,542.9 million in 2021), or 11.6 per cent. of the total GDP in current prices (compared to 11.8 per cent. in 2023, 12.8 per cent. in 2022, and 12.3 per cent. in 2021). In 2024, the GVA of the manufacturing sector increased by 5.0 per cent. in nominal terms and decreased by 2.2 per cent. in real terms. In 2023, GVA increased by 2.1 per cent. in nominal terms and decreased by 6.6 per cent. in real terms. In 2022, GVA increased by 20.6 per cent. in nominal terms and 1.4 per cent. in real terms. In 2021 GVA increased by 23.9 per cent. in nominal terms and 11.4 per cent. in real terms.

In 2024, the GVA of the electricity and gas, steam and air-conditioning supply sector was BAM 766.4 million (compared to BAM 953.4 million in 2023, BAM 759.7 million in 2022 and BAM 732.5 million in 2021), or 4.5 per cent. of the total GDP in current prices (compared to 5.9 per cent. in 2023, 5.2 per cent. in 2022, and 5.9 per cent. in 2021). In 2024, the GVA of the electricity and gas, steam, and air-conditioning supply sector decreased by 19.6 per cent. in nominal terms and 6.4 per cent. in real terms. In 2023, GVA increased by 25.5 per cent. in nominal terms and 4.9 per cent. in real terms. In 2022, GVA increased by 3.7 per cent. in nominal terms and decreased by 3.5 per cent. in real terms. In 2021, GVA increased by 27.0 per cent. in nominal terms and 9.1 per cent. in real terms.

In 2024, the GVA of the water supply, sewerage, waste management and remediation activities sector was BAM 162.1 million (compared to BAM 144.0 million in 2023, BAM 135.4 million in 2022 and BAM 128.3 million in 2021), or 0.9 per cent. of the total GDP in current prices (compared to 0.9 per cent. in 2023, 0.9 per cent. in 2022, and 1.0 per cent. in 2021). In 2024, the GVA of the water supply, sewerage, waste management, and remediation activities sector increased by 12.6 per cent. in nominal terms and 2.1 per cent. in real terms. In 2023, GVA increased by 6.3 per cent. in nominal terms and 3.9 per cent. in real terms. In 2022, GVA increased by 5.5 per cent. in nominal terms and 0.3 per cent. in real terms. In 2021, GVA decreased by 3.4 per cent. in nominal terms and increased by 5.9 per cent. in real terms.

In 2024, the GVA of the industry sector decreased by 4.2 per cent. in nominal terms and decreased by 3.6 per cent. in real terms. In 2023, GVA increased by 10.1 per cent. in nominal terms and decreased by 2.7 per cent. in real terms. In 2022, GVA increased by 15.1 per cent. in nominal terms and decreased by 0.1 per cent. in real terms. In 2021, GVA increased by 1.4 per cent. in nominal terms and increased by 9.9 per cent. in real terms compared to 2020.

In 2021, the industry sector represented 20.7 per cent. of total GDP when measured in current prices, correlating to an increase in GVA share of 1.4 per cent. (the total GVA in this sector amounted to approximately BAM 2.6 billion) in current terms, or 9.9 per cent. in real terms as compared to 2020.

In 2022, the industry sector represented 20.5 per cent. of total GDP measured in current prices. The growth of this sector's GVA share measured in current terms was 15.1 per cent. (the total GVA in this sector amounted to approximately BAM 3.0 billion), or negative 0.1 per cent. in real terms compared to 2021. This stagnation was largely influenced by a curbing of the strong growth experienced in 2021 after COVID-19. Compared to 2021, the growth in the GVA of the manufacturing sub-sector measured in current terms was 20.6 per cent. (the total GVA in this sector amounted to approximately BAM 1.9 billion), or 1.4 per cent. in real terms.

In 2023, the industry sector represented 20.4 per cent. of total GDP measured in current prices. The GVA of the industry sector recorded an increase of 10.1 per cent. (BAM 3.3 billion) in current terms, or a decrease of 2.7 per cent. in real terms compared to 2022. The share of the manufacturing sub-sector in total GDP accounted for 11.8 per cent. In current terms in 2023. The GVA share of this sub-sector recorded an increase of 2.1 per cent. when measured in current prices, or decrease of 6.6 per cent. in real terms as compared to 2022.

In 2024, the industry sector represented 18.3 per cent. of total GVA measured in current prices. The GVA of the industry sector recorded a decrease of 4.2 per cent. (BAM 3.1 billion) in current terms, or decrease of 3.6 per cent. in real terms compared to 2023. The share of the manufacturing sub-sector in the total GDP accounted for 11.6 per cent. in current terms in 2024. The GVA share of this sub-sector recorded an increase of 5.0 per cent. when measured in current prices, or a decrease of 2.2 per cent. in real terms compared to 2023.

Construction

Amendments to the Law on Spatial Planning and Construction in 2019 provided the legal basis for the e-construction permit system, aiming to modernise and streamline the permitting process, though traditional hard copy procedures remain in use until full implementation is possible. The construction sector in the Republic experienced consistent nominal growth from 2020 to 2024, with GVA rising from BAM 679.5 million to BAM 978.0 million and representing approximately 5.7 per cent. to 6.1 per cent. of GDP. Growth rates ranged from 5.6 per cent. to 12.1 per cent. annually, supported by international financial institutions for infrastructure projects.

Wholesale and retail trade, repair of motor vehicles and motorcycles

The trade sector in the Republic increased by 13.4 per cent. in 2024. In 2024, the trade sector comprised wholesale accounts, retail accounts, and motor vehicle accounts, representing 40.2 per cent., 52.6 per cent., and 7.2 per cent., respectively, of the total GVA of the sector measured in current prices.

The Trade Development Strategy of the Republic for the period 2022–2028 outlines the key directions for the development of the trade sector in the Republic and, based on comprehensive analyses, research activities, and public consultations with relevant stakeholders, sets out the vision, strategic objectives, priorities, and policy measures for the period 2022–2028, as follows:

- Strategic Objective 1: Strengthening the institutional and legislative framework of the trade sector,
- Strategic Objective 2: Enhancing the competitiveness of domestic products and fostering the development potential of domestic trade,
- Strategic Objective 3: Strengthening consumer protection.

In 2020, the GVA of the trade sector amounted to BAM 1,271.9 million, or 11.4 per cent. of the total GDP in current prices. In 2020, the GVA of the trade sector decreased by 4.0 per cent. in nominal terms and 2.8 per cent. in real terms.

In 2021, the GVA of the trade sector amounted to BAM 1,458.8 million, or 11.7 per cent. of the total GDP in current prices. In 2021, the GVA of the trade sector increased by 14.7 per cent. in nominal terms and 12.4 per cent. in real terms.

In 2022, the GVA of the trade sector amounted to BAM 1,843.5 million, or 12.7 per cent. of the total in current prices. In 2022, the GVA of the trade sector increased by 26.4 per cent. in nominal terms and 12.5 per cent. in real terms.

In 2023, the GVA of the trade sector amounted to BAM 2,004.0 million, or 12.4 per cent. of the total GDP in current prices. In 2023, the GVA of the trade sector increased by 8.7 per cent. in nominal terms and decreased by 1.4 per cent. in real terms.

In 2024, the GVA of the trade sector amounted to BAM 2,271.9 million, or 13.2 per cent. of the total GDP in current prices. In 2024, the GVA of the trade sector increased by 13.4 per cent. in nominal terms and 9.2 per cent. in real terms. This increase was due to a 25.7 per cent. real growth in retail trade, a 5.3 per cent. real growth in trade of motor vehicles, as well as a 1.7 per cent. real growth in wholesale trade.

Information and communication

The information and communications (“ICT”) sector in the Republic, which includes information technologies, communications infrastructure, and related services, contributed between 4.3 per cent. and 4.9 per cent. of GDP from 2020 to 2024, with GVA rising from BAM 541.7 million in 2020 to BAM 768.6 million in 2024.

Household broadband access increased steadily, reaching 94.3 per cent. in 2025, while nearly all companies reported internet usage. The Republic has established a comprehensive regulatory and institutional framework for ICT development, including the Agency for Information and Communication Technologies, and continues to prioritise digitalisation, information security, and sectoral growth. The next development phase of ICT sector requires action in multiple directions, including (i) increased development of concrete information society services, (ii) the improvement of the regulatory framework for the functioning and provision of information society services, (iii) standardisation and the introduction of supervision in the use of information and communication technologies, (iv) faster growth of the domestic ICT industry, (v) as well as the protection of the competencies of the Republic in this area.

Transportation and Storage

The Republic's strategic location at key European transport intersections supports the development of its transportation sector, a priority for economic growth. The Republic 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 Republic. For example, the restructuring of Republic of Srpska a. d. Doboј ("RS Railways"), completed in December 2024, resulted in a more efficient, horizontally integrated company with accounting-separated operations and significant debt resolution. During the restructuring period, from 2017 to 2024, RS Railways' debts to its workers and the Tax Administration were settled; the number of employees was reduced by approximately 1,100 (without implementing a layoff program), and the conversion of RS Railways' debt into RS Government equity was carried out, with the Government becoming the owner of 99.98 per cent. of the shares. In addition to the modernising its railways, inland waterway projects, including the Sava and Drina River corridors, are also underway with World Bank support. Moreover, following the conclusion of the request for interest procedure for the preparation of a study and a preliminary design for the construction of a port in Gradiška, this project is expected to continue.

From 2020 to 2024, the transportation and storage sector's GVA rose from BAM 327.5 million to BAM 540.1 million, representing about 2.9 per cent. to 3.1 per cent. of GDP, with consistent annual growth following an initial decline in 2020.

Accommodation and food services

The accommodation and food services sector, which encompasses the tourism sector, has shown steady growth from 2021 to 2025, with tourist arrivals rising from 295,038 to 514,740 and overnight stays increasing by 61.3 per cent. to 1,207,068, driven by significant growth in foreign tourism. The sector was negatively impacted by COVID-19 in 2020 and 2021 but has since recovered. The accommodation and food services sector's GVA rose from BAM 109.6 million in 2020 to BAM 231.6 million in 2024, consistently representing about 1.3 per cent. of GDP and recording strong annual growth following the pandemic-related decline.

Financial and insurance activities

The following table shows the breakdown of the assets of the Republic's financial sector assets for the periods indicated:

	Year ended 31 December										Six months ended June 30	
	2020		2021		2022		2023		2024		2025	
	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share
	(BAM thousands)	(%)	(BAM thousands)	(%)	(BAM thousands)	(%)	(BAM thousands)	(%)	(BAM thousands)	(%)	(BAM thousands)	(%)
Banks	8,889,200	89	9,892,300	89.0	10,070,031	88.1	10,370,100	87.4	11,205,300	87.2	11,583,700	86.9
Insurance companies	529,894	5	563,550	5.1	619,549	5.4	653,653	5.5	696,885	5.4	713,628	5.4
Investment funds	160,005	2	160,930	1.4	173,461	1.5	177,994	1.5	175,375	1.4	175,976	1.3
Micro-credit organisations	428,645	4	476,118	4.3	545,508	4.8	624,090	5.3	732,181	5.7	802,173	6.0
Voluntary pension funds	8,596	0	17,571	0.2	26,531	0.2	35,874	0.3	45,237	0.3	48,521	0.4
Leasing companies	-	-	-	-	-	-	-	-	-	-	-	-
Total	10,016,340	100	11,110,469	100	11,435,080	100	11,861,711	100	12,854,978	100	13,323,998	100

Source: The 2025 Statistical Yearbook, the Republic Statistics Institute.

For more information, see also "Monetary and Financial System—The Banking Sector of the Republic—Insurance Sector".

As at 30 June 2025, total assets in the banking sector amounted to BAM 11.6 billion, while total assets held by insurance companies amounted to BAM 713.6 million.

As at 30 June 2025, eight banks were operating in the Republic, of which four banks were majority-owned by foreign entities and four banks were under domestic private ownership. As of 30 June 2025, total assets and capital in the banking sector amounted to BAM 11.6 billion (EUR 5.9 billion) and BAM 1.6 billion (EUR 829.8 million), respectively.

After the adoption of the new Law on Banks of the Republic, the BARS implemented a comprehensive reform of the regulatory framework (more than 60 regulations were adopted, which include implementing regulations and regulate operational issues in the field of bank supervision and restructuring).

The application of the Decision on Credit Risk Management and the Establishment of Expected Credit Losses (*Official Gazette of the Republic, Nos. 48/19, 109/19, 73/21, 35/23, 101/23 and 106/23*), together with the application of IFRS 9, the harmonisation of capital standards with Basel III and EU standards, and other regulations adopted by the BARS, improved credit risk assessment and NPL reporting and has helped banks improve their balance sheet positions. See “*Monetary System—The Banking Sector of the Republic*”.

On 1 October 2021, the European Commission adopted Commission Implementing Decision (EU) 2021/1753 on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, by which Bosnia and Herzegovina is included among the third countries that apply in their banking sector a supervisory and regulatory framework identical to that applied in the European Union.

On 28 July 2022, BARS adopted the Strategy of Priority Activities for Maintaining the Compliance of Banking Regulations with EU Regulations for the period 2022–2026, which foresees legislative and other regulatory activities necessary for further strengthening the legal framework and supervisory practice in accordance with EU standards and requirements in this area.

With the aim of preserving the equivalence status of the regulatory and supervisory framework, granted by the European Commission in 2021, the Law on Amendments to the Law on Banks of the Republic (*Official Gazette of the Republic, No. 45/25*) was adopted in May 2025. This Law provides for further alignment with the requirements of CRD V and CRR II, taking into account the achieved level of development of the banking sector of the Republic. The Law further enhances the provisions on restructuring, with a view to their alignment with the EU directives on bank recovery and resolution (Directive (EU) 2014/59 – BRRD I and Directive (EU) 2019/879 – BRRD II).

From 2020 to 2024, the GVA of the finance and insurance sector in the Republic increased from BAM 389.3 million to BAM 644.6 million, representing 3.2 per cent. to 3.8 per cent. of GDP. The sector experienced consistent nominal and real growth each year, with particularly strong increases in 2023 and 2024.

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, health and social work activities, education and arts, entertainment and recreation and other service activities. From 2020 to 2024, the GVA of other sectors in the Republic increased from BAM 3,034.2 million in 2020 to BAM 4,636.6 million in 2024, accounting for approximately 26 per cent. to 27 per cent. of GDP during this period.

Energy Sector of the Republic

Energy Policy

The energy sector is undergoing liberalisation to align regulations with EU directives under the third energy package. A new Law on Electricity (*Official Gazette of the Republic, No. 68/20*) was adopted in January 2021, providing a separate and robust mechanism for the distribution and supply of electricity. The framework aims to improve regulatory mechanisms that promote efficiency and quality, strengthen relations with market participants, reduce network losses, enhance the quality of supply, and establish flexible, technologically advanced departments to support the modernisation of the energy sector. The Republic has substantial untapped hydropower potential, providing opportunities to increase electricity production by constructing new hydroelectric power plants. In order to diversify its electricity sources, the Republic also intends to construct wind and solar power plants, as well as biomass power plants.

Since 2012, the RS Government has implemented a system of incentives to encourage greater use of renewable energy sources. This is regulated under the Law on Renewable Energy Sources and Efficient Cogeneration and the Action Plan for the Use of Renewable Energy Sources (*Official Gazette of the Republic, Nos. 39/13, 108/13, 79/15 and 26/2019*).

For the purpose of implementing the new Renewable Energy Directive and the new support schemes, new laws on Renewable Energy Sources (*Official Gazette of the Republic, No. 16/22*) and the Program on the Use of Renewable Energy Sources (*Official Gazette of the Republic, No. 16/24*) were adopted. This directive introduces support schemes designed to ensure that incentive measures are market based, limit the growth of the renewable energy support fee and facilitate the development of renewable energy projects. Under the law, the previous support system of a guaranteed feed-in tariff is limited to only small hydropower plants, ground-mounted solar power plants, and wind power plants with an installed capacity of up to 150 kilowatts, as well as rooftop solar power plants and biomass and biogas plants with an installed capacity of up to 500 kilowatts. Support may be granted for a period of 15 years. Installations exceeding these capacities must sell electricity independently on the market but may receive a premium if selected as the most favourable bidders through an auction procedure. The law also simplifies procedures for constructing prosumer (customer–producer) installations, provides a more precise definition of renewable energy communities, and allows all end-use electricity customers to construct and connect renewable energy power plants for self-consumption, *provided that* the installed capacity of the power plant does not exceed the approved connection capacity of the end-use customer’s facility.

With the adoption of the 2035 Energy Development Strategy (*Official Gazette of the Republic, No. 60/18*) (the “**2035 Energy Development Strategy**”), the RS Government has established specific goals and measures to guide the implementation of energy sector policy in the Republic. The RS Government’s policy sets out strategic goals for the energy sector, along with specific objectives for individual segments and key legal, organisational and institutional issues relevant to the sector’s development through 2035. The Republic’s development strategy includes a gradual market opening, the introduction of competition and the establishment of economically sustainable energy prices, while ensuring environmental protection to support sustainable development.

The 2035 Energy Development Strategy builds on previous initiatives to create and maintain a modern, sustainable energy sector, recognizing its key role in strengthening the Republic’s overall economy. These activities are already outlined in the Law on Energy.

Electricity Supply

Coal

Reserves of brown coal and lignite are distributed in seven important coal basins. There are other sites with smaller reserves that are not economical and/or that have been abandoned due to unfavourable exploitation conditions. According to the Republic’s 2035 Energy Development Strategy, the Republic holds a total coal reserve balance equating to 684 million tons, of which 390 million tons are lignite and 294 million tons are brown coal. The total exploitable coal reserves amount to 578 million tons, of which 353 million are lignite and 225 million tons are brown coal. Coal is mainly used for electricity production in thermal power plants (over 90 per cent. as at the date of this Offering Circular) while the remainder is used for other commercial purposes.

Hydropower energy

The Republic’s watercourses possess significant, yet underutilised, hydro potential. According to the Republic’s 2035 Energy Development Strategy, approximately 36 per cent. of the Republic’s total hydropower potential has been utilised to date. The most significant untapped hydropower potential is located on the Drina River and its tributaries – the Lim, Ćehotina, and Bistrica, as well as on the Bosna, Vrbas, and Ugar rivers. Construction is currently underway on the Dabar Hydropower Plant, with an installed capacity of 160 megawatts, as well as three hydropower plants on the Bistrica River with a total installed capacity of 39 megawatts. Work has also begun on the construction of the Mrsovo Hydropower Plant, with an installed capacity of 37.3 megawatts. On the upper course of the Drina River, preparatory activities are being carried out for the construction of the Buk Bijela Hydropower Plant, to be followed by the Foča and Paunci hydropower plants, with a total planned installed capacity of approximately 200 megawatts. On the Bosna River, there is potential for the construction of hydropower plants with a total capacity of approximately 90 megawatts while the Vrbas River offers the potential of approximately 40 megawatts.

Solar and wind energy

There is significant potential within the Republic for the construction of solar and wind power plants. The highest solar irradiation in the Republic is found in the municipalities in Eastern Herzegovina of Trebinje, Bileća, Ljubinje and Nevesinje, which average 1,570 kilowatts per square metre. Interest in the use of solar energy is exceptionally high, leading to intensified construction of small-scale solar power plants eligible for support schemes, as well as preparations for the development of large-scale solar power plants with significant installed capacity.

The most promising locations for wind farm development are also the aforementioned municipalities in Eastern Herzegovina, where the average wind speed at a height of 50 meters is 7.7 meters per second. The technically exploitable potential for electricity generation depends on factors such as specific micro-location conditions, site accessibility, available infrastructure, and the power system's capacity to integrate new generation. Currently, necessary activities are underway for the construction of three wind power plants.

Biomass energy

Under the 2035 Energy Development Strategy, the total potential of biomass in the Republic is estimated at 31.08-46.24 petajoule. The largest part (59 per cent.) is biomass suitable for combustion (being waste from the wood industry, firewood, forest waste, residues from pruning perennial crops) and the remaining 39 per cent. represents biomass suitable for the production of biogas from municipal waste, livestock and energy crops. Current biomass consumption for combustion is 16.9 petajoule, representing approximately 92 per cent. of the recorded biomass potential from sources within the Republic. Further increasing the utilisation of wood biomass for energy needs requires increasing the efficiency of wood stoves and boilers and/or switching to more efficient forms of modern biomass (for example, pellets).

Geothermal energy

The northern part of the Republic has significant geothermal potential, while the southern and south-eastern parts of the Republic have significantly smaller potentials. As at the date of this Offering Circular, thermal water is used primarily for balneological purposes, while the energy use of geothermal energy for space heating is limited. The 2035 Energy Development Strategy estimates that the Republic has a total geothermal potential of 40-45 MGWTh.

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 per cent.) and by the Republic (41.1 per cent.). The transmission network in the territory of the Republic consists of lines of 400 kilovolts, 220 kilovolts and 110 kilovolts. The total length of transmission lines within the Republic's power system is 2,395 kilometres, which is about 38 per cent. 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 2023-2033, it is expected that the following investments will be required for the enhancement of the electricity transmission network of the Republic and the Federation during such period:

- BAM 227.03 million for the construction of new facilities and interconnections (of which BAM 114.75 million would be allocated to the Republic's share of the network);
- BAM 747.91 million for the reconstruction, renovation and extension of substations and transmission lines (of which BAM 286.04 million would be allocated to the Republic's share of the network); and
- BAM 90 million for the installation of reactors.

According to the Elektroprivreda RS ("MH ERS") business plan for the years 2025 to 2027, the planned investments by the electricity distribution companies are expected to amount to BAM 246.64 million. Of this amount, funds in the amount of BAM 136.85 million are intended to be allocated to the construction of new distribution facilities, and the remaining funds to be allocated to the rehabilitation of the existing network and facilities. The total funds are expected to be sourced from the companies' own funds (in an amount equal to

approximately BAM 182.78 million), from foreign loans (in an amount equal to approximately BAM 56.52 million) and the remainder from donations and participation by other entities.

The following table provides an overview of the existing distribution lines in the Republic as at the date of this Offering Circular:

Voltage (kV)	Type of line	Length (km)
35	Overhead	914.26
	Underground	111.92
20(10)	Overhead	10,927.00
	Underground	2,120.18
0.4	Overhead	37,879.00
	Underground	1,828.23

Source: Regulatory Commission for Energy of the Republic of Srpska 2024 Annual Report

The following table provides an overview of the number and installed power of distribution substations in the Republic as at the date of this Offering Circular:

Voltage (kV)	Number of Substations	Installed Power of Substations (MVA)
35/10	70	548
20/0.4	3,475	996.32
10/0.4	6,743	1,970
Other	114	74.06

Source: The Regulatory Commission for Energy of the Republic 2024 Annual Report

Overview of the Energy Sector

The Republic mainly relies on coal-fired thermal power plants for electricity production and consumption, which is influenced by hydrological conditions in the Republic. There are four hydroelectric plants: HPP Višegrad, HPP Trebinje 1, HPP Bočac and HPP Ulog; three coal-fired power plants: TPP Gacko, TPP Ugljevik and TPP Stanari; one photovoltaic plant: PV Bileća Bileća; 58 small hydropower plants (118 MW); 1,825 small PV power plants (322 MW) and 4 small biomass and biogas power plants (2.7 MW). HPP Dubrovnik is located on the territory of the Republic of Croatia and uses the waters of the Trebišnjica basin. The production of this power plant is equally divided between MH ERS and Hrvatska elektroprivreda. The total installed capacity of power generation facilities across the Republic is 2,233 megawatts, taking into account the G2 unit in HPP “Dubrovnik” with a capacity of 126 megawatts. The total available capacity of hydroelectric plants in the Republic (including small hydroelectric power plants within the MH ERS) is 808 megawatts, with an expected annual production of 2,500 gigawatts per hour. The installed capacity of small power plants in the Republic outside MH ERS is 455.3 megawatts and industrial power plants have a capacity of 25 megawatts, with an expected annual production of about 4,500 gigawatts per hour.

Electricity production in the Republic is based on domestic coal-fired thermal power plants, which account for 55 per cent. of total electricity production in 2025, and on hydropower plants (excluding small power plants), which produce 40 per cent. of total electricity production in 2025. Electricity production is higher than consumption. The surplus electricity is intended to be sold and exported to regional countries. In 2020, exports of electricity were EUR 128 million, while imports were significantly lower at EUR 22 million. In 2021, exports increased to EUR 184 million and imports also rose to EUR 49 million. The trend continued in 2022, with exports reaching EUR 233 million and imports peaking at EUR 72 million. In 2023, exports hit their highest level at EUR 276 million, while imports dropped sharply to EUR 11 million. By 2024, exports decreased to EUR 199 million and imports rose slightly to EUR 25 million. Throughout this period, exports of electricity consistently exceeded imports each year.

Between 2020 and 2025, the Republic’s energy production is expected to be comprised of hydroelectric, thermal, solar, and other sources. In 2020, hydroelectric production was 2,019 GWh, increasing to 2,598 GWh in 2021, then decreasing to 2,214 GWh in 2022, rising again to 2,972 GWh in 2023, before falling to 2,289 GWh in 2024 and reaching 2,404 GWh in 2025. Thermal energy production was 5,287 GWh in 2020, 4,980 GWh in 2021, 5,085 GWh in 2022, 4,811 GWh in 2023, 4,529 GWh in 2024, and is projected to be 4,423 GWh in 2025.

Solar energy production started at 5 GWh in 2020, increased to 9 GWh in 2021, 32 GWh in 2022, 61 GWh in 2023, 206 GWh in 2024, and is expected to reach 429 GWh in 2025. Production from other sources remained relatively stable, at 68 GWh in 2020 and 2021, 67 GWh in 2022, and 68 GWh each year from 2023 through 2025.

The following table provides an overview of the Republic’s total installed energy capacity as at the date of this Offering Circular and the average annual production over the last three years:

	Installed Generator Power (MW)	Average Annual Production (GWh)⁽¹⁾
Thermal Power Plants		
Ugljevik.....	300.0	1,342.5
Gacko.....	300.0	1,280.14
Stanari.....	300.0	1,965.0
Hydroelectric Power Plants		
Visegrad.....	315.0	913.0
HET ⁽²⁾	304.0	1074.54
HEV.....	126.0	260.0
Stake.....	34.4	25
Photovoltaic Power Plants		
Bileća.....	60	98
Small Power Plants		
Small Hydroelectric Power Plants.....	118	334.45
Small PV Plants ⁽³⁾	2023 (90)	62
	2024 (188)	164
	2025 (322)	330
Industrial PP.....	25	60
Biomass and Biogas.....	2.8	7.6

Source: The Reports on the realisation of the electricity balance of each of the companies that are submitted to the Ministry of Energy and Mining pursuant to the Law on Electricity (Official Gazette of the Republic, No. 68/20).

Notes:

- (1) Average annual production is calculated on the basis of the years 2023, 2024 and 2025.
- (2) Including one generator in HPP Dubrovnik (operated by HEP Croatia) used by ERS.
- (3) Recorded capacity at the end of the year.

The RS Government is equally committed to the development of the Republic’s electric power system to increase energy efficiency and production capacities, maintain environmental sustainability, and diversify supply sources (notably investments in wind, large solar, small solar, and biomass energy sources). The RS Government intends to achieve this by improving the regulatory electrical framework, reducing subsidies for renewable energy resources, and the restructuring and reorganisation of electricity producers operating within MH ERS, a state-owned integrated power company headquartered in Trebinje in the Republic. Currently, approximately 100 per cent. of domestic electricity demand is supplied by MH ERS. In July 2020, the Republic adopted a new law on electricity (the “**Law on Electricity**”) for the liberalisation of the electricity market and to separate market activities from regulated activities in terms of ownership. The Law on Electricity introduces rules for the supply, generation and distribution of electrical energy in the Republic’s market in line with the commitments from the Treaty establishing the Energy Community and the provisions of the EU’s Third Energy Package.

In the coming years, the RS Government has identified the following projects as its priority energy projects:

- three hydroelectric power plants on the upper Drina river, municipality of Foča, with an installed capacity of approximately 200 megawatts (HPP Buka Bijela, HPP Foča and HPP Paunci);
- hydropower plants from the upper horizon system in the municipalities of Nevesinje, Bileća and Berkovići, with an installed capacity of approximately 250 megawatts (HPP Dabar, HPP Bileća and HPP Nevesinje, respectively);
- three hydroelectric power plants on the Bistrica river;
- solar power plants in the municipality of Trebinje; and

- a wind power plant at the Hrgud location, in the municipality of Berkovići, with an installed capacity of 60 megawatts.

Given the Republic’s reliance on electricity generated from coal, the RS Government is also actively seeking to reduce greenhouse gas emissions and gradually transition to a low-carbon economy. The Republic has enacted new regulations for storage and EV-charging infrastructure to support renewable energy integration and system modernisation. Investments in this sector intend to reduce the detrimental impact of these technologies through the Desulphurization Project at TE Ugljevik, the implementation of improvements to the energy infrastructure, the construction of hydropower plants and other energy facilities based on renewable energy sources.

The distribution of energy in the Republic is performed by five corporate entities:

- DSO “Elektrokrajina” Banja Luka;
- DSO “Elektro-Bijeljina” Bijeljina;
- DSO “Elektrodistribucija Pale” Pale;
- DSO “Elektro Doboj” Doboj; and
- DSO “Elektro-Hercegovina” Trebinje.

The following table shows the number of end users and distribution area at the end of 2024:

	Number of end users	Distribution area (km2)
Elektrokrajina.....	277,089	8,629
Elektro Doboj.....	102,443	2,836
Elektro-Bijeljina.....	119,442	3,967
Elektrodistribucija Pale.....	71,891	5,064
Elektro-Hercegovina.....	34,754	3,781

Source: The Regulatory Commission for Energy of the Republic 2024 Annual Report.

The largest electricity producers are MH ERS (Power Utility of the Republic of Srpska) and “EFT” TPP Stanari (“EFT”). Individually, the largest purchaser is “Alumina” Zvornik. Excess electricity is sold on the domestic and foreign markets and on the SEEPEX stock exchange in Belgrade. The largest exporter of electricity is EFT. In the last two years, a decline in production has reduced the energy available to the system, requiring MH ERS to purchase energy at certain time intervals ensure sufficient supply for domestic consumption. As a result, in 2024, MH ERS purchased approximately 600 gigawatts in order to supply its customers. Overall, the Republic is an exporter of electricity. According to the Electricity Balance of the Republic of Srpska for 2025, the planned export is approximately 3,000 gigawatts of electricity. The electric power industry of the Republic has a significant reservoir, with a useful capacity of 1 billion cubic meters of water, and a total capacity of 1.2 billion cubic meters.

The RS Government intends to prioritise infrastructure development in the energy sector. Such support for the energy sector is expected to take the form of social protection measures for consumers, regulated electricity price adjustments, and assistance in settling obligations arising under the EGS arbitration award. By 31 December 2025, facilities totalling 513 megawatts have been built, and contracts have been concluded for renewable power plants with over 2,300 megawatts of total planned capacity (totalling circa EUR 2.7 billion in investments).

The Republic lacks infrastructure for the production of natural gas and oil due to a lack of reserves and relies on independent contracts from suppliers. Since there are no domestic sources of natural gas, the Republic has measures in place in case of a general shortage of natural gas for 2021 under the Regulation on Security of Supply and Supply of Natural Gas (*Official Gazette of the Republic, No. 17/11*). This law regulates restrictive measures taken in the event of a general shortage of natural gas, establishes obligations to supply and deliver natural gas to special categories of customers and sets priorities in the supply and delivery of natural gas in cases of interruptions or suspensions.

The supply of crude oil is fully realised from imports. The oil refinery in the Municipality of Brod has not been operational since 2018 and does not process any crude oil or natural gas. As at the date of this Offering Circular, the refinery only undertakes activities relating to the compression of natural gas.

Labour Market and Social Policy

Wages

The following table shows the average gross wage and the average net wage in BAM and EUR for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025
Average net wages (BAM).....	956	1,004	1,144	1,274	1,404	1,528
Average gross wages (BAM).....	1,485	1,546	1,730	1,937	2,146	2,349
Average net wages (EUR).....	489	513	585	651	718	781
Average gross wages (EUR).....	759	790	885	990	1,097	1,201
Nominal growth of average net wages (%).....	5.52	4.9	13.9	11.4	10.2	8.8
Real growth of average net wages (%).....	6.8	3.2	1.1	4.1	8.3	4.5

Source: The Institute of Statistics of the Republic.

The average net wage in 2021 amounted to EUR 513 (BAM 1,004), namely EUR 25 (BAM 48) more than in 2020. Nominally, the average net wage increased by 4.9 per cent. An increase was recorded in all sections, with the highest increase recorded in the sections of Administrative and support service activities at 14.3 per cent. and Arts, entertainment and recreation at 12.8 per cent. Compared to 2020, the average net wage in 2021 in the Republic increased in real terms by 3.2 per cent. The highest wages were still for employees in the financial and insurance sector. They accounted for 2.1 per cent. of the total number of employed persons in 2021 and received an average of EUR 775 (BAM 1,515) per month. In 2021, those employed in the construction sector, which employs 5.0 per cent. of the total number of employed persons, earned the lowest monthly net wage of EUR 371 (BAM 726).

The average net wage in 2022 amounted to EUR 585 (BAM 1,144), which is EUR 72 (BAM 140) more than in 2021. Nominally, the average net wage increased by 13.9 per cent. An increase was recorded in all sections, with the highest increase recorded in the Accommodation and food service activities section at 20.7 per cent. and the Real estate activities section at 19.9 per cent. Compared to 2021, the average net wage in 2022 in the Republic increased in real terms by 1.1 per cent. The highest wages were earned by employees in the information and communication sector. They accounted for 2.8 per cent. of the total number of employed persons in 2022 and received an average of EUR 794 (BAM 1,552) per month. In 2022, those employed in the construction sector, which employs 5.0 per cent. of the total number of employed persons, earned the lowest monthly net wage of EUR 428 (BAM 837).

The average net wage in 2023 amounted to EUR 651 (BAM 1,274), which is EUR 66 (BAM 130) more than in 2022. Nominally, the average net wage increased by 11.4 per cent. An increase was recorded in all sections, with the highest increase recorded in the Arts, entertainment and recreation section at 18.8 per cent. and Accommodation and food service activities at 15.1 per cent. Compared to 2022, the average net wage in 2023 in the Republic increased in real terms by 4.1 per cent. The highest wages were still for employees in the financial and insurance sector. They accounted for 2.1 per cent. of the total number of employed persons in 2023 and received an average of EUR 852 (BAM 1,667) per month. In 2023, those employed in the construction sector, which employs 5.0 per cent. of the total number of employed persons, earned the lowest monthly net wage of EUR 487 (BAM 952).

The average net wage in 2024 amounted to EUR 718 (BAM 1,404), namely EUR 66 (BAM 130) more than in 2023. Nominally, the average net wage increased by 10.2 per cent. An increase was recorded in all sections, with the highest increase recorded in the sections Professional, scientific and technical activities with 20.7 per cent. and Administrative and support service activities with 19.5 per cent. Compared to 2023, the average net wage in 2024 in the Republic increased in real terms by 8.3 per cent. The highest wages were still for employees in the financial and insurance sector. They accounted for 2.1 per cent. of the total number of employed persons in 2024 and received an average of EUR 935 (BAM 1,828) per month. In 2024, those employed in the

construction sector, which employs 5.0 per cent. of the total number of employed persons, earned the lowest monthly net wage of EUR 564 (BAM 1,104).

The average net wage in 2025 amounted to EUR 781 (BAM 1,528), namely EUR 63 (BAM 124) more than in 2024. Nominally, the average net wage increased by 8.8 per cent. An increase was recorded in all sections, with the highest increase recorded in the Professional, scientific and technical activities section at 15.7 per cent. and the Education section at 11.3 per cent. Compared to 2024, the average net wage in 2025 in the Republic increased in real terms by 4.5 per cent. The highest wages were earned by employees in the financial and insurance sector. They accounted for 2.2 per cent. of the total number of employed persons in 2025 and received an average of EUR 990 (BAM 1,936) per month. In 2025, those employed in the construction sector, which employs 4.9 per cent. of the total number of employed persons, earned the lowest monthly net wage of EUR 614 (BAM 1,200).

Since 2004, the Republic has continuously paid pension and disability insurance contributions on behalf of workers made redundant through privatisation, bankruptcy and liquidation proceedings under the Worker Social Support Program. As at 31 December 2025, total payments under the Program amounted to BAM 216.9 million (net of reimbursements from bankruptcy estates: BAM 190.1 million from the Budget).

In 2021, the average pensions amounted to EUR 209, an increase of eight Euros as compared to 2020. In 2022, the average pensions amounted to EUR 235, an increase of EUR 26 as compared to 2021. In 2023, the average pensions amounted to EUR 276, an increase of EUR 41 as compared to 2022. In 2024, the average pensions amounted to EUR 303, an increase of EUR 27 as compared to 2023. In 2025, the average pensions amounted to EUR 327, an increase of EUR 24 compared to 2024.

Employment

The labour market in the Republic recorded positive trends for the years indicated. The following table shows key employment statistics for that period:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025
Employed persons ⁽¹⁾	274,227	279,030	286,679	290,491	289,722	289,725
Unemployed persons ⁽¹⁾	86,695	76,033	67,745	61,093	56,323	51,521
Persons deleted from the register for employment ⁽¹⁾	29,090	29,341	27,569	22,187	20,179	17,446
LFS Employment rate (%) ⁽¹⁾	45.5	43.5	41.9	42.6	44.0	43.8
LFS Unemployment rate (%) ⁽¹⁾	12.9	14.3	11.2	9.1	8.8	9.1

Source: The Institute of Statistics of the Republic; the Employment Service of the Republic.

Notes:

- (1) Data are obtained from the Labour Force Survey (LFS). Between 2006 and 2019, the LFS was conducted once a year. Since January 2020, the LFS has been conducted continuously, with results published quarterly. In 2021, methodological changes were made to the LFS questionnaire, making indicators for 2021 and 2022 not fully comparable with previous years. Data from the LFS may not be methodologically comparable to data from other statistical or administrative sources.

Employment policies in the Republic

Employment policy in the Republic is implemented through a well-defined system of strategic and programmatic documents. The main strategic document in the field of employment is the Employment Strategy of the Republic for the period 2021–2027.

Adopted in December 2021, the Employment Strategy 2021-2027 (*Official Gazette of the Republic, No. 4/22*) represents one of the key policy documents guiding employment measures implemented by the Bureau. The Strategy sets out the main development directions of employment policy over a seven-year period, defining strategic objectives, priorities, and measures aimed at increasing employment and participation in the labour market.

Employment Strategy defines basic strategic goals over a seven-year period, based on which priorities and measures are defined in order to realise the strategic goals. The RS Government's key tasks defined in the strategy require an action plan for employment each year, after which the Bureau, with the approval of the relevant ministry, issues a program for employment in the Republic (operational plan), which defines in detail specific tasks within the policy measures, projects, the amount of funds, expected results, as well as timeframe of the realisation. In that context, all activities of the Ministry of Labour, War Veterans and Disabled Persons' Protection and the Bureau are focused on encouraging employment and implementing measures aimed at

reducing the duration of unemployment, and the continuous increase of competitiveness and employment of persons in the Bureau's unemployment register.

Employment projects, measures, and target groups were identified to support key strategic goals: increasing employment and economic activity among the Republic's population, as well as maintaining existing jobs and creating new ones.

In 2021, five employment programs were realised. Based on those programs, subsidies in the amount of approximately BAM 22.4 million were granted for the purpose of securing private sector employment for 4,809 persons.

In 2022, six employment programs were realised. Based on those programs, subsidies in the amount of approximately BAM 31.1 million were granted for the purpose of securing private sector employment for 5,940 persons.

In 2023, three employment programs were realised. Based on those programs, subsidies in the amount of approximately BAM 5.3 million were granted for the purpose of securing private sector employment for 1,795 persons.

In 2024, two employment programs were realised. Based on those programs, subsidies in the amount of approximately BAM 8.3 million were granted for the purpose of securing private sector employment for 1,187 persons.

In 2025, two employment programs were realised. Based on those programs, subsidies in the amount of approximately BAM 3.9 million were granted for the purpose of securing private sector employment for 774 people. The implementation of the aforementioned programs is ongoing, as the public call concluded on 17 December 2025, and the majority of activities will be carried out in 2026.

The Bureau has placed special emphasis on monitoring and analysing the effects of implemented employment programs. For each program, information has been prepared on the achievement of the main goals and tasks defined therein, as well as on the outcomes achieved.

Along with the implementation of employment programs, other measures of active policies, where the goal of the RS Government is to activate and integrate as many persons as possible on the labour market, were maintained. Those policies mainly related to the following activities:

- improvement of the intermediation function, more effective fulfilment of employer needs, as well as an increase in the number of employers using intermediation services;
- consulting and activation of unemployed persons for the purpose of faster inclusion in the labour process. Consulting included interviews, profiling and drafting of individual employment plans, motivational seminars and other active employment measures;
- improvement and implementation of measures related to career choice, information on occupations, career planning and lifelong learning development with the goal of enhancing individuals' competence in decision-making when selecting an occupation/education path, as well as supporting successful professional adaptation and career development;
- collection of data on the labour market, monitoring of basic indicators on status and labour market needs, monitoring employment trends, and monitoring total employment and unemployment in order to enable the RS Government to undertake relevant measures to make changes within the labour market and to improve the effectiveness of implemented policies; and
- activities on the establishment and development of local councils and partnerships for education and employment in order to encourage good practices and coordination of local policies.

It is important to note that in parallel with these activities, reform tasks aimed at strengthening the Bureau's institutional capacity were implemented in order to create all prerequisites for the successful implementation of active measures and effective engagement with key beneficiaries, primarily employers and unemployed persons.

Public Private Partnerships

The legal framework that stipulates public-private partnership (“PPP”) in the Republic is as follows:

- The Law on Public-Private Partnership in the Republic (*Official Gazette of the Republic, No. 59/09, 63/11 and 68/20*);
- Regulation on Initiating the Procedure for the Realization of Public-Private Partnership in the Republic (*Official Gazette of the Republic, No. 111/20*);
- Regulation on the Selection Procedure of a private partner (*Official Gazette of the Republic, No. 111/20*);
- Regulation on the Procedure for Concluding Public-Private Partnership Contracts in the Republic (*Official Gazette of the Republic, No. 111/20*); and
- Rulebook on the Content and Manner of Keeping a Register of Public-Private Partnership Projects in the Republic (*Official Gazette of the Republic, No. 32/10*).

The basic legal framework for PPP was established under the Law on Public-Private Partnership in the Republic on 11 June 2009. Following its adoption, the RS Government approved nine project proposals (primarily in health, transport and energy sectors). As of the date of this Offering Circular, none of these projects have been completed.

The Law on Amendments to the Law on Public-Private Partnership adopted in 2011, eliminated certain administrative and technical barriers and improved the business environment for attracting domestic and foreign investors in capital projects aimed at meeting public needs. Subsequent amendments (in 2011 and subsequently in 2020) further simplified procedures for project realisation through PPP, particularly regarding the project approval and contract signing. Supporting regulations were adopted in the second half of 2020 to align with these changes.

The legal framework requires a public partner to prepare a feasibility study for the proposed project (typically taking approximately 3 months), followed by the submission of project proposals at least 6 months after the finalisation of the relevant by-law framework. Despite this timeline and the expectation that PPP-related activities would commence in the second quarter of 2021, no project proposals have been received or initiated in the subsequent period. As a result, no PPP projects can be expected in the near future under the current framework.

The Republic’s PPP law prescribes a competitive dialogue procedure for the selection of a private partner, with the award decision based solely on the most economically advantageous tender. The specifics of this procedure are detailed in the Regulation on the Procedure for the Selection of a Private Partner (*Official Gazette of the Republic, No. 111/20*), which largely mirrors the competitive dialogue process outlined in Directive 2014/24/EU.

The health sector has utilised the PPP model in the past. Several dialysis centres in Prijedor, Banja Luka, Laktaši, Gradiška, Šamac, Doboje, Bijeljina, Zvornik and East Sarajevo were constructed through PPP arrangements, prior to the implementation of the amendments to the Law on Public-Private Partnership. Contracts were signed between the Ministry of Health and Social Welfare, the Health Insurance Fund, International Dialysis Centres BV (Netherlands) and Fresenius Medical Care Deutschland GmbH. The PPP model was also applied to establish the Radiotherapy Centre at the University Clinical Centre in Banja Luka.

As of the date of this Offering Circular, besides interest from local communities in applying PPP for infrastructure projects, the RS Government is not aware of any active initiatives for infrastructure projects to be implemented based on the PPP model.

Social Insurance System

Under the Law on Social Protection (*Official Gazette of the Republic, Nos. 37/12, 90/16, 94/19, 42/20 and 36/22*), rights arising from this Law are financed from the Republic’s Budget and from municipal budgets. Remittances paid from the Republic’s Budget include: cash assistance, allowance for aid and care of another person (in a ratio of 50 per cent. from the Republic and 50 per cent. from the local self-government unit), training

of children and youth and other remittances to wards – personal disability allowance (100 per cent. remittances from the Republic’s Budget). Remittances paid from the budgets of local self-governments budgets: cash assistance, allowance for assistance and care of other person, training of children and youth, one-off cash assistance, other current assistance to wards of social protection institutions, as well as accommodation in institutions and foster families, training of children and youth.

With the adoption of the Law on Amendments and Supplements to the Law on Child Protection (*Official Gazette of the Republic, No. 119/21*), the RS Government is improving the child protection system in the Republic, with a primary focus on supporting post-natal policies. Given the need to encourage childbirth within the Republic, financial newborn equipment allowance and child benefits have increased, including for the second, third, and fourth child, as well as for children from vulnerable categories, helping to ease the economic burden of raising children in these families. In addition, the Strategy for Improving the Social Status of Persons with Disabilities in the Republic for 2017 to 2026 includes new child protection measures, such as compensation for fostering a disabled child, which is provided until the child’s 30th birthday. Establishing this right as a legal obligation is expected to indirectly enhance the minimum social safety net for disabled children, aligning with the goals outlined in the strategic document. The new child protection measure provides monetary compensation to parents or foster parents who provide full-time care for a disabled child. This compensation, combined with existing social protection benefits for disabled children and individuals, is intended to improve overall family well-being and to reduce the occurrence of disabled children being placed in social protection centres.

Since 2020, the Law on Child Protection (*Official Gazette of the Republic, Nos. No. 114/17, 122/18, 107/19, 119/21 and 112/23*) ensures that mothers receive 100 per cent. of their gross salary for 11 months on maternity leave. Allowances and benefits have also been expanded to the first child in the family. Additionally, with the enactment of this law, the benefit for assistance to a parent-caregiver or caregiver was raised from 25 per cent. to 100 per cent. of the base amount, providing direct financial support to families raising a child with developmental disabilities. With the adoption of the Law on Amendments and Supplements to the Law on Child Protection (*Official Gazette of Republic, No. 112/23*), the RS Government has strengthened measures to prevent potential misuse of funds by beneficiaries, such as through enhanced oversight of salary reimbursements during maternity leave provided by the Public Fund for Child Protection. The amendments to this law contribute to a more rational use of public funds, thereby improving child protection rights.

Strengthening Market Transparency and Investment Security through EU-Compliant Chemicals Regulation

The Law on Chemicals (*Official Gazette of the Republic, No. 21/18*) and the Law on Biocidal Products (*Official Gazette of the Republic, No. 37/09*) have been developed and amended in alignment with the EU chemicals acquis, in particular with Regulation (EC) No 1907/2006 (“REACH”) and Regulation (EC) No 1272/2008 (“CLP”) and partially with the Biocidal Products Regulation (EU) No 528/2012.

By ensuring regulatory predictability and alignment with EU standards, the Republic strengthens its position as an attractive and reliable market for capital investment, particularly for companies operating within EU value chains and international supply networks. The effective enforcement of legislation on chemicals and biocides supports fair competition, safeguards consumers and workers, and creates conditions for sustainable industrial development.

In this context, the designation of the Ministry of Health and Social Welfare of the Republic as a Help Desk for Chemicals and Biocidal Products in BiH represents an important institutional mechanism that further enhances the investment climate. The Help Desk serves as a central point of contact for authorities, economic operators, and investors, facilitating consistent interpretation of REACH- and CLP-based requirements, reducing administrative uncertainty, and supporting efficient market entry and compliance.

The Republic maintains the inventory of chemicals and mixtures placed on the market (a total of 9,166 chemicals and 1,300 biocides). This number is growing monthly by approximately 150 new chemicals/mixtures. The increasing number of registrations in the chemical inventory of the Republic represents a positive and strategically important trend for capital growth. It reflects a higher level of regulatory compliance, market transparency, and legal certainty, which are essential prerequisites for a stable and predictable business environment.

A growing inventory of chemicals indicates that economic operators are formally entering the regulated market, demonstrating confidence in the regulatory framework and its alignment with EU standards, in particular REACH and CLP. This trend reduces regulatory risk for investors, facilitates due diligence, and signals institutional maturity in chemicals management.

The following table shows the National Health Account and spending in total healthcare for the years indicated:

Healthcare spending	Year ended December 31 ⁽²⁾			Index ⁽¹⁾		
	2021	2022	2023	2021/2020	2022/2021	2023/2022
Total spending in healthcare (in BAM thousand).....	1,410,202	1,678,002	1,794,091	95.6	119.0	106.9
Public sector (in BAM thousand) ..	978,413	1,214,400	1,266,635	91.0	124.1	104.3
Private sector (in BAM thousand) ..	431,789	463,602	527,456	107.9	107.4	113.8
Healthcare spending per capita (BAM).....	1,181	1,340	1,477	111.9	113.5	110.2
Gross domestic product (in BAM thousand).....	12,501,722	14,536,974	16,085,929	112.3	116.3	110.7
Total spending in healthcare (% in GDP).....	11.3	11.5	11.2	—	—	---

Source: The Institute of Statistics of the Republic.

Notes:

- (1) Index values are expressed in percentages.
- (2) Data for 2024 are not available because the National Health Account is published only on an annual basis, and the 2024 figures had not been released as of the date of this Offering Circular.

The Law on Mandatory Health Insurance in the Republic (*Official Gazette of the Republic, Nos. 93/22 and 132/22*) regulates the mandatory health insurance, the rights and obligations of patients, and the activities of participants and institutions that provide healthcare services. Health care activities in the Republic are performed at the primary, secondary and tertiary levels. Health care activities are carried out by public and private health institutions in accordance with medical standards and utilizing appropriate medical technology. Health care activities at the primary level are basic and represent the first level at which citizens can access health care or serve as the entry point for accessing higher levels of care. The primary level of health care is provided by the following health care institutions: clinics for treatment, health care and rehabilitation, specialist family medicine clinics, dental clinics, health centres, specialist centres, health care homes and pharmacies.

Secondary health care activities are organised to complement and provide ongoing care and support to the primary level of health care. The secondary level of health care is provided through specialist clinics, specialist centres, hospitals, and public health institutes.

Health care activities at the tertiary level are organised to complement and provide ongoing assistance and support to the secondary level services. Tertiary level of health care is provided through specialist clinics, specialist centres, specialised hospitals, public health institutes, hospitals and clinical centres.

The Republic has 55 primary health centres, 12 public and specialised hospitals, six institutes, one Institute of Physical Medicine, Rehabilitation and Orthopaedic Surgery, one public health institute, and one university clinical centre. Separately, there are 671 private primary health care centres and specialist hospitals in the Republic and there are 515 pharmacies and 50 pharmacy stations, of which 491 are private pharmacies and 47 are private pharmacy stations. There is also a Health Insurance Fund of the Republic and a Fund (namely, the Solidarity Fund) for the diagnosis and treatment of diseases, conditions and impairments of children abroad.

The following are the liabilities of public health institutions for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
Tertiary level.....	235,974,086	229,638,782	186,899,190	191,246,427	195,442,886
Secondary level.....	340,183,382	355,667,991	319,853,912	348,624,693	363,030,519
Primary level.....	136,003,820	128,523,593	109,843,369	114,943,027	31,440,719
Total	712,161,288	713,830,366	616,596,471	654,814,147	589,914,124

Source: The Financial reports of public health institutions compiled by the Ministry of Health and Social Welfare of the Republic.

As at the date of this Offering Circular, the public health institutions in the Republic by level of health care comprise the following:

- Tertiary level: The University Clinical Centre of the Republic;
- Secondary level: nine public hospitals, three specialised hospitals, six institutes, Public Health Institute and Institute of Physical Medicine, Rehabilitation and Orthopaedic Surgery; and
- Primary level: 55 health centres.

The following table shows the total investment in the health sector as at 31 December 2025, and for the period between during the years 2021 to 2025:

Investment type	Amount (BAM millions)
Projects being realised.....	763.1
Projects being prepared.....	358.7
Projects of energy efficiency (implementation through the Ministry of Spatial Planning, Construction and Ecology).....	4.3
Completed projects.....	88.4
Other projects.....	13.5
Total	1,228.0

Source: The Ministry of Health and Social Welfare of the Republic.

The following table shows the National Health Account and spending in total healthcare for the years indicated:

	Year ended December 31 ⁽²⁾			Index ⁽¹⁾		
	2021	2022	2023	2021/2020	2022/2021	2023/2022
Healthcare spending						
Total spending in healthcare (in BAM thousand).....	1,410,202	1,678,002	1,794,091	95.6	119.0	106.9
Public sector (in BAM thousand).....	978,413	1,214,400	1,266,635	91.0	124.1	104.3
Private sector (in BAM thousand).....	431,789	463,602	527,456	107.9	107.4	113.8
Healthcare spending per capita (BAM).....	1,181	1,340	1,477	111.9	113.5	110.2
Gross domestic product (in BAM thousand).....	12,501,722	14,536,974	16,085,929	112.3	116.3	110.7
Total spending in healthcare (% in GDP)	11.3	11.5	11.2	—	—	---

Source: The Institute of Statistics of the Republic.

Notes:

- (1) Index values are expressed in percentages.
- (2) Data for 2024 are not available because the National Health Account is published only on an annual basis, and the 2024 figures had not been released as of the date of this Offering Circular.

The following table shows the total expenditures for health insurance of the Republic's Health Insurance Fund for the years indicated:

	Year ended 31 December			
	2021	2022	2023	2024
	(in BAM million)			
Primary healthcare.....	234.0	272.8	279.0	266.9
Secondary and tertiary healthcare.....	451.8	491.3	568.1	586.3
Drugs.....	137.5	151.7	173.2	189.2
Orthopaedic devices and aids.....	8.5	9.2	9.7	10.8
Transportation to hospitals.....	3.7	4.1	4.1	4.0
Other forms of healthcare.....	7.9	7.9	8.9	0
Resources for improving working conditions in the health sector, implementation of reform.....	0	0	0	0
Sick pay over 30 days.....	18.4	17.4	33.2	37.2
Costs of implementing health insurance.....	28.1	31.9	37.7	40.9
Other expenses.....	55.7	48.8	44.7	33.6
Total	945.8	1,035.2	1,158.6	1,168.9

Source: The Ministry of Health and Social Welfare of the Republic.

According to the financial reports of the Health Insurance Fund of the Republic, in 2021, its revenues amounted to BAM 858.7 million and expenditures amounted to BAM 844.1 million (a surplus of BAM 14.6 million).

According to the financial reports of the Health Insurance Fund of the Republic, in 2022, its revenues amounted to BAM 939.4 million and expenditures amounted to BAM 921.9 million (a surplus of BAM 17.5 million).

According to the financial reports of the Health Insurance Fund of the Republic, in 2023, its revenues amounted to BAM 1,067.2 million and expenditures amounted to BAM 1,055.9 million (a surplus of BAM 11.3 million).

According to the financial reports of the Health Insurance Fund of the Republic, in 2024, its revenues amounted to BAM 1,043.6 million and expenditures amounted to BAM 1,082.1 million (a deficit of BAM 38.5 million).

According to the financial reports of the Health Insurance Fund of the Republic, its revenues include social security contributions, non-tax revenues, and transfers. The RS Government allocated BAM 145.4 million to the Health Insurance Fund in 2021, compared to BAM 219.2 million allocated in 2022. The RS Government allocated BAM 244.2 million to the Health Insurance Fund in 2023, compared to BAM 140.2 million allocated in 2024.

Privatisation Process

The implementation of privatisation in the Republic began in 1998 when a set of laws regulating this area was adopted in July of the same year. These laws included the Law on Privatisation of State Capital in Enterprises, as the base document of the privatisation project. This law was in effect until June 2006, when the new Law on Privatisation of State Capital was adopted in the Republic, which introduced provisions aimed at the efficient and faster implementation of the process related to the sale of state capital in enterprises. The Republic's Share Fund was established with a portfolio comprising non-privatised state capital in enterprises, and since 2007 its management has been entrusted to the IDB, which became the authorised seller of the state capital. The RS Government is usually a minority shareholder in public companies, and the IDB appoints RS Government representatives to the board of such companies. The privatisation process is in its final phases, with over 20 enterprises remaining in the Republic that have yet to be privatised.

The property of the Republic is included in the Share Fund, and its portfolio contains non-privatised state capital in enterprises, while its management is entrusted to the IDB. Restructuring of public companies is one of the reforms undertaken by the RS Government (RS Railways).

The privatisation plan for 2026 involves four enterprises whose capital will be offered for sale through the Banja Luka Stock Exchange. Of these, three are enterprises in which the state holds minority shareholdings (less than 50 per cent. of the share capital), and the other enterprise will see a controlling block of state-owned shares offered for sale on the exchange. In addition to these four enterprises, IDB will offer other shares from the Equity Fund portfolio for sale during the year that are not included in the privatisation plan for 2026 if the necessary prerequisites are met, such as, but not limited to: the preparation of financial statements, conclusion of bankruptcy reorganisation proceedings, completion of the registration process in accordance with the Law on Business Associations.

Government Shareholding

The IDB was founded as a joint stock company pursuant to the Law on the Investment-Development Bank of the Republic Srpska (*Official Gazette of the Republic, No. 56/06, 28/13 and 63/24*) for the purpose of efficient management of the Republic's assets placed in six funds, with the aim of providing support to the implementation of projects contributing to the economic growth and development of the Republic. The funds managed by the IDB have also been formed as joint stock companies, but they are diverse in their nature in terms of their establishment goals as well as portfolio structure. Namely, three funds deal with loan placement as their main activity, one fund manages real estate and claims owned by the Republic and two funds have portfolios comprised of securities. Of the latter two funds, the Republic's Share Fund holds shares and ownership interests of the state-owned capital in all non-privatised companies in the Republic, including the state-owned capital of all strategic enterprises listed below. IDB manages the state-owned capital in those companies in accordance with the RS Government's decisions, in such a manner that it analyses the assembly materials for the convened shareholders' meetings of the stated companies (except those which are 100 per cent. state-owned) and prepares voting recommendations for representatives of the state-owned capital appointed by the RS Government, and collects feedback information on the assembly meetings held in order to monitor the activities of those companies.

In accordance with the Decision on the Determination of Enterprises of Strategic Importance (*Official Gazette of the Republic, Nos. 110/17, 2/18, 91/18, 49/19, 62/19, 15/21 and 12/23*) of the RS Government, the following

state-owned enterprises have been designated as companies of strategic importance for the Republic and their state capital will not be subject to privatisation until further notice:

No.	Name of enterprise	% of state-owned capital ⁽¹⁾	Activity
1	MH ERS MP a.d. Trebinje	100.00	Electricity supply and trade
2	JP Šume Republike Srpske a.d. Sokolac	100.00	Forest cultivation and protection
3	JP Putevi Republike Srpske d.o.o. Banja Luka	100.00	Management of main and regional roads
4	JP Autoputevi Republike Srpske a.d. Banja Luka	100.00	Management of RS motorways and high speed roads
5	JP Srna a.d. Bijeljina	100.00	RS News Agency
6	JP Protivgradna preventiva Republike Srpske a.d. Gradiška	100.00	Anti-hail protection
		The RS Government	
7	Željeznice Republike Srpske a.d. Doboj	99,985047 + 0.009566 Share	Transport of passengers and goods by railroad
8	Aerodromi Republike Srpske a.d. Banja Luka	Fund	Air traffic services
9	Pošte Srpske a.d. Banja Luka	64.69084436	Activity of providing universal postal services
10	Lutrija Republike Srpske a.d. Banja Luka	65.00081165	Gambling and betting activities
11	Industrijske plantaže a.d. Banja Luka	85.93856	Logging
12	Sarajevo-gas a.d. Eastern Sarajevo	65.00011	Transportation, distribution, supply, and trade of natural gas
13	MH ERS ZP Elektro-Bijeljina a.d. Bijeljina	47.879415 Share Fund	Electricity distribution
14	MH ERS ZP Elektro-Hercegovina a.d. Trebinje	MH ERS	Electricity distribution
15	MH ERS ZP Hidroelektrane na Vrbasu a.d. M. Grad	MH ERS	Electricity production
16	MH ERS ZP Hidroelektrane na Drini a.d. Višegrad	MH ERS	Electricity production
17	MH ERS ZP Elektrodistribucija a.d. Pale	MH ERS	Electricity distribution
18	MH ERS ZP RiTE Ugljevik a.d. Ugljevik	MH ERS	Electricity production
19	MH ERS ZP RiTE Gacko a.d. Gacko	MH ERS	Electricity production
20	MH ERS ZP Elektro-Doboj a.d. Doboj	MH ERS	Electricity distribution
21	MH ERS ZP Hidroelektrane na Trebišnjici a.d. Trebinje	MH ERS	Electricity production
22	MH ERS ZP Elektrokrajina a.d. Banja Luka	MH ERS	Electricity distribution
23	MH ERC ZP IRCE a.d. Istočno Sarajevo	MH ERS + 13.499767 Share Fund	Technical testing and analysis

Source: *The Central Registry of Securities, the Republic.*

Notes:

(1) The RS Government is an ordinary shareholder and does not have any preferential rights over the shares of each of these companies.

State-owned capital in enterprises under ordinal numbers 13-23, which makes up 65 per cent. of their total share capital, was entered as founding capital in MH ERS-Matično preduzeće a.d. Trebinje, which was founded as a holding company and their manager.

Money Laundering, Organised Crime and Corruption

Money Laundering

Anti-money laundering and counter-terrorist financing (“AML/CTF”) matters in BiH are governed by the Law on the Prevention of Money Laundering and Financing of Terrorist Activities (the “**Law on AML/CTF**”). The Republic does not maintain a separate legal framework in this area; however, all relevant Republic-level authorities — including the Banking Agency of Republika Srpska (“**BARS**”), the Insurance Agency of Republika Srpska (“**IARS**”), and the Securities Commission of Republika Srpska (“**SECRS**”) — have adopted bylaws governing the internal organisation, responsibilities, and mitigation of AML/CTF risks within financial institutions under their supervision.

At the state level, the Financial Intelligence Department, established within the State Investigation and Protection Agency, is responsible for receiving, collecting, analysing, and investigating financial intelligence and submitting findings to prosecutorial and other relevant authorities in BiH and abroad. It also promotes cooperation amongst the relevant authorities of BiH, the Federation of Bosnia and Herzegovina, the Republic, and the Brčko District, as well as with relevant foreign authorities and international organisations.

BiH has been a member of MONEYVAL since 2002, enabling regular evaluations of its AML/CTF system against international standards. BiH conducted its first National Risk Assessment (“NRA”) in respect of the period 2018–2022 (based on data from 2012–2016), followed by a second NRA Addendum finalised in 2023, covering the period 2022–2024 (based on data from 2017–2021). Both assessments were conducted using World Bank methodology.

A new Law on AML/CTF was adopted at the state level in February 2024, representing a significant step towards alignment with EU standards — in particular, Directive (EU) 2015/849 and Directive (EU) 2018/843 — and FATF recommendations. Key features of the new law include:

- an expanded scope of regulated entities, including Virtual Currency Service Providers and e-money institutions;
- enhanced customer due diligence measures, including video identification and electronic signatures;
- stricter reporting and identification requirements for cash transactions exceeding EUR 15,000;
- the establishment of a permanent coordination body to oversee the implementation of the Law on AML/CTF and collaboration among competent authorities across different levels of government; and
- strengthened powers for the Financial Intelligence Department to monitor suspicious transactions.

Work on the adoption of implementing regulations is ongoing.

Following the conclusions of the most recent NRA and the adoption of the 5th MONEYVAL Mutual Evaluation Report by the Council of Europe in December 2024, key priorities for further action include improving cooperation between competent authorities, enhancing supervisory capacity, improving the quality of suspicious transaction reporting, and strengthening oversight of high-risk sectors. The RS Government's inter-ministerial standing working group for AML/CTF, which convenes at least monthly, coordinates activities across relevant ministries, agencies, and professional associations.

Supervision of the Financial Sector

According to the MONEYVAL Mutual Evaluation Report of December 2024, supervision of the financial sector — particularly the banking sector — is well-established and demonstrates a strong institutional framework, with supervisory authorities applying a risk-based approach and conducting regular on-site and off-site inspections. The banking sector in the Republic accounts for approximately 87 per cent. of the domestic financial market. Banks demonstrate strong awareness of their AML/CTF obligations and apply customer due diligence and enhanced due diligence measures effectively.

BARS, as the competent supervisory authority for banks, applies a risk-based supervisory approach, with the frequency and scope of AML/CTF inspections determined by sectoral and institutional risk assessments. Following the adoption of the new Law on AML/CTF, BARS has adopted:

- the Decision on Managing the Risk of Money Laundering and Terrorist Financing (Official Gazette of the Republic, No. 22/24), which sets out the minimum scope, form, and content of activities required of obligated entities, including risk assessment procedures, customer identification and monitoring measures, and management of specific risks; and
- the Guidelines for Risk Analysis and Assessment in the Application of the Decision on Managing the Risk of Money Laundering and Terrorist Financing.

BARS representatives actively participate in the drafting of AML/CTF legislation and subordinate regulations, and in all MONEYVAL evaluations.

Notarial Supervision and Real Estate Transactions

The new Law on AML/CTF requires that all real estate transactions valued at more than BAM 30,000 be conducted through bank accounts. The Republic's Ministry of Justice, as the supervisory body for notaries, conducts ongoing inspection oversight, including off-site monitoring and targeted inspections pursuant to an Annual Supervisory Plan. In January 2026, the Ministry of Justice published new Guidelines for notaries in the

field of AML/CTF. Continuous training is provided for notaries and lawyers to enhance their capacity to detect and report suspicious transactions.

Register of Beneficial Owners

The Republic was the first entity in BiH to establish a digital Register of Beneficial Owners, the official launch of which is anticipated. Amendments to the Law on the Registration of Business Entities (*Official Gazette of the Republic, No. 1/26*) have been adopted to prescribe more clearly the procedures for registering beneficial owners. The Republic's Ministry of Justice has also prepared a draft *lex specialis* — the Draft Law on the Register of Beneficial Owners of the Republic — currently available for public comment, and aligned with EU *acquis* and MONEYVAL and FATF standards.

Virtual Currency Service Providers

A legal framework for a register of virtual currency service providers was established in 2022 through amendments to the Law on the Securities Market, and the register has been operational since 2023. SECRS serves as the competent authority for establishing and maintaining the register and supervising providers for compliance with AML/CTF legislation. As at 31 December 2025, six legal entities providing virtual currency-related services are registered.

Organised Crime and Corruption

The Republic maintains a legal and institutional framework to combat organised crime and corruption as a key national priority. The Republic has implemented successive anti-corruption strategies since 2008, with the third strategy, the Anti-Corruption Strategy and Action Plan (2018–2022), currently in force. The fourth and latest Anti-Corruption Strategy covers the period 2025–2031, under which a dedicated department has been established within the Ministry of Justice — which serves as the central coordinating body for the prevention and combating of corruption — taking over the responsibilities previously held by the Commission.

The legislative framework includes the following key measures:

- *Whistleblower protection*: The Law on the Protection of Persons Reporting Corruption (*Official Gazette of the Republic, No. 62/17 and 98/24*) provides a dual system of administrative and judicial protection for persons who suffer consequences following a report of corruption, applicable to both the public and private sectors.
- *Criminal law framework*: The Republic's criminal law framework is harmonised with applicable EU legislation. The Law on Amendments to the Criminal Code (*Official Gazette of the Republic, No. 15/21*) significantly tightens penalties for organised crime and corruption offences. The Republic is also in the process of preparing a new Law on Inspecting the Origin.
- *Judicial efficiency*: The Law on the Protection of the Right to a Trial Within a Reasonable Time (*Official Gazette of the Republic, No. 99/20*) establishes timeframes for relevant proceedings to further the independence, transparency and accountability of judicial institutions, particularly in the context of organised crime and corruption cases.

EXTERNAL SECTOR

Provision of Information on the External Sector

Balance of payments information is exclusively prepared by the Central Bank at the BiH level. Such statistics are not compiled separately for the Republic, except for certain components, such as trade in goods and FDI, which are discussed below. The recording and publication of information on the import and export of goods are within the competence of the Institute of Statistics of the Republic, whereas the Central Bank collects and publishes data relating to FDI in the Republic.

International Environment

Global economic activity in 2024 remained moderate, strongly influenced by persistent geopolitical tensions, primarily related to the war in Ukraine and conflicts in the Middle East. Despite visible challenges in global supply chains, international energy markets did not experience major price disruptions. After moderate growth in the first half of the year, Brent crude oil prices declined in the second half of 2024 and moved within a relatively narrow range, despite geopolitical risks and occasional transport disruptions in the Red Sea. In contrast, natural gas prices followed a mild upward trend, reflecting increased supply uncertainty and lower storage levels in Europe. More stable energy price developments, particularly the decline in oil prices in the second half of the year, had a favourable impact on energy-importing countries such as BiH, mitigating import costs and easing pressures on the goods balance. As a result, the absence of stronger energy price shocks contributed to limiting the deterioration of the current account balance and prevented the emergence of strong external macroeconomic imbalances. Economic activity in the European Union, BiH's most important trading partner, remained weak in 2024, recording growth of approximately 1.0 per cent. Sluggish industrial production, subdued investment activity and persistent price pressures in the service sector weighed on economic performance, although labour market conditions remained relatively stable. Given strong trade linkages, economic developments in BiH largely followed the EU economic cycle, with weaker foreign demand negatively affecting export-oriented sectors, particularly metals, wood processing and electrical equipment. This trend of subdued economic activity in the EU continued into early 2025, maintaining pressure on BiH's export-oriented sectors. However, the gradual stabilisation of foreign demand and the absence of new energy shocks in the second and third quarters of 2025 allowed for a slight recovery in exports.

Balance of Payments

The following table presents the BiH balance of payments for the periods indicated:

(EUR millions)	Year ended 31 December			2025				
	2020	2021	2022	2023	2024	Q1 2025	Q2 2025	Q3 2025
	<i>(EUR millions)</i>							
Current account	(501)	(295)	(1,022)	(546)	(951)	(473)	(225)	(28)
Net Goods and services	(2,368)	(2,220)	(3,170)	(3,004)	(3,670)	(1,075)	(970)	(821)
Net Goods	(3,205)	(3,666)	(5,207)	(5,245)	(5,957)	(1,451)	(1,471)	(1,509)
Net Services	836	1,446	2,037	2,241	2,287	376.2	501.6	688.3
Net Primary income	(98)	(255)	(306)	(124)	(55)	(7)	(36)	(24)
Credit Total	478	610	735	1,000	1,193	291	328	303
Debit Total	577	865	1,041	1,124	1,247	284	291	279
Net Secondary income	1,965	2,180	2,454	2,582	2,774	595	708	769
Net Capital account	185	180	166	184	201	46	52	58
Net Financial account	(449)	(72)	(772)	(174)	(824)	(457)	(145)	(10)
Net Direct investment	(357)	(561)	(803)	(936)	(816)	(137)	(137)	(179)
Net Portfolio investment	2	42	133	229	204	4	104	(185)
Net Other investment	(731)	(931)	(175)	506	(768)	108.5	(212.7)	(6.2)
Total Reserve assets	637	1,378	73	26	555	(431)	101	360
Net errors and omissions	(132)	43	84	188	(74)	(30)	27	(41)

Source: The Central Bank, Annual Reports

The following table represents BiH balance of payments as a percentage of nominal GDP for the years indicated:

	Year ended 31 December					2025 Q1-Q3 ⁽¹⁾
	2020	2021	2022	2023	2024 ⁽¹⁾	
			(% of GDP)			
Current account balance	(2.8)	(1.5)	(4.4)	(2.1)	(3.5)	(3.2)
Goods and services (net)	(13.3)	(11.1)	(13.6)	(11.8)	(13.3)	(12.5)
Goods (net)	(18.1)	(18.3)	(22.3)	(20.6)	(21.6)	(19.3)
Services (net)	4.7	7.2	8.7	8.8	8.3	6.8
Primary income (net)	(0.6)	(1.3)	(1.3)	(0.5)	(0.2)	(0.3)
Equity related income, net	2.7	3.0	3.2	3.9	4.3	4.0
Debt related income, net	3.3	4.3	4.5	4.4	4.5	3.7
Secondary income (net)	11.1	10.9	10.5	10.1	10.1	9.0
Capital account balance	1.0	0.9	0.7	0.7	0.7	0.7
Financial account balance	(2.5)	(0.4)	(3.3)	(0.7)	(3.0)	(2.7)
Direct investments (net)	(2.0)	(2.8)	(3.4)	(3.7)	(3.0)	(2.0)
Portfolio investments (net) ⁽²⁾	0.0	0.2	0.6	0.9	0.7	(0.3)
Other investments (net)	(4.1)	(4.7)	(0.8)	2.0	(2.8)	(0.5)
Reserves assets (net) (negative sign indicates increase)	3.6	6.9	0.3	0.1	2.0	(0.1)
Errors and omissions (net)	(0.8)	0.2	0.4	0.7	(0.3)	(0.2)

Source: The Central Bank, Annual Reports, BiH Agency for Statistics.

Note:

- (1) The data presented is prepared on the basis of the sum of four quarters for the years 2020-2024 and the sum of the first three quarters of the year for 2025

In 2024, BiH recorded a current account deficit of EUR 951 million, representing a 74.2 per cent. increase compared to 2023. Due to significantly stronger nominal growth of the current account deficit relative to nominal GDP growth, the deficit expressed as a percentage of GDP increased by 2.1 percentage points to 3.45 per cent. The first three quarters of 2025 indicate a slightly improving trend, with the current account deficit narrowing to 3.2% of GDP.

During the first three quarters of 2025, the current account deficit totalled EUR 726 million. This performance reflects a steady improvement throughout the year, with the deficit narrowing significantly to EUR 28 million in the third quarter alone. The improvement was driven by stronger export resilience relative to imports, leading to a narrower goods deficit compared to the 2024 peaks. Accompanied by nominal GDP growth, the current account deficit as a percentage of GDP for this nine-month period declined to 3.2%, down from the 3.5% recorded in 2024.

Net inflows in the services account amounted to EUR 0.51 billion, a decline of 7.3 per cent. year-on-year. More than 63 per cent. of these inflows originated from foreign tourist spending, which continued to grow. However, rising inflation in the domestic service sector and unfavourable global conditions negatively affected tourist overnight stays later in the year. Transport services recorded positive growth, while inflows from processing and finishing of goods and ICT services declined significantly.

Net inflows in the secondary income account remained strong, with remittances continuing their positive growth trend for the fifth consecutive year.

Net inflows in the services account during the first nine months of 2025 totalled EUR 1.57 billion. More than 63 per cent. of these inflows originated from foreign tourist spending, which continued to grow despite rising inflation in the domestic service sector and unfavourable global conditions affecting tourist stays later in the year. Transport services recorded positive growth, while inflows from goods processing and ICT services declined. As a percentage of GDP, the services surplus for this period stood at 6.8 per cent., compared to 8.3 per cent. in 2024.

Net inflows in the secondary income account remained robust, totalling EUR 2.07 billion for the first nine months of 2025. Remittances continued their positive nominal growth trend for the fifth consecutive year, remaining a stable pillar of the current account, representing 9.0 per cent. of GDP.

As in previous years, the current account deficit was primarily driven by a substantial deficit in the goods account, while the surplus in services and net inflows based on transfers from abroad had a mitigating effect. The value of goods imports increased by 4.5 per cent., reaching EUR 13.77 billion, supported by relatively strong domestic consumption, rising nominal wages and higher remittance inflows. In contrast, exports of goods declined by 2.1 per cent., amounting to EUR 7.77 billion, reflecting weaker foreign demand for the most important export product groups. More than 73 per cent. of the total goods exports were those to the EU market

These dynamics resulted in a goods deficit of 21.6 per cent. of GDP in 2024, which narrowed to 19.3 per cent. of GDP during the first nine months of 2025, as exports improved in the second and third quarters.

The following table sets out the value of exports and imports with the BiH's key trade partners for the indicated years:

	Exports			Imports		
	31 December			31 December		
	2022	2023	2024	2022	2023	2024
	<i>(EUR billions)</i>					
EU	6.8	6.2	6.0	8.3	8.4	8.7
CEFTA.....	1.7	1.6	1.4	1.8	1.6	1.8
Other countries.....	0.7	0.7	0.8	4.5	4.2	4.2
TOTAL.....	9.2	8.5	8.2	14.6	14.2	14.7

Source: BiH Agency for Statistics.

By product groups, BiH remained a net importer of base metals, machines and equipment, mineral products and chemical industry products. Unfavourable developments in international markets led to a continuous widening of the trade deficit in these categories. On the other hand, the wood processing industry and furniture production industry maintained a relatively stable trade surplus over recent years.

As a result of declining exports and growing imports, BiH saw a record high goods trade deficit in 2024 amounted to almost EUR 6.0 billion.

The largest part of the goods deficit was offset by a surplus in the services account, which amounted to EUR 2.29 billion in 2024, slightly above the level recorded in 2023 (EUR 2.24 billion). The most significant net inflows were generated by foreign tourist arrivals and spending, totalling EUR 1.36 billion, although the net effect was reduced by a 26.0 per cent. increase in domestic tourists' spending abroad.

Despite declining industrial production and weaker demand in developed economies, net inflows from processing and finishing of goods (Lohn jobs) increased by 8.0 per cent., while telecommunications, computer and information services kept their upward trend, reaching EUR 378.5 million. In contrast, transport services recorded a decline of 9.1 per cent., driven by reduced exports and disruptions of key railway connections due to floods.

In addition to the surplus in services, the secondary income account played a crucial stabilising role. Net inflows based on workers' remittances amounted to EUR 1.99 billion, representing an annual growth of 9.2 per cent., supported by strong labour demand and nominal wage growth in host countries. Net inflows from pensions from abroad increased by 2.1 per cent., while net inflows based on remunerations to employees reached EUR 0.75 billion, further contributing to the reduction of the current account deficit.

In the third quarter of 2025, foreign trade activity intensified. Exports of goods amounted to EUR 2.13 billion, recording an annual growth of 6.3 per cent., while imports reached EUR 3.86 billion, increasing by 4.0 per cent. BiH's position as a net importer resulted in a record goods trade deficit of EUR 1.73 billion, with import coverage by exports standing at 55.2 per cent.

Export growth was supported by strong performance in mineral products, particularly electricity and ores, as well as base metals and machines. At the same time, the exports of furniture continued their long-term downward trend. On the import side, most major product groups recorded growth, except for mineral products, mainly oil and petroleum products, which declined.

Financial Account

In 2024, the current account deficit was largely financed by FDI inflows and external borrowing by the private and government sectors. Net FDI inflows amounted to EUR 816 million, representing the second highest level since 2007. Of this amount, 62.4 per cent. was related to reinvested earnings, while the remaining amount reflected investments in equity and debt instruments.

Within portfolio investments, domestic financial institutions continued to invest in foreign debt securities, recording net investments of EUR 193.4 million. Under other investments, a net inflow of EUR 0.57 billion was

recorded, primarily driven by loans, trade credits and advances. During the year, the general government sector reduced its debt to the IMF by EUR 188.4 million, while contracting new long-term loans from other international creditors amounting to EUR 343.3 million. Other sectors also increased their external debt, mainly through loans.

In the third quarter of 2025, the financial account recorded net inflows of EUR 10 million. Net FDI inflows reached EUR 179 million, while portfolio investments registered a net outflow of EUR 185 million, primarily driven by domestic banks' investments in foreign debt securities. Other investments recorded a modest net inflow of EUR 6.2 million, while reserve assets saw a significant increase of EUR 360 million.

Portfolio investments recorded net outflows, mainly due to investments by domestic banks in foreign debt securities. Other investments registered a strong net inflow, driven by trade credits and changes in currency and deposit positions. Net loan repayments by the government sector resulted in a net outflow under loans.

International trade in services

In recent years, BiH has experienced a steady increase in the total volume of trade in services, which accounts for 16.4 per cent. of GDP in 2024. While the country consistently maintains a services trade surplus, the dynamics of this growth have shifted significantly. In the earlier part of this period (2021–2022 after COVID-19), exports of services increased at a faster pace than imports. However, according to the latest data for 2023 and 2024, this trend has reversed, with import services growth now outpacing export services growth.

In recent years, BiH has continued to expand its trade in services, although the rapid export growth recorded in 2021 (56.5 per cent.) has moderated significantly to 5.2 per cent. by 2024. In 2021, the surplus amounted to EUR 1,446 million (6.9 per cent. of GDP), reflecting a record annual growth of 72.9 per cent. driven by a surge in exports. This momentum carried into 2022, when the surplus grew by 40.9 per cent. to EUR 2,037 million (8.6 per cent. of GDP), as export growth slightly outpaced imports. However, in 2023, import growth of 21.1 per cent. significantly surpassed export growth of 13.3 per cent., though the surplus still reached EUR 2,241 million (8.4 per cent. of GDP). By 2024, the surplus increased moderately to EUR 2,287 million (8.1 per cent. of GDP), as import growth of 12.0 per cent. continued to exceed the slower export growth of 5.2 per cent., suggesting that domestic demand for foreign services is expanding faster than global demand for BiH services.

During the period from 2021 to 2024, international trade in services in BiH was significantly affected by inflationary pressures, resulting in a pronounced gap between nominal and real growth rates. In 2021, the sector recorded an exceptionally strong real export growth of 50.5 per cent., reflecting a post-pandemic recovery and acceleration of activity. However, by 2024, despite a nominal increase in export value of 5.2 per cent., the real growth rate was negative at 1.9 per cent., indicating that the increase in value was primarily driven by rising prices rather than growth in the volume of services provided. A similar trend was observed in service imports, where a nominal growth of 12.0 per cent. in 2024 corresponded to a real growth of only 1.6 per cent., clearly illustrating the impact of global inflation on raising the costs of importing foreign services for the economy of BiH.

The following table presents the international trade in services of BiH for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
	<i>(EUR millions)</i>				
Services balance	836	1,446	2,037	2,241	2,287
Export of services.....	1,324	2,072	2,899	3,285	3,456
Import of services.....	488	627	862	1,043	1,169

Source: The Agency for Statistics of BiH.

Savings and Investment Balance

In 2020, BiH's economy experienced a contraction, with real GDP falling by 3.0 per cent. due to the severe impact of COVID 19. Economic activity was significantly disrupted by global lockdowns, supply chain constraints, and weakened external demand. The decrease in output reflected deep reductions in consumption, investment, and exports. As pandemic restrictions eased, the economy rebounded robustly, achieving real GDP growth of approximately 7.4 per cent. in 2021. This strong recovery was driven mainly by the recovery of private consumption, increased investment activity, and improved external demand, particularly for goods. In 2022,

growth remained positive at approximately 4.2 per cent., as both domestic demand and investment continued to recover. Despite ongoing global uncertainties (e.g., post pandemic effects and geopolitical tensions), the economic momentum was sustained. The pace of growth slowed down in 2023, with real GDP expanding by approximately 2.0 per cent. This deceleration reflected weaker external conditions, continued supply chain pressures, and tightening global financial conditions. Domestic demand remained a key driver, but export growth was more subdued. Real GDP grew by about 2.5 per cent. in BiH in 2024, a modest improvement as compared to 2023. Growth was supported by stable private consumption and investment, improved labour market conditions, and a gradual recovery in export markets.

International Trade Agreements

Foreign trade policy, international economic relations and foreign investment policy are governed by the joint institutions of BiH. Laws regulating this area are: Law on Foreign Direct Investment Policy in BiH (“*Official Gazette of Bosnia and Herzegovina*”, nos. 4/98, 17/98, 13/03, 48/10, and 22/15), Law on Foreign Trade Policy of BiH (“*Official Gazette of Bosnia and Herzegovina*”, nos. 7/98 and 35/04), Law on Customs Policy of BiH (“*Official Gazette of Bosnia and Herzegovina*”, no. 58/15), Law on Customs Tariff (“*Official Gazette of Bosnia and Herzegovina*”, no. 58/12), Law on Free Zones in BiH (“*Official Gazette of Bosnia and Herzegovina*”, no. 99/09). BiH is committed to building a liberal economy based on market principles and freedom of movement of people, capital, goods and services. In the field of international trade relations, BiH is committed to integration into the international multilateral trade system, established within the World Trade Organisation and to build trade legislation, based on the rules and principles on which this organisation is based.

BiH is involved in the regional integration processes in Europe. BiH signed the SAA with the EU in 2008. The Interim Trade Agreement, as a part of the SAA, came into effect in 2008, while the overall SAA entered into force in June 2015. The SAA provides for the establishment of a free trade area between the EU and BiH. In the long run, this process implies full transposition of the *acquis communautaire* into domestic legislation and full membership of BiH in the EU. In the meantime, until the completion of the EU accession process, BiH is included in the CEFTA Agreement in the free trade zone with other Western Balkan countries, which are also part of the stabilisation and association process with the EU. In addition, all members of the CEFTA Agreement, including BiH, have signed free trade agreements with the EFTA. BiH has free trade agreements with its main trade partners, including the EU (Stabilisation and Association Agreement) (*Official Gazette of BiH–International Agreements*, No. 10/08), CEFTA, the European Free Trade Association (“EFTA”), Free Trade Agreement between BiH and the Republic of Turkey (*Official Gazette of BiH–International Agreements*, Nos. 6/03 and 3/11) and Regional Convention on Pan-Euro-Mediterranean Preferential Rules of Origin (*Official Gazette of BiH–International Agreements*, No. 15/14). Of the total foreign trade, the EU is still the main foreign trade partner of BiH, which participates in the total volume of foreign trade with 65.3 per cent., while the most important partner in terms of the volume of trade from the EU is Croatia. It is followed by CEFTA member countries, as the second most important partner in trade, which participate in the total volume of foreign trade with 14 per cent., while the most important partner is Serbia. EFTA member countries, where the most important partner is Switzerland, and the so-called “Third countries” where Turkey is the most important partner participate, with 20.7 per cent. When it comes to exports, BiH participates in trade with the EU to the amount of 71.8 per cent., CEFTA with 16.8 per cent., EFTA with 11.4 per cent. and with Turkey 4.4 per cent. of exports. In addition, BiH is in negotiations to join the World Trade Organisation and continues to be a party to bilateral market access negotiations with some of the WTO member states, including the US in the area of “Trading Rights”, use of GMO and Intellectual Property Rights.

In addition to the aforementioned integration processes, in the field of trade, BiH is developing trade relations bilaterally, which includes strengthening trade with countries around the world, deepening economic trade cooperation, mutual promotion and protection of investments, and further market liberalisation through preferential agreements with countries, which are not included in the EU integration processes. Agreements on investment promotion and protection, which BiH has concluded with other countries in the world, define standards for foreign investment protection, and 42 bilateral agreements on investment promotion and protection are in force. Agreements on trade and/or economic cooperation are concluded for the purpose of contractual regulation, and encouragement, promotion, intensification and strengthening of bilateral trade relations and economic cooperation between BiH and other countries, 25 agreements on trade and/or economic cooperation are in force.

Foreign Trade in Goods

The following table presents the Republic's trade balance in goods for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
Balance of goods (BAM million)	(1,151)	(1,744)	(1,855)	(2,294)	(2,274)
Exports of goods (BAM million).....	4,429	5,435	5,185	5,046	5,354
Imports of goods (BAM million).....	5,581	7,178	7,040	7,339	7,628
Coverage of imports by exports (%).....	79.4	75.7	73.6	68.7	70.2

Source: Single Customs Declaration on Exports and Imports of Goods–Institute of Statistics of the Republic.

The following table presents the Republic's trade balance in goods as a percentage of GDP for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025 ⁽²⁾
Balance of goods	(9.2)	(12.0)	(11.5)	(13.3)	(12.2)
Exports of goods ⁽¹⁾	35.4	37.4	32.2	29.3	28.8
Imports of goods ⁽¹⁾	44.6	49.4	43.8	42.7	41.0

Source: The Institute of Statistics of the Republic (calculation by the Ministry of Finance).

Notes:

- (1) Export values are calculated according to the F.O.B. parity (Franco on Board). If it is agreed that the delivery of goods is performed in the country, the invoice value is increased by the costs incurred from the place of delivery of the border of BiH. Import values are calculated according to C.I.F. parity (Cost, Insurance and Freight). If it is agreed that the goods are delivered in the country, the invoice value is reduced by the costs incurred from the border of BiH to the place of delivery in the country.
- (2) The 2025 GDP figures represent the Ministry of Finance's estimates, as final data for 2025 had not been published as of the date of this Offering Circular.

The following table shows nominal growth rates of exports, imports and coverage of imports by exports for the years indicated:

	Export	Import	Scope	Balance	Coverage of imports by exports
			(BAM thousands)		
2021.....	4,429,259	5,580,523	10,009,782	(1,151,264)	79.4
2022.....	5,434,500	7,178,274	12,612,774	(1,743,774)	75.7
2023.....	5,185,045	7,040,142	12,225,187	(1,855,097)	73.6
2024.....	5,045,864	7,339,444	12,385,308	(2,293,580)	68.7
2025.....	5,354,019	7,628,358	12,982,377	(2,274,339)	70.2

Source: The Institute of Statistics of the Republic.

In 2022, exports amounted to BAM 5.4 billion, an increase of 22.7 per cent. in comparison to 2021 when it amounted to BAM 4.4 billion. Imports amounted to BAM 7.2 billion, an increase of 28.6 per cent. in comparison to 2021 when it amounted to BAM 5.6 billion. The percentage of coverage of imports by exports in 2022 was 75.7 per cent. but in 2021 was 79.4 per cent.

In 2025, exports amounted to BAM 5.4 billion and imports amounted to BAM 7.6 billion. The percentage of coverage of imports by exports in 2025 was 70.2 per cent. but in 2024 was 68.7 per cent.

In 2025, the export growth rate increased by 6.1 per cent. compared to the previous year. On the other hand, imports increased by 3.9 per cent. compared to the same period last year. Observed by product groups, in 2025, the largest share in exports is realised by electrical energy with about 9.9 per cent. of total exports, while the largest share in imports is realised by other petroleum oils and oils obtained from bituminous minerals (other than crude), with about 6.1 per cent. of the total imports.

Composition of trade in goods

Exports

The following table shows export by the most significant products in the Republic for the years indicated:

HS6 ⁽¹⁾	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>				
Electrical energy.....	358.9	455.5	540.2	390.1	530.7
Parts of footwear.....	208.2	249.9	258.0	237.7	221.1
Other parts of iron and steel structures.....	158.4	192.5	186.0	178.8	175.7
Aluminium hydroxide.....	109.2	150.3	148.9	159.1	175.4
Wood sawn of fir and spruce.....	141.6	149.2	111.3	117.3	139.4
Aluminium oxide.....	111.2	152.5	110.8	135.1	124.0
Other silicon.....	143.5	192.9	57.5	62.4	15.2
Parts for spark-ignition internal combustion piston engines.....	52.9	66.1	97.7	104.2	96.2
Grill, netting and fencing of iron or steel.....	86.5	118.1	68.5	65.0	77.2
Parts suitable for use with electric motors and generators, electric generating sets and rotary converters.....	81.0	85.4	84.4	88.6	74.2

Source: The Institute of Statistics of the Republic.

Notes:

(1) Harmonised system at six digits, shortened product name.

The following table shows exports by the most significant products in the Republic for the years indicated in percentages of total exports:

HS6 ⁽¹⁾	2021	2022	2023	2024	2025
	<i>(%)</i>				
Electrical energy.....	8.1	8.4	10.4	7.7	9.9
Parts of footwear.....	4.7	4.6	5.0	4.7	4.1
Other parts of iron and steel structures.....	3.6	3.5	3.6	3.5	3.3
Aluminium hydroxide.....	2.5	2.8	2.9	3.2	3.3
Wood sawn of fir and spruce.....	3.2	2.7	2.1	2.3	2.6
Aluminium oxide.....	2.5	2.8	2.1	2.7	2.3
Other silicon.....	3.2	3.6	1.1	1.2	0.3
Parts for spark-ignition internal combustion piston engines.....	1.2	1.2	1.9	2.1	1.8
Grill, netting and fencing of iron or steel.....	2.0	2.2	1.3	1.3	1.4
Parts suitable for use with electric motors and generators, electric generating sets and rotary converters.....	1.8	1.6	1.6	1.8	1.4

Source: The Institute of Statistics of the Republic.

Notes:

(1) Harmonised system at six digits, shortened product name.

In 2021, the largest share in exports was in electricity with BAM 359 million, then in 2022 it was BAM 456 million. The main sectors driving export growth in 2025 were electrical energy, parts of footwear and other parts of iron and steel structures. In 2025, the largest share in exports was in electricity with BAM 531 million, which amounts to 9.9 per cent. of total exports. In 2025, in comparison to 2021, export of parts for spark-ignition internal combustion piston engines increased by 82.0 per cent., aluminium hydroxide increased by 60.6 per cent. and electrical energy increased by 47.8 per cent.

In 2024, the sectoral breakdown of imports as a per centage of the total was composed of manufacturing: industrial and chemicals, consumer goods, and technology, transport and equipment representing 34 per cent., 30 per cent., and 29 per cent., respectively. Agriculture, forestry and fishing, mining and quarrying, and electricity and energy each represented 4 per cent., one per cent. and one per cent., respectively.

In 2024, the sectoral breakdown of exports as a per centage of the total was composed of manufacturing: industrial and chemicals, consumer goods, and technology, transport and equipment representing 20 per cent., 34 per cent., and 31 per cent., respectively. Agriculture, forestry and fishing, mining and quarrying, electricity and energy, and water and waste each represented three per cent., three per cent., eight per cent. and three per cent., respectively.

The following table presents the value of the Republic's exports according to the Standard International Trade Classification ("SITC") for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>				
Groups of products⁽¹⁾					
Food and live animals	239	265	281	313	351
Beverages and tobacco	20	29	32	36	45
Crude materials, inedible, except fuels.....	686	825	673	681	720
Mineral fuels, lubricants and related products....	405	529	631	486	618
Animal and vegetable oils, fats and waxes.....	2	2	2	3	3
Chemical products.....	408	534	414	461	436
Manufactured goods classified chiefly by material	933	1,154	1,044	1,009	1,029
Machinery and transport equipment	593	711	755	782	843
Miscellaneous manufactured goods.....	1,143	1,384	1,352	1,275	1,309
Commodities and transaction not classified elsewhere in the SITC	1.0	1.0	1.0	1.0	1.0
Total	4,429	5,435	5,185	5,046	5,354

Source: The Institute of Statistics of the Republic.

Notes:

(1) Export of products in accordance with SITC–Standard International Trade Classification.

In 2025, the largest contribution to the decline in exports according to the standard international trade classification was in miscellaneous manufactured goods 24.4 per cent., manufactured goods classified chiefly by material 19.2 per cent. and machinery and transport equipment 15.8 per cent. In 2025, exports for beverages and tobacco, animal and vegetable oils, fats and waxes and mineral fuels, lubricants and related products grew by 119.9 per cent., 108.5 per cent. and 52.6 per cent., respectively, in comparison to 2021.

The following table presents the percentage of the Republic's exports according to the SITC for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	<i>(Share of total exports, %)</i>				
Groups of products⁽¹⁾					
Food and live animals	5.4	4.9	5.4	6.2	6.6
Beverages and tobacco	0.5	0.5	0.6	0.7	0.8
Crude materials, inedible, except fuels.....	15.5	15.2	13.0	13.5	13.4
Mineral fuels, lubricants and related products....	9.1	9.7	12.2	9.6	11.5
Animal and vegetable oils, fats and waxes	0.0	0.0	0.0	0.1	0.1
Chemical products.....	9.2	9.8	8.0	9.1	8.1
Manufactured goods classified chiefly by material	21.1	21.2	20.1	20.0	19.2
Machinery and transport equipment	13.4	13.1	14.6	15.5	15.8
Miscellaneous manufactured goods.....	25.8	25.5	26.1	25.3	24.4
Commodities and transaction not classified elsewhere in the SITC	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Source: The Institute of Statistics of the Republic.

Notes:

(1) Sectors and divisions of SITC–Standard International Trade Classification.

Imports

In 2025, total imports exceeded the value of BAM 7.6 billion. In 2025, there was an increase in imports compared to 2021 by 36.7 per cent.

The following table presents the value of the Republic's imports by product category for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>				
Groups of products⁽¹⁾					
Food and live animals	826	1,048	1,125	1,202	1,304
Beverages and tobacco	70	85	95	109	129
Crude materials, inedible, except fuels.....	189	257	220	214	228
Mineral fuels, lubricants and related products....	493	957	716	729	843
Animal and vegetable oils, fats and waxes.....	9	14	11	13	16
Chemical products.....	846	1,084	983	995	1,039
Manufactured goods classified chiefly by material	1,312	1,568	1,445	1,456	1,426
Machinery and transport equipment.....	1,118	1,270	1,533	1,636	1,576
Miscellaneous manufactured goods.....	718	895	912	985	1,068
Commodities and transaction not classified elsewhere in the SITC	0.2	0.2	0.1	0.3	0.2
Total	5,581	7,178	7,040	7,339	7,628

Source: The Institute of Statistics of the Republic.

Notes:

(1) Sectors and divisions of SITC—Standard International Trade Classification.

The following table shows the value of the Republic's imports by product category as a percentage of total imports for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	<i>(Share of total imports, %)</i>				
Groups of products⁽¹⁾⁽²⁾					
Food and live animals	14.8	14.6	16.0	16.4	17.1
Beverages and tobacco	1.3	1.2	1.4	1.5	1.7
Crude materials, inedible, except fuels.....	3.4	3.6	3.1	2.9	3.0
Mineral fuels, lubricants and related products....	8.8	13.3	10.2	9.9	11.0
Animal and vegetable oils, fats and waxes.....	0.2	0.2	0.1	0.2	0.2
Chemical products.....	15.2	15.1	14.0	13.6	13.6
Manufactured goods classified chiefly by material	23.5	21.8	20.5	19.8	18.7
Machinery and transport equipment.....	20.0	17.7	21.8	22.3	20.7
Miscellaneous manufactured goods.....	12.9	12.5	12.9	13.4	14.0
Commodities and transaction not classified elsewhere in the SITC	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Source: The Institute of Statistics of the Republic.

Notes:

(1) The data is presented in accordance with the foreign trade statistics methodology of the EU, according to which valuation of exports is done by F.O.B. parity and imports by C.I.F. parity at the Republic's border. This approach differs from the methodology used in the IMF Balance of Payments Manual, 6th edition, which values both exports and imports on an F.O.B. basis.

(2) Sectors and divisions of SITC—Standard International Trade Classification.

In 2025, products classified as machinery and transport equipment, manufactured goods classified chiefly by material and food and live animals contributed to the largest share in imports, 20.7 per cent., 18.7 per cent. and 17.1 per cent., respectively. In 2025, these products accounted for about 56.5 per cent. of total imports, while in 2021 they amounted to 58.3 per cent. of total imports.

In 2025, exports for beverages and tobacco, mineral fuels, lubricants and related products and animal and vegetable oils, fats and waxes grew by 83.1 per cent., 71.0 per cent. and 69.4 per cent., respectively, in comparison to 2021.

The following table shows the key products that were imported by the Republic for the years indicated:

	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>				
Other petroleum oils and oils obtained from bituminous minerals, other than crude	259.5	566.4	509.4	491.0	462.1
Medicaments	138.8	150.8	166.7	175.8	170.8
Electrical energy.....	95.1	141.0	21.3	48.8	205.5
Motor cars and other motor vehicles principally designed for the transport of persons, new.....	79.9	67.2	94.4	109.5	103.2
Preparations of a kind used in animal feeding....	65.2	79.1	82.3	85.2	92.3
Meat of bovine animals, cuts with bone in.....	43.3	55.3	64.9	67.0	71.9
Other food preparations.....	47.0	51.2	54.6	61.4	68.8
Petroleum bitumen	42.2	74.9	65.3	63.8	35.1
Oilcake	45.2	55.2	54.5	54.3	46.9
Other stockings of cotton	32.3	38.3	50.4	59.0	67.1

Source: The Institute of Statistics of the Republic.

In 2021, the largest share in imports was in other petroleum oils and oils obtained from bituminous minerals (other than crude) with a total value of BAM 259.5 million, which is 4.6 per cent. of total imports.

In 2025, the largest share in imports was in other petroleum oils and oils obtained from bituminous minerals (other than crude) with a total value of BAM 462 million, which is 6.1 per cent. of total imports. The next largest share in imports were in electrical energy 2.7 per cent. and medicaments 2.2 per cent.

In 2025, imports for electrical energy, other stockings of cotton and other petroleum oils and oils obtained from bituminous minerals (other than crude) grew by 116.2 per cent., 107.7 per cent. and 78.0 per cent., respectively, in comparison to 2021.

Geographic diversification of trade in goods

The EU is the Republic's principal trading partner, accounting for 69.7 per cent. of total foreign trade in 2025, followed by CEFTA member states at 24.4 per cent.

Trade with the EU

The Republic's exports to EU countries amounted to EUR 1.91 billion in 2025, representing an increase of EUR 263.3 million (16.0 per cent.) compared to EUR 1.64 billion in 2021. In 2022, exports to EU countries were EUR 1.97 billion, representing an increase of 20.1 per cent. compared to 2021. The principal export destinations within the EU in 2025 were Croatia (17.6 per cent.), Slovenia (10.8 per cent.), Germany (9.9 per cent.), Italy (9.8 per cent.) and Austria (7.6 per cent.).

The Republic's imports from EU countries amounted to EUR 2.15 billion in 2025, an increase of EUR 498.9 million (30.2 per cent.) compared to EUR 1.65 billion in 2021. The principal sources of imports from the EU in 2025 were Italy (14.0 per cent.), Germany (8.9 per cent.), Croatia (6.7 per cent.), Slovenia (5.0 per cent.) and Austria (3.4 per cent.). The coverage of imports by exports in relation to the EU was 88.7 per cent. in 2025, compared to 93.1 per cent. in 2022.

Trade with CEFTA Countries

The Republic's exports to CEFTA countries amounted to EUR 667.7 million in 2025, an increase of EUR 252.9 million (61.0 per cent.) compared to EUR 414.8 million in 2021. Exports to CEFTA countries were EUR 565 million in 2022, up from EUR 415 million in 2021. The Republic's imports from CEFTA countries amounted to EUR 797.8 million in 2025, an increase of EUR 202.5 million (34.0 per cent.) compared to EUR 595.2 million in 2021. The principal CEFTA trading partners are Serbia, North Macedonia and Montenegro, with Serbia accounting for the largest share of both exports (17.5 per cent.) and imports (18.1 per cent.) within CEFTA in 2025.

Trade with EFTA Countries

The Republic's exports to EFTA countries amounted to EUR 48 million in 2025, compared to EUR 114 million in 2022, with imports of EUR 20 million in 2025, compared to EUR 17 million in 2022. Switzerland is the principal EFTA trading partner, with import coverage by exports of 290.0 per cent. in 2025.

Trade with Other Partners

The Republic's principal trading partners outside the EU, CEFTA and EFTA over the period 2021 to 2025 have been China, Turkey, Russia and the United States, with Brazil, Vietnam and India identified as new trading partners in 2025.

Exports to Croatia showed steady and significant growth throughout the period, rising from EUR 318.8 million in 2021 to EUR 482.0 million in 2025. By the end of this period, Croatia became the Republic's largest individual export market within the EU-27, surpassing Germany, Italy, and Slovenia.

Exports to Russia declined significantly, falling from EUR 11 million in 2021 to EUR 0.8 million in 2025 (a decrease of 92.7 per cent.), whilst imports from Russia increased from EUR 35.2 million in 2021 to EUR 42.2 million in 2025 (an increase of 19.7 per cent.).

Exports to the United States decreased from EUR 12.4 million in 2021 to EUR 10.5 million in 2025 (a decrease of 15.1 per cent.), whilst imports from the United States increased from EUR 18.7 million in 2021 to EUR 35.2 million in 2025 (an increase of 88.4 per cent.).

The following table presents the value of Republic's exports of goods by destination and economic group for the years indicated:

	Year ended 31 December(1)				
	2021	2022	2023	2024	2025
	<i>(EUR millions)</i>				
Economic zones and countries⁽²⁾					
EU-27	1,643.5	1,965.7	1,858.5	1,840.1	1,906.7
Germany.....	236.8	314.6	299.6	277.4	270.8
Italy.....	317.1	352.9	308.6	270.5	268.0
Romania.....	19.3	21.5	19.4	29.2	43.9
Hungary.....	46.2	60.8	47.8	46.6	43.1
Slovenia.....	258.8	307.7	282.3	287.8	297.0
Poland.....	47.4	55.8	39.4	47.1	47.7
Croatia.....	318.8	382.1	408.6	436.5	482.0
Other.....	399.2	470.1	452.8	445.1	454.1
CEFTA⁽³⁾	414.8	565.5	643.6	581.2	667.7
Serbia.....	337.3	466.7	452.9	427.8	478.5
Montenegro.....	48.4	65.6	156.1	111.6	140.7
North Macedonia.....	19.2	21.8	21.1	24.6	26.5
Other.....	10.0	11.3	13.5	17.1	22.1
CIS⁽³⁾	15.0	17.3	4.2	5.1	4.9
Russia.....	11.0	13.1	2.6	1.1	0.8
Other.....	4.0	4.2	1.5	4.0	4.1
Other Countries	191.4	229.4	144.9	153.6	158.1
China.....	7.5	6.1	6.6	9.2	6.0
USA.....	12.4	29.9	24.5	17.2	10.5
Türkiye.....	17.0	26.5	27.7	33.7	39.9
Other.....	154.5	166.9	86.1	93.5	101.7
Total	2,264.7	2,777.9	2,651.1	2,579.9	2,737.5

Source: The Institute of Statistics of the Republic.

Notes:

- (1) The data is presented in accordance with the foreign trade statistics methodology of the EU, according to which valuation of exports is done by F.O.B. parity and imports by C.I.F. parity at the Republic's border. This approach differs from the methodology used in the IMF Balance of Payments Manual, 6th edition, which values both exports and imports on an F.O.B. basis.
- (2) According to EUROSTAT classification.
- (3) Moldova is a member of CIS and CEFTA groups and has been included in CEFTA for the purpose of this table.

The following table presents the value of the Republic's exports by destination and economic group as a percentage of total exports for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	<i>(Share of total export, %)</i>				
Exports⁽¹⁾					
Economic zones and countries⁽²⁾					
EU-27	72.6	70.8	70.1	71.3	69.7
Germany	10.5	11.3	11.3	10.8	9.9
Italy	14.0	12.7	11.6	10.5	9.8
Romania	0.9	0.8	0.7	1.1	1.6
Hungary	2.0	2.2	1.8	1.8	1.6
Slovenia	11.4	11.1	10.6	11.2	10.8
Poland	2.1	2.0	1.5	1.8	1.7
Croatia	14.1	13.8	15.4	16.9	17.6
Other	17.6	16.9	17.1	17.3	16.6
CEFTA⁽³⁾	18.3	20.4	24.3	22.5	24.4
Serbia	14.9	16.8	17.1	16.6	17.5
Montenegro	2.1	2.4	5.9	4.3	5.1
North Macedonia	0.8	0.8	0.8	1.0	1.0
Other	0.4	0.4	0.5	0.7	0.8
CIS⁽³⁾	0.7	0.6	0.2	0.2	0.2
Russia	0.5	0.5	0.1	0.0	0.0
Other	0.2	0.1	0.1	0.2	0.1
Other Countries	8.3	8.3	5.4	6	5.8
China	0.3	0.2	0.3	0.4	0.2
USA	0.5	1.1	0.9	0.7	0.4
Turkey	0.7	1.0	1.0	1.3	1.5
Other	6.8	6.0	3.2	3.6	3.7
Total	100.0	100.0	100.0	100.0	100.0

Source: The Institute of Statistics of the Republic.

Notes:

- (1) The data is presented in accordance with the foreign trade statistics methodology of the EU, according to which valuation of exports is done by F.O.B. parity and imports by C.I.F. parity at the Republic's border. This approach differs from the methodology used in the IMF Balance of Payments Manual, 6th edition, which values both exports and imports on an F.O.B. basis.
- (2) According to EUROSTAT classification.
- (3) Moldova is a member of CIS and CEFTA groups and has been included in CEFTA for the purpose of this table.

The share of exports to Croatia in the Republic's total exports grew steadily from 14.1% in 2021 to 17.6% in 2025. This growth made Croatia the single most important export partner within the EU-27 by the end of the period, surpassing the shares of Slovenia, Italy, and Germany.

The following table presents the value of the Republic's imports by country of origin and economic group for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	<i>(EUR millions)</i>				
Imports⁽¹⁾					
Economic zones and countries⁽²⁾					
EU-27	1,650.1	2,112.5	2,088.6	2,160.7	2,149.0
Germany	260.8	297.9	339.3	365.0	348.1
Italy	426.1	601.9	572.0	567.0	547.9
Romania	25.0	42.7	27.5	21.5	30.5
Hungary	93.2	121.8	95.3	100.6	95.1
Slovenia	195.6	226.3	202.6	207.0	193.9
Poland	63.8	84.1	84.0	86.1	91.9
Croatia	166.5	218.0	208.1	208.8	262.6
Other	419.2	519.8	559.7	604.7	578.9
CEFTA⁽³⁾	595.2	716.4	654.5	696.4	797.8
Serbia	531.0	627.7	580.4	618.9	704.7
Montenegro	15.3	14.8	25.0	24.6	41.9
North Macedonia	35.0	37.4	38.2	37.9	34.1
Other	13.9	36.6	10.9	15.0	17.1
CIS⁽³⁾	48.3	80.1	58.5	68.7	59.1
Russia	35.2	59.5	42.6	43.0	42.2
Other	13.1	20.6	15.9	25.7	16.9
Other Countries	559.7	761.5	798	826.8	894.6
China	227.8	306.1	349.6	340.0	384.4
USA	18.7	21.6	28.7	26.1	35.2
Turkey	88.7	118.9	114.5	138.2	127.7
Other	224.5	314.9	305.2	322.5	347.3
Total	2,853.3	3,670.5	3,599.6	3,752.7	3,900.4

Source: The Institute of Statistics of the Republic.

Notes:

- (1) The data is presented in accordance with the foreign trade statistics methodology of the EU, according to which valuation of exports is done by F.O.B. parity and imports by C.I.F. parity at the Republic's border. This approach differs from the methodology used in the IMF Balance of Payments Manual, 6th edition, which values both exports and imports on an F.O.B. basis.
- (2) According to EUROSTAT classification.
- (3) Moldova is a member of CIS and CEFTA groups and has been included in CEFTA for the purpose of this table.

The following table shows the value of the Republic's imports by country of origin and economic group as a percentage of total imports for the years indicated:

	Year ended 31 December				
	2021	2022	2023	2024	2025
	<i>(Share of total import %)</i>				
Imports⁽¹⁾					
Economic zones and countries⁽²⁾					
EU-27⁽⁴⁾	57.8	57.6	58.0	57.6	55.1
Germany.....	9.1	8.1	9.4	9.7	8.9
Italy.....	14.9	16.4	15.9	15.1	14.0
Romania.....	0.9	1.2	0.8	0.6	0.8
Hungary.....	3.3	3.3	2.6	2.7	2.4
Slovenia.....	6.9	6.2	5.6	5.5	5.0
Poland.....	2.2	2.3	2.3	2.3	2.4
Croatia.....	5.8	5.9	5.8	5.6	6.7
Other.....	14.7	14.2	15.5	16.1	14.8
CEFTA⁽³⁾	20.9	19.5	18.2	18.6	20.5
Serbia.....	18.6	17.1	16.1	16.5	18.1
Montenegro.....	0.5	0.4	0.7	0.7	1.1
North Macedonia.....	1.2	1.0	1.1	1.0	0.9
Other.....	0.5	1.0	0.3	0.4	0.4
CIS⁽³⁾	1.7	2.2	1.6	1.8	1.5
Russia.....	1.2	1.6	1.2	1.1	1.1
Other.....	0.5	0.6	0.4	0.7	0.4
Other Countries.....	19.7	20.7	22.2	22.1	23.0
China.....	8.0	8.3	9.7	9.1	9.9
USA.....	0.7	0.6	0.8	0.7	0.9
Turkey.....	3.1	3.2	3.2	3.7	3.3
Other.....	7.9	8.6	8.5	8.6	8.9
Total.....	100.0	100.0	100.0	100.0	100.0

Source: The Institute of Statistics of the Republic.

Notes:

- (1) The data is presented in accordance with the foreign trade statistics methodology of the Office of Statistics, according to which valuation of exports is done by F.O.B. parity and imports by CIF parity at the Republic's border. This approach differs from the methodology used in the IMF Balance of Payments Manual, 6th edition, which values both exports and imports on an F.O.B. basis..
- (2) According to EUROSTAT classification.
- (3) Moldova is a member of CIS and CEFTA groups and has been included in CEFTA for the purpose of this table.
- (4) The United Kingdom left the EU single market on December 31, 2020. Official trade statistics classify the EU as EU28 (including the UK) up to 2020, and as EU27 (excluding the UK) from 2021 onwards.

Trade Policy

The Republic's economic growth model focuses on the development of export-oriented and competitive industries. Over the last few years, with a view to attracting foreign investments, the RS Government has introduced new and more liberal legislative reforms for foreign investments, and domestic and foreign investors, increased subsidies for introducing new technologies, increased salaries and employment of certain categories of population, decreased certain non-tax levies, implemented few projects in order to digitalise public services and increased investment in construction and improvement of roads and infrastructure. The RS Government has also introduced several programs for attracting foreign investments (outreach companies, aftercare program, new modern and branded promotional material) and increased activities of representing the Republic abroad in order to attract investments.

The real GDP growth of the Republic of 3.1 per cent. in 2024 is the result of a 4.7 per cent. increase in the real growth of final consumption, with government final consumption growing at a real rate of 5.6 per cent. and private final consumption at a real rate of 4.4 per cent., as well as a recovery in the labour market.

One of the key indicators of labour market stabilisation and recovery is the continuous decline in the survey-based unemployment rate. In 2022, this rate was 11.2 per cent., and in 2023 it recorded a significant decrease of 2.1 percentage points, reaching 9.1 per cent. The positive trend continued in 2024, when the unemployment rate further decreased to 8.8 per cent., representing a reduction of 0.3 percentage points compared to the previous year. Alongside the decline in unemployment, there was also an increase in the survey-based

employment rate. After standing at 41.9 per cent. in 2022, the employment rate rose to 42.6 per cent. in 2023 and reached 44.0 per cent. in 2024. These indicators confirm a gradual but stable recovery of economic activity and strengthening of the labour market during the observed period.

The share of exports in the Republic's nominal GDP was 35.4 per cent. in 2021, while in 2024 this share was 29.3 per cent. In 2021, the coverage of imports by exports was 79.4 per cent. The share of the trade deficit in goods as a percentage of nominal GDP decreased from a negative 22.4 per cent. in 2010 to a negative 13.3 per cent. in 2024. The average growth rates of exports and imports of goods in the period from 2010 to 2025 were 8.2 per cent. and 5.4 per cent., respectively.

In 2025, the value of exports amounted to BAM 5.3 billion, representing an increase of 6.1 per cent. compared to the previous year. At the same time, imports of goods amounted to BAM 7.6 billion, with a growth of 3.9 per cent. The coverage of imports by exports in 2025 was 70.2 per cent., which is 9.2 percentage points lower than the record 79.4 per cent. in 2021. The manufacturing sector is particularly significant, with export value in 2025 reaching BAM 4,421.7 million, achieving growth of 3.5 per cent. This sector dominates the export structure, accounting for 82.6 per cent. of total exports. The EU-27 market accounted for 69.7 per cent. of total exports. The value of goods exported to the EU in 2025 was BAM 3.7 billion, which is 3.6 per cent. higher compared to the previous year.

Whilst no significant changes are expected in the Republic's main import and export destinations, the Republic intends to strengthen economic relations with EU as part of its trade policy, as well as increase its business and trade relations with the EU countries and CEFTA region. With a view to strengthening the share of exports of goods and services in GDP, the Republic remains committed to its macro-economic objectives, including: EU integration, intensification of economic cooperation with the CEFTA region, implementation of MAP REA, increasing exports to Serbia and EU countries, attracting increased FDI, while developing and enhancing its business environment by enabling foreign trade as well as educating local producers about potential export markets.

Foreign Direct Investment in the Republic

According to the data of the Central Bank of BiH, the total foreign investments in the Republic by the end of 2024 had a balance of BAM 7.6 billion. In the Republic of Srpska, net foreign direct investment in 2024 amounted to BAM 553.7 million, which is at the level of the previous three-year average. Considering the calendar of publishing statistical data of the Central Bank, data on stocks and flows of foreign investments are published three quarters after the end of the previous year. The first official data on the state of foreign investments in the Republic for 2025 will be published by the Central Bank at the end of the third quarter of 2026.

The following table presents FDI inflows to the Republic for the years indicated:

Year⁽¹⁾	Amount
	<i>(BAM millions)</i>
2021.....	214.2
2022.....	398.7
2023.....	1,030.3
2024.....	553.7

Source: The Central Bank.

Notes:

- (1) According to the methodology of the Central Bank, the Republic's FDI data for 2025 will be available at the end of the third quarter of 2026.

Net FDI in the Republic amounted to 3.2 per cent. of nominal GDP in 2024 (a decrease of 3.2 percentage points as compared to the previous year), which is also at the level of the previous three-year average (3.6 per cent.). The following table shows details of FDI in the republic, by source, for the indicated years:

	For the year ended 31 December			
	2021	2022	2023	2024
	<i>(BAM millions)</i>			
Serbia	73.1	98.3	380.2	125.0
Great Britain.....	71.7	149.2	137.5	69.2
Russia.....	(94.6)	(49.0)	375.2	27.8
Italy	43.9	60.6	(27.3)	80.7
Slovenia.....	12.0	19.1	36.7	83.0
Austria.....	39.5	17.6	22.0	41.7
Cyprus.....	15.8	18.0	22.3	24.8
Croatia.....	29.0	8.3	10.7	23.9
The Netherlands	18.3	24.8	11.1	(1.6)
Poland.....	8.5	21.8	(1.3)	18.0
Other countries	(3.0)	30.0	63.3	61.2
Total	214.2	398.7	1030.3	553.7

Source: The Central Bank.

In 2024, Serbia accounted for the largest proportion of net inflows of FDI to the Republic, accounting for 22.6 per cent. of net FDI. The following table sets forth details of the Republic's FDI, by industry, for the years indicated:

	For the year ended 31 December			
	2021	2022	2023	2024
	<i>(BAM millions)</i>			
Production and supply of electricity, gas, steam and air conditioning.....	66.3	145.6	176.7	56.6
Telecommunications	1.9	2.8	284.1	35.8
Production of coke and refined petroleum products.....	(95.5)	(49.8)	372.1	24.3
Wholesale trade, except of motor vehicles and motorcycles.....	26.2	38.6	44.2	64.8
Manufacture of motor vehicles, trailers and semi-trailers.....	19.5	10.1	40.1	43.8
Retail trade, except of motor vehicles and motorcycles.....	8.0	37.2	34.6	36.2
Financial service activities, excluding insurance and pension funds	18.9	16.7	8.0	66.4
Gambling and betting activities.....	9.1	20.5	25.2	20.2
Real estate business.....	9.6	25.6	14.9	24.2
Production of base metals.....	8.9	16.8	-	29.6
Other activities	141.3	134.6	30.4	151.8
Total	214.2	398.7	1030.3	509.9

Source: The Central Bank.

Notes:

- (1) The difference in the total amounts of FDI in 2024 may appear due to the fact that the Central Bank of Bosnia and Herzegovina is yet to revise the data by country and by investment activity for that year.

In 2024, net inflows in financial services activities, excluding insurance and pension funds, accounted for the largest share of net FDI inflows in the Republic, accounting for approximately 12 per cent. of net FDI.

The following table sets out an overview of the main projects in the Republic that are financed by FDI:

Investor	Origin	Operating Entity	Location	Sector
PMP Industries	Italy	PMP Drive Systems d.o.o.	Laktaši	Production of components for the electrical industry
Perutnina Ptuj	Slovenia	Perutnina Ptuj S d.o.o.	Srbac	Production and processing of meat products (including incubator station)
MAHLE Electric Drives Slovenia	Slovenia	MAHLE Electric Drives Bosnia d.o.o.	Laktaši	Production of automotive components
ISKRA Elektro	Slovenia	ISKRA Europa d.o.o.	Laktaši	Production of communication equipment
ECO-Investment, a.s.	Czech Republic	SHP Celeks a.d.	Banja Luka	Paper processing
ESCAR s.r.l.	Italy	Bosankar d.o.o.	Prijedor	Production of cabins for industrial, construction and agricultural machinery

The number of newly registered companies with foreign participation has grown considerably in recent years. According to data from the commercial courts, registrations increased from 151 in 2020 and approximately 240 in each of the two preceding years, to between 270 and 290 per annum over the period from 2022 to 2025. Legal Framework and Initiatives for Foreign Direct Investment in the Republic

Investment Framework and Incentives

The RS Government has adopted the Strategy for Attracting Foreign Investment in the Republic of Srpska for the period 2021–2027, supported by accompanying action plans. In 2024, the Law on Amendments to the Law on Foreign Investment was adopted to strengthen cooperation between republican and municipal levels of government in attracting investment. The Foreign Investors Council of the Republic operates as an advisory body to the RS Government.

The Republic has also adopted the Decree on the Granting of Incentives for Investments of Special Importance (*Official Gazette of the Republic of Srpska, No. 99/25*), aimed at supporting investors that contribute to business efficiency and balanced regional development. A publicly available Register of Incentives has been established to ensure transparency, and the Republic’s investment potential is actively promoted through a dedicated foreign investor portal and promotional events.

Free Zones

In the period from 2022 to 2025, the RS Government approved the establishment of the Trebinje Free Zone, the Gradiška Free Zone and the Brod Free Zone. A Roadmap for improving business conditions in free zones in BiH has been adopted, and initiatives have been launched to amend the broader regulatory framework governing free zones at the BiH level.

Post-Investment Support and Business Certification

The Republic implements a post-investment support programme in cooperation with local communities, aimed at analysing business conditions and addressing issues faced by existing foreign investors. The Republic participates in the regional Business Friendly Certification Programme in South-East Europe (BFC SEE), with 17 local communities having obtained certificates of compliance with the relevant standard.

Incentive Measures

In order to improve the competitiveness of Republic companies, including small and medium-sized enterprises, a revised framework for financial support was introduced over the period 2021–2025, structured around three principal pillars:

- funds for increasing workers’ wages;

- funds for investments in technological advancement and the transition to a green and circular economy; and
- funds for investments of special importance.

Over the period from 2021 to 2025, incentives totalling BAM 95 million were approved to support increases in workers' salaries, contributing to the retention of employment and improvement of workers' social conditions. In the same period, approximately BAM 56.9 million in incentives were approved to co-finance investments by business entities in the manufacturing sector, supporting 848 investment projects — encompassing the procurement of equipment, technology and green economy initiatives — with a total investment value of approximately BAM 295.5 million. These incentives co-financed approximately 19 per cent. of the total value of the supported investments.

MONETARY AND FINANCIAL SYSTEM

The division of responsibilities between the Central Bank, the Republic and BiH.

Pursuant to the constitutional and legal order of BiH, monetary policy falls within the jurisdiction of the Central Bank, which was established in June 1997 as the sole institution responsible for the implementation of monetary policy in BiH. The regulation, licencing and supervision of the financial system (including the banking, insurance and capital markets sectors) are the responsibilities of the Republic and the Federation.

The Central Bank maintains monetary stability by issuing domestic currency according to the Currency Board Arrangement with full coverage in freely convertible foreign exchange funds under fixed exchange rate 1 BAM: EUR 0.511292. See —*Monetary Policy—Overview of Monetary Policy*”. In addition to implementing monetary policy, the Central Bank operates and maintains appropriate payment systems governed by its own rules and may provide support to payment systems operated by other operators. The Central Bank also contributes to the coordination of the activities of the Entities’ banking agencies, namely the BARS and the Federation’s Banking Agency (the “**FBA**”), which are responsible for bank licensing and supervision in the Republic and the Federation, respectively.

Within the Republic, there are supervisory and regulatory authorities that regulate and supervise the financial system. The following bodies regulate the respective segments of the system:

- the banking system is governed by the BARS. The BARS is solely engaged in regulation, licencing, and supervision of the banking sector. In addition, the BARS serves as the authority in the Republic responsible for bank recovery and resolution. The BARS entered into a supervisory cooperation agreement with the FBA to facilitate supervisory cooperation and the exchange of information;
- the insurance sector is regulated and supervised by the Insurance Agency of the Republic (the “**IARS**”);
- the capital market is regulated and supervised by the Securities Commission of the Republic (the “**SECRS**”);
- the internal payment operations and foreign exchange operations are governed by the regulations of the Republic and by implementing bylaws adopted by the Republic’s Ministry of Finance and the BARS; and
- the currency exchange operations are supervised by the Republic’s Tax Administration and the BARS.

The deposit insurance system has been entrusted to the Deposit Insurance Agency of BiH (the “**DIA**”) since 2002, with the main task of insuring all eligible deposits of natural and legal persons in member banks in line with the law that governs bank deposit insurance (*Official Gazette of BiH, No. 32/20*). The DIA’s Governing Board has set the maximum amount for insured deposits at BAM 70,000. Pursuant to the Republic’s banking laws, a bank licensed by the BARS may not accept deposits if it is not a member of the deposit insurance scheme managed by the DIA.

Additionally, the Committee for Coordination of Supervision of the Financial Sector of the Republic was established under the 2009 Law on the Committee for Coordination of Supervision of the Financial Sector of the Republic (*Official Gazette of the Republic, No. 49/09*) to maintain the stability and efficiency of the financial sector and protect the rights of financial service users. The members of the Committee include the Minister of Finance, the director of the BARS, the Director of the IARS and the Chair of the SECRS. See “—*Banking Supervision and Regulation*”.

The financial system supervisors cooperate also with the Federation’s financial system supervisors and other bodies and institutions. Coordination of activities of the BARS and the FBA is performed by the Central Bank, based on the Law on the Central Bank of BiH and the Memorandum on the Principles of Coordination of Banking Supervision and Cooperation and Exchange of Data and Information. Cooperation also takes place through the Standing Financial Stability Committee (the “**SFSC**”), which serves as a platform for information exchange established in 2009 on the basis of a memorandum of understanding, concluded between BiH Fiscal Council, the Central Bank, FBA, the BARS and the DIA. The SFSC was established to exchange information and assessments on matters pertaining to the financial system, and has no other responsibilities regarding financial stability.

Monetary Policy

The Central Bank

The Central Bank is responsible for the monetary policy of BiH. The status, organisation, mandate and functions of the Central Bank, and the relationship between the Central Bank, the governmental bodies of the Entities and international institutions, are regulated by the Law on the Central Bank of BiH (*Official Gazette of BiH, Nos. 1/97, 29/02, 08/03, 13/03, 14/03, 09/05, 76/06 and 32/07*) (the “**Law on the Central Bank**”). The licencing, regulation and supervision of the Republic’s banking system falls entirely within the jurisdiction of the Republic.

The Central Bank is independent and autonomous in fulfilling its functions. Its primary objective is to achieve and maintain stability of domestic currency by issuing it in accordance with the Currency Board. See “—*Monetary Policy—Overview of Monetary Policy*”. Without prejudice to the primary objective, the Central Bank contributes to coordinating the activities of the BARS and the FBA, mainly coordinating the exchange of information.

The governing body of the Central Bank comprises of the governing board (the “**Governing Board**”) and its management (the “**Management**”). The Governing Board is the highest body of the Central Bank. The Governing Board enacts the monetary policy and controls its implementation, decides on 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 Parliamentary Assembly and the Presidency of BiH.

The Management consists of the Governor and three Vice-Governors, appointed by the Governor with the approval of the Governing Board. The Governor acts as the Chief Executive Officer of the Central Bank and oversees its daily operations. All powers that are not specifically assigned to the Governing Board are assigned to the Governor. The Presidency of BiH appoints and dismisses members of the Management.

On the recommendation of the Governing Board, the Presidency of BiH appoints an external auditor. The Central Bank must submit the audited financial reports, annual activity report and economic soundness reports to the Parliamentary Assembly of BiH 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 Presidency of BiH each quarter. Additionally, the Presidency of BiH approves the design of the banknotes and coins, and the establishment of the special reserves by the Central Bank.

The head office of the Central Bank is in Sarajevo with its main units in the Republic and Federation (Main Bank of the Republic, Main Unit Mostar and Main Unit Sarajevo). The main units do not have a legal status or authority independent of the Central Bank.

The Central Bank is prohibited from engaging in any monetary operations (except the Currency Board Arrangement and prescribing required reserve of banks) or interventions in the banking system. The Central Bank is not a lender of last resort to the banks in the Entities or the Brčko District.

Pursuant to the Law on the Central Bank, and in accordance with the General Framework Agreement, the Central Bank’s responsibilities include the following functions:

- formulating, adopting and controlling the monetary policy of BiH by issuing the domestic currency (BAM) 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 FBA;

- receiving deposits from BiH and commercial banks to meet the reserve 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.

The Central Bank, in its capacity as the fiscal agent of the Ministry of Finance and Treasury of BiH, coordinates the preparation and monitoring of the sovereign credit rating of BiH.

On 30 January 2026, rating agency Standard & Poor’s affirmed BiH’s sovereign credit rating at “B+” with “stable” outlook. Also, on 30 January 2026, Moody’s Investors Service agency confirmed BiH’s sovereign credit rating of “B3 stable”.

Overview of Monetary Policy

The monetary policy of BiH is based solely on the principles of the Currency Board, whereby the full convertibility of the domestic currency, the BAM is fixed against the anchor currency, the Euro at the following rate: BAM 1 equals EUR 0.511292. The BAM is the monetary unit and legal tender in BiH, issued by the Central Bank and placed on the market through its head office and main units.

Given that the monetary policy of BiH is based on 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 policy. Under the Law on the Central Bank, the Central Bank may not:

- grant any credit;
- maintain a deposit denominated or payable in the currency of BiH or with a residence of BiH or make any monetary or 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; and
- be involved in capital market operations including securities of any kind.

The following tables set forth the composition of gross foreign exchange reserves as of 31 December 2025:

	Total Currencies	EUR	Other Currencies
		<i>(BAM millions)</i>	
Gross foreign exchange reserves	18,213.6	18,114.6	98.9
Cash in foreign currencies	557.5	557.5	-
Deposits with foreign banks	5,968.0	5,957.2	10.9
Debt instruments	10,877.0	10,795.3	81.7
Monetary gold	804.6	804.6	-
Special drawing rights with the IMF	6.346	-	6.346

Source: The Central Bank Monthly Report on Currency Board Arrangement as of 31 December 2025. Data provided in that report are in thousands of BAM, but data provided in this table are subject to rounding in millions of BAM.

	Total
	<i>(BAM millions)</i>
Monetary liabilities	16,554.0
Banknotes and coins in circulation	8,538.5
Deposits from banks	7,326.2
Deposits from the Government and other public institutions	689.3
Liabilities to non-residents	2.2
Net Foreign assets	1,657.3

Source: *The Central Bank Monthly Report on Currency Board Arrangement as of 31 December 2025*. Data provided in that report are in thousands of BAM, but data provided in this table are subject to rounding in millions of BAM.

The Central Bank's gross foreign exchange reserves, which includes holdings in euros and other currencies, are primarily invested in debt instruments and deposits with foreign banks. Net foreign exchange reserves of the Central Bank are calculated as a difference between gross foreign exchange reserves and liabilities to non-residents. As at 31 December 2025, net foreign exchange reserves amounted to BAM 18.21 billion and exceeded monetary liabilities by BAM 1,657.3 million. Net foreign assets represent the portion of official foreign exchange reserves, which can be used only for purposes and needs determined by the Law on the Central Bank.

The monetary liabilities consist of the Central Bank's liabilities for banknotes and coins in circulation (BAM 8.5 billion), deposits from banks (BAM 7.3 billion) and deposits from the Government and other public depositors (BAM 689.3 million). Liabilities to non-residents represent, to the largest extent, the IMF accounts No. 1 and No. 2, held by the Central Bank as it is a depositary for BiH's membership with the IMF. As at 31 December 2025, the coverage ratio of monetary liabilities by net foreign exchange reserves—a key indicator of the stability of the currency board arrangement—rose to 110 per cent. compared to 108 per cent. in 2024.

The following table shows the growing net foreign reserves and the monetary liability coverage ratio for the years indicated below:

	2020	2021	2022	2023	2024	2025
Gross Foreign Reserves (<i>BAM millions</i>)	13,868.3	16,348.1	16,065.9	16,289.9	17,640.9	18,213.6
Gross Foreign Reserves (<i>BAM millions</i>)/GDP (%)	39.93	41.76	35.22	32.63	32.75	-
Net Foreign Reserves (<i>BAM millions</i>)	13,866.3	16,345.8	16,063.3	16,287.4	17,638.4	18,211.3
Net Foreign Reserves (<i>EUR millions</i>)	7,089.7	8,357.5	8,213.0	8,327.6	9,018.4	9,311.3
Monetary Liabilities (<i>BAM millions</i>)	12,970.6	15,573.0	15,611.7	15,401.2	16,274.7	16,554.0
Monetary Liabilities (<i>EUR millions</i>)	6,631.8	7,962.3	7,982.1	7,874.5	8,321.1	8,463.9
Coverage Ratio (%) ⁽¹⁾	107	105	103	106	108	110

Source: *The Ministry of Finance based on the report issued by the Central Bank*

(1) The coverage ratio is calculated as net foreign reserves divided by monetary liabilities.

At the end of 2025, the Central Bank's gross foreign reserves represented 31.4 per cent. of GDP, compared to 38.4 per cent. in 2024, 36.4 per cent. in 2023, 37.2 per cent. in 2022, 20.0 in 2021 and 36.4 per cent. in 2020.

Implementation of Monetary Policy

The reserve requirement is an important macro-prudential tool and the primary method of regulating BiH's monetary policy. The reserve requirements apply equally to all banks. Pursuant to the Central Bank's Decision on Setting and Maintaining Required Reserves and Defining Remuneration on the Reserve Amount (*Official Gazette BiH, Nos. 70/21, 53/22, 81/22, 43/23, 61/23, 54/24, 77/24, 16/25 and 54/25*), the required reserve is 10 per cent. of bank deposits and borrowings, irrespective of their currency.

During 2025, commercial banks were remunerated at a rate of 50 basis points on required reserve funds denominated in BAM and at a rate of 30 basis points on required reserve funds denominated in foreign currency. No remuneration was paid in respect of excess reserves.

The manner of maintaining and complying with mandatory reserves requirement is as follows:

- the calculated required reserve in BAM shall be maintained by holding funds in the BAM required reserve account; and
- the calculated required reserve in EUR shall be maintained by holding 95 per cent. of the BAM equivalent in the BAM reserve account and 5 per cent. in the EUR reserve account.

BiH

The following table presents data related to the required reserves of banks operating in BiH for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
Base for required reserve calculation	26,950.2	28,677.2	30,175.6	31,917.9	34,288.5	36,744.7
Average reserve requirements	2,695.0	2,867.7	3,017.6	3,191.8	3,428.9	3,674.5
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	5,581.1
Balance (3-2)	2,714.7	3,434.8	3,676.7	3,017.5	2,439.7	1,906.6

Source: The Central Bank.

As at 30 June 2025, the excess above the required reserve amounted to BAM 1.91 billion, which is BAM 533 million less compared to the end of December of 2024.

For further information on the key required reserves indicators related to banks operating in the Republic, see “—The Banking Sector of the Republic—Liquidity”.

Financial Soundness Indicators of Banks in BiH

The following table shows the financial indicators of commercial banks in BiH for the years indicated:

	2020	2021	2022	2023	2024
Number of banks	23	22	21	21	21
	(%)				
Capital					
CET 1 ratio	18.1	18.7	18.7	18.7	18.7
Tier I ratio	19.2	18.7	18.7	18.7	18.7
Regulatory capital ratio	18.1	19.6	19.6	19.7	19.8
Financial leverage ratio	10.2	10.0	9.9	10.1	10.6
Non-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
Profitability					
Return on average assets	0.7	1.3	1.6	2.0	2.2
Return on average equity	5.6	9.6	12.0	15.0	16.0
Net interest income to the total income	56.0	59.2	56.6	63.3	61.2
Trading income to the total income	0.2	0.1	0.0	0.0	(0.1)
Non-interest expenses to the total income	83.0	60.1	55.7	52.6	51.3
Personnel expenses to non-interest expenses	29.8	43.8	44.1	42.8	42.5
Liquidity					
Liquid assets to the total assets	28.6	30.7	30.5	29.0	28.2
Liquid assets to short-term financial liabilities	51.3	51.3	48.4	47.2	45.8
Liquidity coverage ratio (LCR)	-	216.9	213.8	218.1	231.9
Net stable funding ratio (NSFR)	-	168.8	163.5	159.9	159.7
Customer deposits to total (non-interbank) loans	120.7	130.3	130.8	131.0	130.1
Short-term financial liabilities to the total financial liabilities	65.4	68.6	72.6	71.1	71.8
Foreign Exchange Risk					
Indexed and foreign currency loans to the total loans	53.9	50.2	43.3	37.6	31.9
Liabilities 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

Source: The Central Bank

Notes:

- (1) The data provided is from Central Bank's Financial Stability Report for 2024. The financial stability report for the previous year is published at the end of August, so the report for 2025 has not yet been published.

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 per cent. and the capital conservation buffer would remain above the prescribed level of 14.5 per cent. until at least 31 December 2027.

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

For further information on key financial soundness indicators related to banks operating in the Republic, see “—*The Banking Sector of the Republic*”.

Monetary Aggregates

The following table shows certain statistics relating to monetary aggregates (money supply) for BiH as at 31 December for the periods indicated:

	Year ended 31 December ⁽¹⁾					Six months ended 30 June ⁽¹⁾
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
Narrow Money (M1)⁽²⁾	15,055.2	17,927.5	19,878.6	21,614.6	24,110.2	24,612.7
Quasi Money (QM)	13,193.8	13,588.1	13,361.3	14,176.2	15,022.2	15,306.6
Broad Money (M2)	28,249.0	31,515.6	33,240.0	35,790.8	39,132.4	39,919.3
Reserve money	12,305.4	14,448.3	14,926.2	14,665.2	15,429.9	-
Transferrable deposits in domestic currency	10,011.8	12,387.6	13,752.5	15,064.1	17,237.0	17,560.5
Other deposits in domestic currency	3,034.7	3,044.2	2,878.7	2,891.3	3,170.0	3,687.3
Transferrable deposits in foreign currency ..	2,902.5	3,300.1	3,583.9	3,974.6	4,083.5	4,206.8
Other deposits in foreign currency.....	7,256.6	7,243.8	6,898.8	7,310.3	7,768.8	7,412.5

Source: *The Central Bank*.

Notes:

- (1) The main financial indicators for BiH are stated here because the Central Bank data on monetary aggregates are presented only for BiH in total, and not at the Entity level. Data on banking sectors in BiH are based on data for the Republic's banking sector and the Federation's banking sector, respectively. For more information on the Republic's banking sector, see “—*The Banking Sector of the Republic*”.
- (2) M1 money consists of cash outside banks and transferable deposits in domestic currency of all domestic sectors (except general government deposits). Quasi-money, QM, includes other deposits in domestic currency, transferable deposits and other deposits in foreign currency of all domestic sectors (except general government deposits). The broad money M2 consists of monetary aggregates, M1 money and quasi-money QM.

In 2024, narrow money (M1), which includes the most liquid money supply, increased by 11.5 per cent. Quasi money (QM) increased by 6.0 per cent. and broad money (M2) increased by 9.3 per cent.

As at 30 June 2025, narrow money (M1) increased by 2.08 per cent. to BAM 24,612.7 million. Quasi money (QM) increased by 1.89 per cent. to BAM 15,306.3 million and broad money (M2) increased by 2.01 per cent. to BAM 39,919.3 million.

The following table shows the currency structure of deposits and loans of commercial banks in BiH for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
Deposits BAM.....	14,374.7	16,732.4	18,209.1	19,182.7	21,566.1	23,534.1
Deposits EUR.....	9,776.7	10,257.3	10,073.0	11,048.0	11,371.0	11,064.5
Deposits other foreign currencies	830.8	842.9	947.1	896.0	933.8	929.5
Total deposits in BAM.....	24,982.2	27,832.6	29,229.2	31,126.8	33,870.8	34,528.2
Loans BAM.....	9,855.4	11,174.0	13,086.0	15,113.0	18,002.8	19,582.5
Loans EUR.....	10,471.5	9,893.6	8,979.5	8,410.2	7,822.2	7,754.6
Loans other foreign currencies	20.5	9.7	2.6	0.9	0.7	0.6
Total loans in BAM	20,347.4	21,077.3	22,068.0	23,524.1	25,825.7	27,337.7

Source: The Central Bank.

As at 30 June 2025, the convertible mark deposits increased by BAM 1,968.0 million (9.1 per cent.) and FX deposits decreased by 310.7 million (2.5 per cent.) mainly due to a decrease in EUR deposits. As at 30 June 2025, foreign currency loans and convertible mark loans stood at BAM 7,755.2 million and BAM 19.5 billion, respectively.

Loan Aggregates

BiH

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

	Year ended 31 December										Six months ended 30 June
	2020		2021		2022		2023		2024		2025
	Short-term loans	Long-term loans	Short-term loans	Long-term loans	Short-term loans	Long-term loans	Short-term loans	Long-term loans	Short-term loans	Long-term loans	Aggregate
	<i>(BAM millions)</i>										
Loans to BiH Institutions.....	0.0	11.6	1.6	14.5	0.1	8.8	3.0	3.0	3.8	0.0	4.3
Loans to Entity Governments.....	19.0	403.1	53.2	353.7	52.2	306.5	52.9	230.7	59.6	256.3	465.9
Loans to Cantonal Governments.....	0.1	142.1	1.4	185.8	1.7	202.1	0.7	266.1	3.0	301.2	308.2
Loans to Municipal Governments.....	16.7	357.4	25.0	350.9	15.7	365.2	13.2	360.3	16.2	424.8	415.8
Loans to Social Security Funds.....	5.7	205.5	4.3	189.8	4.8	165.8	7.2	173.3	3.6	223.9	211.1
Loans to other Financial Institutions, Loans to Non-financial Public Enterprises.....	33.7	111.1	48.4	104.3	41.6	118.4	51.8	154.2	59.3	216.5	300.0
Loans to Non-financial Private Enterprises.....	103.4	432.3	101.7	409.0	176.7	449.5	185.1	432.0	199.8	497.0	689.0
Loans to Non-profit Organisations.....	3,282.5	5,305.9	3,341.1	5,435.7	3,503.1	5,652.4	3,813.2	5,954.5	4,040.5	6,608.0	11,236.8
Loans to Households.....	10.8	9.7	9.2	11.1	12.7	10.7	14.9	19.7	8.2	21.8	38.5
Other loans.....	821.8	9,073.0	810.1	9,625.4	813.2	10,165.2	854.7	10,931.3	859.6	12,020.1	13,666.7
Total.....	4,295.1	16,052.3	4,396.9	16,680.4	4,623.0	17,445.0	4,998.2	18,525.8	5,255.5	20,570.2	27,337.7

Source: The Central Bank.

Inflation and Interest Rates

Inflation policy and trends

The following table shows the average per cent. change in consumer prices in the Republic by type of product or service for the years indicated:

	2020	2021	2022	2023	2024	2025
	<i>(%)</i>					
Bread and cereals.....	2.9	2.8	23.9	8.9	0.7	3.8
Fruit.....	10.4	0.5	14.3	11.6	3.2	11.7
Vegetables.....	(7.4)	1.6	22.7	18.7	(2.9)	2.1
Meat.....	(0.3)	2.2	18.5	14.3	4.5	6.8
Oils and fats.....	4.5	21.9	47.6	(16.2)	(4.2)	11.2
Tobacco.....	5.4	2.1	1.1	3.9	4.2	4.9
Fuels and lubricants.....	(15.5)	10.2	39.3	(9.2)	(3.6)	(6.5)
Alcoholic beverages.....	0.8	0.2	4.8	5.1	3.6	2.6
Communications.....	0.5	(0.1)	1.1	1.7	1.1	0.4
Medications.....	0.9	0.2	(0.1)	3.3	5.8	5.4
Transportation.....	(9.0)	5.9	25.6	(3.1)	(1.3)	(2.2)
Electricity.....	0.0	0.0	0.0	11.9	0.0	7.7
Utilities.....	1.9	(1.1)	1.6	6.7	2.9	1.5
Clothes and shoes.....	(10.0)	(9.5)	(5.5)	(4.4)	(5.8)	(3.7)
Total inflation (CPI).....	(1.2)	1.7	12.7	7.0	1.8	4.1

Source: Institute for Statistics of the Republic; Ministry of Finance.

The Republic recorded average deflation of 1.2 per cent. in 2020, primarily driven by the significant decline in global oil demand and prices during COVID-19. In response, the RS Government implemented emergency measures limiting profit margins to pre-pandemic levels to prevent unfair pricing and maintain a stable supply of goods.

Inflation returned in 2021, averaging 1.7 per cent., driven principally by a 21.9 per cent. increase in fuel and lubricant prices. In 2022, average inflation rose sharply to 12.7 per cent., reflecting global pressures — most notably the disruption to energy supplies following the outbreak of the war in Ukraine — with particularly significant price increases recorded in oils and fats (47.6 per cent.), fuels and lubricants (39.3 per cent.), bread and cereals (23.9 per cent.), vegetables (22.7 per cent.) and meat (18.5 per cent.).

Average inflation moderated to 7.0 per cent. in 2023, supported in part by a 9.2 per cent. decline in fuel and lubricant prices, although food price inflation remained elevated, with increases of 18.7 per cent. in vegetables, 14.3 per cent. in meat, 11.6 per cent. in fruit, and 8.9 per cent. in bread and cereals. Inflation declined further to 1.8 per cent. in 2024, with a broad easing of price pressures across food categories.

In 2025, average inflation increased to 4.1 per cent. (an increase of 2.3 percentage points compared to 2024), partly reflecting a 7.7 per cent. rise in electricity prices, notwithstanding a 6.5 per cent. decline in fuel and lubricant prices. Food prices nonetheless remained significantly elevated compared to the prior year.

Interest Rates

The reserve requirement is an important macro-prudential tool and the primary, and only, method of regulating BiH’s monetary policy. The Law on the Central Bank, which governs monetary policy in BiH, does not permit other instruments of monetary policy, 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. Accordingly, interest rates in BiH are largely influenced by market conditions and the policies of the ECB. See “—*Monetary Policy—Implementation of Monetary Policy*”.

Exchange Rates and Exchange Rate Policy

BiH and, therefore, the Republic have a fixed exchange rate system, administered in accordance with the Currency Board. Since 1 January 2002, BAM has been pegged to the Euro at the exchange rate of BAM 1: EUR 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, Nos. 83/20 and 03/23*). The banks are required to publicly display and publish the exchange rates at which they buy and sell foreign currency.

The table below shows an overview of the annual average exchange rate of the USD per BAM for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025
Exchange rate USD per BAM	1.716607	1.653851	1.860152	1.809093	1.807525	1.734686

Source: *The Central Bank*.

In May 2025, the nominal effective exchange rate of the BAM (the “**NEER**”) recorded an appreciation of 1.5 per cent. as compared to the same month of the previous year. The movement of the NEER was largely driven by changes in the EUR, the Republic’s anchor currency, against the currencies of key trading partners. The BAM recorded a nominal year-on-year appreciation against the Turkish lira (27.2 per cent.), the US dollar (4.5 per cent.), and the Chinese yuan (3.8 per cent.), while it depreciated against the Swiss franc (4.9 per cent.) and the British pound (1.5 per cent.).

The real effective exchange rate (“**REER**”) is calculated from the NEER, which is corrected by the balance between the local economy and the inflation of BiH’s main trading partner. 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. The selection of the main trading partners (i.e., countries which are chosen for the deflator

calculation) is determined in accordance with the technical by-laws of the Central Bank. See “*Presentation of Economic and Other Information—Exchange Rate History*”.

The Central Bank’s approach to the exchange rate policy has always been to adhere to the Currency Board principle. The existing monetary policy framework has so far proved to be reliable and appropriate for the economy of the Republic and BiH and is one of the fundamental pillars for establishing and maintaining macroeconomic stability, both in BiH and in the Republic.

The Central Bank uses the latest reference exchange rates of the ECB, as published by the ECB on the Refinitiv financial service at approximately 16:00 hours, as the basis for determining the relationship of currencies against BAM and for establishing the middle exchange rate for the exchange rate list. For currencies not included on the ECB’s exchange rate list, the latest available middle exchange rate published by the respective national central banks against the Euro is used, as available on the same financial service, until the ECB’s rate list is retrieved. If the ECB and Refinitiv cease publishing the relevant rates, the middle market FX Blended Spot Composite rate from Refinitiv, as of the time the ECB rate list is downloaded, will be used. The exchange rate of the SDR against the BAM is determined using the most recent SDR-to-EUR rate published by the International Monetary Fund on the Refinitiv financial service, as available at the time the ECB exchange rate list is retrieved.

At the end of each day, the Central Bank establishes the exchange rate list, which is applicable on the following day until the beginning of application of the new exchange rate list. The exchange rate list is published on the Central Bank website. See “*Presentation of Economic and Other Information—Exchange Rate History*”.

Foreign Exchange Reserves of the Central Bank

Foreign exchange reserves are managed by the Central Bank in accordance with the Law on the Central Bank and its internal regulations, with the primary objectives of security, liquidity and profitability, subject to the principle of adequacy of reserves. Investment decisions are made at three levels: strategic (the Governing Board), tactical (the Investment Committee) and operational (the relevant departments within the monetary operations, foreign exchange reserves management and cash sector).

Foreign exchange reserves comprise foreign currency held in the Central Bank vault, deposits with non-resident banks, investments in securities, gold, special drawing rights and other assets. Pursuant to the Law on the Central Bank, total monetary liabilities — comprising all banknotes and coins in circulation and receivables on all accounts — may not exceed the equivalent amount of net foreign exchange reserves (expressed in BAM). In addition, no more than 50 per cent. of total capital and reserves may be invested in currencies other than EUR; accordingly, more than 99 per cent. of foreign exchange reserves are invested in EUR-denominated financial instruments. Credit risk is managed primarily through investment in bonds of selected Euro area sovereigns and deposits placed with selected Euro area central banks, the Bank for International Settlements and selected foreign commercial banks meeting applicable counterparty standards.

Notwithstanding continued volatility in global economic conditions, the Central Bank has consistently managed foreign exchange reserves in a safe and profitable manner. Strategic restructuring of the reserves portfolio in 2023 and 2024 enabled the Central Bank to capitalise on the elevated interest rate environment in Euro area financial markets, with net foreign currency interest income in 2024 increasing by 40 per cent. compared to 2023. The net effect of the investment of foreign currency funds for the year ended 31 December 2024 amounted to EUR 232.7 million, corresponding to an effective yield of 2.91 per cent. As at 31 December 2025, the coverage ratio of monetary liabilities by foreign exchange reserves — a key indicator of the stability of the currency board arrangement — stood at 110 per cent. See “*—Overview of Monetary Policy*”.

The following table shows the weighted average net interest rates on the Central Bank foreign exchange reserves placed abroad for the years indicated:

	Year ended 31 December				
	2020	2021	2022	2023	2024
Average weighted Interest Rate ⁽¹⁾	0.04	(0.08)	(%) 0.09	2.14	2.95

Source: *The Central Bank*.

Notes:

(1) Data is published in the Central Bank Annual Reports.

The following table shows the foreign assets of the Central Bank for the periods indicated:

Description	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
Net foreign exchange reserves.....	13,866.3	16,345.8	16,063.3	16,287.4	17,638.4	17,115.9
Gross foreign exchange reserves	13,868.0	16,348.1	16,065.9	16,289.9	17,640.9	17,118.2
Cash in foreign currency.....	142.2	269.6	572.0	455.2	526.0	557.5
Deposits with foreign banks	3,832.1	3,945.1	8,273.2	8,326.6	6,786.2	5,968.0
Investments into securities.....	9,601.3	11,629.6	7,060.5	7,330.6	9,768.7	10,209.1
Gold.....	291.6	302.0	160.0	175.5	555.2	613.9
Special drawing rights with the IMF	0.9	1.9	0.1	2.1	4.8	6.4
Gross foreign exchange reserves in the months of imports of goods and services	10.0	9.3	6.8	7.0	7.2	-
Gross foreign exchange Reserves/External debt (%).....	158.9	173.3	169.6	183.7	193.7	-

Source: Central Bank of BiH.

During the period from 31 December 2020 to 30 June 2025, foreign exchange reserves remained at a high and stable level, with moderate fluctuations and a clear strengthening in the most recently observed year. Net and gross foreign exchange reserves recorded a moderate decline in 2022, followed by a gradual recovery and more pronounced growth in 2024, which indicated an improvement in the external position. The movements in net and gross reserves were almost identical, pointing to a stable reserve structure and a limited impact of liabilities. Investments in securities decreased significantly in 2022 but increased again in 2023, reflecting more active portfolio management and adjustments to market conditions. The share of gold in foreign exchange reserves increased noticeably in 2024, which contributed to greater diversification and security of reserves. This increase in gold holdings may also be viewed as a response to heightened global uncertainties. The import coverage ratio of foreign exchange reserves declined significantly in 2022 but stabilised in 2023 and 2024. Although this indicator remains lower compared to 2020, it continues to point to an adequate level of reserves to finance external trade requirements. Overall, foreign exchange reserves remained at a prudent level throughout the entire period, with an improved structure and enhanced resilience in 2024.

The Banking Sector of the Republic

Overview

According to the Law on the Banking Agency of the Republic (*Official Gazette of the Republic, Nos. 59/13 and 4/17*), the Republic's banking system consists of banking institutions, MCOs, saving and credit organisations (cooperatives) leasing companies and other financial organisations. Each of these financial institutions are regulated by separate laws which stipulate that the BARS shall issue operating licences and approvals, supervise operations and perform other activities related to such financial institutions.

The following table shows the breakdown of the Republic's financial sector assets for the periods indicated:

	Year ended 31 December										Six months ended 30 June	
	2020		2021		2022		2023		2024		2025 ⁽¹⁾	
	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share	Gross Assets	Share
	<i>(BAM thousands)</i>	<i>(%)</i>	<i>(BAM thousands)</i>	<i>(%)</i>	<i>(BAM thousands)</i>	<i>(%)</i>	<i>(BAM thousands)</i>	<i>(%)</i>	<i>(BAM thousands)</i>	<i>(%)</i>	<i>(BAM thousands)</i>	<i>(%)</i>
Banks.....	8,889,200	89	9,892,300	89.0	10,070,031	88.1	10,370,100	87.4	11,205,300	87.2	11,583,700	86.9
Insurance companies.....	529,894	5	563,550	5.1	619,549	5.4	653,653	5.5	696,885	5.4	713,628	5.4
Investment funds.....	160,005	2	160,930	1.4	173,461	1.5	177,994	1.5	175,375	1.4	175,976	1.3
Microcredit organisations.....	428,645	4	476,118	4.3	545,508	4.8	624,090	5.3	732,181	5.7	802,173	6.0
Voluntary pension funds	8,596	0	17,571	0.2	26,531	0.2	35,874	0.3	45,237	0.3	48,521	0.4
Leasing companies.....	-	-	-	-	-	-	-	-	-	-	-	-
Total.....	10,016,340	100	11,110,469	100	11,435,080	100	11,861,711	100	12,854,978	100	13,323,998	100

Source: 2025 Statistical Yearbook, Republic Statistics Institute.

Notes:

(1) Year end 2025 data is not available as at the date of this Offering Circular's publication.

As at 30 June 2025, the banking sector dominated the financial market of the Republic, accounting for 86.9 per cent. of the total assets of the financial sector, representing a decrease of 0.3 per cent. as compared to 31 December 2024. As of 30 June 2025, eight banks operate on the domestic market with total assets of BAM 11.58 billion.

Between 2020 and the first half of 2025, the proportion of short-term assets as a percentage of net assets in the banking sector remained relatively stable. Short-term assets accounted for 22.9 per cent. of net assets in 2020, rising to 28.7 per cent. in 2021. This ratio then moderated to 27.4 per cent. in 2022, 25.7 per cent. in 2023, 25.8 per cent. in 2024, and 25.3 per cent. in the first half of 2025, reflecting a consistent liquidity position across the period.

The following table shows the structure of the banks' market shares (domestic and foreign capital) in total assets, capital and deposits for the periods indicated:

	Year ended 31 December 2024				Six months ended 30 June 2025.			
	Share (%)		in total capital	in deposits	No. of banks	Share (%)		No. of banks
	in total assets	in total capital				in total assets	in total capital	
Capital structure								
With majority domestic capital	50.7	47.8	49.7	4	51.5	49.3	50.8	4
With majority foreign capital	49.3	52.2	50.3	4	48.5	50.7	49.2	4

The following table illustrates the overall balance sheet position of the Republic's banking sector for the periods indicated:

DESCRIPTION	Year ended 31 December												Index 30.06- 2025/31. 12.2024
	2020		2021		2022		2023		2024		2025.		
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
ASSETS	<i>(Amounts are in BAM Millions)</i>												
1. Cash Funds	1,920.2	21.6	2,745.4	27.8	2,636.6	26.2	2,560.0	24.7	2,755.9	24.6	2,846.5	24.6	103
2. Securities	1,071.8	12.1	1,101.6	11.1	1,283.9	12.7	1,389.8	13.4	1,329.2	11.9	1,451.5	12.5	109
3. Placements to other banks.....	44.8	0.5	16.7	0.2	40.4	0.4	28.6	0.3	51.4	0.5	0.7	0	1
4. Loans (gross) ...	5,493.8	61.8	5,705.1	57.7	5,792.9	57.5	6,056.5	58.4	6,695.2	59.7	6,909.1	59.6	103
5. Office space and other fixed assets	202.8	2.3	192.7	1.9	186.8	1.9	189.1	1.8	193.6	1.7	194	1.7	100
6. Other assets	155.8	1.8	130.7	1.3	129.4	1.3	146.1	1.4	180.1	1.6	181.9	1.6	101
GROSS BALANCE SHEET ASSETS	8,889.2	100	9,892.3	100	10,070.0	100	10,370.1	100	11,205.3	100	11,583.7	100	103
8. Impairment	380.6		341.0		312.9		339.6		349.5		358.2		102
8.1. Impairment for loan items ..	357.4		322.5		292.4		314.9		327.2		335.5		103
8.2. Impairment for asset items except loans	23.2		18.5		20.4		24.7		22.4		22.7		102
NET BALANCE SHEET ASSETS	8,508.6		9,551.3		9,757.2		10,030.6		10,855.8		11,225.5		103
OBLIGATIONS.													
10. Deposits.....	6,515.2	76.6	7,498.6	78.5	7,595.2	77.8	7,740.1	77.2	8,354.2	77	8,584.2	76.5	103
11. Obligations per loans taken	678.3	8.0	681.5	7.1	704.7	7.2	717.8	7.2	671.4	6.2	682.6	6.1	102
12. Subordinated debts	52.3	0.6	52.3	0.5	52.3	0.5	70.8	0.7	99.7	0.9	88.1	0.8	88
13. Off-balance sheet items provisioning....	11.2	0.1	12.7	0.1	12.8	0.1	17	0.2	16.9	0.2	13.3	0.1	78
14. Other obligations	197.2	2.3	189.7	2.0	176.2	1.8	178.8	1.8	227.1	2.1	234.3	2.1	103
CAPITAL.....													
15. Capital.....	1,054.3	12.4	1,116.5	11.7	1,216.0	12.5	1,306.1	13	1,486.6	13.7	1,623.0	14.5	109
TOTAL LIABILITIES (OBLIGATIONS AND CAPITAL).....	8,508.6	100	9,551.3	100	9,757.2	100	10,030.6	100	10,855.8	100	11,225.5	100	103

Source: The BARS

Despite the relatively small number of commercial banks operating in the Republic, as at 30 June 2025, the top three banks in the Republic (being Nova Banka, UniCredit Bank and NLB Banka) together had a market share of 63.5 per cent. of assets, 63.4 per cent. of deposits and 60.6 per cent. of loans.

The following table sets out an overview of the aggregate income statement of the Republic's banking sector for the periods indicated:

	Six months ended 30 June					
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
1. INTEREST INCOME AND EXPENSES						
a) Interest income and similar income						
1) Interest-bearing deposit accounts with depository institutions	0.2	0.1	0.1	4.7	14.2	9.8
2) Placements with other banks	0.0	0.0	0.0	0.8	3.2	3.0
3) Loans and receivables from leasing operations	124.8	127.3	132.8	157.2	175.0	184.5
4) Securities held up to maturity.....	10.7	11.7	12.0	15.5	23.1	26.2
5) Equity securities	0.0	0.0	0.0	0.0	0.0	0.0
6) Receivables from paid off-balance liabilities.	0.0	0.0	0.0	0.0	0.0	0.0

	Six months ended 30 June					
	2020	2021	2022	2023	2024	2025
7) Other interest income and similar expenses...	9.4	9.7	13.4	15.5	14.4	12.5
8) TOTAL INTEREST INCOME AND SIMILAR INCOME (1 to 7)	145.2	148.8	158.3	193.8	229.9	236.0
b) Interest expense and similar expenses						
1) Deposits.....	21.2	20.5	16.7	17.6	27.9	33.5
2) Borrowings from other banks.....	0.0	0.0	0.0	0.0	0.0	0.0
3) Other borrowings – matured liabilities	0.0	0.0	0.0	0.0	0.0	0.0
4) Borrowings and other loans received	4.2	4.6	4.4	5.7	6.5	5.4
5) Subordinated debt and subordinated bonds ...	1.0	1.0	1.0	1.3	2.4	3.1
6) Other interest and similar expenses.....	3.3	3.5	3.5	1.1	0.9	1.2
7) TOTAL INTEREST AND SIMILAR EXPENSES (1 to 6)	29.6	29.5	25.7	25.6	37.6	43.2
c) NET INTEREST AND SIMILAR INCOME (a.8–b.7).....	115.6	119.2	132.6	168.1	192.3	192.7
2. OPERATING INCOME						
a) Income from foreign exchange operations	7.2	7.5	10.4	10.1	10.7	11.3
b) Loan fees and commissions	3.1	2.7	2.8	2.4	2.9	2.4
Fees from off-balance sheet operations	4.4	4.8	5.2	6.1	6.4	7.1
d) Fees and commissions for services rendered ...	50.4	59.2	69.2	77.7	86.3	94.2
e) Trading income.....	0.2	0.1	0.1	0.2	0.1	0.1
f) Other operating income	9.7	18.0	15.4	17.5	25.8	35.1
e) TOTAL OPERATING INCOME (a to f)	75.0	92.1	103.2	114.0	132.2	150.3
3. NON-INTEREST EXPENSES.....						
a) Business and direct expenses.....						
1) Provisions for general credit risk and potential credit and other losses	17.0	5.2	6.2	20.5	14.3	11.0
2) Other business and direct expenses	16.4	20.3	24.9	24.2	27.0	31.3
3) TOTAL BUSINESS AND DIRECT EXPENSES (1 + 2)	33.4	25.5	31.1	44.8	41.3	42.3
b) Operating expenses.....						
1) Costs of salaries and contributions	48.7	50.9	52.3	57.0	66.4	70.5
2) Costs of office space, other fixed assets and overhead.....	34.9	35.2	35.6	37.2	37.2	38.9
3) Other operating expenses.....	32.5	29.8	32.3	40.3	41.8	38.3
4) TOTAL OPERATING EXPENSES (1 to 3) ...	116.1	115.9	120.1	134.5	145.3	147.7
c) TOTAL NON-INTEREST EXPENSES a.3) + b.4).....	149.5	141.4	151.3	179.3	186.7	190.0
4. PROFIT BEFORE TAXATION.....	42.0	70.0	84.5	102.8	139.6	153.0
5. LOSS.....	0.9	0.0	0.0	0.0	1.7	0.0
6. TAXES.....	4.0	5.1	6.1	9.0	10.8	11.1
7. Profits arising from deferred tax assets and reduction of deferred tax liabilities	0.1	0.2	0.4	0.6	0.4	0.6
8. Loss arising from reduction of deferred tax assets and increase in deferred tax liabilities...	0.1	0.6	0.5	0.3	0.5	0.3
9. NET PROFIT (4. - 6. + 7. - 8.).....	38.1	64.4	78.3	94.1	128.7	142.1
10. NET LOSS (5. + 6. - 7. + 8.).....	0.9	0.0	0.0	0.0	1.7	0.0

Source: The BARS

In the first six months of 2025, the banking sector continued to remain resilient, well-capitalised, and liquid amid the disruptions caused by geopolitical uncertainties accompanied by inflationary pressures that marked the observed period. As at 30 June 2025, the Republic's banking sector recorded gross assets of BAM 11,583.7 million and its capital amounted to BAM 1,623.0 million. The banking sector recorded a sufficient regulatory capital ratio which stood at 21.0 per cent. (as compared to a minimum statutory threshold of 12 per cent.), as well as a stable leverage ratio which stood at 11.6 per cent. (as compared to a minimum statutory threshold of six per cent.). BARS has implemented a number of temporary macroprudential measures currently in force: interest rate risk measures are in effect until 30 June 2026; exposure limits are in effect until 31 December 2026; and repayment-relief measures are in effect until 31 December 2026. The current minimum capital adequacy requirement is 12 per cent., which is scheduled to reduce to 10 per cent. as of 31 December 2026 in line with Basel III implementation.

The Republic, like the Federation, does not currently have a special Financial Stability Fund for financing bank resolution. The need for such a fund is recognised and legal and technical options for its establishment are currently under consideration. Although the Deposit Insurance Fund, managed by the DIA, can be used to finance bank resolutions, there can be no assurance that a Financial Stability Fund will be established within any particular timeframe or that its absence will not limit the capacity of BARS to respond to a systemic banking sector stress event.

Deposits

The following table details the sectoral composition of total deposits for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
Governmental institutions.....	622.5	973.2	995.7	861.4	669.7	721.7
Public enterprises and SOEs.....	324.1	455.7	498.6	311.9	261.4	302.0
Private enterprises	943.7	1,180.4	1,313.2	1,426.7	1,674.5	1,620.5
Non-profit organisations.....	105.7	125.5	141.9	149.2	171.4	184.6
Bank and banking institutions	361.3	228.1	232.1	131.7	218.1	172.2
Non-banking financial institutions....	285.8	331.2	310.0	265.7	286.6	289.7
Households.....	3,855.5	4,179.7	4,084.7	4,578.9	5,066.9	5,287.1
Other	16.7	24.8	18.9	5.5	5.6	6.5
Total	6,515.2	7,498.6	7,595.2	7,740.1	8,354.2	8,584.2

Source: The BARS.

As at 30 June 2025, deposits amounted to BAM 8.6 billion, representing an increase of BAM 230.0 million, or 3.0 per cent., compared to the end of 2024. Interest rates on deposits recorded significant growth only in the second half of the observed period, when banks offered more favourable terms to attract and retain deposits.

Between 2020 and the six months ended 30 June 2025, total deposits—which represent the largest source of funding for banks (76.5 per cent. as at 30 June 2025)—increased from BAM 6,515.2 million to BAM 8,584.2 million, a rise of 31.8 per cent.

As at 30 June 2025, deposits in domestic currency amounted to BAM 6.1 billion, reflecting growth of BAM 200.9 million, or 3 per cent., while deposits in foreign currency totalled BAM 2.5 billion, an increase of BAM 29.2 million, or 1 per cent., compared to the end of 2024.

Loans

As at 30 June 2025, loans and receivables accounted for the largest share of the banking sector's gross assets, representing 59.6 per cent.

The following table details the sectoral composition of total loans issued by the banking sector for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
Governmental institutions.....	683.9	631.5	547.9	495.5	554.7	512.6
Public enterprises and SOEs.....	247.9	237.2	325.2	341.8	474.7	466.6
Private enterprises	1,916.6	1,976.2	1,902.7	2,098.8	2,266.9	2,319.1
Non-profit organisations.....	6.3	4.8	11.5	12.9	9.9	11.4
Bank and banking institutions	0.0	-	-	-	-	-
Non-banking financial institutions...	56.4	55.1	58.8	68.1	74.5	80.3
Households.....	2,572.8	2,793.1	2,924.6	3,018.0	3,303.3	3,512.7
Other	9.9	7.3	22.1	21.5	11.2	6.3
Total	5,493.8	5,705.1	5,792.9	6,056.5	6,695.2	6,909.1

Source: BARS.

Although borrowing costs increased for both businesses and individuals, lending activity remained robust due to the stability of the domestic banking system. By mid-2025, interest rates had stabilised, and, together with low levels of non-performing loans, this confirmed the sector's resilience to external shocks.

As at 30 June 2025, total gross loans denominated in BAM amounted to BAM 3.8 billion, representing 55.5 per cent. of total gross loans. Gross loans denominated in BAM with a euro currency clause totalled BAM 3.0 billion, or 43.5 per cent. of total gross loans. Gross loans denominated directly in foreign currency (EUR) amounted to BAM 68.5 million, or 1.0 per cent. of total gross loans.

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
Number of banks in banking sector	8	8	8	8	8	8
					(%)	
Capital adequacy ratio						
Regulatory capital requirement (min. 12%).....	19.3	19.2	20.2	21.0	21.1	21.0
Tier 1 capital (min. 9%).....	17.5	18.3	19.4	19.9	20.0	20.0
CET 1 (min. 6.75%).....	17.4	18.2	19.3	19.8	19.9	20.0
Financial leverage (min 6%)	10.4	9.7	10.3	10.8	11.5	11.6
Asset quality						
NPLs to total loans.....	5.2	4.0	3.7	3.6	3.7	3.5
Total loan loss provision coverage ratio per IFRS.....	6.51	5.65	5.05	5.20	4.89	4.86
Total loan loss provisioning under IFRS (<i>BAM millions</i>).....	357.4	322.5	292.4	314.9	327.2	335.5
Profitability						
Profit before tax (<i>BAM millions</i>)	67.5	132.4	152.9	209.0	269.7	153.0
ROAA.....	0.6	1.3	1.5	2.0	2.4	2.6
ROAE.....	5.1	10.4	11.9	14.9	17.7	18.8
Net income from interest/average net assets.....	2.9	2.8	3.0	3.6	3.8	3.6
Operating income/average net assets.....	2.0	2.1	2.3	2.5	2.7	2.8
Total operating expenditures/total income netted by other business and direct costs (Cost/Income ratio).....	65.6	62.1	55.8	52.2	49.2	47.4
Liquidity						
Liquidity coverage ratio – LCR (<i>min. ≥100</i>).....	200.3	202.3	221.3	236.1	211.6	257.1
Net stable funding ratio – NSFR (<i>min. ≥100</i>).....	-	162.6	167.2	168.2	161.1	159.7
Liquid assets ⁽²⁾ /net assets.....	22.9	28.7	27.4	25.7	25.8	25.3
Liquid assets ⁽²⁾ /short-term financial liabilities.....	33.8	40.7	38.7	38.7	37.7	37.4
Short-term financial liabilities/total financial liabilities.....	77.4	80.0	80.9	76.7	79.5	79.3
Loans/(deposits and borrowings)....	76.4	69.7	69.8	71.6	74.2	74.6
Loans/(deposits, borrowings and subordinated debt).....	75.8	69.3	69.4	71.0	73.4	73.9

Source: BARS

Notes:

- (1) Narrowly defined liquid assets: cash and deposits, as well as other financial assets with a remaining maturity of less than three months, excluding interbank deposits.

Throughout the observed period, the banking sector maintained a strong capital position, with all capital adequacy indicators being consistently and significantly above the prescribed regulatory minimum. Such adequacy indicators indicated a high degree of resilience and operational stability. At the same time, CET1 and Tier 1 capital ratios recorded gradual growth, alongside strengthening financial leverage, further confirming a solid capital base. Asset quality remained stable, with a slight reduction in the share of non-performing loans in the total loan portfolio, reflecting prudent credit risk management.

Profitability improved significantly, particularly in the period from 2022 to 2024, as reflected in the growth of profit before taxation and key performance indicators. Return on average assets (“**ROAA**”) return on average equity (“**ROAE**”) recorded continuous growth indicating more efficient utilisation of assets and capital. Favourable developments in net interest income and total operating income point to strengthening core banking activities. At the same time, operating efficiency improved, as evidenced by the continuous decline in the cost-to-income ratio. The liquidity position remained robust throughout the entire period, with LCR and NSFR ratios significantly above regulatory requirements.

Capital adequacy

Banks are required to maintain a statutory level and composition of capital with thresholds set at BAM 15 million for subscribed founding capital and BAM 15 million for regulatory capital. The bank regulatory capital, a sum of core and supplementary capital may not be lower than BAM 15 million, after regulatory adjustments. Depending on the risk profile and systemic importance of a bank, banks are required to ensure at any time adequate levels of capital.

By the Decision on the Calculation of Bank Capital, the BARS has prescribed the types and characteristics of items to be included in regulatory capital, as well as the methodology for determining capital requirements. This decision mainly constitutes the transposition of Regulation (EU) No 575/2013 (CRR) and also relevant parts of the Directive 2013/36/EU (CRD), with certain segments imposing requirements that are more conservative than the EU regulatory framework. By aligning with these EU regulations, the regulatory framework of the Republic is also consistent in all elements applicable to the market of the Republic with the international capital standards defined under the Basel III framework.

Prescribed basic capital requirements are: minimum capital adequacy ratio (regulatory capital) is 12 per cent., the minimum Tier 1 capital (core capital) ratio is 9 per cent. and the minimum common equity Tier 1 ratio is 6.75 per cent. The minimum leverage ratio is set at 6 per cent. Amendments to the Law on Banks of the Republic foresee a reduction of the minimum required regulatory capital ratio to 10 per cent. as of 31 December 2026. This reduction will also be reflected proportionally in the corresponding sub-ratios and these levels will remain above the minimum requirements prescribed under EU regulations.

In addition to the minimum prescribed ratios, banks are subject to additional capital requirements based on the outcome of the Supervisory Review and Revaluation Process (“SREP”) assessment (Basel III – Pillar 2 requirements), which can be up to 3.5 per cent. Additional capital requirements are also prescribed in the form of capital buffers, which include:

- a capital conservation buffer of 2.5 per cent.;
- a buffer for systemically important banks up to 3.0 per cent.; and
- a buffer for structural systemic risk up to 3.0 per cent.

The regulatory framework also provides for a Basel III – Pillar 2 Guidance (“P2G”), which the BARS determines based on the results of supervisory stress testing, with the P2G level set individually for each bank. All additional capital requirements, including SREP requirements and the capital buffers, must be maintained by banks in the form of Common Equity Tier 1 (CET1) capital, which represents the highest-quality and most resilient component of regulatory capital. Although the countercyclical capital buffer is provided for under the applicable regulatory framework, it is not currently applied, and its operational implementation is under development. See “—Application of Basel III standards”.

The following table shows capital adequacy indicators for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
	<i>BAM millions</i>					
Total amount of risk exposure	5,267.2	5,252.7	5,382.6	5,668.2	6,563.4	6,823.9
Regulatory capital	1,018.2	1,005.8	1,089.3	1,188.3	1,386.8	1,433.9
Excess (+)/shortage (–) of regulatory capital.....	386.2	375.8	443.3	508.3	598.8	614.9
Capital adequacy ratio (min. 12%).....	19.3	19.2	20.2	21.0	21.1	21.0
Tier 1	922.9	962.0	1,043.4	1,130.0	1,309.9	1,367.4
Excess (+)/shortage (–) of Tier 1	448.9	489.0	559.4	620.0	718.9	753.4
Tier 1 ratio (min. 9%).....	17.5	18.3	19.4	19.9	20.0	20.0
CET 1	916.9	956.0	1,037.4	1,124.0	1,303.9	1,361.4
Excess (+)/shortage (–) of CET 1	560.9	601.0	674.4	741.0	860.9	900.4
CET 1 ratio (min. 6.75%)	17.4	18.2	19.3	19.8	19.9	20.0

Capital adequacy in the banking sector during the observed period remained exceptionally high and well above the statutory minimum. In 2022, the regulatory capital ratio stood at 20.2 per cent., before increasing in 2023 and 2024 to 21.0 per cent. and 21.1 per cent., respectively. This increase confirmed the strong capitalisation of banks and their capacity to absorb potential losses. By mid-2025, the regulatory capital ratio was 21.0 per cent., down by 0.1 per cent.; the Tier 1 capital ratio was 20.0 per cent., unchanged from year-end 2024; and the CET1 ratio was 20.0 per cent., up by 0.1 per cent., all compared to the year ended 31 December 2024.

The banking system maintained a strong capital base due to retained earnings and prudent management of risk-weighted assets, thereby ensuring long-term stability and depositor confidence. The BARS may set a higher regulatory capital adequacy ratio for an individual bank if, based on the type and degree of risk exposure, systemic importance and business activities of such bank, it is determined that this is necessary for maintaining the safety and soundness of a bank's operations.

Non-performing loans

The quality of the total assets of the banking sector depends on the quality of the loan portfolio, given the increased risk exposure of such assets and their volume and structure. In accordance with the regulations adopted by the BARS, the Republic classifies non-performing loans ("NPL") as loans that are a level three credit risk, and meets one or both of the following requirements: (i) the borrower has defaulted for more than 90 days and the debt due is significant; and/or (ii) the bank is assured that the borrower will not be able to repay the loan, without considering collection from collateral.

The following table provides an overview of the change in NPLs in the Republic's banking sector for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
			(%)			
Corporate NPLs.....	5.5	4.0	4.0	3.9	4.5	4.2
Retail NPLs.....	5.0	4.0	3.4	3.4	3.0	2.8
Total NPLs.....	5.2	4.0	3.7	3.6	3.7	3.5
			(BAM millions)			
Total NPLs.....	287.5	226.8	213.5	220.5	249.3	242.8

Source: The BARS.

The trend in NPLs in the Republic has been characterised by a stable decline and an overall improvement in asset quality. In the period from 2020 to 2023, the NPL ratio decreased to 3.6 per cent., primarily as a result of effective collection efforts and balance sheet clean-up through write-offs. During 2024, despite strong credit expansion, the NPL ratio remained stable at 3.7 per cent., confirming that loan growth was accompanied by adequate risk management practices. The most favourable result was recorded in mid-2025, when the NPL ratio declined to a historic low of 3.5 per cent. per cent. This trend is a direct consequence of the strict regulatory framework of the BARS and conservative approach adopted by banks when approving new lending exposures.

The following table provides an overview of the total loans to reserves coverage rate as at 31 December for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
			(%)			
Asset quality.....						
NPLs to total loans.....	5.2	4.0	3.7	3.6	3.7	3.5
Coverage ratio of total loans by ECL (%).....	6.51	5.65	5.05	5.20	4.89	4.86
Total NPL coverage ratio by ECL (%).....	81.5	81.9	74.6	76.1	71.1	76.4

Source: The BARS.

In accordance with the Decision on Credit Risk Management and Loan Loss Identification, a bank is required to classify each credit exposure into one of the following three categories: level 1-performing, level 2-under performing and level 3-NPL (i.e., nonperforming).

Based on the credit risk category assigned to each exposure, the bank determines and calculates expected credit losses. There are minimum regulatory rates prescribed, but banks also calculate expected credit losses using their internal models. The higher of these two amounts is recognized in the bank's profit and loss statement and reflected in the balance sheet as an adjustment to the value of the exposures.

Profitability

As at 30 June 2025, the banking sector's profit before tax was BAM 153.0 million, representing an increase of BAM 13.4 million, or 10 per cent., compared to the same period in 2024. All banks in the Republic's banking sector reported net profits totalling BAM 142.1 million as at 30 June 2025, an increase of BAM 15.1 million, or 11.9 per cent., compared to the same period in 2024 (when net profits amounted to BAM 127.0 million). Profitability indicators reflect strong performance: the return on average assets was 2.6 per cent. (up 0.1 per cent.), return on average equity was 18.8 per cent. (down 0.4 per cent.), net interest margin was 3.6 per cent. (down 0.2 per cent.), and the cost-to-income ratio was 47.4 per cent. (down 1.5 per cent.), all compared to the same period in 2024.

The following table shows profitability indicators as at 31 December for the years 2020 to 2024 and for the six months ended 30 June 2025:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
Profitability						
Profit before tax (<i>BAM millions</i>)	67.5	132.4	152.9	209.0	269.7	153.0
ROAA	0.6	1.3	1.5	2.0	2.4	2.6
ROAE.....	5.1	10.4	11.9	14.9	17.7	18.8
Net income from interest/average net assets.....	2.9	2.8	3.0	3.6	3.8	3.6
Operating income/average net assets	2.0	2.1	2.3	2.5	2.7	2.8
Total operating expenditures/total income netted by other business and direct costs (Cost/Income ratio).....	65.6	62.1	55.8	52.2	49.2	47.4

Source: The BARS.

Liquidity

As at 30 June 2025, total cash assets and securities amounted to BAM 4.3 billion, representing a significant share of total gross assets (37.1 per cent.). As at the same date, the liquidity coverage ratio of the banking sector was 257.1 per cent., an increase of 45.5 per cent. compared to the end of 2024. At the individual bank level, the liquidity coverage ratio ranged from 145.3 per cent. to 578.5 per cent.

As at 30 June 2025, the net stable funding ratio for the banking sector was 159.7 per cent. At the individual bank level, the net stable funding ratio ranged from 149.5 per cent. to 186.2 per cent., compared to the prescribed minimum of 100 per cent.

The following table illustrates the Central Bank's reserve account balance as at 31 December for the years 2020 to 2024 and for the six months ended 30 June 2025:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
			<i>(BAM millions)</i>			
Reserve Requirements	700.0	798.2	793.2	833.7	895.6	923.0
Reserve Account Balance.....	1,324.7	1,901.2	1,806.7	1,463.7	1,567.5	1,561.3
Excess Funds on the Required Reserve Accounts with the Central Bank.....	624.7	1,103.0	1,013.5	630.0	671.9	638.3

Source: The BARS.

Total risk exposure

The following table sets forth the risk exposure structure of the banking sector of the Republic for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
	<i>(BAM millions)</i>					
Total amount of risk exposure.....	5,267.2	5,267.2	5,252.7	5,668.2	6,563.4	6,823.9
Risk-weighted exposures for credit risk	4,525.5	4,525.5	4,738.0	5,088.5	5,921.3	6,176.5
Market risk exposures (position and currency risk)	94.9	94.9	70.1	31.4	7.7	13.5
Operational risk exposures	646.8	646.8	444.7	548.3	634.3	633.9

Source: The BARS

Total risk exposure represents the sum of risk-weighted exposures for credit risk, market risk (position risk, foreign exchange risk and commodity risk), operational risk, settlement/free delivery risk and risk associated with large exposures arising from items in the trading book. As at 30 June 2025, total risk exposure of the banking sector of the Republic amounted to BAM 6.8 billion, representing an increase of BAM 260.5 million, or 4.0 per cent., compared to year-end 2024. Total risk exposure represents the aggregate of the individual exposures described below, with the dominant impact stemming from changes in credit risk exposure.

Total credit risk exposure increased by BAM 255.2 million, or 4 per cent., compared to year-end 2024, reaching BAM 6.2 billion. The increase was largely driven by the growth in net balance sheet assets, which increased by 3.0 per cent. as compared to year-end 2024.

In previous years, net balance sheet assets also recorded a growth trend. In 2023, net balance sheet assets increased by 3.0 per cent. as compared to 2022, while total credit risk exposure increased by 7.0 per cent. In 2024, net balance sheet assets increased by 8.0 per cent. as compared to 2023, whereas total credit risk exposure increased by 16 per cent. The higher growth rate of total risk exposure reflects the increased share of net assets (portfolios) carrying non-zero risk weights.

Total exposure to market (foreign exchange) risk increased by BAM 5.8 million, or 75 per cent., as compared to year-end 2024, amounting to BAM 13.5 million.

For banks in the Republic, market risk exposure arises solely from foreign exchange risk. A bank is required to calculate a capital requirement for foreign exchange risk where the aggregate of its total net open position exceeds 2.0 per cent. of its regulatory capital. Total exposure to market (foreign exchange) risk at a given date varies depending on: (i) the number of banks required to calculate such exposure and (ii) the level of their respective net open positions.

Total exposure to operational risk decreased by BAM 0.4 million compared to year-end 2024 and amounted to BAM 633.9 million. Operational risk exposure reflects changes in the relevant indicator (i.e., income and expenses from the income statement included in its calculation). Only income and expenses arising from a bank's operating activities are included in the calculation of this indicator, and movements therein directly affect its level. The capital requirement for operational risk is 15.0 per cent. of the three-year average of the relevant indicator.

Ownership and Licensing

The following table illustrates the composition of equity held by foreign and domestic shareholders in the Republic's banking sector for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
Austria.....	31.9	30.9	21.9	21.8	(%) 21.6	21.6
Italy.....	14.3	13.9	13.8	13.8	13.7	13.7
Slovenia.....	9.2	8.9	8.9	8.8	8.7	8.7
Serbia.....	10.2	9.7	9.4	9.4	8.5	8.5
Other countries.....	1.7	1.5	1.5	1.9	0.4	0.3
1. Foreign capital.....	67.3	64.8	55.5	55.6	52.8	52.8
2. Domestic capital.....	32.7	35.2	44.5	44.4	47.2	47.2
Total (1+2).....	100	100	100	100	100	100

Source: The BARS.

The ownership structure of the banking sector is characterised by private ownership in all banks, with four out of eight banks having majority foreign shareholding. Domestic capital accounts for the largest share at 47.2 per cent. of total share capital, followed by Austria (21.6 per cent.), Italy (13.7 per cent.), Slovenia (8.7 per cent.), Serbia (8.5 per cent.) and other countries (0.3 per cent.).

Banking Supervision and Enforcement

In accordance with the constitutional and legal order of BiH and the Republic, the Republic is responsible for the regulation, supervision and stability of the banking sector. Consequently, the BARS was established by the Law on the Banking Agency of the Republic (*Official Gazette of the Republic, Nos. 59/13 and 4/17*) to act as the supervisory and regulatory authority that oversees the banking sector. The BARS acts as an independent, sovereign, and autonomous and non-profit authority which reports directly to the RS National Assembly.

The key responsibilities of the BARS 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; (iii) regulating the operations of the BARS and the banking system entities and (iv) enacting and supervising measures relating to AML/FTA in cooperation with the competent authorities and institutions.

The primary objective of the BARS' supervision is to preserve confidence in the banking system of the Republic, and to ensure its stability, security and protection of depositors. The BARS mainly performs its supervisory functions through (i) off-site controls, (ii) on-site controls, (iii) issuing relevant regulations within its competence, and (iv) ordering supervisory measures.

The BARS determines the frequency and scope of bank supervision taking into account its size, financial condition, systemic importance of the bank for the financial sector, scope and complexity of operations, risk profile and persons with significant participation in the bank, while applying the principle of proportionality.

The decision on the manner of conducting banking supervision and undertaking supervision measures (*Official Gazette of the Republic, 96/25*) specifies the conditions and manner of conducting banking supervision, the content of the supervision plan, the actions of authorised persons of the BARS during supervision and taking measures supervision, and the obligations of the bank during and after supervision. The BARS also regularly stress tests banks.

The BARS is empowered and authorised to implement one or more of the following supervisory measures against that bank:

- the issuance of a formal written warning;
- requiring the elimination or correction of the irregularities;
- restricting the exercise of the rights of shareholders under their shareholding;
- imposing early intervention measures;

- revoking the licence of a bank or otherwise initiating a statutory liquidation procedure or submitting a proposal for the commencement of bankruptcy proceedings in respect of such bank; and
- implementing a procedure for assessing the eligibility of a bank resolution procedure (largely in line with the European approach under Directive 2014/59/EU).

Under the Law on Amendments to the Law on Banks of the Republic (*Official Gazette of the Republic, No. 45/25*), the BARS is granted the authority, in accordance with the CRD Directive, to impose additional capital requirements on a bank if the bank has not established, or does not consistently implement, a comprehensive risk management system; if it has not established, or does not consistently implement, policies and procedures for identifying and monitoring large exposures; if it has not established, or does not consistently implement, procedures for assessing capital adequacy in the course of the internal capital adequacy assessment process; or in other cases as prescribed by applicable regulations.

To perform and improve activities from its competence, the BARS co-operates with FBA, the Central Bank, the DIA, financial supervision authorities of the Republic and the Brčko District, other control authorities and other institutions and authorities. See “—*The division of responsibilities between the Central Bank, the Republic and BiH*”. The BARS also cooperates with the international authorities, bodies and institutions that perform supervision, resolution and other competences toward banks and other financial organisations.

The BARS has signed memoranda of cooperation with different regulatory or supervisory banking authorities in Serbia, Croatia, Slovenia, Montenegro, Austria, Germany and Turkey in relation to parent banks of banking groups that are domiciled but have branches in the Republic. The BARS is a member of the memorandum of cooperation and high-level principles of cooperation and coordination of banking supervision in the countries of Southeast Europe, and memoranda of cooperation with the European Banking Authority. The BARS also cooperates with international and EU institutions and organisations (including the IMF, the World Bank and the European Central Bank) by responding to inquiries, requests for data, information and/or completing questionnaires and reports and convening meetings with such international and EU institutions.

The regulatory frameworks governing the banking sectors in the Republic and the Federation have been largely harmonised, with minor differences due to administrative specificities. The BARS aims to continue to improve and strengthen bank supervision, as well as its capacities for efficient supervision and restructuring.

In the period from 2017 until today (i.e., since the adoption of the new Law on Banks of the Republic), the BARS has carried out key strategic activities to align the regulatory framework with relevant EU regulations and directives, as well as to implement a supervisory approach based on the best international practices applied in the EU. On 1 October 2021, the European Commission adopted Commission Implementing Decision (EU) 2021/1753 on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council by which Bosnia and Herzegovina is included in the ranks of third countries that apply in their banking sector a supervisory and regulatory framework identical to that applied in the European Union. The equivalence assessment procedure included detailed reviews, coordination and documentation of requests in accordance with the principles prescribed by the European Commission and the European Banking Authority (“EBA”). Direct control activities and checks by the EBA were carried out during 2019 and 2020.

Application of Basel III standards

The regulatory framework governing the operations of banks in the Republic is aligned with the international banking regulatory standards defined under the Basel III framework, taking into account the specific characteristics of the domestic market, the level of development of the banking sector, and the appropriateness of aligning (applying) certain elements of the EU regulatory framework. In some segments, more conservative requirements have been prescribed compared to the EU regulatory framework.

The following is a summary of key areas of alignment:

- Pillar 1 requirements are addressed under “*Capital Adequacy*.” In addition, banks are subject to additional capital requirements (Pillar 2 requirements), which depend on the outcome of the SREP assessment. Capital buffers include a capital conservation buffer of 2.5 per cent., a buffer for

systemically important banks of up to 3.0 per cent., and a buffer for structural systemic risk of up to 3.0 per cent.

- Pillar 2 Guidance is determined based on the results of supervisory stress testing. The minimum leverage ratio is set above the Basel III standard, at 6.0 per cent. Banks are required to maintain a minimum liquidity coverage ratio of 100 per cent. and a minimum net stable funding ratio of 100 per cent.

Governance and risk management requirements include the need for a transparent organisational structure, an effective and reliable risk management system, an adequate internal control system, the establishment of appropriate control functions, remuneration policies and practices, adequate internal capital and liquidity assessment procedures, adequate recovery plans, risk exposure limits, and other related requirements. BARS applies a SREP approach that is largely aligned with that used by EU supervisory authorities, including the assessment of a bank's internal capital and liquidity adequacy processes (ICAAP and ILAAP) and recovery plans. Market discipline is supported by disclosure requirements that are aligned with Basel III and relevant EU regulations. See “—*Capital adequacy*” and “—*Banking Supervision and Enforcement*”.

Prevention of Money Laundering and Financing of Terrorism

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 the BiH's Law on the Prevention of Money Laundering and Financing of Terrorist Activities (*Official Gazette of BiH, No 13/24—the “Law on AML/CTF”*), which is considered to be within the competence of BiH, rather than the Republic.

The Republic does not have a separate legal framework governing the prevention of money laundering and financing terrorist activities. However, the BARS and other authorities of the financial sector (SECRS and IARS) have 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. In order to ensure that banks comply with all their obligations related to the AML/CTF activities, including the adoption of appropriate policies and processes for identifying and assessing ML/FT risks, the BARS conducts risk-based supervision, using a wide range of supervisory measures and tools through both off-site and on-site supervision of banks' operations.

In accordance with the Law on AML/CTF, BARS issued the Decision on the Managing of Risk of Money Laundering and Terrorist Financing (*Official Gazette of the Republic, No. 22/24*), which sets out minimum scope, forms, and content of AML/CTF activities, organisational rules, management and responsibility of governing bodies, functions and other employees of obligated entities, procedures for assessing overall business risk and individual risk assessments, procedures for identification and monitoring of client transactions and activities, and management of specific risks characteristic of an entity's business model, products, or services. This decision applies to banks and banking groups, microcredit organisations, leasing providers, e-money institutions, and other financial organisations operating under the BARS supervision.

Furthermore, in 2024 and 2025, the BARS issued Guidelines for Risk Analysis and Assessment under the Decision on Money Laundering and Terrorist Financing Risk Management, Guidelines for Beneficial Owner Identification, and Guidelines for Mitigating Negative Consequences of Excessive AML/CTF Requirements.

Additionally, amendments to the Law on Foreign Exchange Operations (*Official Gazette of the Republic, No. 107/24*) strengthened licensing requirements for exchange offices in accordance with AML/CTF standards and increased penalties for violations related to cross-border cash transfers, thereby meeting FATF Recommendation No. 32 on establishing proportionate and deterrent sanctions. In the Republic, in line with AML/CTF requirements, registries of accounts and safes of business entities and individuals have been established and are maintained by the Agency for Intermediary, IT and Financial Services.

Since 2023, a register of virtual asset service providers (“VASPs”) has been established in the Republic. The SECRS has been designated as the competent authority responsible for establishing and maintaining the register, as well as for supervising such providers with regard to the compliance with AML/CTF laws and other relevant regulations. As at 31 December 2025, six VASPs were registered in the register of virtual asset service providers. See “*Economy of the Republic—Money Laundering, Organised Crime and Corruption—Money Laundering*”.

The Microcredit Sector

The Law on Microcredit Organisations (*Official Gazette of the Republic, Nos. 64/06 and 116/11*) regulates the establishment, business activity, legal forms, registration and supervision of microcredit organisations (“MCOs”). An MCO is a non-deposit financial organisation, licensed by the BARS, whose main business activity is microcrediting and can be established as a microcredit company or microcredit foundation. Microcredit is a loan that does not exceed BAM 50,000 if extended by a MCO or BAM 10,000 if extended by a microcredit foundation. As at 30 June 2025, there were 14 microcredit enterprises with over 287 branches.

The following tables provides an overview of the capital and asset structure of the microcredit sector in the Republic for the periods indicated:

	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
Number of MCOs.....	14	13	14	15	16	14
Headcount	556	615	660	782	931	988
			<i>(BAM millions)</i>			
Balance sheet assets.....	428.6	476.1	545.5	624.1	732.2	802.2
Capital	139.6	153.4	175.0	183.8	174.8	190.9
Undistributed profit	77.3	92.5	112.6	117.1	105.7	122.0
Total lending	348.8	399.2	450.6	544.6	661.0	720.7
Corporate loans	6.5	9.0	10.3	13.7	21.5	24.4
Retail loans.....	342.2	390.2	440.2	530.9	639.5	696.3

Source: The BARS.

The microcredit sector in the Republic experienced strong expansion from 2020 to mid-2025, marked by continuous growth in total gross assets from BAM 428.6 million to BAM 802.2 million. This growth was primarily driven by lending activity, with gross loans accounting for approximately 90 per cent. of total assets. The sector remains heavily focused on natural persons, who represent more than 96 per cent. of total placements, predominantly through unsecured consumer loans and agricultural loans.

The capital of microcredit organisations also recorded steady growth over the period, increasing from BAM 139.6 million to BAM 190.9 million. This increase was mainly the result of retained and reinvested net profits generated within the sector. The capital structure is largely composed of retained earnings and share capital, providing microcredit organisations with the flexibility to meet strong demand for microloans while maintaining resilience to credit risks. The high level of own funds demonstrates the sector’s ability to finance its territorial and lending expansion from internally generated income, thereby further enhancing its systemic stability within the overall financial market of the Republic.

Borrowings are the primary source of funding for microcredit organisations and showed significant growth, particularly in 2024 when they reached BAM 483.8 million, an increase of 25 per cent. compared to the previous year. These funds are predominantly sourced from international financial institutions and domestic commercial banks, reflecting a high degree of creditor confidence in the sector’s stability.

Profitability of the microcredit sector in the Republic recorded continuous and marked growth during the observed period, culminating in a record net profit of BAM 51.8 million at the end of 2024. This trend reflects a significant increase in interest income driven by credit expansion, combined with effective management of operating costs and stable portfolio quality. High profitability enabled the sector to achieve strong returns on average equity, confirming the solid operational efficiency of microcredit companies.

Capital Markets

The capital markets in the Republic has not been classified according to the FTSE Global Equity Index Series classification and is closest to the frontier markets. The frontier markets are a group of developing markets that have smaller market capitalisation and liquidity than developed markets. These markets are characterised by a relative openness and availability for foreign investors, but also a possible higher economic and political instability, higher volatility, potential higher long-term recovery and not enough correlations with other capital markets.

The legal framework of the capital markets includes: the Law on Securities Market (*Official Gazette of the Republic, Nos. 92/06, 34/09, 8/12, 30/12, 59/13, 86/13, 108/13, 4/17, 63/21, 11/22 and 63/22*), the Law on

Investment Funds (*Official Gazette of the Republic, Nos. 92/06, 82/15, 94/19 and 64/22*), and the Law on Takeover of Joint-Stock Companies (*Official Gazette of the Republic, Nos. 65/08, 92/09, 59/13, and 19/19*). With the aim of transposing Directive MIFID II, a development of new, modern legal framework for the capital market is underway.

The institutional framework of the capital market of the Republic consists of the SECRS, the Central Securities Register a.d. Banja Luka and the Banja Luka Stock Exchange. The SECRS is autonomous and independent regulatory and supervisory authority for the financial markets, financial services and legal and natural persons providing these services. The position, organisation, powers and functions, as well as relationship of the SECRS towards other authority of the Republic and international organisations and institutions, are regulated by the Law on Securities Market. The SECRS is accountable for its work to the RS National Assembly of the Republic of Srpska. The primary objectives of the SECRS are:

- promoting and preserving the stability of the financial system;
- supervision of the legality of the business operations of supervised entities;
- efficient functioning of a regulated, fair and open securities market in order to gain the confidence of institutions and market participants;
- contributing to the establishment and development of a securities market in the Republic; and
- protecting of the rights and interests of investors and other market participants.

SECRS has been a member of the International Organisation of Securities Commissions (“**IOSCO**”) since 2001. In 2009, SECRS signed the Multilateral Memorandum of Understanding (“**MmoU**”), while in 2021 was added to the list of signatories to the Enhanced Multilateral Memorandum of Understanding (“**EMMoU**”).

The Central Securities Register a.d. Banja Luka maintains the single registry of securities, securities holders, rights arising from securities, third-party rights over securities and the holders of such rights, as well as restrictions and limitations on the transfer of securities. The Central Register opens and maintains accounts of securities holders, issuers, stock exchange intermediaries and accounts of other members of the Central Register and their clients, custody accounts and securities deposit accounts. At the same time, it acts as a clearing house performing clearing, settlement and transfer of securities and cash obligations and receivables arising from securities transactions concluded on the stock exchange.

The Banja Luka Stock Exchange was founded in 2001 as a joint-stock company. It represents the only regulated market for trading securities and financial derivatives in the Republic. In the first six months of 2025, the market participants on the Banja Luka Stock Exchange are as follows: issuers (556); stockbrokers (5); companies for managing investment funds (7); opened investment funds (16); alternative investment funds (1); custody banks (3); Central register of the securities as depositor; investment advisers (3); investment managers (23); and brokers (12). The securities in Banja Luka Stock Exchange are included into the following organised markets: official stock exchange market and free market.

Official stock exchange markets are: prime markets – List A; standard market – List B; entry market – List C; market of shares of closed investment funds; market of shares of opened investment funds; market of bonds; EU Connect Market; and market of other securities. Free market consists of the following: shares, shares of closed investment funds, shares of opened investment, bonds, package of shares, securities of issuers that are late with financial reports, securities of issuers that are in bankruptcy or liquidation procedure and other securities. Short-term securities are included in the money market in line with special rules of the money market enacted by the Banja Luka Stock Exchange.

Banja Luka Stock Exchange is an operator of an auction platform of stock exchange trading system as well as multilateral trading platform. Auctions of treasury bills issued by the Republic are also done via the stock exchange platform.

The following table shows statistical data of trading in Banja Luka Stock Exchange for the periods indicated:

Description	Year ended 31 December					Six Months Ended 30 June
	2020	2021	2022	2023	2024	2025
Total turnover (<i>BAM</i> millions).....	734.0	377.8	688.4	1,054.7	736.1	328.5
Year-on-Year change (%).....	55.8	(48.5)	82.2	53.2	(30.2)	(22.5)
Total Market Capitalisation (<i>BAM</i> <i>millions</i>).....	4,010.8	4,146.3	4,717.9	5,196.7	5,143.5	5,038.2
Year-on-Year Change (%).....	5.9	3.4	13.8	(10.1)	(1.0)	(2.05)
Total Market Cap/GDP (%).....	36.0	33.1	32.5	32.3	29.9	-(⁽¹⁾)
Ordinary turnover (<i>BAM</i> millions)..	120.3	109.4	112.8	68.5	92.1	9.8
Year-on-Year change (%).....	39.3	(9.1)	3.1	(39.3)	34.5	(83.6)
Number of transactions in ordinary turnover.....	7,595	5,488	4,870	4,180	5,286	1,892
Number of trading days.....	254	256	252	252	253	119
Ordinary turnover-shares (<i>BAM</i> <i>millions</i>).....	44.1	44.8	34.3	25.2	42.4	5.4
Volume.....	136,649,699	76,977,034	61,344,491	51,239,497	82,039,787	15,665,676
Number of transactions.....	5,901	4,098	3,905	3,481	3,557	1,017
Average daily ordinary turnover (<i>BAM</i>).....	173,761	174,792	136,121	100,702	167,474	44,686
Average value of a single transaction (<i>BAM</i>).....	7,479	10,919	8,784	7,261	11,912	5,229
Ordinary turnover Debt instruments (<i>BAM</i> millions).....	76.2	64.7	78.5	43.2	49.7	4.5
Volume.....	24,645,816	47,408,146	25,260,468	4,277,612	4,797,920	2,150,524
Number of transactions.....	1,694	1,390	965	699	1,729	875
Average daily ordinary turnover (<i>BAM</i>).....	299,804	252,452	311,342	172,111	196,550	37,822
Average value of a single transaction (<i>BAM</i>).....	44,953	46,495	81,304	61,802	28,761	5,144
BIRS ⁽¹⁾	576.94	667.93	840.88	970.77	918.99	850.20
Year-on-Year change (%).....	(6.69)	15.8	25.9	15.4	(5.3)	(7.4)

Source: Banja Luka Stock Exchange, Republika Srpska Institute of Statistics

Notes:

- (1) BIRS - Stock Exchange Index of Republic was established on 1 May 2004, with the initial value of 1,000.00 points. BIRS is a price and weighted index, with a weighting limitation of 25 per cent. It is currently composed of shares of 12 issuers listed on the official market on Banja Luka Stock Exchange.

Insurance Sector

The insurance sector of the Republic is underdeveloped as compared to the market parameters of other EU member states. As at 30 June 2025, the share of the insurance premium in GDP at 30 June 2025 was 1.11 per cent., similar to the level of development in the insurance sectors of its neighbouring nations, particularly Serbia and Montenegro. At the same time, insurance premium per capita was U.S.\$104.6 as compared to same period of 2024, it increased by 9.78 per cent.

The legal framework of the insurance market comprises: the Law on Insurance Companies (*Official Gazette of the Republic, Nos. 17/05, 1/06, 64/06, 74/10, 47/17, 58/19 and 21/26*), the Law on Insurance Intermediaries, the Insurance and Reinsurance law (*Official Gazette of the Republic, No. 47/17*) and the Law on Compulsory Traffic Insurance (*Official Gazette of the Republic, Nos. 82/15, 78/20 and 1/24*).

The IARS is a regulatory and supervisory authority for the insurance market and voluntary pension funds of the Republic and is accountable for its work to the RS National Assembly. Within its supervisory competencies, the IARS cooperates and exchanges information with institutions, for insurance supervision from the EU countries through the college of supervisors, in order to implement supervisory activities of insurance companies operating within groups of insurers. The IARS became a full member of the International Association of Insurance Supervisors (“IAIS”) in September 2024 and the International Organisation of Pension Supervisors.

As at 30 June 2025, in the insurance market of the Republic, 14 insurance companies operated, of which 12 performed non-life insurance activities, while two companies were registered as composite companies (with a license to perform life and non-life insurance activities). Nine branch offices of insurance companies from the Federation operated in the territory of the Republic, while nine companies from the Republic operated in the Federation through branch offices.

According to the ownership structure of the core capital, 10 insurance companies were majority-owned by domestic legal entities and/or natural persons, which represents a share in total capital in the amount of 60.9 per cent., in total assets of 43.5 per cent. and in gross invoiced premium of 61.2 per cent. There were four companies with the foreign majority ownership, which represents a share in the total capital in the amount of 39.1 per cent., in the total assets of 56.5 per cent. and in the gross invoiced premium of 38.8 per cent. (two companies were majority-owned by legal and/or natural persons from Austria, while one company was majority-owned by persons from the Republic of Serbia and one company was majority-owned by persons from the Republic of Slovenia).

The following table provides data on the insurance premium on the Republic market for the periods indicated:

Type of insurance	Year ended 31 December										Six months ended 30 June	
	2020		2021		2022		2023		2024		2025	
	Value (BAM millions)	%	Value (BAM millions)	%	Value (BAM millions)	%	Value (BAM millions)	%	Value (BAM millions)	%	Value (BAM millions)	%
Accident insurance.....	13.82	5.8	14.25	5.6	15.72	5.7	18.06	5.6	21.85	6.1	13.70	7.1
Land vehicle insurance (except for railway vehicles).....	18.36	7.7	20.24	7.8	22.92	8.3	27.86	8.7	32.70	9.2	18.60	9.7
Insurance of property against fire and natural forces.....	8.34	3.5	9.05	3.5	10.06	3.6	10.43	3.3	12.08	3.4	7.35	3.8
Insurance against other types of property damage.....	9.61	4.0	9.80	3.8	12.02	4.3	13.58	4.2	15.98	4.5	11.75	6.1
Motor vehicle liability insurance.....	135.41	56.8	142.12	55.1	148.91	53.8	178.75	55.8	195.45	54.9	101.18	52.8
Other.....	7.11	3.0	9.38	3.6	12.45	4.5	15.04	4.7	16.53	4.6	8.32	4.3
Total non-life insurance.....	192.66	80.8	204.83	79.4	222.08	80.2	263.71	82.3	294.58	82.7	160.91	83.9
Life insurance.....	45.64	19.2	53.26	20.6	54.78	19.8	56.76	17.7	61.63	17.3	30.81	16.1
Total.....	238.29	100.0	258.09	100.0	276.86	100.0	320.47	100.0	356.21	100.0	191.73	100.0

Source: IARS Annual Reports.

As of 30 June 2025, the calculated premium based on mandatory motor third-party liability insurance had the dominant share with 61.5 per cent., while its share in the total calculated non-life insurance premium is 66.9 per cent. There is a steady downward trend in the share of non-life insurance in the total premium.

As of 30 June 2025, the value of the operating assets and liabilities of all insurance companies was BAM 713 million, and it increased by 2.4 per cent. in comparison to the year ending 31 December 2024. From 2021, the value has increased by almost 27 per cent.

The following table shows the profitability indicators for the periods indicated:

Description	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
ROA.....	6.0	5.4	5.1	4.7	5.6	3.0
ROE.....	20.0	18.5	18.0	17.6	17.6	11.2

Source: IARS Annual Reports.

Voluntary Pension Funds

Voluntary pension insurance in the Republic is regulated by Law on Voluntary Pension Funds and Pension Plans (Official Gazette of the Republic, 13/09, 107/19 and 100/25) and by-laws on the IARS. IARS is the regulatory and supervisory authority for this segment of the financial market.

Since 2017, one voluntary pension fund has been operating in the Republic, the European Voluntary Pension Fund (“EPF”), along with its management company. This is currently the only voluntary pension fund in BiH. The establishment of the EPF was supported by the RS Government, in partnership with the European Bank for Reconstruction and Development and Triglav Group of Slovenia.

A single voluntary pension fund management company performs the activity of voluntary pension insurance: European Voluntary Pension Fund Management Company a.d. Banja Luka. According to the ownership structure, as of 29 January 2026, the European Voluntary Pension Fund Management Company a.d. Banja Luka had majority foreign ownership with the share of 67 per cent. (“Triglav Pokojninska Družba DD”) and domestic ownership of 33 per cent. (Pension Reserve Fund of the Republic). As of 30 June 2025, the EPF had 39,787 active members, representing an increase of 1.9 per cent. compared to the 31 December 2024.

The following table shows the net asset of voluntary pension funds for the years 2020 to 2024, and for the six-months ended 30 June 2025:

Description	Year ended 31 December					Six months ended 30 June
	2020	2021	2022	2023	2024	2025
Net asset (BAM millions)	8.52	17.42	26.44	35.79	45.24	48.52

Source: IARS Annual Reports

As at 30 Jun 2025., the net value of assets of voluntary pension fund increased by 174 %. in relation to the end of 2024, and as at 30 June 2025 it was BAM 48.5 million. The number of issued shares was 4.370.077,50 and the net value per unit was approximately BAM 11,10322.

In addition to the EPF, the Pension Reserve Fund of the Republic (“**PREF**”) was established in early 2011 as a demographic pension reserve fund, based on assets acquired through the privatisation of state-owned companies. The purpose of PREF is to provide long-term support to the mandatory pension insurance system through: (i) the management and growth of acquired assets; and (ii) the payment of a portion of the returns generated to current pension beneficiaries.

As at 31 December 2024, the net asset value of PREF amounted to BAM 301,079,661.07, representing an increase of 1.3 per cent. compared to 2023. The asset structure of PREF consists of: shares in companies (43.2 per cent.), bonds (42.0 per cent.), and other assets (14.8 per cent.). In accordance with the legal framework and achieved positive operating results, in the period 2012–2025 approximately BAM 78.7 million was distributed to the founder of PREF (i.e., the Pension and Disability Insurance Fund – mandatory pay as you go pension fund) in the form of dividends, exclusively for the financing of current pensions.

Significant reforms in the financial market from 2020 to 2025

Improving stability of the financial sector

After the adoption of the new Law on Banks of the Republic (*Official Gazette of the Republic, No. 4/17*) in 2017, the BARS implemented a comprehensive reform of the by-law framework (more than 60 by-laws were adopted, which include implementing regulations and regulate operational issues in the field of bank supervision and restructuring). Also, new supervisory approaches (“**SREP**”) was implemented. In this regard, the new Methodology for Supervisory Review and Evaluation of Banks (“**SREP Methodology**”) was adopted in 2019 and entered into force on 1 January 2020. The BARS conducted an evaluation of the operations of all banks in accordance with the new methodology. Special attention in the past period has been devoted to the development of supervisory capacities. The emphasis was on the training of supervisors for the assessment of banks according to the adopted SREP methodology, then on the control and assessment of ICAAP, ILAAP, recovery plans and conducting stress testing.

On 1 October 2021, the European Commission adopted Commission Implementing Decision (EU) 2021/1753 on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council by which BiH is included in the ranks of third countries that apply in their banking sector a supervisory and regulatory framework identical to that applied in the European Union.

On 28 July 2022, BARS adopted the Strategy of priority activities for maintaining the compliance of banking regulations with EU regulations for the period 2022-2026, which foresees legislative and other regulatory activities necessary for further strengthening the legal framework and supervisory practice in accordance with EU standards and requirements in this area.

Support to financing the restructuring by means of Deposit Insurance Fund

The adoption of BiH’s Law on Bank Deposit Insurance (*Official Gazette of BiH, No. 32/20*) in 2020, as part of the package of banking laws, enabled additional harmonisation with EU directives (Directive 2014/49/EU and Directive 2014/59/EU), which allowed the use of the Deposit Insurance Fund, under clear qualitative and quantitative conditions, to support the financing of the bank recovery and resolution.

The Deposit Insurance Scheme, which is unique to the BiH territory and all BiH banks, was established in 2002. The scheme is administrated and managed by the DIA and is funded by the ex-ante bank premiums (0.26 per

cent. per annum on the basis determined by the Law). As of 30 June 2025, the volume of the total portfolio is BAM 898.9 million. Since 2022, the amount of insured deposits is BAM 70,000 per depositor per bank. The Deposit Insurance Scheme is not supported by any Entity or BiH guarantee, nor by the Central Bank guarantee.

Modernisation of the payment services legal framework

With the adoption of the Law on Amendments to the Law on Internal Payment Transactions in April 2022 (*Official Gazette of the Republic, No. 38/22*), additional transparency standards for the provision of payment transaction services are established. Greater financial inclusion of natural persons is ensured through the institute of the basic payment account. The Law was aligned with the EU Directive 2014/92/EU on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features.

With the passing of the Law on Interbank Fees for Payment Transactions with Payment Cards (*Official Gazette of the Republic, No. 38/22*), the upper limit of the interbank fee for debit card transactions is prescribed, and it cannot be higher than 0.2 per cent. of the value of the transaction, while the interbank fee for a credit card transaction cannot be higher than 0.3 per cent. of the value of the transaction. The law is aligned with EU Regulation (EU) No. 2015/751 on interchange fees for card-based payment transactions

The Law on Electronic Money was adopted in 2023, introducing new participants into the payment system. This has had a positive impact on competition in the field of payment services, thereby encouraging more efficient and cost-effective provision of such services.

Three e-money institutions currently hold licenses to issue electronic money. The law has been aligned with the provisions of Directive 2009/110/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions.

In December 2025, the RS Government adopted the Draft Law on Payment Services and submitted it to the RS National Assembly for consideration and adoption. This law represents a reformational piece of legislation in the field of payment transactions.

The objectives of this law are: (i) opening the market to new payment service providers, including payment institutions; (ii) strengthening market competition, which is expected to have a positive impact on the efficiency of payment transaction execution and enhance accessibility of payment services and (iii) enhancing the protection of payment service users.

The Draft Law on Payment Services has been aligned with the EU framework, Directive EU 2015/2366 on payment services in the internal market (PSD2). In addition to the intention to modernise domestic payment transactions and align them with the high standards of EU directives and regulations, the adoption of this law would contribute to meeting BiH's requirements for membership in the SEPA international payment system for cross-border euro payments. Given that BiH is not an EU Member State, accession to SEPA requires the fulfilment of defined criteria prescribed by the European Payments Council and the formal submission of a state-level application for membership, after which individual banks may join this payment network. The submission of the pre-application for accession to the SEPA geographical area in December 2025 by the Central Bank represents an important strategic step forward for the Republic toward deeper financial integration with the EEA. Accession to the SEPA geographical area would enable faster, more secure and significantly lower-cost non-cash euro payments. For the economy of the Republic, accession to the SEPA geographical area would facilitate exports, enable more efficient supplier payments and accelerate financial flows, particularly in cooperation with partners from the EU.

Development of Investment Funds (Open-Ended and Alternative)

With the adoption of the Law on Amendments to the Law on Investment Funds in 2022 (*Official Gazette of the Republic of Srpska, No. 64/22*), a new legal framework for alternative investment funds was established. Its objective is to promote alternative forms of financing for companies, expand investment opportunities for institutional and professional investors, create a more favourable business environment for investment fund management companies, and further align the regulatory framework with the acquis of the EU in the field of collective investment through investment funds.

The new legislative framework is currently partially aligned with Directive 2011/61/EU, while further alignment with relevant EU regulations governing the investment fund market, including UCITS Directive, is planned in the forthcoming period.

According to the registers of the SECRS, as at 30 June 2025, one alternative investment fund and one alternative investment fund management company were registered, while two investment fund management companies hold licences to manage alternative investment funds.

PUBLIC FINANCE

Introduction

The Republic regulates and safeguards its banking and tax systems as well as the objectives and strategic directions of its economic and development policies, including the adoption and implementation of relevant measures. In accordance with Article 68 of the Constitution, the Republic regulates its tax system and has original jurisdiction in the areas of corporate income tax, personal income tax, property tax and non-tax revenues (administrative, court and utility fees, fines, charges and other revenues).

The budget system of the Republic is regulated by the Law on the Budget System of the Republic (the “**Budget System Law**”). The budget system (the “**Budget**”) consists of: the budget system of the Republic, the budgets of municipalities and cities and the budgets of social security funds. In accordance with the Budget System Law, the Republic’s distinct budgetary system is established and maintained through the implementation of a common legal regulation, a unified budget classification, the use of unified budget documentation for drafting the Budget, a unified Budget accounting system, a unified criteria for Budget control and unified principles on which the Budget procedure is based upon.

In 2020, the RS Government budget deficit was 5.0 per cent. of GDP. In 2021, the RS Government recorded a budget surplus of 0.2 per cent. of GDP. In 2022, 2023 and 2024, the RS government recorded budget deficits of 2.6 per cent. of GDP, 2.1 per cent. of GDP and 1.6 per cent. of GDP, respectively. For the period from 2020 to 2025, the RS Government recorded an average budget deficit of approximately 2.1 per cent. of GDP.

Fiscal policy

The Law on the Fiscal Council in BiH (*Official Gazette of BiH, No. 63/08*) established the Fiscal Council of BiH (the “**BiH Fiscal Council**”) with the objective of coordinating fiscal policy in BiH to ensure the macroeconomic stability and fiscal sustainability of BiH, the Entities and the Brčko District. The BiH Fiscal Council has six members: the Chairman of BiH’s Council of Ministers, the Republic’s Prime Minister, the Federation’s Prime Minister, BiH’s Minister of Finance and Treasury, the Republic’s Minister of Finance and the Federation’s Minister of Finance. A key competency of the BiH Fiscal Council is to prepare and adopt the Global Framework of the Fiscal Balance and Policy (“**GOF**”), which is adopted each year in respect of the successive three fiscal years. Each fiscal year, the Global Framework of Fiscal Balance and Policies (“**FBP Framework**”) is revised and adopted in the form of an agreement between the relevant levels of government in BiH, more precisely, it is signed by the Chairperson of the Council of Ministers of BiH, Prime Minister of the Republic and the Prime Minister of the Federation.

The GOF is a document comprising:

- the proposed fiscal objectives of the budgets of BiH institutions, the Federation, the Republic and the Brčko District;
- the proposed macro-economic projections;
- the program scenario of revenues from indirect taxes;
- the projections of the total indirect taxes and their allocation for the next fiscal year, since indirect taxes fall under BiH’s jurisdiction; and
- the proposed borrowing ceiling of the budgets of the institutions of BiH, the Federation, the Republic and Brčko District.

Fiscal Responsibility Framework

The Framework Budget Document (the “**FBD**”) is prepared on the basis of the GOF and constitutes a preliminary draft budget for the following year. It sets out macroeconomic estimates and projections, projections of budget revenues and expenditures, fiscal policy objectives, and expenditure ceilings applicable to each budget user in preparing its annual budget request. The key objective of the FBD is to ensure a closer link between the RS Government’s priority policies and the allocation of public resources.

In July 2025, the FBD for the period 2026 to 2028 (the “**2026–2028 FBD**”) was adopted, setting out the planned budget frameworks, financing arrangements and debt projections for all levels of government in the Republic, and serving as the basis for the preparation of the Economic Reform Programme 2026–2028. The Republic’s fiscal rules permit a consolidated general government deficit of up to 3 per cent. of GDP.

The 2026–2028 FBD projects a gradual fiscal consolidation path, with both total revenues and total expenditures as a percentage of GDP expected to decline moderately over the period, indicating a relative reduction in public spending within the broader economy. Over the period from 2020 to 2025, the RS Government’s budget deficit averaged approximately 2.1 per cent. of GDP, and the deficit is expected to narrow progressively. The 2026–2028 FBD targets a slight reduction in total debt as a percentage of GDP over the period, although public debt as a percentage of GDP is projected to increase marginally.

The Law on Fiscal Responsibility of the Republic (Official Gazette of the Republic, Nos. 94/15 and 62/18) establishes the Republic’s fiscal framework, including fiscal rules, measures and procedures to limit and oversee public spending, and mechanisms to enhance accountability for the efficient and effective use of budgetary funds. It also establishes the function and authority of the Fiscal Council of the Republic. The objective of the Law on Fiscal Responsibility is to ensure the maintenance of fiscal responsibility, transparency and medium- to long-term fiscal sustainability in the Republic.

Budget Process

The integrity of the budget system is ensured through uniform budget classification, the use of budget documentation for the preparation of draft budgets and financial plans and the application of an appropriate accounting system, which consists of strict criteria for budget control and audit. The process of drafting and enacting the Budget is carried out in accordance with detailed budget calendars prescribed by the Budget System Law, which sets out key dates for adoption of the fiscal strategy and budget actions by central and local authorities, respectively. The Budget System Law regulates the budget system, the preparation, planning, development, adoption, repayment, accounting, reporting and supervision of the budget of the Republic, the municipalities, cities and funds.

The budget for the general RS Government sector includes the consolidated budgets of various sub-sectors, being the central RS Government, the local self-government units and social security funds. Social security funds include the Health Insurance Fund, the Public Institution Fund for Child Protection, the Employment Bureau and the Pension and Disability Insurance Fund, with the Pension and Disability Insurance Fund gaining the status of a budget user from 1 January 2016 and operating through the treasury business system.

The central RS Government sub-sector includes institutions financed from the budget of the Republic presented within five funds:

- ‘Fund (01)’ strictly represents the budget of the Republic and is used to express all funds and all activities of budget users;
- ‘Revenue fund under special regulations (02)’ represents funds that are used on the basis of regulations only for special purposes and all activities financed from these funds;
- ‘Grant fund (03)’ represents a grant from budget users and all activities financed from those funds, which are not included in Fund (01);
- ‘Fund for privatisation and succession funds (04)’ represents the funds of privatisation and succession and all activities financed from these funds, if the funds are not included in Fund (01) (for example, the Development Program of the Republic); and
- ‘Fund for special projects (05)’ represents funds intended for special projects and all activities on the implementation of projects that are not included in Fund (01) (for example, the use of funds towards the accession to the EU).

The Budget System Law prescribes the following timeline for the adoption of a Budget for Fund (01) of the central RS Government sector during any given fiscal year:

- 15 February: the Ministry of Finance submits instructions to Budget users on the manner and elements of drafting the FBD.
- 30 April: the Budget users submit to the Ministry proposals for priorities for the development of the FBD.
- 30 June: the RS Government adopts the FBD.
- 1 July: the Ministry of Finance delivers the adopted FBD to municipalities, cities and funds. The Ministry of Finance submits instructions to Budget users on the manner and element of drafting the Budget for the next fiscal year.
- 1 September: the Budget users submit budgetary requests to the Ministry of Finance for the next fiscal year.
- 15 October: the Ministry of Finance submits a draft Budget to the RS Government in respect of the next fiscal year.
- 5 November: the RS Government determines the draft Budget for the next fiscal year and then submits such draft to the RS National Assembly.
- 15 November: the RS National Assembly declares its position on the draft Budget for the next fiscal year.
- 1 December: the RS Government finalises and confirms the draft Budget for the next fiscal year and delivers it to the RS National Assembly.
- 15 December: the RS National Assembly adopts a decision in respect of the proposed Budget for the next fiscal year.

At the beginning of November, the RS Government adopts a draft Budget prepared by the Budget users and presents it to the RS National Assembly who is required to approve and adopt a decision in respect of the Budget by 15 December of the relevant year, in the form of the Law on Budget Execution for that year. The Law on Budget Execution is adopted for a period of one fiscal year, and it prescribes the manners for budget execution. The Law on Budget Execution defines budget revenue, the manner for handling revenue of budget users and personal revenue of certain budget users. It also regulates the collection of revenue. It prescribes that the Ministry of Finance manages and controls inflow and outflow of cash funds according to the adopted budget, the manner of handling funds for procurement of non-financial assets and for subsidies and grants.

In case the Budget for Fund (01) of the central RS Government sector is not adopted before 15 December of the relevant year, the RS National Assembly may adopt a decision on a temporary financing arrangement for a maximum period starting from 1 January to 30 June of the relevant fiscal year, amounting to a maximum of the total Budget revenues generated in the same period of the previous fiscal year less any grants received during that period. If the decision is not adopted before the expiration of the current fiscal year, the temporary financing arrangement for the first quarter of the relevant fiscal year comes into force and effect on 1 January, in an amount equal to one-quarter of the Budget adopted for the previous fiscal year.

The Budget System Law also requires self-government units to adopt their budgets by 15 December for the next financial year.

Total Revenues of the Republic

The Entities and Brčko District adopt their own budgets, as revenues and expenditures for each Entity are highly decentralised. The budget system of the Republic consists of the budget of the Republic, budgets of municipalities and cities and budgets of social security funds. Indirect taxation falls under the jurisdiction of BiH as defined under the Law on Indirect Taxation System (*Official Gazette of BiH, Nos. 44/03, 52/04, 34/07, 4/08, 49/09, 32/13 and 91/17*). The Republic's tax authority, operating within the Ministry of Finance, enforces direct tax laws and regulations, including addressing tax-related infringements. Public finance management is

a top priority for the RS Government. The framework for managing fiscal policy is implemented through laws, strategies and arrangements: (i) Law on the Budget System of the Republic; (ii) Public Financial Management Strategy; (iii) Law on Fiscal Responsibility of the Republic; (iv) Debt Management Strategy of the Republic; and (v) Law on Borrowing, Debt and Guarantees.

Tax policy in the Republic is governed by regulations adopted at two levels (the level of BiH institutions and Entities level), depending on whether they are indirect or direct taxes. Indirect taxation laws, along with related regulations and policies, are established by the BiH Council of Ministers based on proposals from the Governing Board of the Indirect Taxation Authority, in accordance with the Law on the Indirect Taxation System and are adopted by the Parliamentary Assembly of BiH. Indirect tax revenues are collected by the Indirect Taxation Authority (“ITA”), which is an independent administrative organisation responsible for the implementation of legal regulations on indirect taxation. Indirect tax revenues (value added tax, excise duties, customs, road tolls) collected on the ITA Single Account are distributed on a daily basis in accordance with the Law on the Indirect Taxation System in BiH and the Law on Payments to the Single Account and Distribution of Revenues (*Official Gazette of BiH, No. 55/04, 34/07, 49/09 and 92/17*). Indirect tax revenues are distributed from the ITA Single Account on a daily basis by allocating resources to the reserve account for the purpose of tax refunds (VAT and other revenues), and allocating resources intended for financing BiH institutions; the distribution of resources between the Federation, the Republic and the Brčko District is carried out according to temporary distribution coefficients. The Rulebook on the Calculation of Distribution Coefficients to Entities prescribes the methodology and procedure according to the share in final consumption stated in VAT returns. The Brčko District has a fixed distribution coefficient of 3.55 per cent.

The adoption of laws and other regulations in the field of direct taxes is the exclusive competence of the Republic. The group of direct taxes includes corporate income tax, personal income tax, property tax and taxes paid on the use, possession and carrying of certain goods.

Revenues generated from contributions for pension and disability insurance, health insurance, unemployment insurance, child protection, and professional rehabilitation and employment of persons with disabilities are entirely allocated to extra-budgetary funds. Since 2016, the Pension and Disability Insurance Fund of the Republic has obtained the status of a budget user and has been incorporated into the treasury system as of 1 January 2016.

Non-tax revenues are public revenues collected from legal or natural persons in exchange for a direct benefit or consideration, such as the use of public goods, the provision of specific public services, or the use of public resources. These revenues include income from financial and non-financial assets, administrative and court fees and charges, revenues from public service provision, fines and penalties, other non-tax revenues, and special revenues such as forest fees, water fees, fees for veterinary and sanitary inspections, and fees for material extracted from watercourses.

Revenue shared between the budget of the Republic, budgets of municipalities and cities and other users are in the following ratios:

- revenues from indirect taxes, paid into the budget of the Republic from the Single Account of the Indirect Taxation Authority (at BiH level), which after the allocation of part of the funds for servicing the external debt of the Republic are distributed as follows:
 - the budget of the Republic—72 per cent.;
 - the budgets of municipalities and cities—24 per cent.; and
 - the public company Roads of the Republic—4 per cent.
- revenues from personal income tax, which include tax on income from independent activities, are shared between the Republic budget and municipal and city budgets in a 75:25 ratio, and tax on personal earnings, which is shared between the Republic budget and municipal and city budgets in a 75:25 ratio;
- revenues from corporate income tax are revenues of the Republic budget, except for income tax revenues paid in the territory of municipalities forming the City of East Sarajevo, which are distributed between the Republic budget and the budget of the City of East Sarajevo in a 85:15 ratio;

- revenues from fees for changing the purpose of agricultural land, which are shared between the Republic budget and municipal and city budgets in a 30:70 ratio;
- revenues from the lease of land owned by the Republic, which are shared between the Republic budget and municipal and city budgets in a 50:50 ratio;
- concession fees for use, for concessions awarded by the RS Government, are shared between the Republic budget and municipal and city budgets in whose territory the concession activity is performed as follows: 30:70 for developed local self-government units; then 30:70 for medium-developed units, 20:80 for underdeveloped units, and 10:90 for extremely underdeveloped units;
- revenues from special water charges, which include charges for the abstraction of surface and groundwater, charges for the production of electricity obtained using hydro energy, as well as charges for extraction of materials from watercourses, are shared between the Republic budget and municipal and city budgets in a 70:30 ratio, while charges for water protection are shared between the Republic budget, municipal and city budgets, and the Environmental Protection Fund of the Republic in a 55:30:15 ratio; and
- confiscated property gain and funds obtained from the sale of confiscated items from the competence of the Republic Administration for Inspection Affairs, which is divided between the budget of the Republic and the budget of municipalities and cities in a 70:30 ratio.

Tax Policy and Tax Reforms

Tax policy in BiH is governed by regulations on two levels (the BiH institutions and the Entity level), depending on whether it is the case of indirect or direct taxes.

The RS Government has competency over direct tax policy whereas the BiH's institutions are responsible for indirect taxations. The Tax Administration of the Republic is working towards improving communication with taxpayers by introducing new electronic services. Tax returns have been digitalised and an Integrated Information System has been implemented, which resulted in the integration and automation of business processes, streamlining procedures, standardizing work by employees and improving services to taxpayers.

The strategic commitment of the RS Tax Administration (“**RSTA**”) is to provide taxpayers with the highest possible quality of service by enabling them to meet their tax obligations in a simpler and more efficient manner. This is achieved through the development of new methods and channels of communication and the continuous improvement of existing ones, a process that has been fully supported by the complete implementation of the Integrated Information System (IIS). Namely, the introduction of the IIS has delivered significant results, particularly in the automation of key business processes, which in turn has had a positive impact on public revenue collection, the simplification of administrative procedures, the improvement of taxpayer services and the overall management of tax compliance.

In 2025, the RSTA collected and charged a total amount of BAM 4,458.9 million in total revenues, representing an increase of 10 per cent. compared to 2024. The RS Tax Administration has thus continued the upward trend in total revenue collection, which can primarily be attributed to the daily activities that RSTA undertakes within its jurisdiction.

One of the key activities in 2025 was the full implementation of the new Law on Fiscalisation, aimed at reducing and ultimately eliminating the space for grey-economy activities related to the underreporting of turnover. In this context, the focus of the RSTA was directed, *inter alia*, towards continuous controls of turnover recording through fiscal systems. The effectiveness of these measures is evidenced by the fact that the total recorded turnover through fiscal cash registers in the Republic doubled in 2025.

In addition, the RSTA made significant progress in business digitalisation by enabling the electronic submission of all tax returns and launching the “Electronic Mailbox” service. This service allows for fully electronic communication between taxpayers and the RSTA in all tax procedures. These developments have led to a substantial increase in the use of electronic services provided by the RSTA. Therefore, by the end of 2025, the number of registered users reached 68,734 persons, representing a 14 per cent. increase compared to the previous

year. In the period ahead, the RSTA will continue to further develop its electronic services and actively encourage taxpayers to make greater use of them.

The RSTA has established and implemented a quality management system, an anti-bribery management system and an information security management system in accordance with ISO 27001:2013, ISO 9001:2015 and ISO 37001:2016 standards. These systems ensure lawful, reliable and comprehensive management of all business processes, further improvement of its operations and providing best possible services to taxpayers.

Direct Taxation

Adopting laws and regulations in the field of direct taxes is exclusively within the Republic's competence. Direct taxes include the following: corporate income tax, personal income tax, property tax and tax paid for use, holding and carrying of goods. Signing double tax avoidance agreements ("DTAA") related to income tax is carried out by the Ministry of Finance and Treasury of BiH, under the decision of the Presidency of BiH, and in accordance with legal procedures of the Law on Concluding and Executing International Agreements (*Official Gazette of BiH, No. 29/00 and 32/13*). The ministries of finance of the Entities actively participate in the negotiation stage of these agreements and, as required by law, provide professional opinions on the draft contracts.

Corporate Income Tax

In the Corporate Income Tax Law of the Republic (*Official Gazette of the Republic, No. 94/15, 1/17, 58/19, 48/24 and 114/25*), principles for taxation of corporate income tax are determined in accordance with regulations applied in developed countries and EU member states. Those principles are developed from 2006 in continuity, in the Corporate Income Tax Law (*Official Gazette of the Republic, No. 94/15*) adopted at the end of 2015, which came into force on 1 January 2016. The field of taxation of corporate income of legal entities with head office in the Republic and parts of legal entities (business units or PE) with head office in the Federation, Brčko District or abroad is regulated. Single tax rate of 10 per cent. is prescribed.

Pursuant to the Law on Corporate Income Tax, a legal entity that is a tax resident of the Republic is subject to corporate income tax on profits generated from taxable sources, whether within the Republic, the Federation, the Brčko District, or abroad (worldwide income). Non-residents are subject to corporate income tax on income or profit derived from taxable sources within the Republic. In accordance with Article 44 of the Law on Corporate Income Tax, withholding tax is calculated and paid at a rate of 10 per cent. of the gross amount of income paid to a non-resident, unless otherwise provided by the applicable double tax avoidance agreements.

International Tax Agreements

BiH has concluded 38 tax avoidance agreements. In addition, it is a signatory to two multilateral international conventions in the field of international tax law: The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) (*Official Gazette of BiH – International Treaties, 13/20*), which entered into force on 1 January 2021; and the Convention on Mutual Administrative Assistance in Tax Matters (MAC) (*Official Gazette of BiH – International Treaties, 14/20*), which entered into force on 1 January 2021 and has been applicable since 1 January 2022.

Personal Income Tax

Law on Personal Income Tax (*Official Gazette of the Republic, Nos. 60/15, 5/16, 66/18, 105/19, 123/20, 49/21, 119/21, 56/22, 112/23, 110/24, and 114/25*) provides that tax is calculated and paid on personal income, self-employment, copyright and related rights, industrial property rights, capital, capital gains, income from foreign sources, and other income. Tax residents of the Republic are taxed on their worldwide income, while non-residents are taxed only on income sourced within the Republic. The personal income tax base is determined as the difference between total income earned during the tax period and total expenses recognised under the Law.

Personal income tax rates are as follows: 8 per cent. on employment income; 10 per cent. on income from self-employment; and 13 per cent. on income derived from copyright and related rights, industrial property rights, capital, capital gains, and other income. Capital gains are generally taxed at a rate of 13 per cent., although certain exemptions may apply depending on the type of property, family relationships, and the manner in which the property was acquired.

Taxpayers earning employment income are entitled to various deductions from the tax base, including a personal deduction of BAM 12,000 per calendar year, a dependent family member allowance of BAM 1,800, interest paid on home mortgages, certain payments for health services, life insurance premiums up to BAM 1,200 per year, and other specified deductions.

Real Estate Tax

In the field of real estate taxation, the Law on Real Estate Tax, which came into force in 2012, established a new method of taxation characterised by taxation based on market value of real estate per rate determined by local self-government units within limits prescribed by the law. By introducing real estate tax, existing tax and non-tax revenues on property under the competence of local self-government units (namely, property tax, real estate trade tax, inheritance and gifts tax) were abolished. A fiscal register of real estate was established to fulfil the function as a real estate tax database.

Improvement of this field through reducing single tax rate, determining more suitable treatment of real estate directly used in manufacturing, as well as real estate used in further trade was performed in 2015 through adopting new Law on Real Estate Tax (*Official Gazette of the Republic, No. 91/15*).

Despite receiving results in first years of the law's application, the RS Government aims to intensify activities on improving the field of taxation relating to reporting unreported real estate in the Republic to create a more complete fiscal registry of real estate. Since the tax on real estate is revenue of the local self-government units' budget, it is necessary to activate them more in filling of the fiscal registry of real estate, i.e. delivery of information.

Social Security Contributions

Law on Contributions (*Official Gazette of the Republic, Nos. 114/17, 112/19, 112/23, 110/24 and 114/25*) regulates the system of compulsory contributions in the Republic. Mandatory contributions in the Republic are pension and disability insurance contribution, health insurance contribution, unemployment insurance contribution and child protection contribution. Base for contributions payment is total income subject to personal income tax, which includes contributions. According to the abovementioned Law on Contributions, the aggregated rate of social contributions is 31.0 per cent. (contributions for pension and disability insurance 18.5 per cent., contributions for health insurance 10.2 per cent., contributions for unemployment insurance 0.6 per cent., and child protection contributions 1.7 per cent.). The beneficiaries of contributions are social security funds, through which the rights financed from contributions are exercised.

Law on Games of Chance

The Law on Games of Chance (*Official Gazette of the Republic, No. 22/119 and 131/20*), which entered into force on 19 March 2019, is intended to significantly increase revenues through online supervision of payments and withdrawals in the gambling system, and the involvement of all organisers in the information system for online gambling. Given the impact of COVID-19 in 2020, the intended deadlines for adaptation have been extended. The revenues from the fees on games of chance amounted to BAM 27.9 million in 2018, BAM 43 million in 2019, BAM 48.9 million in 2020, BAM 68.2 million in 2021, BAM 94.2 million in 2022, BAM 124.2 million in 2023, BAM 155.4 million in 2024 and BAM 172.8 million in 2025. In this 7-year period of application of the new law (2019 - 2025), compared to 2018, the revenues from the fees on games of chance grew by a factor of 6.2 because of the implementation of the new law.

Tax Procedure of the Republic

The First Law on Tax Procedure of the Republic came into force on 1 January 2012 (*Official Gazette of the Republic, No. 102/11, 108/11, 67/13, 31/14 and 44/16*) and was in force until 12 August 2020, and it was amended three times. The law completely regulates procedures of the Tax Administration of the Republic during registration, determination, audit and collection of tax liabilities prescribed by tax laws, as well as procedure of inspection supervision i.e. tax audits. Goal of the amendments was improvement of procedures, introduction of legal grounds for determining tax base by assessment, specifying competencies and rights of tax administration and taxpayers, electronic tax returns and similar.

Introduction of the new law, which came into force on 13 August 2020 (*Official Gazette of the Republic, No. 78/20*) (the “**2020 Law**”) introduced a legal framework for implementation of the project of e-registration of

business entities in the Republic, and for specifying provisions on procedure for application of tax base assessment with natural entities. This 2020 Law (referred to above), in relation to the law in 2011, changed certain parts in the tax procedure followed by the Republic, i.e. certain procedures are simplified, both for taxpayers and Tax Administration of the Republic, which is also competent for implementation of the 2020 Law. In addition, for the first time, general principles for tax procedure are included in the 2020 Law. These principles are general rules relevant for tax officials and taxpayers, which must be respected in each stage of tax procedure. The method for determining tax base via assessment was specified, obsolete deadline for determining limitation period for rights to collect tax liabilities was prolonged, rules for IT control were prescribed and deadlines for submitting changed tax return are specified.

The Law on Tax Procedure of the Republic was amended in 2022 (*Official Gazette of the Republic, No. 37/22*) in order to harmonise the statute of limitations applicable to the right of the RSTA to enforce collection. It provides that, with respect to liabilities for which the statute of limitations on enforced collection commenced under the 2001 law, such limitation period shall be determined in accordance with the provisions of the 2020 Law.

Law on Tax System of the Republic

The Law on Tax System of the Republic (*Official Gazette of the Republic, Nos. 62/17 and 110/20*) governs the tax system of the Republic as well as establishment and conduct of the register of tax and non-tax revenues in the Republic. Goal of the register of tax and non-tax revenues is enhanced transparency of introducing and collecting public revenue, establishing public control over fiscal burden on economy and citizens, and cooperation of government, citizens and business community in creating a more favourable economic environment, which will contribute to higher competitiveness of domestic economy and increase standard of living. This law establishes a cohesive legal framework and system for the payment of taxes by taxpayers.

The register of tax and non-tax revenues in the Republic was published on the website of the Ministry of Finance. In accordance with the Law on Tax System of the Republic, tax revenues determined contrary to provisions of law are not included in the register. In addition, tax and non-tax revenues that are not included in the Register of tax and non-tax revenues in the Republic should not be paid, and the administrative body proposing regulation which has such revenues is obliged to initiate the procedure for its removal from that regulation under the urgent procedure.

Non-tax revenues

Non-tax revenue includes various fees (administrative, court, utility), fines, charges and other revenue, and adopting laws and other regulation in the field of non-tax revenue is exclusively in competence of the Republic. In accordance with the Law on the Tax System in the Republic, all non-tax charges must be determined or determinable by law. Introducing or increasing any non-tax charge requires a justification analysis and opinion of the Ministry of Finance regarding that analysis. The Ministry of Finance prepares annual analysis of justification of certain non-tax charges, on the basis of which the ERP proposes reduction or abolition of certain charges. In accordance with the Law on the Tax System, the Register of Tax and Non-Tax Charges of the Republic was established to reduce or abolish non-tax charges. Any non-tax charge that has not been entered into the tax system in accordance with this law will not be part of the Register and taxpayers will not need to make any payment.

All tax and non-tax charges are considered public revenues. Before any payment is required, an act specifying the name of each tax and non-tax charge, its amount, the method for assessing liability, the taxpayer, and the revenue beneficiary must be published in the Official Gazette of the Republic or the official gazette of the relevant local self-government unit.

Indirect taxation

Indirect taxation is governed by regulations on the level of BiH institutions. Laws and other regulations and policies on indirect taxation are determined by the Council of Minister of BiH on proposal of the Indirect Taxation Agency's Management Board, according to the Law on Indirect Taxation System in BiH (*Official Gazette of BiH, No. 44/03, 52/04, 34/07, 4/08, 49/09, 32/13 and 91/17*), and they are adopted by the Parliamentary Assembly of BiH. Pursuant to the Law on Indirect Taxation System, all major decisions adopted

by the Governing Board of the Indirect Taxation Authority require the affirmative vote of both Entity Ministers of Finance and the Minister of Finance and Treasury of BiH.

Revenue from indirect taxation is collected by the ITA, which is an independent administrative organisation competent for implementation of regulations in the field of indirect taxation. Revenue from indirect taxes collected on the single account of the ITA (e.g., VAT, excise, tariffs and tolls) is allocated daily, according to the methodology based on share in end consumption shown on VAT returns.

The revenue from indirect taxes collected on single account of the ITA are allocated after the funds for reserves (refund) and predetermined funds for financing BiH institutions are allocated, after which Brčko District is allocated 3.55 per cent. of the revenue from indirect taxes. The rest of the funds are shared between entities according to temporary coefficient for allocation of revenues from indirect taxation. From the respective share for the Republic, direct payments for servicing external debt are then made, and the rest of the funds from the single account of the ITA are allocated between the Republic's budget (72 per cent.), municipalities and cities budgets (24 per cent.) and Public company "Roads of the Republic of Srpska" (four per cent.), which is in accordance with the Law on Budget System of the Republic.

VAT

There is a general rate of VAT of 17 per cent. and zero per cent. rate on exports. VAT registration threshold is BAM 100,000. Introduction of VAT repealed the sales tax which was payable in the Republic and a competence of the Republic.

Excise duties

In addition to VAT, BiH also has excise taxes payable on certain goods (petroleum products and derivatives, gas, coffee, alcoholic and non-alcoholic beverages, tobacco and tobacco products), and road tolls (special type of excise tax) payable on motor gasoline, diesel fuels and other gas oils, heating oil and biofuels and bio liquids per litre in specifically determined amounts.

Customs Duties

Indirect taxes also include customs duties that are determined in BiH in accordance with the Law on Customs Policy and paid according to the customs tariff.

The Law on Fiscal Responsibility of the Republic

The Law on Fiscal Responsibility of the Republic (*Official Gazette of the Republic, No. 94/15 and 62/18*) (the "**Law on Fiscal Responsibility**") regulates fiscal rules, measures and procedures that establish the Republic's fiscal framework, implement mechanisms to limit and oversee public spending, enhance responsibility for the efficient and effective use of budgetary funds, and establish the function and authority of the Fiscal Council of the Republic (the "**Fiscal Council**") to strengthen control and supervision functions. The objective of the Law on Fiscal Responsibility is to ensure the maintenance of fiscal responsibility, transparency and medium- to long-term fiscal sustainability in the Republic.

General and Special Fiscal Rules

The Law on Fiscal Responsibility prescribes for 'general' and 'special' fiscal rules, which operate as permanent or temporary constraints on fiscal policy in order to enhance budgetary discipline, improve coordination between the different levels of government, and establish long-term sustainable fiscal policies. The general fiscal rules relate to the overall budgetary system of the Republic, whereas the special fiscal rules represent binding, automatic measures that take effect if certain economic indicators exceed the thresholds prescribed by the 'general' fiscal rules. The thresholds prescribed by the 'general' fiscal rules are: (i) debt rule: the Public Debt of the Republic at the end of a fiscal year may not exceed 55 per cent. of the realised GDP for that year, and (ii) consolidated budget deficit rule: the consolidated budget deficit at the end of a fiscal year may not exceed 3 per cent. of the realised GDP for that year. The 'special' fiscal rules require the Budget for a following financial year to be a surplus in the event that Public Debt reaches 50 per cent. of GDP generated in a financial year or if the consolidated budget deficit reaches 2.5 per cent. in a financial year. Compliance with the 'special' fiscal rules is overseen and determined by the Fiscal Council on the basis of an assessment of the relevant data for a financial year.

If any of the fiscal rules are breached, the RS Government is obliged to prepare and submit to the RS National Assembly a fiscal consolidation programme in consultation with the Fiscal Council, which will recommend the measures and timeframe for remedying the breach within the parameters prescribed by applicable law. If any of the recommendations of the Fiscal Council are not reflected in the proposed fiscal consolidated programme, the RS Government is obliged to state such deviations and provide explanations for such decision. The RS Government is required to submit such decision to the RS National Assembly in the form of a report on the temporary deviation which is prepared by the Ministry of Finance and includes, in consultation with the Fiscal Council, (i) the reasons for the deviation from the fiscal rules, (ii) the measures that the RS Government plans to take to restore compliance with the fiscal rules, and (iii) the timeframe within which the situation will be remedied. The RS National Assembly may, subject to the rationale presented by the RS Government, approve the temporary deviation from any of the fiscal rules. The RS National Assembly has the authority to approve such decision only in the event of (i) a natural disaster, (ii) an economic recession, or (iii) a realisation of a large infrastructure project. Only after receiving the opinion of the Fiscal Council can a proposal on a temporary deviation be adopted by the RS Government. A breach of the procedures and requirements prescribed by the Law on Fiscal Responsibility may result in the imposition of a fine on the relevant persons that breached such matters, including the fiscal rules and the procedures for temporary deviations.

The responsibility for the implementation of the Law on Fiscal Responsibility is borne by the Fiscal Council. The Fiscal Council was established in July 2017 with the objective of improving fiscal responsibility and enhancing fiscal discipline in connection with the expenditure of public funds across the entire Budget system in the Republic (namely, at the national level and at the local self-government unit level, as well as in relation to any extra-budgetary funds). The Fiscal Council operates as an independent body and reports to the RS National Assembly.

The Fiscal Council consists of a president and two members that are appointed by the RS National Assembly. The proposal for the appointment of the president and members of the Fiscal Council is submitted to the RS National Assembly by the President of the Republic in accordance with the required legal procedures. The members of the Fiscal Council are not employed. A member of the Fiscal Council may not perform any other duties or paid duties with any of the Budget users in the Republic, except for scientific, educational or editorial work. A member of the Fiscal Council cannot be a member of a political party, nor can they be guided by political affiliations or ideology. Members are elected for a five-year term and may not be elected more than twice. The Fiscal Council submits to the RS National Assembly, once a year, a report on the implementation of the Law on Fiscal Responsibility and any identified irregularities (being any actual and/or potential deviations from the fiscal rules and violations of fiscal measures) for the period from 1 January to 31 December of each year. The BiH Fiscal Council (as defined below) in BiH does not influence or otherwise have any involvement in the operations of the Republic's Fiscal Council.

Public Financial Management Strategy

Public financial management is one of the key areas of public administration reform. The Strategic Framework for Public Administration Reform in BiH provides that each level of government, in accordance with its constitutional competences, shall adopt its own Public Financial Management Strategy (the “**Public Financial Management Strategy**”). In June 2021, the Government of the Republic adopted the Public Financial Management Strategy of the Republic of Srpska for the period from 2021 to 2025, together with the accompanying action plan. The adopted strategy served as the main guideline for strengthening the legal and institutional framework and the public financial management system of the Republic of Srpska, in line with European Union requirements and international standards.

The Public Financial Management Strategy of the Republic covers six areas of action, namely: Fiscal Framework, Public Revenues, Planning and Budgeting, Budget Execution, Internal Control, and External Audit.

During the implementation period, the RS Government monitored the implementation of planned activities through annual reports and analysed the progress achieved in the implementation of the six pillars, i.e., reform areas, by tracking the implementation of 22 measures, 57 activities and 172 sub-activities.

Activities are currently underway to prepare the Public Financial Management Strategy of the Republic for the new programming cycle. At its 108th session held on 6 March 2025, the RS Government adopted the Decision on the Preparation of the Public Financial Management Strategy of the Republic, with the aim of continuing to strengthen the legal and institutional framework for the planning, coordination and implementation of mutually

connected reform activities in the area of public finance, in accordance with international standards and obligations arising from the EU accession process. The Strategy will define key strategic objectives, priorities, measures and projects, which will serve as the basis for further policy development in the area of public finance, taking into account EU requirements and international standards. The RS Government has appointed a working group for the preparation of the Public Financial Management Strategy of the Republic for the period from 2026 to 2030.

By adopting public financial management strategies for the period from 2021 to 2025 at all levels of government, the preconditions were created for initiating activities aimed at preparing a comprehensive public financial management strategy in BiH. The preparation of the Comprehensive PFM Strategy in BiH (as defined below) was carried out in accordance with the principles defined in the Strategic Framework for Public Administration Reform 2018–2022 and with full consideration of the individual public financial management strategies of each level of government in BiH. In June 2022, the RS Government approved the Proposal of the Comprehensive Public Financial Management Strategy in BiH 2021–2025, as well as the monitoring and reporting framework for the Comprehensive Public Financial Management Strategy in BiH 2021–2025 (the “**Comprehensive PFM Strategy in BiH**”).

The Comprehensive PFM Strategy in BiH 2021–2025 provides a substantive and time-based overview of the strategies of four levels of government in a harmonised structure, while the individual strategies of all levels of government form an integral part of the Comprehensive Strategy (as annexes). The Proposal of the Comprehensive PFM Strategy in BiH 2021–2025 was also approved by the other levels of government in BiH, thereby approving the monitoring and reporting framework, which includes a consolidated Annual Action Plan and an Annual Implementation Report.

Fiscal Risks of Public Enterprises in the Republic

One of the priority reforms in the Republic is the reform of public enterprises, which represent a significant source of fiscal risks, both on the revenue and expenditure sides of the Budget. The sustainability, efficiency and profitability of public enterprises affect budget revenues (i.e., the amounts paid into the Budget) and may increase expenditures due to their illiquidity.

Fiscal risks represent the exposure of public finances to certain circumstances that may cause short- and medium-term deviations from the projected fiscal framework. The identification of fiscal risks that may affect public finances in the medium term is the starting point for improved fiscal risk management.

The direct impact of fiscal risks on fiscal indicators is reflected in a reduction of revenues from taxes, licences or dividends received from public enterprises, as well as in the need for grants and subsidies, and loans and equity investments in public enterprises. The indirect impact on fiscal indicators is reflected in poor operational performance and insufficient infrastructure investment, which may have a negative effect on economic growth.

With the aim of ensuring more efficient management of state capital, the RS Government closely monitors the operations of public enterprises. Since 2023, the Ministry of Finance has prepared an annual Report on Fiscal Risks of Public Enterprises. The report presents the financial position of public enterprises of particular interest and the fiscal risks they may generate. The Report on Fiscal Risks of Public Enterprises is prepared on the basis of an analysis of the operations of public enterprises using the “State-Owned Enterprise Health Check Tool” and the “State-Owned Enterprise Stress Test Tool” developed by the International Monetary Fund.

The State-Owned Enterprise Health Check Tool enables the identification of risks and the need for enhanced supervision of high-risk public enterprises, while the State-Owned Enterprise Stress Test Tool provides an assessment of the financial position of public enterprises under a baseline and a macroeconomic stress scenario and quantifies potential impacts on public finances. These tools assess financial vulnerabilities and risks arising from the operations of public enterprises, enable the identification of enterprises that may pose potential risks to the Budget and the exposure of the Government of the Republic, and highlight those public enterprises that are financially most vulnerable.

Public Investment Programs

Since 2007, the RS Government has planned funds for financing public investments in the Budget as a separate budget line. Decisions on the financing of specific projects from these funds are adopted by the Government during the current year.

Each year, the Government adopts the Public Investment Programme of the Republic (“**PIP RS**”) for the following three-year period; first in draft form in June of the current year and then in proposal form in December of the current year. The preparation of the PIP RS for the forthcoming three-year period and its adoption by the Government are prescribed by the Law on the Budget System of the Republic (*Official Gazette of the Republic, 121/2012, 54/2014, 103/2015, 15/2016, 110/2024 and 57/2026*). The PIP RS is prepared as support to the Government and its institutions in establishing an effective capital budgeting system. It contains information on investment projects under implementation (i.e., projects for which financing has been secured or is expected to be secured and whose implementation is ongoing or about to commence), as well as on projects identified as priorities by the competent ministries/institutions for which financing had not yet been secured at the time of preparation of the document. The Ministry of Finance obtains project information through the PIMIS information system from all ministries/institutions and local self-government units of the Republic. As of 2019, the PIMIS system has been introduced in all local self-government units in the Republic.

A stable and well-defined public investment system requires clearly described rules and procedures. With the aim of establishing a project management system, in July 2016 the Government adopted the Decree on the Rules for the Selection, Evaluation and Prioritisation of Public Investment Projects of the Republic of Srpska (*Official Gazette of the Republic, No. 66/2016 and 108/2024*). The Decree is directly linked to the preparation of the PIP RS and defines the entire process from the submission of public investment project proposals to the Ministry of Finance through the PIMIS information system (by completing the electronic Investment Project Form) to the preparation of the PIP RS document and its adoption by the Government. The Decree specifically prescribes rules for project nomination, scoring and ranking. Further improvement of the PIP RS will increasingly align its content with investment priorities aimed at achieving sectoral policies and strategic objectives within the competences of the institutions of the Republic. The reform model for improving public investments in the Republic is primarily based on the selection of public investments according to criteria of social benefit and economic viability, as well as on improved management and efficient implementation.

An EU-funded project for efficient public financial management in BiH/Treasury Software is currently being implemented under the EU IPA Programme for BiH (Contract No. 024/454-980). The project envisages the development of a Budget Management Information System of the Ministry of Finance, as well as the modernisation and upgrading of the PIMIS information system, including improved project reporting processes and functionalities enabling the introduction of the PIMIS information system for all public investment beneficiaries (e.g., public enterprises and other institutions).

In parallel with the development of the information system, the Ministry of Finance is preparing a new Decree that will further improve the public investment management system in the Republic, in line with generally accepted international standards.

The PIP RS covers all public investment projects. Public investments, within the meaning of the Decree, represent capital expenditure on economic and social infrastructure and are financed or co-financed from Budget revenues, loan and donor funds and other sources. According to the Proposal of the PIP RS for the period 2026–2028 (the latest document adopted by the Government in December 2025), the planned implementation of investment projects during the three-year period amounts to a total of BAM 3,099.7 million (2026: BAM 1,362.5 million; 2027: BAM 1,055.6 million; 2028: BAM 681.6 million). The largest share in the financing of contracted investment projects in 2026–2028 relates to external funds in the total amount of BAM 2,075.8 million or 66.97 per cent. (loans: BAM 2,029.5 million and grants: BAM 46.3 million), while domestic funds account for BAM 1,024.0 million or 33.03 per cent. (Budget funds, own funds of project participants and domestic loans). Sectoral analysis of investment projects under implementation in 2026 to 2028 (according to ministerial competence) shows that the largest investments are in the energy, transport infrastructure, healthcare and agriculture sectors (92.84 per cent. of total investments).

Government Finance Transparency

Following the adoption of the Budget by the RS National Assembly, the Ministry of Finance publishes a Guide for Citizens for the Budget of the Republic. The objective of the guide is to provide clarity and transparency to citizens with respect to the budgetary process and allocation of funds under the approved Budget for that fiscal year, given that such funds are derived from the collection of taxes to a large extent, in order to enhance the transparency of the management of public finances.

The drafting of the Budget of the Republic is a year-round process which includes a large number of participants and is open to interested parties through competent budget users (being local self-government bodies) to participate in its drafting through their constructive proposals. A broad range of information related to the preparation, drafting and adoption of the Budget is available from the dissemination of instructions to budget users (which are also published on the website of the Ministry of Finance) through to the adoption and publication of the Budget by the Ministry of Finance, the RS National Assembly and the Official Gazette of the Republic.

A consolidated report on the execution of the Budget of the Republic is prepared quarterly, semi-annually and annually in accordance with the Budget System Law. The Ministry of Finance also reports quarterly, semi-annually and annually to the RS Government on the execution of the Budget of the Republic for the current fiscal year, while the RS Government submits a six-month and annual consolidated report to the RS National Assembly on the same matter. After the adoption of the Consolidated Report on the Execution of the Budget of the Republic by the RS National Assembly, the report made published and made publicly available on the website of the RS Government.

The Ministry of Finance also annually publishes the following documents pertaining to debt management and data: (i) the MTDS and (ii) information about the outstanding debt incurred by the Republic.

The process of the issuance of securities by the Republic is public and transparent. In the case of bond issues (as well as treasury bills), a public invitation for participation in an auction is published in the daily newspapers, as well as on the websites of the Ministry of Finance and the Banja Luka Stock Exchange. The Stock Exchange also holds copies of the relevant RS Government decisions and prospectus pertaining to any such bond issues. The results of auctions for bonds and treasury bills are published on the same day on the website of the Ministry of Finance and the Banja Luka Stock Exchange.

Information on the macroeconomic indicators of the Republic are published once a month in the local language and semi-annually and annually in English by the Ministry of Finance. The Ministry of Finance also makes available to the public, on an annual basis, copies of the relevant FBD (including any amendments or revisions) and Program of Economic Reforms. In accordance with the Rulebook on Financial Reporting (*Official Gazette of the Republic, Nos. 15/17 and 17/22*), a periodic transaction report with preliminary data is prepared once a month for the Republic and quarterly for all government units and is made available to the public by the Ministry of Finance.

Budget Execution

The Consolidated General Government Budget

The budget for the general RS Government sector includes the consolidated budgets of various sub-sectors, being the central RS Government, the local self-government units and social security funds. See “—*Budget Process*” for further information on the Budgets at the central RS Government Level and general RS Government level.

The main objectives and priorities of the general government Budget of the Republic for 2026 are focused on maintaining economic stability, supporting the most vulnerable categories of the population and continuing the investment cycle. One of the primary objectives of the Budget is to mitigate the effects of inflation and improve the living standard of citizens, as reflected in increases in pensions and wages, as well as support to socially vulnerable groups, such as assistance to large families with four or more children where one parent is unemployed. The Budget also seeks to stimulate economic activity through direct incentives, in particular for agriculture, the economy, new technologies and wage growth in the private sector.

Total revenues are projected to increase from BAM 8,112.8 million in 2025 to BAM 8,388.5 million in 2026. The largest and most important source of revenue remains indirect taxation, which accounts for the dominant share of total revenues and continues to grow steadily over the period. Social security contributions represent the second most significant revenue stream and also show stable upward movement, reflecting labour market stability and wage growth. Direct taxes (personal income tax, corporate income tax and property taxes) remain smaller in relative terms but demonstrate moderate growth. Non-tax revenues and income from financial and non-financial assets remain broadly stable. Overall, revenue growth is primarily driven by macroeconomic activity, consumption trends and inflation effects.

Total expenditures (including net acquisition of non-financial assets) are projected to increase from BAM 8,392.9 million in 2025 to BAM 8,840.7 million. The largest expenditure categories are social security benefits from compulsory social security funds, which represent the single largest spending component, Compensation of employees and social assistance from the budgets.

Social security benefits from the mandatory social insurance funds are planned in accordance with the Law on Pension and Disability Insurance, the Law on Mandatory Health Insurance, the Law on Child Protection and the Law on Employment Mediation and Rights During Unemployment. Taking into account recent trends in the number of pension beneficiaries and the expected number of beneficiaries in the forthcoming period, as well as the regular alignment of pensions, funds have been planned for their payment. Rights defined under the other aforementioned laws, relating to specific types of benefits granted to eligible beneficiaries, are planned through the social security funds. In 2025, pensions were subject to regular alignment of 6.0 per cent. and extraordinary alignment of up to 3.0 per cent., while regular alignment of 6.45 per cent. is planned for 2026.

Compensation of employees is planned in accordance with the applicable salary laws and the relevant collective agreement. The increase in this category of expenditure is attributable not only to salary increases prescribed by law but also to the continued harmonisation of salary coefficients for employees with higher and university-level qualifications in the fields of education and culture, pursuant to the Agreement on the Dynamics of Harmonisation of Salary Coefficients for Employees with Higher Education Qualifications in the Fields of Education and Culture of the Republic. At the level of local self-government units, the Law on Salaries of Employees in Local Self-Government Units (*Official Gazette of the Republic, No. 62/25*) was adopted, defining the method for determining salaries, entitlement to compensation and assistance, and other employment-related rights of civil servants, employees and other staff without civil servant status in city or municipal administrations.

Funds for social benefits are planned so as to cover a broad range of needs, from support to the most vulnerable categories of the population to assistance to families. Increases in social benefit expenditure are the result of alignment with the effects of inflation and rising living costs, which also constitute the basis for increasing the calculation base for certain social benefits, such as disability benefits. It should be noted that many social protection rights are financed on a 50 per cent. basis from the Budget of the Republic and 50 per cent. from the budgets of local self-government units.

Overall, the 2024–2026 fiscal projections demonstrate a stable and predictable budgetary path, with revenues and expenditures growing in parallel and fiscal balances remaining under control. The resulting budget deficit at the general RS Government level is assumed at BAM 280.1 million, or 1.5 per cent. of expected GDP, but the total fiscal deficit at the general RS Government level in 2026 is planned at BAM 452.2 million, or 2.3 per cent. of expected GDP.

The 2025 Budget assumes real GDP growth of 2.2 per cent. and average inflation of 4.1 per cent. in 2025, while the 2026 Budget assumed real GDP growth of 2.6 per cent. and average inflation rate of 2.9 per cent. in 2026.

The following table illustrates the budget of revenues and expenditures of the consolidated general RS Government budget for the years indicated:

	Year ended 31 December	
	2025	2026
	Budget	Budget
	<i>(BAM millions)</i>	
Total Revenues	8,112.8	8,388.5
Tax revenues	7,152.7	7,476.5
Corporate income tax and other taxes on income, profit and capital gains	898.6	917.2
Social security contributions	3,016.2	3,172.9
Personal income tax	103.6	123.1
Taxes on property	63.6	65.1
Tax on sales of products and services	0.1	0.1
Customs and import duties	0.0	0.0
Indirect taxes collected by ITA	3,046.9	3,166.6
Other tax revenues	23.7	31.6
Non-tax revenues	907.4	880.0
Income from financial and non-financial assets	126.5	113.9
Charges and fees and revenues from public services	710.4	700.4
Fines and penalties	52.3	52.1
Income from financial and non-financial assets and exchange transactions between or within government units	0.4	0.0
Other non-tax revenues	17.8	13.7
Transfers between government units	0.1	0.2
Grants	52.6	31.7
Public Expenditures	7,648.5	8,128.3
Current expenditures	7,637.5	8,104.0
Compensation of employees	1,939.4	2,051.5
Purchase of goods and services	619.6	618.4
Interest and other financing costs	299.3	306.7
Subsidies	342.0	300.1
Grants	487.0	472.4
Social assistance from the budgets	753.8	855.2
Social security benefits from compulsory social security funds	3,181.0	3,483.8
Interest, other financing costs and expenses from exchange transactions between or within government units	1.3	0.6
Cost of court decisions	14.1	15.3
Transfers between and within self-government units	0.3	0.3
Budget Reserve	10.7	23.9
Gross surplus	464.3	260.2
Net Acquisition Of Non-Financial Assets	(744.4)	(712.4)
Net Fiscal deficit	(280.1)	(452.2)
Net Financing	280.2	452.2
Difference in financing	0.1	0.0

Source: the Ministry of Finance.

The above targets and assumptions are based on the most recently available information and may be further adjusted, amended or revised, whether as part of regular review or otherwise, to take into account the prevalent economic and fiscal indicators, which are evolving based on numerous factors that are highly uncertain, changing and cannot be accurately predicted. See “—Budget Process” and “—Budget Execution” for further information.

The General Government Budget Execution

The total revenues have grown in recent years, from BAM 4,353.9 million in 2020 to BAM 7,074.7 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 partially influenced the level of achieved growth, but considering that the rate of recorded growth in total revenues is above the recorded level of inflation, there has been stable and continuous real growth in total revenue collection, largely generated by an increase in finale private consumption and positive trends in the labour market (growth in the number of employees and wages).

The total expenditures have also grown over the past four years, from BAM 4,916 million in 2020 to BAM 7,347.1 million in 2024. The principal factors in the growth of expenditures have been the increase in social security benefits from compulsory social security funds, given that the legal provision requires the adjustment

of pensions to the growth of wages and inflation from the previous year. Inflationary pressures and the growth of the average wage in order to mitigate the impact of price increases on the standard of living led to a significant growth of pensions in the observed period.

In 2021, the general RS Government budget surplus amounted to BAM 28.0 million or 0.2 per cent. of GDP. The general RS Government budget deficit amounted to BAM 378.6 million or 2.6 per cent. of GDP in 2022, BAM 339.1 million or 2.1 per cent. of GDP in 2023 and BAM 272.4 million or 1.6 per cent. of GDP in 2024. See “—Fiscal Developments in 2020”, “—Fiscal Developments in 2021”, “—Fiscal Developments in 2022”, “—Fiscal Developments in 2023” and “—Fiscal Developments in 2024” for additional information.

The following table illustrates the actual revenues and expenditures of the consolidated general RS Government budget for the years 2020 to 2024, and the preliminary execution figures for the nine months ended 30 September 2025 compared with the actual revenues and expenditures for the nine months ended 30 September 2024:

	Year ended 31 December										Nine months ended 30 September		
	2020		2021		2022		2023 ⁽²⁾		2024		2025	2024	2025
	Budget	Executed	Budget	Executed	Budget	Executed	Budget	Executed	Budget	Executed	Budget	Executed	Executed
Total Revenues⁽¹⁾.....	4,416.3	4,353.9	5,021.1	5,120.4	5,562.5	5,622.1	6,372.2	6,273.9	6,966.6	7,074.7	8,112.8	5,212.0	5,667.0
Tax revenues.....	3,871.3	3,862.8	4,261.6	4,351.4	4,893.6	4,960.7	5,540.6	5,505.6	6,200.3	6,344.7	7,152.7	4,677.6	5,027.5
Corporate income tax and other taxes on income, profit and capital gains.....	376.3	377.5	387.5	396.9	500.9	529.1	633.4	631.1	769.7	764.9	898.6	613.9	624.2
Social security contributions.....	1,659.9	1,678.6	1,813.6	1,826.9	1,982.3	2,012.5	2,297.0	2,290.2	2,526.7	2,591.9	3,016.2	1,871.5	2,054.3
Personal income tax.....	49.2	45.6	49.7	44.2	58.0	60.2	66.2	75.2	81.7	94.5	103.6	70.0	82.0
Taxes on property.....	45.1	41.1	46.6	44.5	49.3	45.4	52.7	53.2	59.5	56.2	63.6	44.1	49.1
Tax on sales of products and services	1.1	0.6	0.8	0.2	0.7	0.6	0.6	0.1	0.5	0.3	0.1	0.0	0.0
Customs and import duties.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Indirect taxes collected by ITA ⁽³⁾	1,736.6	1,714.6	1,959.3	2,030.5	2,294.4	2,298.7	2,479.2	2,437.7	2,745.2	2,814.1	3,046.9	2,062.1	2,197.6
Other tax revenues.....	3.1	4.8	4.2	8.2	7.9	14.2	11.5	18.1	22.8	23.7	23.7	16.0	20.3
Non-tax revenues.....	457.1	410.1	708.4	708.3	633.1	593.1	712.9	688.1	728.4	660.8	907.4	485.6	596.9
Income from financial and non-financial assets.....	60.2	50.7	77.1	69.5	130.0	88.9	146.5	132.0	90.0	80.0	126.5	54.5	58.3
Charges and fees and revenues from public services.....	359.3	327.7	383.6	394.8	456.0	456.1	514.2	505.9	578.9	531.8	710.4	395.3	495.9
Fines and penalties.....	21.1	21.2	28.5	29.8	35.0	35.3	37.1	37.9	37.8	37.7	52.3	27.4	31.7
Income from financial and non-financial assets and exchange transactions between or within government units.....	0.3	0.0	0.5	0.0	0.6	0.0	0.6	0.0	0.7	0.0	0.4	0.0	0.1
Other non-tax revenues ⁽⁷⁾	16.3	10.5	218.7	214.1	11.5	12.8	14.5	12.2	20.9	11.2	17.8	8.3	10.9
Transfers between government units.....	0.0	0.5	0.1	0.1	1.7	1.4	1.5	1.4	0.2	1.4	0.1	0.9	0.1
Grants ⁽⁸⁾	87.9	80.5	51.0	60.6	34.1	66.9	117.2	78.9	37.8	67.8	52.6	48.0	42.5
Public Expenditures⁽⁹⁾	4,448.9	4,386.5	4,684.0	4,655.3	5,265.1	5,462.9	6,169.9	6,112.2	6,738.9	6,779.5	7,648.5	4,790.2	5,267.6
Current expenditures..	4,314.1	4,385.9	4,676.4	4,654.8	5,250.0	5,462.5	6,161.6	6,111.9	6,730.3	6,779.1	7,637.5	4,788.8	5,266.2
Compensation of employees.....	1,134.5	1,120.6	1,176.2	1,161.0	1,350.1	1,375.2	1,528.7	1,522.1	1,619.1	1,606.4	1,939.4	1,200.3	1,409.5
Purchase of goods and services.....	319.7	308.9	319.0	319.9	354.5	387.4	429.5	415.2	503.4	495.2	619.6	343.5	394.0
Interest and other financing costs.....	135.1	130.9	146.8	146.6	151.2	152.4	218.4	216.3	246.0	272.4	299.3	131.4	160.8
Subsidies ⁽⁴⁾	267.9	263.2	240.3	211.1	245.9	240.2	302.8	287.2	332.3	315.2	342.0	120.0	127.0
Grants ⁽³⁾⁽⁵⁾	195.7	342.1	373.5	421.4	431.6	511.7	455.4	437.8	439.1	508.5	487.0	343.0	307.2
Social assistance from the budgets ⁽⁶⁾	329.1	320.4	361.0	360.5	431.0	505.1	548.9	547.2	679.0	682.0	753.8	493.4	522.6
Social security benefits from compulsory social security funds..	1,916.5	1,886.7	2,047.7	2,020.6	2,274.9	2,277.6	2,667.9	2,674.4	2,898.8	2,887.2	3,181.0	2,149.6	2,336.6
Interest, other financing costs and expenses from exchange transactions between or within government units.....	0.6	0.0	0.2	0.0	0.8	0.0	0.9	0.1	1.0	0.1	1.3	0.1	0.1
Cost of court decisions	15.0	13.1	11.6	13.7	10.0	12.9	9.2	11.6	11.7	12.0	14.1	7.6	8.4
Transfers between and within self-government units.....	129.4	0.6	0.5	0.5	0.9	0.4	0.3	0.3	0.3	0.4	0.3	1.4	1.4
Budget Reserve.....	5.4	-	7.1	-	14.2	-	8.0	-	8.3	-	10.7	-	-
Gross surplus/deficit.....	(32.6)	(32.6)	337.1	465.1	297.3	159.2	202.3	161.7	227.6	295.2	464.3	421.8	399.5
Net Acquisition Of Non-Financial Assets.....	(596.9)	(529.5)	(502.2)	(437.1)	(690.0)	(537.8)	(615.2)	(500.8)	(627.3)	(567.6)	(744.4)	(269.8)	(256.3)
Net Fiscal surplus/deficit.....	(629.5)	(562.1)	(165.1)	28.0	(392.7)	(378.6)	(412.9)	(339.1)	(399.7)	(272.4)	(280.1)	152.0	143.2
Net Financing.....	629.7	465.7	165.1	259.3	392.7	282.9	412.9	22.4	399.7	488.0	280.2	354.5	112.5
Difference in Financing.....	0.2	(96.4)	0.1	287.3	0.0	(95.7)	0.0	(316.7)	0.0	215.6	0.1	506.5	255.7

Source: Financial reports of the Budget users of the Republic, local self-government units and social security funds.

Notes:

- From 1 January 2017, the Budget reflects an updated methodology for accounting policies and economic classifications. Any revenues are actual (or current) collected revenues, whereas expenses are stated on the basis of assumed liabilities (but do not include depreciation of assets, impairment of assets, provisions and other expenses that have an accounting character without requiring a specific future cash flow).
- The amounts for the 2025 Budget are derived from the revised 2026-2028 FBD (see “Budget Process” for further information).
- In accordance with the Agreement on the Establishment of Special Parallel Relations between the Republic and the Republic of Serbia (Official Gazette of the Republic, No. 60/07), and in order to enhance bilateral relations, from September 2017 to September 2025, the Republic of Serbia approved 17 donations to the Republic in a total amount of EUR 116,260,659. A total of BAM 10.8 million, BAM 16.8 million, BAM 72.8 million, BAM 43.8 million, BAM 24.6 million, BAM 19.6 million, BAM 19.6 million, BAM 19.6 million were remitted in 2017, 2018, 2019, 2020, 2021, 2022, 2024 and 2025 respectively.
- The Agricultural Payment Agency reported the following expenditures by year in respect of subsidies to promote the development of agriculture and rural areas: BAM 75.0 million in 2021; BAM 75.0 million in 2022; BAM 180.0 million in 2023; BAM 171.4 million in 2024; and BAM 61.1 million in the first nine months of 2025. Pursuant to the Law on Agriculture (Official Gazette of the Republic, 70/06, 20/07, 86/07 and 71/09), the Law on Republic Administration (Official Gazette of the Republic, 115/18, 111/21, 15/22, 56/22, 132/22 and 90/23) and the

Law on Republic Administration (Official Gazette of the Republic, 18/24, 32/24, 44/24, 56/24, 75/24, 80/24, 103/24, 109/24 and 8/25), the Ministry of Agriculture, Forestry and Water Management adopts, on an annual basis, a Rulebook on the Conditions and Manner of Exercising Financial Incentives for the Development of Agriculture and Rural Areas. This Rulebook prescribes the eligibility criteria for beneficiaries of incentive funds, the procedures for exercising such rights, the types of incentives, the amounts and method of payment, the obligations of beneficiaries following receipt of funds, as well as the deadlines for submission, required forms and other necessary documentation.

- (5) In 2021, 2022 and 2024 the increased allocation of grants was a result of donor funds from the Republic of Serbia, as well as funds realised from clearing debts, the allocation of budget funds for public investments. In 2024, a significant portion of grants will be for settlement of obligations of public health institutions (health centres) from the previous period.
- (6) In September 2015, the Republic initiated a reform of the healthcare system as one of the key areas defined by the Reform Agenda, implemented in several phases. In the period 2018–2022, with the aim of ensuring the sustainability of the healthcare system of the Republic, 22 public healthcare institutions were integrated into the treasury system, including four republican-level healthcare institutions and 18 primary healthcare institutions (health centres). In 2025, an additional 34 health centres were integrated into the treasury operations system of local self-government units.
- (7) Tolls are charged in the amount of BAM 0.10/litre (which took effect until the end of January 2018), or BAM 0.25/litre (which has been in force since February 2018) in respect of the price of oil and petroleum products in order to facilitate the funding of the construction of highways and roads. According to the Law on Payments to the Single Account and Distribution of Revenues (*Official Gazette of BiH, No. 55/04, 34/07, 49/09 and 92/17*), these funds are not included in the usual distribution of revenues collected through the Indirect Taxation Authority. Toll revenue is collected in a special sub-account of the Indirect Taxation Authority and is distributed according to the Decision on temporary distribution of toll revenue for construction of highways and construction and reconstruction of other roads (*Official Gazette of BiH, No. 50/18*), and then transferred to PE Roads RS and PE Highways RS.
- (8) Indirect taxes include VAT, customs, road levy and excises. Since BiH is responsible for indirect taxes, it is presented on an aggregated basis as the data for individual taxes is not available. For further information, see “—Fiscal Developments in 2020—Tax policy.

The following table shows year-on-year nominal changes in certain categories of revenues and expenditures of the general government budget execution for the periods indicated:

	Year ended 31 December				Nine months ended 30 September	
	2021	2022	2023	2024	2024	2025
			(% change)			
Total Revenues	17.6	9.8	11.6	12.8	13.2	8.7
Tax revenues	12.6	14.0	11.0	15.2	15.0	7.5
Corporate income tax and other taxes on income, profit and capital gains	5.1	33.3	19.3	21.2	23.3	1.7
Social security contributions	8.8	10.2	13.8	13.2	11.9	9.8
Personal income tax	(3.0)	36.0	24.9	25.8	24.8	17.2
Taxes on property	8.3	62.0	(26.2)	5.6	5.8	11.3
Tax on sales of products and services	(61.8)	244.2	(87.3)	197.7	(58.0)	(45.7)
Customs and import duties	57.9	(66.9)	(28.6)	(33.4)	(31.0)	218.3
Indirect taxes collected by ITA	18.4	13.2	6.0	15.4	15.4	6.6
Other tax	71.2	73.7	27.1	25.8	28.7	26.7
Non-tax revenues	72.7	10.6	(12.2)	(4.0)	2.4	22.9
Income from financial and non-financial assets	37.2	84.8	2.7	(39.4)	(14.3)	6.9
Charges and fees and revenues from public services	20.5	53.6	(16.6)	5.1	5.9	25.5
Fines and penalties	40.7	18.2	7.6	(0.5)	(0.4)	15.4
Income from financial and non-financial assets and exchange transactions between or within government units	(50.7)	8324.3	(99.1)	927.8	480.7	214.0
Other non-tax revenues	1943.7	(94.0)	(4.6)	(8.5)	(14.9)	31.8
Transfers between government units	(83.0)	1577.5	(1.9)	0.8	(16.4)	(84.6)
Grants	(24.7)	10.4	17.9	(14.0)	(24.2)	(11.4)
Public Expenditures	6.1	17.3	11.9	10.9	11.1	10.0
Current expenditures	6.1	17.4	11.9	10.9	11.1	10.0
Compensation of employees	3.6	18.4	10.7	5.5	5.3	17.4
Purchase of goods and services	3.6	21.1	7.2	19.3	22.9	14.7
Interest and other financing costs	12.0	4.0	41.9	25.9	18.4	22.4
Subsidies	(19.8)	13.8	19.6	9.7	9.1	5.8
Grants	23.2	21.4	(14.4)	16.1	19.8	(10.4)
Social assistance from the budgets ..	12.5	40.1	8.3	24.6	24.2	5.9
Social security benefits from compulsory social security funds ..	7.1	12.7	17.4	8.0	8.6	8.7
Interest, other financing costs and expenses from exchange transactions between or within government units	425.9	7.8	39.0	175.1	213.0	35.5
Cost of court decisions	4.2	(5.9)	(9.6)	3.2	1.5	9.9
Transfers between and within self-government units	(12.6)	(21.5)	(20.0)	18.5	(33.0)	(1.2)
Budget Reserve	-	-	-	-	-	-
Gross Surplus/Deficit	(1526.7)	(65.8)	1.6	82.6	44.0	(5.3)
Net Acquisition Of Non-Financial Assets	(17.5)	23.0	(6.9)	13.3	12.9	(5.0)
Net Fiscal Surplus/Deficit	(105.0)	(1453.0)	(10.4)	(19.7)	181.8	(5.8)
Net Financing	(44.3)	9.1	(92.1)	2074.1	(2136.1)	(68.3)
Difference in Financing	(398.0)	(133.3)	230.9	(168.1)	1286.1	(49.5)

Source: Financial reports of the Budget users of the Republic, local self-government units and social security funds.

Fiscal Developments in 2020

The consolidated deficit of the general RS Government amounted to 5.0 per cent. GDP in 2020. Fiscal deficit of BAM 562.1 million was realised at the general RS Government level. Public debt increased to 42.5 per cent.

of GDP in 2020, as a result of increase of public debt level in nominal terms, as well as a decline of GDP in 2020.

Total revenues at the general RS Government amounted to BAM 4,353.9 million, which is 2.7 per cent. less than the total revenues in the previous year as a result of the temporary measures implemented by the RS Government and the shutdown of economic activity in the beginning of March 2020 in response to COVID-19. The most significant decrease in revenue compared to the previous year was in indirect taxes, while revenue from personal income and corporate income taxes remained at around the same level. Given the deflation, the decrease of imports, as well as smaller private spending and decline in economic activity, the indirect tax revenues decreased compared to the previous year.

Total expenditures amounted to BAM 4,916 million at the general RS Government level, which is 11 per cent. higher than the total expenditures in the previous year as a result of the implementation of temporary measures by the RS Government in response to COVID-19. The most significant increase in expenditures, compared to the last year was in social security benefits from compulsory social security funds, Compensation of employees, Subsidies and Grants.

The effects of COVID-19 began to emerge in March 2020, when the RS Government declared a “state of emergency” and wide-ranging restrictions were introduced, in line with the approach taken in many other countries. The RS Government allocated significant funds to provide stimulus and support to the domestic economy and public health sector through this period of reduced activity and heightened uncertainty.

Fiscal Developments in 2021

The consolidated general RS Government budget surplus amounted to BAM 28.0 million or 0.2 per cent. of GDP. Public debt amounted to 40.7 per cent. of GDP in 2021. The growth of debt in nominal terms in 2021 was due to positive net borrowing as a result of the financing of investment activities. However, as there was a larger growth of GDP in 2021, this resulted in the decline of public debt in relation to GDP, as compared to the previous year.

Total revenues at the general government level of the RS amounted to BAM 5,120.4 million, which is 2.0 per cent. more than the projected total revenues set by the 2021 Budget. During 2021, there was a gradual recovery of the economy, followed by the growth of wages and employment affected the year-on-year growth of personal income tax and social security contribution revenues; the growth of the minimum wage has a significant impact on the growth of those revenues. On the other hand, the amendment to the Law on Personal Income Tax (*Official Gazette of the Republic, No. 49/21*) came into force on 4 May 2021, in order to increase personal allowance from BAM 6,000 to BAM 8,400 per year, which decreased the revenues of personal income tax. Given the inflation, the significant increase of imports, well as the recovery of economic activity, the indirect tax revenues increased compared to the previous year.

In 2021, funds in the amount of BAM 200.8 million were disbursed by the International Monetary Fund (IMF) on the basis of the SDR allocation (recorded under non-tax revenues). As a measure to mitigate the consequences of COVID-19, the IMF carried out a general allocation of SDRs to all member countries in proportion to their respective quotas (i.e., their capital subscriptions to the IMF). After the allocated funds were transferred to BiH, one-third was allocated to the Republic of Srpska in accordance with the applicable Memorandum of Understanding. Total expenditures at the general government level in 2021 amounted to BAM 5,092.4 million, representing an increase of 3.6 per cent. compared to total expenditures executed in 2020. In 2021, overall spending increased compared to 2020, albeit with a significant change in its structure. In 2020, expenditures were primarily directed towards emergency procurement in the healthcare sector and support to the economy through the Compensation Fund, whereas in 2021 there was a noticeable increase in expenditure on compensation of employees, pensions and social benefits, while subsidies were executed in a lower amount compared to 2020. Expenditures were largely financed from regular budget revenues, resulting in a reduction of the budget deficit and the year ending with a surplus of BAM 28.0 million.

Fiscal Developments in 2022

The RS Government deficit was 2.6 per cent. of GDP in 2022 and amounted to BAM 378.6 million, increased by BAM 406.6 million as compared to a surplus of BAM 28.0 million in 2021. Public debt decreased to 36.8

per cent. of GDP in 2022, even though public debt level increased in nominal terms, the impact of GDP growth in 2022 has been stronger, which contributed to the decline of public debt to GDP ratio.

Total general government revenues of the Republic in 2022 amounted to BAM 5,622.1 million and were higher by BAM 501.7 million, or 9.8 per cent., compared to total general government revenues in 2021. Revenue growth in 2022 was the result of a full economic recovery and the overcoming of the crisis caused by COVID-19. In addition, as a consequence of the crisis in Ukraine, energy and food prices increased, which led to significant inflation in the Republic and, consequently, to higher indirect tax revenues. Furthermore, in response to rising prices, there was a significant increase in wages in both the private and public sectors, which was reflected in higher revenues from personal income tax and social security contributions. Also, the amendment to the Law on Personal Income Tax (*Official Gazette of the Republic, No. 119/21*) came into force on 1 January 2022, which effected the revenues of the personal income tax and social security contributions. The tax base for salaries was changed, and now tax base is gross salary, tax rate was decreased from 10 per cent. to 8 per cent. for salaries and personal allowance was increased from BAM 8,400 to BAM 12,000 per year. These tax amendments are in line with general tax policy of Government which is lowering tax burden on salaries. At the same time aggregated rate of social contributions was decreased from 32.8 per cent. to 31 per cent. With these amendments tax rate for the income from capital, capital gains, royalties and other income was increased from 10 to 13 per cent. As of 1 May 2022, the Decision on the Determination of the Labour Price (*Official Gazette of the Republic, No. 42/22*) entered into force, increasing the labour price from BAM 100 to BAM 110. This resulted in higher gross wages in administrative bodies, public services and institutions, and consequently increased personal income tax revenues.

Total expenditures at the general government level in 2022 amounted to BAM 6,000.7 million representing an increase of 17.8 per cent. compared to total expenditures executed in 2021. In 2022, in the context of high inflation, the RS Government increased salaries paid from the Budget with a view to improving the economic and social position of employees, through an increase in the labour price and the implementation of a set of salary laws enabling salary increases by adjusting salary coefficients. In addition to regular pension alignment, pensions were increased by 10 per cent. through extraordinary alignment, and one-off payments were made to pensioners on two occasions. Furthermore, within transfers for social protection, assistance was provided to veterans, war veterans with disabilities and family members of fallen soldiers, as well as to young people and families with four or more children. In 2022, 15 primary healthcare centres were incorporated into the treasury system of local self-government units, resulting in an increase in the number of employees and, consequently, higher expenditures for compensation of employees and for the use of goods and services.

Fiscal Developments in 2023

The general RS Government budget deficit amounted to 2.1 per cent. of GDP in 2023. Fiscal deficit of BAM 339.1 million decreased by BAM 39.5 million compared by the deficit of BAM 378.6 million in the 2022. Public Debt decreased to 33.0 per cent. of GDP in 2023, which was a result of decrease of debt level in nominal terms in addition to a growth of GDP.

Total general government revenues of the Republic in 2023 amounted to BAM 6,273.9 million and were higher by BAM 651.8 million, or 11.6 per cent., compared to 2022. Revenue growth in 2023 was driven by an increase in the minimum wage from BAM 650 to BAM 700, as well as wage increases in the private sector and adjustments to wage coefficients for employees in the administrative bodies of the Republic and public institutions whose net salaries were below the average net salary in the Republic. In 2023, the high inflation resulted in the increase of indirect tax revenues compared to the previous year.

Total expenditures at the general government level in 2023 amounted to BAM 6,613.0 million, which is 10.2 per cent. higher than total expenditures in 2022. In 2023, the largest part of the growth in public expenditures relates to compensation of employees, social assistance from the budget, as well as social security benefits from mandatory social security funds, which primarily refers to pensions, but also expenditures for the use of goods and services due to increased market prices.

Fiscal Developments in 2024

The RS Government deficit decreased to 1.6 per cent. of GDP in 2024 (a decrease of 0.5 per cent. as compared to the previous year). The fiscal deficit in 2024 amounted to BAM 272.4 million, decreased by BAM 66.7 million as compared to the deficit of BAM 339.1 million in the 2023. Public Debt increased to 33.7 per cent. of

GDP in 2024 (an increase of 0.7 per cent. as compared to the previous year), which was a result of the increase of the public debt level in nominal terms even with a growth of GDP was recorded in same year.

Total general government revenues of the Republic in 2024 amounted to BAM 7,074.7 million and were higher by BAM 800.8 million, or 12.8 per cent., compared to 2023. Revenue growth in 2024 resulted from an increase in the minimum wage from BAM 700 to BAM 900, as well as wage increases in the private sector and in the public sector for certain categories of employees in the fields of education and the judiciary. Given the recovery of foreign trade, as well as higher wages leading to higher consumption, the indirect tax revenues grow compared to the previous year.

Total expenditures at the general government level in 2024 amounted to BAM 7,347.1 million, representing an increase of 11.1 per cent. compared to total expenditures executed in 2023. In 2024, public expenditures increased mainly due to higher expenditures for compensation of employees, primarily as a result of the harmonisation of salary coefficients for employees with higher education qualifications in the fields of education and culture with those of employees in public administration bodies, as well as salary increases in the judiciary. The most significant individual increase in expenditures in 2024 were recorded under social security benefits from mandatory social insurance funds, primarily pensions, reflecting regular annual indexation of 9.2 per cent. at the beginning of the year. A notable increase was also recorded under social assistance financed from the budget, which includes allocations for veteran categories of the population and other socially vulnerable groups.

Fiscal Developments in 2025

In the first nine months of 2025, a fiscal surplus of BAM 143.2 million was realised at the general RS Government level. Public Debt decreased to 32.8 per cent. of GDP in 2025 even though Public Debt increased in nominal terms. However, the projection of GDP growth for 2025 was greater, which resulted in the projection of the decline of public debt in relation to GDP.

In the first nine months of 2025, total revenues mounted to BAM 5,667.0 at the general RS Government level, representing 69.8 per cent. of projected total revenues set forth in the Budget for 2025. In 2025, the minimum wage was increased for four different categories of employees according to the level of professional qualifications required for the performance of their duties. In addition, wages in the private sector increased, which was reflected in higher revenues from personal income tax and social security contributions. In March 2025, a package of laws was adopted (*Official Gazette of the Republic of Srpska, No. 28/25*) providing for a 10 per cent. wage increase for employees in public administration, public institutions and public services. These increases covered a significant number of employees and had a substantial effect on the growth of personal income tax revenues and social security contributions. Given the increase of inflation, the continued growth of imports, as well as higher wages leading to higher consumption, the indirect tax revenues grow compared to the previous year.

In the first nine months of 2025, public expenditures at the general government level amounted to BAM 5,523.9 million, representing 65.8 per cent. of the projected total expenditures for 2025. As compared to the same period in 2024, the largest increases were recorded in social assistance, primarily allocations for veterans' and disability protection, and in social security benefits from mandatory social insurance funds, reflecting regular pension alignment of 6.15 per cent. and extraordinary alignment of 3 per cent. as of August 2025. In addition, expenditures for Compensation of employees increased as a result of the harmonisation of salary coefficients for employees with higher education qualifications in the fields of education and culture with those of employees in public administration bodies, salary increases in the judiciary, as well as the implementation of salary laws applicable to employees whose salaries are paid from the Budget. Moreover, 32 primary healthcare centres were incorporated into the treasury system of local self-government units, resulting in an increase in the number of employees and corresponding increases in expenditures for compensation of employees and for the use of goods and services.

Although a budget surplus of BAM 143.2 million (representing 1.1 per cent. of GDP) has been achieved in the first nine months of 2025, the RS Government expects a fiscal deficit at a projected level of BAM 280.1 million (1.5 per cent. of GDP) in 2025. A similar situation occurred in 2024 when a budget surplus in the first nine months 2024 amounted to BAM 152.0 million (1.2% of GDP), but ultimately the budget deficit was BAM 272.4 million (1.6% of GDP) in 2024.

TOTAL AND 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 Brčko 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—Tax Policy—Indirect Tax*”. 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 Republic is not legally liable for the financial obligations of the Federation, Brčko District nor BiH-level financial obligations (unless such obligations are pass-through obligations incurred by BiH on behalf of the Republic).

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				
	2020	2021	2022	2023	2024
			<i>(BAM millions)</i>		
Federation.....	4,980.4	5,391.3	5,408.7	5,127.3	5,035.8
The Republic ⁽¹⁾	3,141.8	3,197.9	3,042.6	2,774.1	2,643.3
Brčko District.....	51.3	48.1	48.2	45.3	49.9
BiH Institutions	66.4	63.5	60.2	46.5	43.4
Total External BiH State Debt.....	8,239.9	8,700.8	8,559.7	7,993.2	7,772.5

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 RS Government. See “—*Public Debt*” for a breakdown of the relevant external debt (as defined below) and Debt of the Republic (as defined below) published by the Republic’s 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:

	As at 31 December				
	2020	2021	2022	2023	2024
			<i>(BAM millions)</i>		
Federation.....	487.3	516.3	534.6	823.4	879.0
The Republic	239.5	241.8	254.2	404.0	435.1
Brčko District.....	9.2	7.1	7.7	10.9	14.0
BiH Institutions	8.5	7.5	5.8	16.9	4.9
Total External BiH State Debt Service	744.5	772.8	802.4	1,255.2	1,332.9

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 Republic’s Government. See “—*Public Debt*” for a breakdown of the relevant external debt (as defined below) and Debt of the Republic (as defined below) published by the Republic’s 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 per cent. of BiH-level GDP, according to statistics published by the Ministry of Finance and Treasury of BiH.

Debt Issuance by the Republic

The Republic can borrow from creditors directly or through the Ministry of Finance and Treasury of BiH. All such debt is included in the calculation of Total Debt (defined below) and Public Debt (defined below). Public companies, the IDB and public sector institutions can also borrow directly or through the Republic. When such entities borrow directly, it is not included in the calculation of Total Debt included in this Offering Circular. Such borrowings are only included in Total Debt when incurred by the Republic on behalf of and for the account of the relevant entity (and therefore constituting Indirect Debt of the Republic (as defined below)) or when they benefit from a guarantee of the Republic that has been called upon. Local self-government units and social security funds can also borrow directly or through the Republic and all debt of such entities is included in the calculation of both Total Debt and Public Debt.

All borrowings are classified as either external or internal, depending on the governing law of the agreements in respect of such borrowings.

The definitions of the Republic's classifications of debt are as follows:

- **Total Debt** – Total Debt consists of Public Debt (as defined below) and Indirect Debt (as defined below) of the Republic incurred on behalf of, and for the account of, public companies, the IDB and public sector institutions (together, the “**Total Debt**”).
- **Public Debt** – Public Debt includes Debt of the Republic (as defined below), the debt of local self-government units, and the debt of social security funds (together, the “**Public Debt**”).
- **Debt of the Republic** – Debt of the Republic refers to debt borrowed by the Government of the Republic on behalf of the Republic, excluding Indirect Debt of the Republic, as well as the debt of local self-government units, social security funds, public companies, IDB and public sector institutions (the “**Debt of the Republic**”).
- **Indirect Debt of the Republic** – Indirect Debt of the Republic is debt incurred by the Republic on behalf of, and for the account of, local self-government units, social security funds, public companies, the IDB and public sector institutions, and repaid by the Republic from the funds paid by the relevant debtor for its debt (the “**Indirect Debt of the Republic**”).
 - Indirect Debt of the Republic incurred on behalf of public companies, the IDB and public sector institutions is not included in the calculation of Public Debt unless and until the underlying borrower defaults on the debt. If a default occurs, the debt is reclassified as Debt of the Republic and included in Public Debt.
 - Indirect Debt of the Republic incurred on behalf of local self-government units and social security funds is included in Public Debt, but not in Debt of the Republic. It is only reclassified as Debt of the Republic if the underlying borrower defaults.
- **External Debt** – External Debt is any debt described above that is incurred pursuant to an international agreement or international treaty, in accordance with the Constitutions of the Republic and BiH and the applicable laws (“**External Debt**”). External Debt is further classified as:
 - **relevant external debt** – External Debt borrowed by the Ministry of Finance and Treasury of BiH for on-lending to the Republic, or in the case of other entities, borrowed through the Republic and the Ministry for on-lending to such entity;
 - **indirect direct external debt** – For entities other than the Republic, this is Indirect Debt of the Republic incurred directly from the external lender on behalf of, and for the account of, such entity; and
 - **direct external debt** – External Debt that is neither relevant external debt nor indirect direct external debt.

- **Internal Debt** – Internal Debt is any debt described above that is not classified as External Debt (“**Internal Debt**”). Internal Debt is further classified as:
 - **relevant internal debt** – Internal Debt borrowed by the Ministry of Finance and Treasury of BiH for on-lending to the Republic, or, in the case of other entities, borrowed through the Republic and the Ministry of Finance for on-lending to such entity. As of the date of the Offering Circular no such relevant internal debt has been issued;
 - **indirect direct internal debt** – For entities other than the Republic, this is Indirect Debt of the Republic incurred directly from an internal lender on behalf of, and for the account of, such entity; and
 - **direct internal debt** – Internal Debt that is neither relevant internal debt nor indirect direct internal debt.

The RS Government may incur debt on the domestic and foreign markets for the purposes of financing the Budget deficit, refinancing outstanding debts, financing capital projects or settling liabilities arising out of guaranteed obligations.

The Law on Borrowing, Debt and Guarantees of BiH (*Official Gazette of BiH, Nos. 52/05, 103/09 and 90/16*) does not set any limits on borrowing. The Law on Borrowing, Debt and Guarantees of the Republic (*Official Gazette of the Republic, Nos. 71/12, 52/14, 114/17, 131/20, 28/21 and 90/21*) implements the following limitations on the incurrence of debt by the Republic or other entities:

- the Republic’s Total Debt as at the end of any fiscal year must not exceed 60 per cent. of GDP for that fiscal year while its Public Debt as at the end of any fiscal year must not exceed 55 per cent. of GDP for that fiscal year;
- a local self-government unit or social security fund may incur long-term debt only if, as at the time of its incurrence, such entity’s proposed long-term debt together with its overall outstanding existing debt do not exceed 18 per cent. of revenues generated in the previous fiscal year;
- the Republic’s short-term debt must not exceed eight per cent. of revenues generated in the previous fiscal year, and the short-term debt of local self-government units and social security funds must not exceed five per cent. of revenues generated in the previous fiscal year; and
- the total exposure of the Republic to issued guarantees cannot exceed 15 per cent. of GDP in a fiscal year, and the total exposure of local self-government units to issued guarantees cannot exceed 30 per cent. of revenues generated in the previous fiscal year (social security funds are not permitted to issue guarantees).

Any debt incurred by the Republic to finance the repair of damages resulting from the flooding in the Republic in May 2014 and included on the Unified Register of Damages pursuant to the Law on the Solidarity Fund for the Reconstruction of the Republic (*Official Gazette of the Republic, No. 37/20*) is exempted from the abovementioned limits on the Republic’s Total Debt and Public Debt. The Law on the Solidarity Fund of the Republic of Srpska (*Official Gazette of the Republic, No. 90/23*) established the Solidarity Fund of the Republic, which took over all duties and responsibilities of the Solidarity Fund for the Reconstruction of the Republic.

The Law on Fiscal Responsibility (*Official Gazette of the Republic, No. 94/15 and 62/18*) defines two general fiscal rules prescribing that Public Debt in the end of a fiscal year may not exceed (i) 55 per cent. of GDP in a financial year and (ii) that the consolidated budget deficit cannot exceed three per cent. of GDP in a fiscal year. In addition, there are special fiscal rules that require the budget for a following fiscal year to be a surplus in the event that either Public Debt reaches 50 per cent. of GDP generated in a fiscal year or if the consolidated budget deficit reaches 2.5 per cent. of GDP in a fiscal year.

In the event of non-compliance with the fiscal rules stipulated by the Law on Fiscal Responsibility, the RS Government is obliged to prepare and submit to the RS National Assembly a fiscal consolidation programme, with an opinion from the Fiscal Council (see “*Public Finance—Fiscal Policy and Reform*”), which will determine the parameters of appropriate measures and the timeframe to rectify the breach of such fiscal rules. The Law on Fiscal Responsibility, as well as the Law on the BiH Fiscal Council (*Official Gazette of BiH, No.*

63/08), prescribe funding mechanisms to also facilitate the rectification of any breach of the abovementioned fiscal rules.

The goals and principles of the Republic's debt and indirect debt management are enshrined in the MTDS, and the MTDS indicators (i.e., guidelines were identified in order to achieve a debt structure with acceptable levels of costs and risks). See “—*Debt Management*” for further information.

From 2021 to 2025, both Total Debt and Public Debt (in terms of the percentage of GDP) decreased. However, as the Republic registered a deficit in each year during this period, the Ministry of Finance introduced a series of consolidation and reform plans as stipulated by the ERP for the periods 2020-2022, 2022-2024, 2024-2026, 2025-2027 and the subsequently approved ERP 2026-2028 in order to facilitate fiscal sustainability and social-economic developments as envisaged. See “*Public Finance—Fiscal Policy and Reform*”.

According to the ERP 2026-28, Total Debt is projected to be 38.4 per cent. of GDP in 2026, 38.5 per cent. in 2027 and 37.8 per cent. in 2028, while Public Debt is projected to be 34.3 per cent. of GDP in 2026, 34.7 per cent. in 2027 and 34.7 per cent. in 2028. There can be no assurances that the objectives outlined by the ERP 2026-2028 will be achieved and/or that Total Debt and Public Debt will reach the targeted values.

In 2021, Public Debt increased to BAM 5,088.0 million (40.7 per cent. of GDP) from BAM 4,726.0 million (42.5 per cent. of GDP) in 2020. Although Public Debt continued to rise in absolute terms to BAM 5,343.7 million in 2022, it declined as a percentage of GDP to 36.8 per cent. In 2023, Public Debt decreased slightly to BAM 5,304.2 million and further declined as a share of GDP to 33.0 per cent. As at 31 December 2024, Public Debt increased to BAM 5,792.4 million, representing 33.7 per cent. of GDP. In 2025, Public Debt increased further to BAM 6,178.8 million; however, as a percentage of GDP, it declined to 33.2 per cent.

A similar trend was observed for Total Debt, which amounted to BAM 5,833.4 million (52.4 per cent. of GDP) in 2020, BAM 6,162.4 million (49.3 per cent. of GDP) in 2021, BAM 6,357.2 million (43.7 per cent. of GDP) in 2022, BAM 6,251.4 million (38.9 per cent. of GDP) in 2023, BAM 6,688.3 million (38.9 per cent. of GDP) in 2024 and BAM 6,994.8 million (37.6 per cent. of GDP) in 2025. The following table illustrates the Republic's outstanding Total Debt, including as a percentage of nominal GDP for the years indicated:

	Year ended 31 December ⁽¹⁾					
	2020	2021	2022	2023	2024	2025 ⁽³⁾⁽⁴⁾
	(BAM millions)					
Total debt	5,833.4	6,162.4	6,357.2	6,251.4	6,688.3	6,994.8
Total debt subject to legal limit⁽²⁾ ..	5,766.5	6,094.9	6,292.5	6,193.3	6,633.4	6,948.4
The Republic	4,021.4	4,402.9	4,691.1	4,640.1	5,023.3	5,472.3
<i>Subject to legal limit</i>	3,954.5	4,335.4	4,626.4	4,582.0	4,968.4	5,425.9
<i>not subject to legal limit</i>	66.9	67.5	64.7	58.1	54.9	46.3
Local self-government units	492.1	490.3	482.0	483.9	543.3	533.2
Social security funds	212.6	194.8	170.6	180.3	225.8	173.4
Public Companies and IDB	1,107.4	1,074.4	1,013.5	947.1	895.9	816.0
GDP⁽⁴⁾	11,131.9	12,501.7	14,537.0	16,085.9	17,205.8	18,616.7
	(% of GDP)					
Total debt	52.4	49.3	43.7	38.9	38.9	37.6
Total debt subject to legal limit⁽²⁾ ..	51.8	48.8	43.3	38.5	38.6	37.3
The Republic	36.1	35.2	32.3	28.8	29.2	29.4
<i>subject to law limit</i>	35.5	34.7	31.8	28.5	28.9	29.1
<i>not subject to law limit</i>	0.6	0.5	0.4	0.4	0.3	0.2
Local self-government units	4.4	3.9	3.3	3.0	3.2	2.9
Social security funds	1.9	1.6	1.2	1.1	1.3	0.9
Public Companies and IDB	9.9	8.6	7.0	5.9	5.2	4.4

Source: The Ministry of Finance

Notes:

- (1) Certain data differ from previously published information as figures have been adjusted according to the revised GDP numbers published based on quarterly estimates of the Institute of Statistics. See “*Presentation of Economic and Other Information*” and “*Economy of the Republic—Gross Domestic Product*”.
- (2) References to the legal limit are in relation to the limitations established by The Law on Borrowing, Debt and Guarantees of the Republic (*Official Gazette of the Republic Nos 71/12, 52/14, 114/17, 131/20, 28/21 and 90/21*). Any debt incurred by the Republic to finance the repair of damages resulting from the flooding in the Republic in May 2014 and included on the Unified Register of Damages pursuant to the Law on the Solidarity Fund for the Reconstruction of the Republic (*Official Gazette of the Republic, No. 37/20*) is exempted from limits on the Republic's Total debt and Public Debt. Law on the Solidarity Fund of the Republic (*Official Gazette of the Republic, No. 90/23*) established the Solidarity Fund of the Republic, which took over all duties and responsibilities of the Solidarity Fund for the Reconstruction of the Republic.
- (3) Preliminary data.
- (4) The GDP data presented for 2025 is based on estimates of the Ministry of Finance.

The following table illustrates the Republic's outstanding Public Debt, including as a percentage of nominal GDP for the years indicated:

	Year ended 31 December ⁽¹⁾					
	2020	2021	2022	2023	2024	2025 ⁽³⁾⁽⁴⁾
	(BAM millions)					
Public debt	4,726.0	5,088.0	5,343.7	5,304.2	5,792.4	6,178.8
Public debt subject to legal limit⁽²⁾	4,659.1	5,020.5	5,279.1	5,246.2	5,737.5	6,132.4
The Republic	4,021.4	4,402.9	4,691.1	4,640.1	5,023.3	5,472.3
<i>subject to legal limit</i>	3,954.5	4,335.4	4,626.4	4,582.0	4,968.4	5,425.9
<i>not subject to legal limit</i>	66.9	67.5	64.7	58.1	54.9	46.3
Local self-government units	492.1	490.3	482.0	483.9	543.3	533.2
Social security funds	212.6	194.8	170.6	180.3	225.8	173.4
GDP⁽⁴⁾	11,131.9	12,501.7	14,537.0	16,085.9	17,205.8	18,616.7
	(% of GDP) ⁽⁴⁾					
Public debt	42.5	40.7	36.8	33.0	33.7	33.2
Public debt subject to legal limit⁽²⁾	41.9	40.2	36.3	32.6	33.3	32.9
The Republic	36.1	35.2	32.3	28.8	29.2	29.4
<i>subject to legal limit</i>	35.5	34.7	31.8	28.5	28.9	29.1
<i>not subject to legal limit</i>	0.6	0.5	0.4	0.4	0.3	0.2
Local self-government units	4.4	3.9	3.3	3.0	3.2	2.9
Social security funds	1.9	1.6	1.2	1.1	1.3	0.9

Source: The Ministry of Finance

Notes:

- (1) Certain data differ from previously published information as figures have been adjusted according to the revised GDP numbers published based on quarterly estimates of the Institute of Statistics. See "Presentation of Economic and Other Information" and "Economy of the Republic—Gross Domestic Product".
- (2) References to the legal limit are in relation to the limitations established by The Law on Borrowing, Debt and Guarantees of the Republic (*Official Gazette of the Republic Nos 71/12, 52/14, 114/17, 131/20, 28/21 and 90/21*). Any debt incurred by the Republic to finance the repair of damages resulting from the flooding in the Republic in May 2014 and included on the Unified Register of Damages pursuant to the Law on the Solidarity Fund for the Reconstruction of the Republic (*Official Gazette of the Republic, No. 37/20*) is exempted from limits on the Republic's Total debt and Public Debt. Law on the Solidarity Fund of the Republic (*Official Gazette of the Republic, No. 90/23*) established the Solidarity Fund of the Republic, which took over all duties and responsibilities of the Solidarity Fund for the Reconstruction of the Republic.
- (3) Preliminary data.
- (4) The GDP data presented for 2025 is based on estimates of the Ministry of Finance.

In the period between 2020 and 2025, Public Debt (as a proportion of nominal GDP) decreased by 9.3 per cent. from 42.5 per cent. of nominal GDP as at 31 December 2020 to 33.2 per cent. of nominal GDP as at 31 December 2025.

The following table shows the Republic's outstanding internal and external Total Debt, and such Total Debt as a percentage of nominal GDP for the years indicated:

	Year ended 31 December ⁽¹⁾					
	2020	2021	2022	2023	2024	2025 ⁽²⁾⁽³⁾
	(BAM millions)					
Total Debt	5,833.4	6,162.4	6,357.2	6,251.4	6,688.3	6,994.8
Internal Debt.....	2,307.1	1,994.9	2,131.3	2,595.1	2,676.5	2,695.5
External Debt.....	3,526.4	4,167.5	4,225.8	3,656.3	4,011.8	4,299.3
	(% of nominal GDP) ⁽³⁾					
Total Debt	52.4	49.3	43.7	38.9	38.9	37.6
Internal Debt.....	20.7	16.0	14.7	16.1	15.6	14.5
External Debt.....	31.7	33.3	29.1	22.7	23.3	23.1

Source: The Ministry of Finance

Notes:

- (1) Certain data differ from previously published information as figures have been adjusted according to the revised GDP numbers published based on quarterly estimates of the Institute of Statistics. See "Presentation of Economic and Other Information" and "Economy of the Republic—Gross Domestic Product".
- (2) Preliminary data.
- (3) The GDP data presented for 2025 is based on estimates of the Ministry of Finance.

The following table shows the Republic's outstanding internal and external Public Debt, and such Public Debt as a percentage of nominal GDP for the years indicated:

	Year ended 31 December ⁽¹⁾					
	2020	2021	2022	2023	2024	2025 ⁽²⁾⁽³⁾
	<i>(BAM millions)</i>					
Public Debt	4,726.0	5,088.0	5,343.7	5,304.2	5,792.4	6,178.8
Internal Debt.....	2,307.1	1,994.9	2,131.3	2,595.1	2,676.5	2,695.5
External Debt.....	2,419,0	3,093,2	3,212,4	2,709,1	3,115,9	3,483,3
	<i>(% of nominal GDP) ⁽³⁾</i>					
Public Debt	42.5	40.7	36.8	33.0	33.7	33.2
Internal Debt.....	20.7	16.0	14.7	16.1	15.6	14.5
External Debt.....	21.7	24.7	22.1	16.8	18.1	18.7

Source: The Ministry of Finance

Notes:

- (1) Certain data differ from previously published information as figures have been adjusted according to the revised GDP numbers published based on quarterly estimates of the Institute of Statistics. See "Presentation of Economic and Other Information" and "Economy of the Republic—Gross Domestic Product".
- (2) Preliminary data.
- (3) The GDP data presented for 2025 is based on estimates of the Ministry of Finance.

In accordance with ERP 2026-2028, the Republic plans to borrow BAM 1.9 billion in 2026, BAM 1.4 billion in 2027 and BAM 1.1 billion in 2028. According to the projections under the ERP 2026-2028, it is expected that Total Debt as a proportion of GDP will amount to 38.4 per cent., 38.5 per cent. and 37.8 per cent. of nominal GDP at the end of 2026, 2027 and 2028, respectively, while Public Debt is expected to be 34.3 per cent., 34.7 per cent. and 34.7 per cent. at the end of 2026, 2027 and 2028, respectively.

In accordance with financing plans included in ERP 2026-2028, BAM 1.7 billion is to be allocated to finance budget expenditures in 2026. Of this BAM 1.7 billion, BAM 1.5 billion is expected to be raised from external sources and BAM 224 million is expected to be raised from domestic sources. In 2027, BAM 1.2 billion is to be allocated to finance budget expenditures. Of this BAM 1.2 billion, BAM 782 million is expected to be raised from external sources and the remaining BAM 390 million is expected to be raised from domestic sources. In 2028, BAM 1.1 billion is to be allocated to finance budget expenditures. Of the BAM 1.1 billion, BAM 782 million is expected to be raised from external sources and the remaining BAM 327 million is expected to be raised from domestic sources.

For 2026, the total anticipated borrowing under the FBD 2026-2028 is EUR 994 million. Of this amount, EUR 105 million is expected to be raised through external variable-rate instruments, EUR 275 million through external fixed-rate instruments, EUR 500 million through Eurobonds, and EUR 114 million through domestic debt. Of the total anticipated borrowings, EUR 130 million is allocated for investment projects, while EUR 864 million is designated for general budget expenditures.

Indirect Debt of the Republic in respect of Public Companies

As of the date of this Offering Circular, the RS Government includes debt of the following public companies (which amounts to BAM 816.0 million as at 31 December 2025):

- PE "Elektroprivreda of Republic of Srpska" – BAM 153.7 million;
- PE "Railways of Republic of Srpska" – BAM 65.7 million;
- PE "Roads of Republic of Srpska" – BAM 19.4 million;
- PE "Highways of Republic of Srpska" – BAM 498.5 million;
- Investment Development Bank of Republic of Srpska – BAM 71.4 million; and
- Others – BAM 7.4 million.

Internal Debt

The Law on Borrowing, Debt and Guarantees of the Republic (*Official Gazette of the Republic, Nos. 71/12, 52/14, 114/17, 131/20, 28/21 and 90/21*) regulates how the debt of the Republic can be incurred, specifying that debt may be incurred by entering into a credit agreement, by concluding an agreement that records the relevant

debt of the Republic or by issuing securities. These borrowings, when incurred in the domestic market, are included in the calculation of Internal Debt.

Internal Debt arising from liabilities from the War and Post-War Period

In addition to debt that is included in Internal Debt as described above, there is also a category of internal debt of the Republic incurred during the period from 20 May 1992 to 31 December 2002, which refers to the war and post-war period. Obligations of the Republic from this period are regulated by the Law on the Internal Debt of the Republic (*Official Gazette of the Republic, Nos. 1/12, 28/13, 59/13 and 44/14*).

The Law on Internal Debt of the Republic (*Official Gazette of the Republic, Nos. 1/12, 28/13, 59/13 and 44/14*) provides for the recognition of liabilities incurred during the war and post-war period, in a total amount of up to BAM 1.6 billion. The balance of debt on this basis as at 31 December 2025 was BAM 108.5 million. This debt is included in the calculation of Total Debt and Public Debt.

These liabilities are divided into three primary groups:

- liabilities based on old foreign currency savings deposited with banks in the territory of the Republic until 31 December 1991;
- liabilities on the basis of material and non-material damage incurred during the war from 20 May 1992 to 19 June 1996; and
- general unpaid liabilities of the budget of the Republic, incurred from 20 June 1996 to 31 December 2002.

Old Foreign Currency Savings Accounts

The estimated amount of old foreign currency savings is up to BAM 774.9 million and, of this amount, as of 31 December 2025, the Republic's recognised liabilities amounted to BAM 681.2 million, or 87.9 per cent. of the estimated amount. A total of BAM 671.4 million had been repaid as of 31 December 2025.

The verification method and settlement of liabilities based on old foreign currency savings deposited with banks in the territory of the Republic is regulated in detail by the Law on Settlement of Liabilities Arising from Old Foreign Currency Savings Accounts (*Official Gazette of BiH, No. 28/06, 76/06, 72/07, 97/11 and 100/13*) and the Law on Conditions and Manner of Settling the Liabilities Arising from Old Foreign Currency Savings Accounts by Issuing Bonds in the Republic (*Official Gazette of the Republic, No. 1/08*).

Verification of these obligations requires a procedure for identifying the claimant and checking the amount on the old foreign currency savings accounts for each claimant, i.e., determining the exact balance on each account on 31 December 1991; and calculating interest at the prescribed rate and for the period given by law.

Settlement of liabilities arising from old foreign currency savings is carried out in two methods: (i) cash payments; and (ii) bond issuance. Further description of these two methods are set out below:

- (i) Upon verification of old foreign currency savings (i.e., recognition of liabilities), the Republic makes a cash payment of liabilities up to a maximum amount of BAM 2,000. Any remaining amounts of verified savings above BAM 2,000 are repaid in bonds, as described under (ii) below. Cash payments are also made to settle liabilities arising from final court decisions and as of 31 December 2025, BAM 85.5 million was paid in cash.
- (ii) Foreign currency savings bonds are issued for a period of five years with an annual interest rate of 2.5 per cent. The repayment of 10 per cent. of the principal is made semi-annually. Interest is paid semi-annually and is calculated on the outstanding principal. For the remaining verified amount above BAM 2,000, 11 issuances of old foreign currency savings bonds were made, with a total nominal amount of BAM 595.7 million. As of 31 December 2025, principal repayments under these bonds amounted to BAM 585.9 million, representing 98.4 per cent. of the liabilities arising from issued bonds. Of the repaid amount, BAM 1.7 million was returned by banks to the Republic because, among other reasons, the bondholders had passed away or the inheritance procedure was not completed, the bondholders' bank accounts were closed or there were discrepancies in the data. Once these obstacles are resolved, these

liabilities will be settled. In the first two months of 2026, principal repayments of BAM 2.3 million were made under these bonds.

The Republic is committed to continuously verifying and settling the remaining liabilities arising from old foreign currency savings, thereby fully settling the entire estimated amount of old foreign currency savings.

In line with this, the verification period is currently open and will continue until 24 July 2026. The exact verified amount will be known after the closure of the application period and the processing of received requests.

War claims

War claims include material and non-material damage caused during the war from 20 May 1992 to 19 June 1996, in the estimated amount of up to BAM 600 million, which is the compensation of damages to legal and natural persons who have been recognised by a final court decision or out-of-court settlement as having a right to compensation through out-of-court settlement for material and non-material damage. Of the estimated BAM 600 million in war damage as of 31 December 2025, the Republic's recognised liabilities amounted to BAM 570.8 million, or 95.1 per cent. of the estimated amount. On this basis, a total of BAM 541 million had been repaid as of 31 December 2025. Legal and natural persons who have a right to compensation is regulated by the Law on Exercising the Right to Compensation for Material and Non-Material Damage Incurred During the War from 20 May 1992 to 19 June 1996 (*Official Gazette of the Republic, Nos. 103/05, 1/09, 49/09 and 118/09*).

Verification of obligations based on war claims requires a procedure to identify the claimant, determine the exact awarded amount (together with interest, if awarded) by a final court decision and/or the exact recognised right to compensation by out-of-court settlement, and record all necessary personal data, so that the obligations of the claimant can be settled. Settlement of verified obligations based on court decisions is performed in two ways:

- (i) in cash-according to the adopted payment plan which predicts the settlement schedule by years (the criterion is the order of receiving and recording the court decision in the database of the Ministry of Finance). As of 31 December 2025, BAM 81.4 million was paid in cash, and according to the action plan, BAM 19.7 million remains to be settled by 2038.
- (ii) the issuance of bonds for war claims (performed for persons who have a court judgment and statements that they want their claims to be settled through Republic's bonds). War claim bonds are issued for a period of 13 years. The repayment of the principal is calculated as 10 per cent. of the nominal amount in the last 10 years of repayment and is paid once a year. The interest rate borne by these bonds is 1.5 per cent. per annum, calculated on the outstanding principal, and is paid once a year.

Settlement of verified obligations based on out-of-court settlements is done exclusively by issuing bonds under the same terms and conditions set forth in (ii) above.

As of 31 December 2025, a total of 19 issuances of war damage bonds (based on court decisions and out-of-court settlements) were made, with a total nominal amount of BAM 459.6 million. As of 31 December 2025, principal repayments under these bonds amounted to BAM 283.8 million, representing 61.7 per cent. of the total liabilities under these bonds. Of the repaid amount, BAM 3.4 million was returned by banks to the Republic because, among other reasons, the bondholders had passed away or the inheritance procedure was not completed, the bondholders' bank accounts were closed or there were discrepancies in the data. Once these obstacles are resolved, these liabilities will be settled. Based on recorded out-of-court settlements, which are settled exclusively through bond issuance, approximately BAM 10.1 million remains to be verified and settled in the coming period.

General outstanding budget liabilities of the Republic

The estimated amount of general liabilities is up to BAM 182.6 million. Of the estimated BAM 182.6 million in general outstanding liabilities, as of 31 December 2025, the Republic's recognised liabilities amounted to BAM 39.8 million, as no further compensation claims existed. On this basis, a total of BAM 39.3 million had been repaid as of 31 December 2025, representing 98.7 per cent. of the total recognised liabilities of the Republic under this category. The conditions and procedure of verification of general liabilities of the Republic are

regulated by the Law on Conditions and Procedure of Verification of General Liabilities of the Republic (*Official Gazette of the Republic, No. 109/12*).

In accordance with the Law on Internal Debt of the Republic, subcategories of general outstanding budget liabilities of the Republic are: (i) amounts due and payable to suppliers; (ii) the right to compensation as recognised under final court judgments for damage incurred by natural and legal persons from 20 June 1996 to 31 December 2002; (iii) other general liabilities (for example, liabilities for gravestones for fallen soldiers); and (iv) liabilities arising from the application of the Law on Initial Balance Sheet in the Procedure of Privatisation of State Capital in Enterprises (*Official Gazette of the Republic, Nos. 24/98*). The outstanding amounts of the above subcategories of general outstanding budget liabilities are as follows:

- (i) General liabilities to suppliers have been verified and fully settled through two bond issuances with a total amount of BAM 2.3 million, as of 2023. Of the repaid amount, BAM 0.2 million was returned by banks to the Republic because, among other reasons, the bondholders had passed away or the inheritance procedure was not completed, the bondholders' bank accounts were closed or there were discrepancies in the data. Once these obstacles are resolved, these liabilities will continue to be settled.
- (ii) General liabilities under enforceable court decisions have been recognised in the amount of BAM 30.4 million, of which BAM 29.9 million has been settled. Of this amount, BAM 0.1 million was returned by banks to the Republic because, among other reasons, the bondholders had passed away or the inheritance procedure was not completed, the bondholders' bank accounts were closed or there were discrepancies in the data. Once these obstacles are resolved, these liabilities will be fully settled. The remaining amount of BAM 0.5 million will be settled by the Republic immediately upon fulfilment of the legally prescribed conditions.
- (iii) General liabilities for gravestones amounted to BAM 7.1 million and have been fully paid.
- (iv) There were no liabilities of Republic arising from the application of the Law on Initial Balance Sheet in the Procedure of Privatisation of State Capital in Enterprises.

Settlement of Taxes and Contributions with Issued Bonds

The Law on Internal Debt of the Republic stipulates that bonds issued for the settlement of general obligations and bonds for the settlement of material and non-material war damage may be used to settle due tax liabilities incurred until 31 December 2007.

Through this procedure, a total of BAM 114.9 million in taxes and contributions were settled, of which BAM 112.9 million was settled with war damage bonds and BAM 2 million with bonds issued for the settlement of general obligations. Of the BAM 114.9 million in taxes and contributions settled, BAM 59.5 million related to social security funds and local self-government units. The Republic successively paid these amounts in cash, fully settling them as of 2024 and this procedure has been fully completed.

Overview of Internal Debt

Internal Debt consists of Republic bonds issued, loans incurred, and liabilities arising from the war and post-war period. See “—*Internal Debt arising from liabilities from the War and Post-War Period*”. Since 2011, the Republic has been issuing bonds and treasury bills in the domestic market.

The following table shows the composition of the Republic's outstanding Internal Debt for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025 ⁽³⁾
	<i>(BAM millions)</i>					
The Republic	1,723.8	1,434.3	1,600.5	2,058.6	2,059.0	2,161.3
Determined by the Internal Debt Law	286.2	248.8	205.5	155.5	137.8	108.5
Frozen Foreign Currency Savings	35.8	30.3	24.8	12.5	16.0	11.5
War Claims.....	248.4	216.8	179.6	142.0	120.9	96.1
General liabilities	1.8	1.4	1.1	0.9	0.8	0.8
Suppliers.....	0.7	0.5	0.3	0.3	0.2	0.2
Court decisions.....	1.1	0.9	0.7	0.6	0.6	0.6
Gravestones.....	0.0	0.0	0.0	0.0	0.0	0.0
Privatisation.....	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities.....	0.0	0.0	0.0	0.0	0.0	0.0
Taxes refund.....	0.2	0.3	0.1	0.0	0.0	0.0
Treasury bills.....	108.7	0.0	86.3	155.1	167.3	121.6
Treasury Bonds	1,084.6	999.5	1,174.2	1,660.1	1,688.6	1,883.8
Commercial bank loans ⁽¹⁾	244.3	186.0	134.5	87.9	65.4	47.5
Local self-government units	370.7	365.8	360.2	356.3	391.7	360.8
Bonds	62.1	59.2	60.1	53.8	46.4	39.0
Commercial bank loans	308.6	306.5	300.1	302.5	345.3	321.8
Social security funds debt	212.6	194.8	170.6	180.3	225.8	173.4
Commercial bank loans contracted directly	210.1	193.5	169.8	180.0	225.8	173.4
Indirect direct internal debt ⁽²⁾	2.5	1.3	0.8	0.3	0.0	0.0
Public Debt	2,307.1	1,994.9	2,131.3	2,595.1	2,676.5	2,695.5
Total Debt	2,307.1	1,994.9	2,131.3	2,595.1	2,676.5	2,695.5
Public Debt subject to law limit	2,307.1	1,994.9	2,131.3	2,595.1	2,676.5	2,695.5
Total Debt subject to law limit	2,307.1	1,994.9	2,131.3	2,595.1	2,676.5	2,695.5

Source: The Ministry of Finance.

Notes:

- (1) Commercial bank loans include guarantees that have been called. The Republic had one guarantee for the company Biteks Ltd. that has been called, and it was fully repaid in 2024. At the moment there are no called guarantees of the Republic.
- (2) Public internal debt is equal to total internal debt due to the fact that Republic has not incurred internal debt in the name of, or on behalf of, public companies, the IDB and public sector institutions.
- (3) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

During the period from 2020 to 2025, the nominal value of the Internal Debt increased each year except in 2021, when it decreased as compared to the previous year. This decrease was the result of the issuance of bonds at the international market in 2021, which resulted in the domestic market being utilised to a lesser extent as compared to other years when the Republic's financing needs were satisfied mostly at the domestic market. The Republic's total Internal Debt at 31 December 2025 amounted to BAM 2,695.5 million, an increase of 16.8 per cent. as compared to BAM 2,307.1 million at 31 December 2020. The increase in Internal Debt over the observed period reflects the continued development and deepening of the domestic financial market. This trend indicates improved market capacity, stronger investor participation, and enhanced confidence in local financial instruments, contributing to the overall strengthening of the domestic capital markets. It is evident that Internal Debt relative to GDP recorded a declining trend throughout the observed period between 2020 and 2025, although it increased in nominal terms.

In 2021, total direct domestic debt amounted to EUR 1,020 million, representing 32 per cent. of Total Debt. In 2022, total direct domestic debt was EUR 1,090 million, or 34 per cent. of Total Debt. In 2023, total direct domestic debt increased to EUR 1,327 million, accounting for 42 per cent. of Total Debt. In 2024, total direct domestic debt amounted to EUR 1,368 million, representing 40 per cent. of Total Debt. In 2025, total direct domestic debt further increased to EUR 1,378 million, representing 39 per cent. of Total Debt.

The following table shows the total nominal value of treasury bills and treasury bonds outstanding for the years indicated:

	Year ended 31 December											
	2020		2021		2022		2023		2024		2025	
	(%)	(BAM millions)	(%)	(BAM millions)	(%)	(BAM millions)	(%)	(BAM millions)	(%)	(BAM millions)	(%)	(BAM millions)
Treasury Bills												
3-month maturity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	33.7
6-month maturity	3.2	38.0	0.0	0.0	6.8	86.3	8.5	155.1	9.0	167.3	3.4	67.2
12-month maturity.....	5.9	70.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	20.6
Treasury Bonds												
2-years maturity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	9.0
3-years maturity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4-years amortising maturity.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5-years amortising maturity.....	6.3	75.0	5.0	50.0	2.0	25.0	24.0	435.0	20.1	373.5	15.6	312.0
5-years maturity	45.3	540.1	43.5	435.1	42.1	530.1	36.4	661.0	42.9	796.0	51.5	1,033.3
7-years maturity	22.7	270.8	29.1	290.8	29.9	377.2	17.7	322.2	14.9	277.2	13.8	277.2
10-years maturity	16.7	198.7	22.4	223.6	19.2	241.9	13.3	241.9	13.0	241.9	12.6	252.3
Total.....	100.0	1,193.3	100.0	999.5	100.0	1,260.5	100.0	1,815.2	100.0	1,855.9	100.0	2,005.3

Source: The Ministry of Finance

In the period from 2020 to 2025, the outstanding amount of internal debt represented by T-bills and T-bonds increased to BAM 2,005.3 million as of 31 December 2025 as compared to BAM 1,193.3 million as of 31 December 2020. This increase confirms the continued development and deepening of the domestic financial market and indicates improved market capacity, stronger investor participation and enhanced confidence in local financial instruments, all of which has been contributing to the overall strengthening of the domestic capital markets.

In 2020, the RS Government issued six series of bonds (four series of five-year bonds, one series of 7-year bonds and one series of 10-year bonds) with a total aggregate nominal value of BAM 294.1 million. The series of five-year bonds matured in 2025, seven-year bonds are maturing in 2027 with a bullet repayment of BAM 35 million and the 10-year bonds are maturing in 2030 with a bullet repayment of BAM 30.0 million.

In 2021, the RS Government issued two series of bonds (one series of seven-year bonds and one series of 10-year bonds) with a total aggregate nominal value of BAM 44.9 million. The series seven-year bonds are maturing in 2028 with a bullet repayment of BAM 20 million and the series of 10-year bonds are maturing in 2031 with a bullet repayment of BAM 24.9 million.

In 2022, the RS Government issued nine series of bonds (six series of five-year bonds, two series of seven-year bonds and one series of 10-year bonds) with a total aggregate nominal value of BAM 299.7 million. The series of five-year bonds are maturing in 2027 with a bullet repayment of BAM 195 million, the two series of seven-year bonds maturing are in 2029 with a bullet repayment of BAM 86.4 million and the series of 10-year bonds are maturing in 2032 with a bullet repayment of BAM 18.3 million.

In 2023, the RS Government issued 10 series of bonds (nine series of five-year bonds and one series of seven-year bond) with a total aggregate nominal value of BAM 595.9 million. The series of five-year bonds are maturing in 2028 with bullet and amortizing repayment of BAM 565.9 million and one series of seven-year bonds are maturing in 2030 with a bullet repayment of BAM 30 million.

In 2024, the RS Government issued eight series of bonds (all five-year bonds) with a total aggregate nominal value of BAM 241.0 million. This series of five-year bonds are maturing in 2029, with bullet repayment of BAM 241 million.

In 2025, the RS Government issued 10 bond series: one two-year bond, eight five-year bonds, and one 10-year bond, with a total aggregate nominal value of BAM 485.8 million. The two-year bond will mature in 2027 with a bullet repayment of BAM 9.0 million. The five-year bonds will mature in 2030 with a bullet repayment of BAM 466.5 million and the 10-year bond will mature in 2035 with a bullet repayment of BAM 10.4 million.

The following table shows the weighted-average effective interest rates on treasury bonds and treasury bills for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025
				(%)		
2-month treasury bills.....	-	-	-	2.4	-	-
3-month treasury bills.....	-	-	1.2	-	-	3.5
6-month treasury bills.....	0.4	0.5	1.1	3.1	4.0	3.7
12-month treasury bills.....	1.1	-	-	-	-	3.6
2-year treasury bonds	-	-	-	-	-	4.4
5-year amortising treasury bonds.....	-	-	-	6.1	-	-
5-year treasury bonds	3.0	-	4.5	5.7	6.0	5.5
7-year treasury bonds	1.7	2.0	4.4	6.1	-	-
10-year treasury bonds	3.0	2.5	6.0	-	-	6.0

Source: The Ministry of Finance

External Debt

During the period from 202 to 2025, the Republic's external debt in 2021 increased to BAM 4,167.5 million (EUR 2,131 million), when external debt represented 68 per cent. of total debt, as compared to BAM 3,526.4 million in 2020. In 2022, the Republic's external debt increased further to BAM 4,225.8 million (EUR 2,161 million) in 2022, which accounted for 66 per cent. of total debt. In 2023, the Republic recorded a decrease of total external debt, which amounted to BAM 3,656.3 million (EUR 1,869 million), representing 58 per cent. of total debt. This decrease was a result of the continued repayment of existing debt, primarily the repayment of the bond issued in 2018 at Vienna Stock exchange. In 2024, the Republic's external debt increased to BAM 4,011.8 million (EUR 2,052 million), accounting for 60 per cent. of total debt. In 2025, the Republic's external debt increased further to BAM 4,299.3 million (EUR 2,198 million), representing 61 per cent. of total debt. During the period under review, the Republic's external debt increased by 21.9 per cent. as at 31 December 2025, as compared to 31 December 2020. External debt relative to GDP recorded a declining trend throughout the period under review, although external debt increased in nominal terms.

The following table illustrates the Republic's External Debt structure by liability holder and instrument for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025 ⁽⁴⁾
				(BAM millions)		
The Republic.....	2,297.6	2,968.6	3,090.6	2,581.5	2,964.3	3,310.9
Relevant external debt.....	1,969.0	2,053.3	1,960.1	1,748.3	1,642.5	1,491.5
Multilateral loans	1,635.2	1,755.0	1,687.7	1,498.3	1,417.8	1,297.8
<i>subject to law limit</i> ⁽¹⁾	1,568.3	1,687.5	1,623.1	1,440.3	1,362.9	1,251.5
<i>not subject to law limit</i>	66.9	67.5	64.7	58.1	54.9	46.3
Bilateral loans	321.1	298.3	272.4	250.0	224.7	193.7
Bonds	12.6	-	-	-	-	-
Direct external debt.....	328.6	915.3	1,130.5	833.2	1,321.8	1,819.4
Bilateral loans	-	-	215.1	246.4	735.0	1,232.6
Bonds.....	328.6	915.3	915.3	586.7	586.7	586.7
Local self-government units.....	121.4	124.5	121.8	127.6	151.6	172.4
Relevant external debt.....	99.7	100.7	96.5	103.5	129.5	153.1
Multilateral loans	79.9	85.6	85.1	95.5	122.5	146.6
Bilateral loans	19.8	15.1	11.4	8.0	7.0	6.5
Direct external debt ⁽²⁾	21.8	23.8	25.3	24.1	22.1	19.3
Multilateral loans	21.8	23.8	25.3	24.1	22.1	19.3
Public Companies and IDB.....	1,107.4	1,074.4	1,013.5	947.1	895.9	816.0
Relevant external debt.....	1,072.0	1,042.9	985.9	923.5	875.5	798.7
Multilateral loans	888.2	866.8	831.0	791.9	759.5	701.9
Bilateral loans	183.8	176.1	154.9	131.6	116.0	96.8
Indirect direct external debt ⁽³⁾	35.4	31.5	27.6	23.7	20.5	17.3
Bilateral loans	35.4	31.5	27.6	23.7	20.5	17.3
Public debt	2,419.0	3,093.2	3,212.4	2,709.1	3,115.9	3,483.3
Total debt.....	3,526.4	4,167.5	4,225.8	3,656.3	4,011.8	4,299.3
Public debt subject to law limit	2,352.1	3,025.6	3,147.7	2,651.1	3,061.0	3,437.0
Total debt subject to law limit.	3,459.5	4,100.0	4,161.2	3,598.2	3,956.9	4,253.0

Source: The Ministry of Finance

Notes:

- (1) Any debt incurred by the Republic to finance the repair of damages resulting from the flooding in the Republic in May 2014 and included on the Unified Register of Damages pursuant to the Law on the Solidarity Fund for the Reconstruction of the Republic (*Official Gazette of the Republic, No. 37/20*) is exempted from limits on the Republic's Total debt and Public Debt. Law on the Solidarity Fund of the Republic (*Official Gazette of the Republic, No. 90/23*) established the Solidarity Fund of the Republic which took over all duties and responsibilities of the Solidarity Fund for the Reconstruction of the Republic.
- (2) Direct external debt incurred by local self-government units constitutes external debt, which was contracted directly in the name of local self-government and therefore is not categorised as a direct or indirect liability of the Republic.
- (3) Indirect Debt of the Republic incurred directly by the Republic from the external borrower on behalf and for the account of Public Companies and IDB.
- (4) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

The following table provides a breakdown of the multilateral, bilateral and other creditors of the Republic's External Debt:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025 ⁽²⁾
	<i>(BAM millions)</i>					
Multilateral creditors	2,625.1	2,731.2	2,629.1	2,409.8	2,322.0	2,165.6
IBRD	484.1	522.0	523.0	507.4	603.0	663.1
EIB	1,054.9	1,031.8	982.2	974.3	969.7	929.4
IMF	328.2	334.5	325.7	240.5	108.6	28.1
IDA	566.1	548.6	492.3	403.2	340.1	246.6
European Commission	48.2	132.7	126.9	91.7	91.7	91.7
EBRD	54.2	70.0	90.5	108.9	127.3	131.7
Others	89.4	91.6	88.6	83.7	81.7	75.0
Bilateral creditors	560.0	521.0	681.4	659.7	1,103.1	1,546.9
Paris Club ⁽¹⁾	186.8	172.5	163.3	152.5	140.5	126.5
EU member states	91.5	81.2	282.9	301.1	460.7	885.9
Other	281.7	267.2	235.2	206.2	501.9	534.5
Bonds	341.2	915.3	915.3	586.7	586.7	586.7
Total External Debt	3,526.4	4,167.5	4,225.8	3,656.3	4,011.8	4,299.3

Source: The Ministry of Finance

Notes:

- (1) The Paris Club is registered as a bilateral creditor.
- (2) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

The Republic's largest external creditor is the EIB, accounting for 21.16 per cent. of External Debt as at 31 December 2025. The second largest external creditor is the World Bank, accounting for 21.2 per cent. of External Debt.

A significant portion of the Republic's external debt related to Paris Club was on concessional terms. The Paris Club debt is part of the BiH external 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).

As of 2020, the Republic incurred EUR 1,803 million of external debt, 10 per cent. of which was in commercial debt, 16 per cent. in bilateral debt, and 74 per cent. in multilateral debt. As of 2021, the Republic incurred EUR 2,131 million of external debt, 22 per cent. of which was in commercial debt, 13 per cent. in bilateral debt, and 66 per cent. in multilateral debt. As of 2022, the Republic incurred EUR 2,161 million of external debt, 22 per cent. of which was in commercial debt, 16 per cent. in bilateral debt, and 62 per cent. in multilateral debt. As of 2023, the Republic incurred EUR 1,869 million of external debt, 16 per cent. of which was in commercial debt, 18 per cent. in bilateral debt, and 66 per cent. in multilateral debt. As of 2024, the Republic incurred EUR 2,052 million of external debt, 15 per cent. of which was in commercial debt, 27 per cent. in bilateral debt, and 58 per cent. in multilateral debt. As of 2025, the Ministry of Finance predicts that the Republic will have incurred EUR 2,198 million of external debt, 14 per cent. of which is expected to be in commercial debt, 36 per cent. in bilateral debt, and 50 per cent. in multilateral debt.

The Republic's Guarantees

In accordance with the Law on Borrowing, Debt and Guarantees (*Official Gazette of the Republic, Nos. 71/12, 52/14, 114/17, 131/20, 28/21 and 90/21*), a guarantee is a potential liability of a guarantor which is activated in the event that the borrower fails to repay the guaranteed liability in part or in full, if the conditions from the

guarantee are triggered. Pursuant to the Law on Borrowing, Debt and Guarantees, the Republic's total exposure under issued guarantees may not exceed 15 per cent. of GDP for the relevant financial year. Additionally, the RS National Assembly decides on the total amount of guarantees that the RS Government may issue during any given financial year. Pursuant to this decision of the RS National Assembly, the Government of the Republic adopts separate decisions on the issuance of a guarantee by the Republic.

Guarantees can be issued for:

- liabilities incurred by borrowing of local self-government units, social security funds, IDB and funds managed by it, as well as public enterprises and public sector institutions for purposes such as financing capital investments, debt refinancing, covering transferred liabilities, financing the budget deficit, and providing funds for the settlement of legally established rights.
- liabilities incurred through borrowing by legal entities established at the Bosnia and Herzegovina level for the implementation of priority projects that are of significant importance for the economic stability of the Republic;
- liabilities of public companies incurred by issuing securities for financing projects of significant important for the Republic; and
- local companies in connection with export projects, provided that such companies were selected through an international public procurement procedure and the financing is provided by international financial institutions.

If the beneficiary of the guarantee of the Republic issues a demand under the guarantee, pursuant to conditions from the guarantee and in accordance with prescribed laws, then an obligation of the Republic to repay such debt will arise. The Minister of Finance then issues a decision confirming that conditions of the guarantee have been triggered, making the guarantee due for payment in accordance with its terms, at which point it becomes a debt of the Republic. Direct debt incurred by public companies and public sector for which the Republic issues a guarantee is not calculated in either Public Debt or Total Debt until the guarantee is called, after which it becomes Debt of the Republic.

The following table illustrates an overview of the debt balance of loans guaranteed by the Republic for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025 ⁽⁴⁾
	<i>(BAM millions)</i>					
The Republic's External Guarantees for.....	322.5	322.1	277.8	242.6	243.8	212.4
Local government units.....	0.0	0.0	0.0	0.0	0.0	0.0
Public companies and public sector ⁽¹⁾	322.5	322.1	277.8	242.6	243.8	212.4
The Republic's Internal Guarantees for.....	331.5	461.1	540.3	570.4	753.5	596.6
Local government units.....	3.0	3.4	12.0	11.3	10.1	8.9
Social Security funds.....	174.8	181.6	160.1	172.2	225.8	173.4
Public companies and public sector ⁽¹⁾	153.8	276.1	368.2	386.8	517.6	414.3
Total RS guarantees.....	654.0	783.2	818.1	813.0	997.2	809.0
GDP⁽²⁾.....	11,131.8	12,501.7	14,537.0	16,085.9	17,205.8	18,616.7
	<i>(% of GDP)</i>					
The Republic's External Guarantees for.....	2.9	2.6	1.9	1.5	1.4	1.1
Local government units.....	0.0	0.0	0.0	0.0	0.0	0.0
Public companies and public sector ⁽¹⁾	2.9	2.6	1.9	1.5	1.4	1.1
The Republic's Internal Guarantees for.....	3.0	3.7	3.7	3.5	4.4	3.2
Local government units.....	0.0	0.0	0.1	0.1	0.1	0.0
Social Security funds.....	1.6	1.5	1.1	1.1	1.3	0.9
Public companies and public sector ⁽¹⁾	1.4	2.2	2.5	2.4	3.0	2.2
Total guarantees.....	5.9	6.3	5.6	5.1	5.8	4.3

Source: The Ministry of Finance.

Notes:

- (1) Guarantees issued in respect of debt incurred by public companies and the public sector is not included in Total Debt.
- (2) The GDP for 2025 is an estimate of the Ministry of Finance.
- (3) Certain data differ from previously published information as figures have been adjusted according to the revised GDP numbers published by the Institute of Statistics. See "Presentation of Economic and Other Information" and "Economy of the Republic—Gross Domestic Product".
- (4) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

Given that the statutory limit for guarantees refers to the exposure under issued guarantees as a percentage of GDP, the following table provides information on issued guarantees of the Republic in BAM, for the years indicated.

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025 ⁽⁴⁾
	<i>(BAM millions)</i>					
The Republic's External Guarantees for	367.6	694.3	648.2	619.8	710.8	664.6
Local government units.....	0.0	0.0	0.0	0.0	0.0	0.0
Public companies and public sector ⁽¹⁾	367.6	694.3	648.2	619.8	710.8	664.6
The Republic's Internal Guarantees for	436.7	544.9	563.1	590.5	761.3	614.6
Local government units.....	3.0	3.4	12.0	11.3	10.1	8.9
Social Security funds.....	174.8	181.6	170.1	172.2	225.8	173.4
Public companies and public sector ⁽¹⁾	259.0	359.9	381.1	406.9	525.4	432.3
Total RS guarantees	804.3	1,239.3	1,211.4	1,210.3	1,472.1	1,279.1
GDP⁽²⁾	11,131.8	12,501.7	14,537.0	16,085.9	17,205.8	18,616.7
	<i>(% of GDP)⁽³⁾</i>					
The Republic's External Guarantees for	3.3	5.6	4.5	3.9	4.1	3.6
Local government units.....	0.0	0.0	0.0	0.0	0.0	0.0
Public companies and public sector ⁽¹⁾	3.3	5.6	4.5	3.9	4.1	3.6
The Republic's Internal Guarantees for	3.9	4.4	3.9	3.7	4.4	3.3
Local government units.....	0.0	0.0	0.1	0.1	0.1	0.0
Social Security funds.....	1.6	1.5	1.2	1.1	1.3	0.9
Public companies and public sector ⁽¹⁾	2.3	2.9	2.6	2.5	3.1	2.3
Total guarantees	7.2	9.9	8.3	7.5	8.6	6.9

Source: The Ministry of Finance.

Notes:

- (1) Guarantees issued in respect of debt incurred by public companies and the public sector is not included in Total Debt.
- (2) GDP for 2025 is estimate of the Ministry of Finance of the Republic, included in ERP 2026-2028
- (3) Certain data differ from previously published information as figures have been adjusted according to the revised GDP numbers published by the Institute of Statistics. See "Presentation of Economic and Other Information" and "Economy of the Republic—Gross Domestic Product".
- (4) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

Between 1 January 2021 to 2025, the Republic issued guarantees to the following debtors under certain commercial loan arrangements for the values indicated:

	Date of Guarantee(s) <i>(years)</i>	Value of Guarantee(s) <i>(BAM millions)</i>
Republic of Srpska Guarantees / External		
HPP "Dabar", Trebinje.....	2021	370.5
Olimpic Centre "Jahorina" Pale	2023	9.0
Environmental protection and energy efficiency fund of the Republic of Srpska	2023	8.8
„Hydroelectric power plant on the Drina”.....	2024	146.3
Republic of Srpska Guarantees / Internal		
Health insurance Fund of Republic of Srpska	2021	35.0
Municipality of Jezero.....	2021	0.9
ZP "Elektrokrajina" Banja Luka.....	2021	27.4
"Hydro power plants at Trebišnjica", Trebinje.....	2021	8.0
"Hydro power plants at Trebišnjica", Trebinje.....	2021	22.4
Olimpic Centre "Jahorina" Pale	2021	19.6
Olimpic Centre "Jahorina" Pale	2021	10.0
Olimpic Centre "Jahorina" Pale	2021	20.0
Olimpic Centre "Jahorina" Pale	2021	6.0
"Heating company" Doboje.....	2021	1.5
PC "Republic of Srpska Lottery" Banja Luka	2021	1.5
PHI Hospital Gradiška.....	2021	4.9
City of Doboje.....	2022	9.0
PHI Hospital "Sveti vracjevi" Bijeljina.....	2022	5.0
PHI Hospital "Srbija" Istočno Sarajevo	2022	2.5
Health insurance Fund of Republic of Srpska	2022	20.0
Olimpic Centre "Jahorina" Pale	2022	36.9
Power Utility of the Republic of Srpska	2023	10.0
Power Utility of the Republic of Srpska	2023	20.0
Power Utility of the Republic of Srpska	2023	30.0
Institute for Physical Medicine, Rehabilitation and Orthopedic Surgery dr "Miroslav Zotovic"	2023	25.0
Health insurance Fund of Republic of Srpska	2023	10.0
Health insurance Fund of Republic of Srpska	2023	5.0
Health insurance Fund of Republic of Srpska	2023	5.0
Health insurance Fund of Republic of Srpska	2023	10.0
PHI Hospital "Sveti apostol Luka" Doboje.....	2023	5.0
AD Sarajevo Gas.....	2023	5.9
Public Fund for Child Protection of Republic of Srpska	2023	5.0
Olimpic Centre "Jahorina" Pale	2024	13.5
PI National Park "Sutjeska" Tjentište	2024	0.3
Public company Republic of Srpska Roads.....	2024	60.0
AD Sarajevo Gas.....	2024	15.0
Health insurance Fund of Republic of Srpska	2024	100.0
Power Utility of the Republic of Srpska	2024	30.0
Public Institution "Dom za starija lica Prijedor"	2024	1.1
Olimpic Centre "Jahorina" Pale	2024	15.9
Power Utility of the Republic of Srpska	2024	78.5
PI, "Vilina Vlas" Višegrad.....	2025	1.6
PE "Republic of Srpska Forests"	2025	15.0
Power Utility of the Republic of Srpska	2025	30.0
Power Utility of the Republic of Srpska	2025	30.0
Power Utility of the Republic of Srpska	2025	25.0
Olimpic Centre "Jahorina" Pale	2025	2.7
Railways of the Republic of Srpska	2025	5.0
Power Utility of the Republic of Srpska	2025	25.0
ZP "Elektrokrajina" Banja Luka.....	2025	8.0
Olimpic Centre "Jahorina" Pale	2025	16.3
Power Utility of the Republic of Srpska	2025	10.0
Power Utility of the Republic of Srpska	2025	18.0
"Mine and Termo power plant Ugljevik"	2025	20.0

Source: The Ministry of Finance.

In October, the RS Government adopted a conclusion committing to assume the loan obligations of Olympic Center Jahorina in the amount of BAM 145 million for a 10-year period. This action served as a capital injection

for OC Jahorina and enabled the RS Government, together with funds managed by the RS Government, to acquire a 100 per cent. ownership stake in the company.

During the takeover process, the RS Government ensured the continuous operation and maintenance of all systems on Jahorina. Maintaining stable operations at OC Jahorina a.d. Pale was deemed to be in the public interest and aligned with the RS Government's strategic objectives in tourism and investment.

Upon the RS Government assuming the loan commitment, the guarantees previously issued by the Republic for the relevant loan obligations ceased to have effect.

Total Debt Currency Structure

The following table shows the Total Debt of the Republic, listed by currency for the years indicated:

Original currency	As at 31 December											
	2020		2021		2022		2023		2024		2025 ⁽¹⁾	
	(BAM millions)	(% of Total Debt)	(BAM millions)	(% of Total Debt)	(BAM millions)	(% of Total Debt)	(BAM millions)	(% of Total Debt)	(BAM millions)	(% of Total Debt)	(BAM millions)	(% of Total Debt)
<i>External debt</i>												
EUR.....	2,195.6	37.6	2,878.0	46.7	3,052.8	48.0	2,713.9	43.4	2,990.2	44.7	3,447.4	49.3
SDR.....	925.3	15.9	914.1	14.8	847.3	13.3	670.2	10.7	473.8	7.1	296.0	4.2
USD.....	75.5	1.3	67.9	1.1	59.0	0.9	44.1	0.7	33.1	0.5	17.6	0.3
Other.....	330.0	5.7	307.5	5.0	266.8	4.2	228.0	3.6	514.8	7.7	538.4	7.7
Total external debt.....	3,526.4	-	4,167.5	-	4,225.8	-	3,656.3	-	4,011.8	-	4,299.3	-
<i>Internal debt</i>												
BAM.....	2,307.1	39.5	1,994.9	32.4	2,131.3	33.5	2,595.1	41.5	2,676.5	40.0	2,695.5	38.5
Total internal debt.....	2,307.1	-	1,994.9	-	2,131.3	-	2,595.1	-	2,676.5	-	2,695.5	-
TOTAL DEBT	5,833.4	-	6,162.4	-	6,357.2	-	6,251.4	-	6,688.3	-	6,994.8	-

Source: The Ministry of Finance.

Notes:

- (1) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

As of 31 December 2025, the largest portion of Total Debt was denominated in EUR (49.3 per cent.), followed by BAM (38.5 per cent.) and SDR (4.2 per cent.). The share of BAM-denominated debt as a proportion of the Republic's total debt decreased in 2021 due to the issuance of bonds on the Vienna Stock Exchange. It then showed an increasing trend in 2022 and 2023, primarily as a result of financing the deficit mainly from domestic sources. However, a decreasing trend was recorded in 2024 and 2025. The share of EUR-denominated debt generally increased over the observed period, except in 2023.

As a result of the significant share of SDR in the Total Debt and the strong influence of the U.S. dollar on the SDR currency, any appreciation in the value of the U.S. dollar could in turn increase the Republic's share of Total External Debt that is denominated in SDR as such circumstance may require more domestic currency to service such foreign currency debt. See "*Risk Factors—Risks associated with the Republic's Debt—Depreciation of the BAM, if it occurs, may adversely affect the Republic's Public Debt and, in turn, impact its economy and public finances*".

During the years 2020 to 2025, the share of the debt repaid under fixed terms increased in the Republic's Total Debt stock. The following table illustrates the Total Debt of the Republic by interest rate volatility as at the years indicated:

	As at 31 December											
	2020		2021		2022		2023		2024		2025 ⁽¹⁾	
	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)
Fixed.....	4,424.3	75.8	4,761.7	77.3	4,990.7	78.5	4,976.0	79.6	5,443.2	81.4	5,920.8	84.6
Variable.....	1,400.1	24.0	1,391.6	22.6	1,357.4	21.4	1,266.4	20.3	1,236.0	18.5	1,064.8	15.2
Not determined.....	9.1	0.2	9.1	0.1	9.1	0.1	9.1	0.1	9.1	0.1	9.1	0.1
Total debt.....	5,833.4	100.0	6,162.4	100.0	6,357.2	100.0	6,251.4	100.0	6,688.3	100.0	6,994.8	100.0

Source: The Ministry of Finance

Notes:

- (1) Preliminary data.
(2) Refers to the portion of debt owed to the Paris Club of Creditors for which repayment terms have not been determined.

Since 2020, the vast majority of the Republic's Total Debt stock has been incurred on a long-term basis. The following table indicates the level of Total Debt of the Republic by original maturity as at the years indicated:

	As at 31 December											
	2020		2021		2022		2023		2024		2025 ⁽³⁾	
	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)	(BAM million)	(% of Total Debt)
long-term debt ⁽¹⁾	5,720.0	98.1	6,159.4	99.9	6,269.6	98.6	6,093.9	97.5	6,519.6	97.5	6,853.9	98.0
short-term debt ⁽²⁾	113.4	1.9	3.0	0.1	87.6	1.4	157.4	2.5	168.7	2.5	140.8	2.0
Total debt	5,833.4	100.0	6,162.4	100.0	6,357.2	100.0	6,251.4	100.0	6,688.3	100.0	6,994.8	100.0

Source: The Ministry of Finance

Notes:

- (1) Long-term debt is debt which original maturity is longer than one year.
- (2) Short-term debt is debt which original maturity is up to one year.
- (3) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

Debt Management

The Law on Borrowing, Debt and Guarantees of the Republic (*Official Gazette of the Republic, Nos. 71/12, 52/14, 114/17, 131/20, 28/21, and 90/21*) sets debt limits, stipulating that the total debt of the Republic at the end of a fiscal year cannot exceed 60 per cent. of GDP for that year, public debt cannot exceed 55 per cent. of GDP, and short-term debt cannot exceed 8 per cent. of operating revenues from the previous fiscal year.

Additionally, the Law on Fiscal Responsibility (*Official Gazette of the Republic, Nos. 94/15 and 62/18*) establishes two general fiscal rules: (i) public debt at the end of a fiscal year may not exceed 55 per cent. of GDP, and (ii) the consolidated budget deficit may not exceed 3 per cent. of GDP in a fiscal year. Special fiscal rules further require that the budget for the following fiscal year must be in surplus if either public debt reaches 50 per cent. of GDP or the consolidated budget deficit reaches 2.5 per cent. of GDP in a fiscal year.

The RS National Assembly, based on a proposal from the RS Government, determines the total amount of short-term and long-term borrowing permitted during the fiscal year, as well as the purpose of such borrowing. Individual borrowing decisions are adopted by the RS Government, except in the case of capital investments, which require approval from the National Assembly, including the maximum borrowing amount for financing those investments.

The National Assembly also decides, based on the RS Government's proposal, on the total amount of guarantees that the RS Government may issue during the fiscal year, as well as the purpose of those guarantees.

Medium-Term Debt Management Strategy (the "MTDS")

The RS Government's debt management strategy is set out in its Medium-Term Debt Management Strategy for the period 2025 to 2028 (the "MTDS"). The principal objective of the MTDS is to ensure the availability of funds to finance approved investment projects, refinance existing indebtedness and fund budget execution, in each case at minimum cost and risk to the Republic. In pursuit of this objective, the RS Government is committed to: (i) maintaining a continuous presence in domestic and international financial markets through the issuance of securities and other instruments; (ii) achieving a debt portfolio consistent with defined indicators and target values; and (iii) maintaining transparency and predictability in the borrowing process.

The MTDS establishes the following portfolio limits and targets for the Republic's debt and indirect debt:

Indicator	Limit	2021	2022	2023	2024	2028 Target
External debt and indirect debt denominated in currencies other than EUR (as % of MTDS debt)....	≤ 35	23.2	20.3	16.6	16.9	9.7
Domestic debt (as % of MTDS debt)	20	25.8	27.6	36.2	34.1	27.8
Average time to maturity of MTDS debt.....	≥ 4 years	6.0 years	5.4 years	5.2 years	5.0 years	6.0 years
Short-term debt (as % of prior year revenues).....	< 8	0.0	2.6	4.2	4.0	—
Fixed-rate debt (as % of total MTDS debt).....	60	80.4	81.5	82.7	85.4	82.4
Weighted average interest rate	≤ 5.0	2.3	2.6	2.4	4.0	4.5

Source: The MTDS

An analysis of debt structure indicators over the period 2020–2024 demonstrates that all indicators remained within their defined targets throughout the period. As at 2024, over 80 per cent. of the Republic’s debt was denominated in BAM or EUR, and more than 80 per cent. was contracted on a fixed-rate basis. The share of external debt excluding EUR-denominated debt exhibited a downward trend over the period, with a slight increase observed in 2024. The share of domestic debt in total debt was volatile, declining in 2021 — attributable to the issuance of bonds on the international financial market — before increasing in 2022 and 2023 to reach its highest value in the observed period, and decreasing again in 2024.

The average time to maturity showed a moderate downward trend from 2020 to 2024, reflecting a gradual increase in refinancing risk. The share of short-term debt relative to prior-year revenues was volatile, reaching its highest value in 2023 before declining slightly in 2024. The share of fixed-rate debt in total debt increased consistently throughout the period, resulting in a continuous reduction of interest rate risk, whilst the weighted average interest rate generally increased, with the exception of 2023, when a decrease was recorded.

In the medium term (2025–2028), the RS Government’s stated objectives are expected to be achieved through a strategy focused on diversifying financing sources, instruments and the investor base, with an emphasis on financing budget expenditure through medium-term instruments in both domestic and international financial markets at acceptable levels of cost and risk. The Republic also intends to utilise official external sources of funding for investment projects, seeking to maximise access to concessional financing — including from the World Bank, the European Investment Bank and the European Bank for Reconstruction and Development — with a view to reducing refinancing risk and lowering borrowing costs.

For 2026, the Republic’s total debt repayment profile amounts to EUR 731 million, comprising the following:

- Eurobonds: EUR 300 million;
- Direct external debt: EUR 75 million, of which EUR 22 million has already been raised in 2026 year-to-date;
- Domestic debt: EUR 247 million, of which EUR 52 million has already been raised in 2026 year-to-date; and
- On-lent debt: EUR 109 million, representing debt borrowed by the Ministry of Finance and Treasury of BiH for the purpose of on-lending to the Republic.

Debt Service

Article 16 of the Law on Borrowing, Debt and Guarantees of BiH provides that the debt incurred at BiH level represents an absolute and unconditional obligation of BiH in accordance with the terms of the relevant loan agreements entered into, and securities issued by, BiH. Articles 31 and 32 of the Law on Borrowing, Debt and Guarantees of BiH define reserve measures for the indirect internal debt, and govern the event of a default arising from the indirect internal BiH debt obligations, such as the relevant internal debt of the Republic or the Federation. In addition, Articles 45 and 46 of the foregoing legislation define reserve measures for external BiH debt, and govern the event of a default arising from the external BiH debt obligations.

Likewise, Article 26 of the Law on Borrowing, Debt and Guarantees of the Republic provides that the Total Debt incurred by the Republic represents an absolute and unconditional obligation of the Republic in accordance with the terms of the relevant indebtedness. Further, Article 30 of the Law on Borrowing, Debt and Guarantees of the Republic prescribes that all of the Republic’s Total Debt liabilities have equal status regardless of when they were incurred, and that the repayment of such debt constitutes a priority liability, which should be serviced from the Republic’s revenues.

Article 15 of the 2026 Law on Budget Execution of the Republic (*Official Gazette of the Republic, No. 114/25*) sets forth the manner of settling the liabilities arising from the relevant and direct external debt and internal debt.

Indirect taxation is subject to regulations adopted at the level of joint institutions of BiH as determined by the Council of Ministers of BiH (at the behest of the Steering Board of the Indirect Taxation Authority according to the Law on Indirect Taxation System in BiH (*Official Gazette of BiH, Nos. 44/03, 52/04, 34/07, 4/08, 50/08, 49/09, 32/13 and 91/17*), which are adopted by the House of Representatives and the House of Peoples of the

Parliamentary Assembly of BiH. Any revenues generated from indirect taxes are collected by the Indirect Taxation Authority, which is the administrative organisation responsible for enforcing the legislation on indirect taxation. Revenues from indirect taxes are collected in the Indirect Taxation Authority's single treasury account that is held with commercial banks (which includes VAT, excise, customs and tolls) (the "**Single Account**") and are distributed daily in accordance with the Law on Indirect Taxation System in BiH and the Law on Payments to the Single Account and Distribution of Revenues (*Official Gazette of BiH, Nos. 55/04, 34/07, 49/09 and 91/2017*).

The distribution of revenues from indirect taxes collected in the Single Account, after allocations to the reserve account for tax refunds (including VAT and other revenues) and daily remittances for financing the joint institutions of BiH, is carried out by allocating funds between the Federation and the Republic according to temporary distribution coefficients, and to the Brčko District according to a fixed distribution coefficient of 3.55 per cent. From the share of revenues generated from indirect taxes that are allocated to the Republic, payment is made directly for servicing the Republic's "relevant" External Debt, which means that the liabilities on foreign debt are settled as a priority, while the remaining share of revenues is distributed between the Budgets of the Republic (72 per cent.), municipalities (24 per cent.) and PE "Republic of Srpska Roads" (4.0 per cent.), in accordance with the Law on Budget System of the Republic.

The process for servicing each Entity's external indebtedness for each financial year is effected as follows:

- BiH's Treasury and ministries of finance of each Entity formulate and agree an external debt servicing plan for the next year, which is then submitted to the Indirect Taxation Authority;
- BiH's Treasury updates the debt servicing plan on a quarterly, monthly and ten-day basis and submits them to the Indirect Taxation Authority and the ministries of finance of each Entity throughout the relevant financial year;
- with reference to such updated plans, the Indirect Taxation Authority authorises an allocation from each Entity's portion of revenues according to a pre-determined methodology and subsequently transfers them, in accordance with the instructions of BiH's Treasury, to the sub-account for each Entity held with the Central Bank for the purposes of servicing any 'relevant' External Debt obligations;
- BiH's Treasury receives all notifications and/or invoices from foreign creditors and relays such information to each Entity's ministry of finance as applicable;
- following receipt of such notifications and/or invoices, each Entity's ministry of finance confirms the calculations for their debt servicing and issues payment approval to BiH's Treasury, which then directs the Central Bank to release payments to foreign creditors from the relevant Entity's sub-account; and
- the Central Bank submits statements of such transactions to BiH's Treasury and the applicable Entity's ministry of finance for their accounting records.

Each Entity is only entitled to receipt of indirect taxes following completion of the abovementioned process. The Republic's "direct" External Debt and Internal Debt are serviced from the revenues of the Republic from its Single Treasury Account that is held with commercial banks and the Republic's Ministry of Finance directly manages and arranges the payment of such liabilities to the relevant creditors.

The following table shows the historic debt service payments of the Republic Total Debt and debt service payments out of the Republic's Budget with respect to principal and interest for the years indicated:

	Year ended 31 December					
	2020	2021	2022	2023	2024	2025 ⁽¹⁾
	<i>(BAM millions)</i>					
External debt						
Principal payments	196.2	209.3	218.4	691.3	386.3	349.9
Interest payments.....	65.5	59.2	87.2	134.9	154.7	168.7
Total	261.6	268.6	305.6	826.1	541.0	518.5
Internal debt						
Principal payments	261.5	457.1	308.0	380.5	533.3	606.5
Interest payments.....	61.0	67.1	58.6	72.1	107.8	121.7
Total	322.5	524.2	366.6	452.7	641.1	728.2
Total debt servicing payments						
Principal payments	457.7	666.4	526.4	1,071.8	919.6	956.4
Interest payments.....	126.4	126.3	145.8	207.0	262.5	290.3
Total	584.1	792.7	672.3	1,278.8	1,182.1	1,246.7
Total debt servicing payments out of the Budget						
Principal payments	374.9	556.5	444.8	982.3	802.4	839.4
Interest payments.....	107.1	104.8	124.9	180.0	231.4	258.7
Total	482.0	661.3	569.7	1,162.3	1,033.8	1,098.1

Source: The Ministry of Finance.

Notes:

- (1) Preliminary data provided by the Ministry of Finance of the Republic; official data for 2025 had not been published as of the date of this Offering Circular.

The following table shows the projected debt service payments of the Republic's Total Debt and debt service payments out of the Republic's Budget with respect to principal and interest for the years ended 31 December in the period 2026 to 2030 based on the stock of the Republic's Total Debt as at 31 December 2025:

	Year ended 31 December				
	2026	2027	2028	2029	2030 ⁽²⁾
	<i>(BAM millions)</i>				
External debt					
Principal payments	922.4	304.9	288.5	667.1	281.6
Interest payments.....	172.4	134.8	125.6	113.9	69.1
Total	1,094.8	439.7	414.1	781.0	350.7
Internal debt					
Principal payments	506.8	500.4	459.5	471.3	585.9
Interest payments.....	124.7	106.2	84.5	60.0	36.9
Total	631.5	606.6	544.0	531.3	622.8
Total debt servicing payments⁽¹⁾					
Principal payments	1,429.2	805.3	748.0	1,138.4	867.5
Interest payments.....	297.1	241.0	210.1	173.9	106.0
Total	1,726.2	1,046.3	958.1	1,312.3	973.5
Total debt servicing payments out of the Budget⁽¹⁾					
Principal payments	1,309.7	683.1	641.3	1,068.4	817.6
Interest payments.....	271.1	221.1	196.6	165.2	100.2
Total	1,580.7	904.1	837.9	1,233.7	917.8

Source: The Ministry of Finance.

Notes:

- (1) This does not include future borrowings.
(2) Preliminary data provided by the Ministry of Finance of the Republic.

In 2020, interest payments of the Republic accounted for 2.9 per cent. of total revenue. In 2021, interest payments of the Republic accounted for 2.5 per cent. of total revenue. In 2022, interest payments represented 2.6 per cent. of total revenue. In 2023, interest payments increased to 3.3 per cent. of total revenue, and in 2024, they further rose to 3.7 per cent. of total revenue. For 2025, interest payments are predicted to account for 3.6 per cent. of total revenue.

Bilateral and Multilateral Development Organisations

BiH 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.

In order to source funding from the IMF, the World Bank, the European Union, the EBRD and the EIB, the Republic participates in programmes with such bilateral and multilateral development organisations alongside the relevant institutions of BiH. Consequently, any funds provided by such bilateral and multilateral development organisations are disbursed through BiH, which then allocates an appropriate share of funding to the Republic and the Federation, and sometimes to Brčko District as well. The distribution of credit funds is agreed during negotiations with each lender individually. Based on the agreed distribution, a subsidiary agreement is subsequently agreed between BiH and the Republic (and other participants, if any), based on which funds are transferred to the Republic (and other parties, if any).

Each Entity is entitled to negotiate and implement a project for its own benefit if the other Entity does not wish to participate, in accordance with the Law on Borrowing, Debt and Guarantees of BiH. For example, the Republic has negotiated and is participating in projects related to the Corridor Vc highway. The EBRD approved a loan to the Republic through BiH for the Corridor Vc-Doboj Bypass Project. Similarly, the Sava and Drina Rivers Corridors Integrated Development Program and the Sustainable, Integrated, and Safe Road Infrastructure Project, both financed by loans approved by the World Bank, are being implemented solely in the Republic.

In most cases, any loans granted to BiH by the IMF are distributed in the following proportion: one-third to the Republic and two-thirds to the Federation. However, this is not strictly the case for all IMF financings and so the proportion of funding allocated to the Entities and the Brčko District may differ from time to time. For example, the loans granted to BiH under the IMF's RFI (the "RFI") is allocated in the following proportions: 37.5 per cent. for the Republic, 61.5 per cent. for the Federation and one per cent. for the Brčko District.

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, one of which was pursuant to an extended fund facility and another one of which was related to the RFI. In accordance with Article IV of the IMF Agreement, representatives of the IMF regularly visit BiH to hold consultations within the Council of Ministers, the representatives of the Entities and the Central Bank.

The last financial arrangement approved by the IMF for the Republic was the RFI in 2020, which was fully repaid in 2025. The Republic has not entered into any new financial arrangements with the IMF since then. However, as of 31 December 2025, the Republic has outstanding debt to the IMF in the amount of BAM 28.1 million under the Extended Fund Facility Instrument. As of 31 December 2024, debt incurred from IMF amounted to 3.0 per cent. of the Republic's total external debt. As of 31 December 2025, debt incurred from IMF amounted to 0.7 per cent. of the Republic's total external debt.

World Bank

BiH joined the World Bank in 1993. The World Bank's funding is currently focused on investments that support reforms in three main areas: (i) increasing inclusive private sector employment; (ii) improving sustainable service delivery; and (iii) enhancing resilience to climate change. In addition, the World Bank is prioritizing infrastructure investments in the energy, agriculture, water, transport, and health sectors.

As at 31 December 2025, the Republic had outstanding debt of BAM 246.6 million under International Development Association funding programs and BAM 663.1 million under International Bank for Reconstruction and Development funding programs. As of 31 December 2024, debt incurred from World Bank amounted to 24 per cent. of the Republic's total external debt.

In 2021, the World Bank approved EUR 30 million for the Integrated Development of the Sava and Drina River Corridors Project. The project aims to support integrated management of the Sava and Drina international corridors, with objectives including improved flood protection, enhanced navigability of the Sava River, better

management of cascade dams on the Drina for hydropower production, improved flood and drought management, and the promotion of natural values and tourism.

Also in 2021, the Recovery and Support Project for Companies was approved in the amount of EUR 22.4 million for the Republic, representing 40 per cent. of the BiH loan for this project. The project's goal is to support the recovery of companies affected by COVID-19 by improving access to long-term financing, in accordance with project conditions. However, EUR 15.5 million of this amount was subsequently cancelled.

In June 2022, the World Bank endorsed a new Country Partnership Framework for 2023–2027 to support BiH's recovery from the impacts of COVID-19 and to advance reforms aimed at job creation and a greener, more inclusive economy. This strategic framework builds on the previous Country Partnership Framework for 2016–2020 and provides BiH (and, through BiH, the Republic) with access to up to US\$750 million in new World Bank lending, subject to demand and progress in reform implementation.

In 2022, the Program for the Modernisation of Water and Sewage Services in Bosnia and Herzegovina was approved, with EUR 26.5 million allocated to the Republic (approximately 51.45 per cent. of the BiH loan for this project). The project supports the modernisation of public utility companies under the jurisdiction of local self-government units.

European Bank for Reconstruction and Development (“EBRD”)

The funds disbursed to the Republic under EBRD loans are mainly used to finance infrastructure projects, in particular relating to communal infrastructure, energy, municipal infrastructure, railway and roads. As at 31 December 2025, the total amount of outstanding debt incurred by the Republic under EBRD loans was EUR 57.5 million (BAM 112.5 million). In 2024, the EBRD approved EUR 7 million for the Pale Central Heating project. The objective of this project is to relocate the city's boiler plant and construct a new facility at a different location, with the goal of modernizing the central heating system in the municipality of Pale.

European Investment Bank

The funds disbursed by European Investment Bank 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. As at 31 December 2025, the total amount of outstanding debt incurred by the Republic under EIB loans was EUR 475.2 million (BAM 929.4 million). As of year-end 2024, debt incurred from the European Investment Bank amounted to 24 per cent. of the Republic's total external debt.

In 2022, the European Investment Bank approved EUR 75 million for the Banjaluka Medical Complex, with the purpose of enhancing the quality of education for future medical personnel and improving healthcare services for the citizens of the Republic.

Council of Europe Development Bank (“CEB”)

The CEB primarily disburses funds for healthcare, the reconstruction of housing facilities for returning refugees and displaced persons, the closure of collective centres, housing care, and psychiatric clinics. As at 31 December 2025, the Republic's outstanding debt under CEB loans totalled EUR 19.16 million (BAM 37.5 million) and U.S.\$224,000 (BAM 372,634).

In 2025, a Framework Loan Agreement for Psychiatric Clinics in BiH was signed, with EUR 7.7 million allocated to the Republic, representing 68.88 per cent. of the BiH loan for this project. The project aims to reconstruct and repair existing buildings or construct new facilities for psychiatric institutions, as well as to furnish these buildings and procure necessary medical equipment.

The European Commission

In 2020, the EU Commission adopted a EUR 3 billion macro-financial assistance program for several nations to provide financial support in mitigating the effects of COVID-19. BiH was granted a two-tranche loan with an aggregate principal amount of EUR 250 million. Of this financing, the RS Government was allocated 37.5 per cent., or EUR 93.75 million, to support its budgetary requirements, while 61.5 per cent. was allocated to the Federation and 1 per cent. to the Brčko District. Although the two-tranche loan was approved, only the first

tranche of EUR 125 million was withdrawn for BiH, with EUR 46.87 million allocated to the Republic. The second tranche of EUR 125 million was cancelled.

As at 31 December 2025, the Republic's outstanding debt under these loans was EUR 46.87 million (BAM 91.7 million). The funds are disbursed primarily to support the Republic's budgetary requirements.

International Fund for Agricultural Development (“IFAD”)

Funds disbursed by IFAD are primarily directed toward rural financing, business and entrepreneurship, agricultural productivity, rural enterprises, livestock, and competitiveness development in rural areas. As at 31 December 2025, the total amount of outstanding debt disbursed by IFAD was SDR 9.48 million (BAM 21.57 million) and EUR 7.12 million (BAM 13.94 million).

In 2021, IFAD approved the Rural Entrepreneurship and Agriculture Development Project in the amount of EUR 4.7 million for the Republic, representing about 40.08 per cent. of the BiH loan for this project. The general objective of the project is to contribute to rural economic development and poverty reduction by improving living conditions, generating income, and enhancing the living standards of target households in rural areas.

Kreditanstalt für Wiederaufbau

Funds disbursed by KfW are primarily allocated to the energy sector, water supply, and sewerage systems in the Republic of Srpska. Through its agreements with BiH, KfW approved EUR 131.96 million (BAM 258.09 million) for the Republic. In 2023, EUR 115.47 million (BAM 225.84 million) was cancelled by KfW for two projects: Windpark Hrgud and Rehabilitation of HPP Trebinje 1, Phase III. As at 31 December 2025, the total outstanding debt under loans disbursed by KfW was EUR 2.85 million (BAM 5.57 million).

Paris Club

As at 31 December 2025, liabilities to Paris Club creditors amounted to EUR 64.7 million (BAM 126.5 million), which represented 2.9 per cent. of the Republic's total external debt.

EXIM Bank of Hungary

The Hungarian Export-Import Bank Plc (“**EXIM Bank of Hungary**”) has provided financial support to the Republic, including loans totalling approximately EUR 140 million advanced in 2022 and 2023 to finance budget deficits and refinance existing debt. As at 31 December 2024, debt disbursed by EXIM Bank of Hungary represented 6 per cent. of the Republic's total external debt.

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 €500,000,000 6.25 per cent. Notes due 2031 (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 Republic of Srpska (the “**Issuer**”), represented by the Government of the Republic of Srpska, acting through the Ministry of Finance, are issued subject to, and with the benefit of, an Agency Agreement dated 2 April 2026 (such agreement as amended and/or supplemented and/or restated from time-to-time, the “**Agency Agreement**”) made among the Issuer, The Bank of New York Mellon SA/NV, Dublin Branch, as registrar (the “**Registrar**”), and The Bank of New York Mellon SA/NV, 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**”). The holders of the Notes are entitled to the benefit of a Deed of Covenant (the “**Deed of Covenant**”) dated 2 April 2026 and executed by the Issuer.

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 (i) are available for inspection or collection during normal business hours upon reasonable request by the Noteholders at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agent and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). 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 Unrestricted Notes and the Restricted Notes 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 obligations of the Issuer, save only for such obligations as may be preferred by mandatory provisions of applicable law, *provided, further, that* the Issuer 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, the Issuer 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*.

4. 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:

“**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 the Issuer.

“**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.

5. Interest

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 2 April 2026 at the rate of 6.25 per cent. *per annum* (the “**Rate of Interest**”), payable annually in arrear on 2 April in each year (each an “**Interest Payment Date**”). The first payment (for the period from, and including, 2 April 2026 to, but excluding, 2 April 2027 and amounting to €62.50 per €1,000 in principal amount of Notes) shall be made on 2 April 2027.

The period beginning on, and including, 2 April 2026 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 real time gross settlement system operated by the Eurosystem, or any successor system (“**T2**”) 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 Republic of 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 2 April 2031.

7.2 Residual Maturity Call at the Option of the Issuer

The Issuer may, at its option, at any time from and including 2 March 2031 to but excluding the Maturity Date, subject to having given not less than 15 nor more 30 calendar days’ prior notice to the Noteholders in accordance with Condition 12 (*Notices*) (which notice shall be irrevocable and shall specify the date set for redemption), redeem all, but not some only, of the outstanding Notes at their principal amount plus accrued interest up to but excluding the date set for redemption.

7.3 No Other Redemption

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Conditions 7.1 and 7.2 above.

7.4 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 7.5.

7.5 Cancellation

All Notes which are (a) redeemed or (b) submitted for cancellation pursuant to Condition 7.4, 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 Republic of Srpska 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 having some connection with the Republic of Srpska 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, which default is incapable of remedy or, if capable of remedy, is not remedied within 45 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 per cent. 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 per cent. 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 Srpska at Trg Repulike Srpske 1, 78000 Banja Luka, Republic of Srpska, 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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 per cent. 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 Republic of Srpska, any other department, ministry or agency of the government of Bosnia and Herzegovina or the Republic of Srpska or any corporation, trust, financial institution or other entity owned or controlled by the government of Bosnia and Herzegovina or the Republic of Srpska 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 per cent. of the aggregate principal amount of the Notes then outstanding in the case of a Reserved Matter or at least 50 per cent. 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 per cent. 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 per cent. 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 and Easyway or Clearstream, Luxembourg’s CreationOnline or Xact Web Portal systems) 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 its registered office from time to time 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 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: (a) property, including any bank account, used by a diplomatic or consular mission of the Issuer through which the Issuer is being represented or its special missions or delegations to international organisations, (b) 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, (c) assets that are non-tradable (*stvari van prometa*), (d) ore deposits and other natural resources, (e) 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 (f) immovable and movable assets, and the rights of the Issuer, and cities, municipalities and public enterprises within the Republic of Srpska that are necessary for the performance of activities of public interest. 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 depository 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 Republic, 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 Republic 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 Republic will, at the cost of the Republic (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 Republic 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 Republic 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 Republic and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Republic 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 Republic 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 Republic's legislation, tax law and practice in the Republic 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 Republic

The following is a general summary of the relevant tax consequences according to the taxation laws of the Republic 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 Republic

Under the Corporate Income Tax Law (*Official Gazette of the Republic, Nos. 94/2015, 1/2017, 58/2019, 48/2024 i 114/2025*), payments of interest on the Notes to any non-resident legal entity (where the interest is not attributable to its permanent establishment in the Republic) by a resident tax payer in the Republic are subject to withholding tax in the Republic. Since all amounts representing interest under the Notes will be paid to the Clearing Systems - which, for the purposes of the Republic's tax laws, are considered the holders - and since the Clearing Systems are non-resident legal entities, such payments will be subject to withholding taxation in the Republic.

Withholding tax on interest earned by non-resident legal entities is levied at a rate of 10 per cent (unless otherwise provided under an applicable double taxation treaty). According to the Corporate Income Tax Law, if the payor of the income subject to withholding tax does not withhold the amount of the tax from the income, the payor shall calculate and pay the tax on the disbursed income.

If payments in respect of the Notes are subject to withholding or deduction for any such tax, pursuant to "*Terms and Conditions of the Notes – 8. Taxation*", the Republic 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 that Condition.

The Personal Income Tax Law (*Official Gazette of the Republic, Nos. 60/2015, 5/2016, 66/2018, 105/2019, 123/2020, 49/2021, 119/2021, 56/2022, 112/2023, 110/2024 i 114/2025*) provides that payments of interest made directly to a non-resident natural person are not subject to a withholding tax.

Tax Implications for Residents of the Republic

Legal entities, residents of the Republic are subject to the corporate income tax on capital gains realised through the sale of the Notes. Corporate income tax is currently levied at a rate of 10 per cent. Payments of the interest to such entities shall be subject to the corporate income tax of the Republic.

As for the individual residents of the Republic, payments of interest on the Notes are not subject to income tax. Individuals who are tax residents of the Republic are subject to the personal income tax on capital gains realised through the sale of the Notes at the rate of 13 per cent.

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 within the meaning of Section 1221 of U.S. Internal Revenue Code of 1986, as amended (the “Code”) (generally, property held for investment) and use the U.S. Dollar as their functional currency. This summary is based on the Code, its legislative history, 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 U.S. 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 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 and former citizens or long-term resident, U.S. citizens or lawful permanent residents living abroad, “dual resident” companies, banks, thrifts, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, partnerships (including entities or arrangements treated as partnerships for U.S. federal income tax purposes) or other pass through entities or arrangements and investors therein, grantor trusts, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations or investors, dealers or traders 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”, “constructive sale”, “wash sale” or other integrated 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. Additionally, this discussion does not address the tax consequences to holders of existing indebtedness of the Issuer that is repaid substantially contemporaneously with the offering of the Notes and assumes that a substantial amount of the Notes will be sold for cash to persons other than such holders. Moreover, this summary does not address the U.S. federal estate and gift tax, U.S. Holders liable for alternative minimum tax or the Medicare tax applicable to net investment income and investors holding the Notes in connection with a trade or business conducted outside of the U.S. Each prospective purchaser should consult its own tax adviser with respect to the U.S. federal, state, local and foreign tax consequences of purchasing, owning or disposing of the 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 U.S., (ii) a corporation, or any entity taxable as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the U.S., any state thereof or the District of Columbia, (iii) a trust (A) with respect to which a court within the U.S. 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. Partnerships and their partners are urged to consult their own tax advisers regarding their 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 OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCE TO THEM OF OWNING THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Interest

Payments of interest on the Notes (including any additional amounts and without reduction for any amounts withheld) will be included in a U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued, in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes.

Generally, a U.S. Holder that uses the cash method of tax accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income (as ordinary income) the U.S. Dollar value of the Euro-denominated interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted into U.S. Dollars at that time. A cash method U.S. Holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such interest payment but may recognize foreign currency exchange gain or loss attributable to the actual disposition of the foreign currency so received.

Generally, a U.S. Holder that uses the accrual method of tax accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in income (as ordinary income) the U.S. Dollar value of the amount of stated interest income in Euros that has accrued with respect to its Notes during an accrual period. The U.S. Dollar value of such Euro-denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within each taxable year. An accrual basis U.S. Holder may elect, however, to translate such Euro-denominated accrued interest income into U.S. Dollars at the spot rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, at the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt of the interest. The above 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 for U.S. federal income tax purposes generally will recognise U.S. source foreign currency exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of foreign currency exchange gain or loss recognised will equal the difference, if any, between the U.S. Dollar value of the Euro payment received (translated at the spot rate of exchange on the date such interest is received) in respect of such accrual period and the U.S. Dollar value of the interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. Dollars at such time. Any such foreign currency exchange gain or loss generally will constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense. U.S. Holders should consult their own tax advisers regarding how to account for interest payments made in Euros with respect to a Note and the disposition of such Euros.

Stated interest on a Note (and OID (as defined below), if any) will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. Holders under U.S. federal income tax laws. Subject to generally applicable restrictions and conditions, a U.S. Holder may be entitled to a foreign tax credit in respect of any non-refundable foreign income taxes withheld on interest payments on the Notes. Alternatively, subject to applicable limitations, a U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes. An election to deduct creditable foreign taxes instead of claiming foreign tax credits must be applied to all creditable foreign taxes paid or accrued in the U.S. Holder's taxable year. Interest generally will constitute "passive category income" for purposes of the foreign tax credit rules. The rules governing foreign tax credits are complex, and U.S. final Treasury Regulations (the "**Final FTC Regulations**") have imposed additional requirements that must be met for a foreign tax to be creditable, and we do not intend to determine whether such requirements will be met. However, recent notices from the IRS (the "**Notices**") indicate that the U.S. Treasury and the IRS are considering proposing amendments to the Final FTC Regulations and allow taxpayers, subject to certain conditions, to defer the application of many aspects of the Final FTC Regulations until the date when a notice or other guidance withdrawing or modifying this temporary relief is issued (or any later date specified in such notice or other guidance). The rules governing the foreign tax credit are complex. U.S. Holders are urged to

consult their own tax advisers regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Original Issue Discount

For U.S. federal income tax purposes, a Note will be treated as issued with original issue discount (“OID”) if the excess of the Note’s stated principal over its issue price (as defined above) equals or exceeds a specified *de minimis* amount (generally 0.25 per cent. of the Note’s stated principal multiplied by the number of complete years to maturity). U.S. Holders of Notes issued with OID must, in general, include the OID as ordinary income, calculated on a constant yield accrual method, in advance of the receipt of some or all of the related cash payments, regardless of their regular method of accounting.

The amount of OID includible in income by the initial U.S. Holder of such Note is the sum of the “daily portions” of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which such U.S. Holder held such Note. A daily portion is determined by allocating to each day in any “accrual period” a *pro rata* portion of the OID that accrued in such period. The “accrual period” of a Note may be of any length and may vary in length over the term of the Note, *provided that* each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note’s “adjusted issue price” at the beginning of such accrual period and its “yield to maturity,” determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note. Under these rules, a U.S. Holder will generally have to include in income increasingly greater amounts of OID in successive accrual periods. OID, if any, on the Notes will be determined for any accrual period in Euros and then translated into U.S. Dollars in accordance with either of the two alternative methods applicable to accrual basis U.S. Holders described above under “—*Interest.*”

A U.S. Holder will recognize foreign currency exchange gain or loss when OID is paid (including, upon the sale, exchange, retirement or other taxable disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. Dollar value of the foreign currency payment received, determined based on the spot rate of exchange on the date such payment is received and the U.S. Dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note will be viewed first, as payment of stated interest payable on the Note; second, as receipt of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and third, as receipt of principal. Foreign currency exchange gain or loss generally will be treated as U.S. source ordinary income or loss and generally will not be treated as an adjustment to interest income.

Subject to the discussion below regarding foreign currency exchange gain or loss, OID generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income.

The rules governing OID instruments are complex, and persons considering the purchase of Notes should consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of such Notes, including the potential application of the OID rules as well as the receipt in foreign currency of amounts attributable to OID.

Further Issues

The Issuer may from time-to-time without notice to or the consent of the Noteholders of outstanding Notes 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. These additional notes, even if they are treated for non-U.S. federal income 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, or the additional notes may have a different amount of OID than the original

Notes. 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, Retirement or Other Taxable Disposition of Notes

A U.S. Holder generally will recognise gain or loss on the sale, exchange, retirement or other taxable disposition of a Note in an amount equal to the difference between the amount realised (less any accrued but unpaid stated interest, which will be taxable as interest income as described above 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, retirement or other taxable disposition for an amount in foreign currency will be the U.S. Dollar value of such foreign currency based on the spot rate of exchange on the date of sale, exchange, retirement or other taxable 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, retirement or other taxable disposition. An accrual basis U.S. Holder that does not make the settlement date election will recognize foreign currency 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 of the Note to such holder increased by the amount of any OID previously included in the U.S. Holder's income with respect to the Note. The U.S. Dollar cost of a Note purchased with a foreign currency generally will be the U.S. Dollar value of the purchase price based on the spot rate of exchange 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. 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.

Gain or loss recognised on the sale, exchange, retirement or other taxable disposition of a Note (other than gain or loss that is attributable to OID or to currency exchange rate fluctuations) generally will be treated as capital gain or loss. 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. Gain or loss realised by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of the Notes generally will be U.S. source capital gain or loss. The long-term capital gains of non-corporate U.S. Holders may be taxed at preferential rates. Deductions for capital losses are subject to significant limitations. Gain or loss recognised by a U.S. Holder on the sale, exchange, retirement or other taxable disposition of a Note that is attributable to changes in the currency exchange rates with respect to the principal amount of such Note will be treated as U.S. source ordinary income or loss; however, foreign currency exchange gain or loss (including with respect to accrued interest and, if any, accrued OID) is taken into account only to the extent of total gain or loss realised by such U.S. Holder on the disposition. U.S. Holders should consult their own tax advisers 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.

Because a U.S. Holder may use foreign tax credits against only the portion of U.S. federal income tax liability that is attributed to foreign source income in the same category, a U.S. Holder's ability to utilize a foreign tax credit with respect to the foreign tax imposed on any such sale or other taxable disposition, if any, may be significantly limited. Moreover, the creditability of foreign taxes imposed on disposition gains is subject to other significant, complex and evolving limitations that may prevent a U.S. Holder from obtaining a credit. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax implications of any foreign taxes imposed on disposition gains in their particular circumstances (including creditability, deductibility and determination of the amount realized).

Information Reporting and Backup Withholding

In general, U.S. information reporting requirements will apply to payments of interest (including the accrual of OID, if any) on and the proceeds from the sale, exchange, retirement or other taxable disposition of a Note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient and, when required, provides evidence of such exemption. U.S. backup withholding may apply to such payments if the U.S. Holder fails to provide a taxpayer

identification number or a certification that it is not subject to backup withholding and otherwise comply with any applicable requirements of the backup withholding rules.

U.S. backup withholding is not an additional tax. The amount of any U.S. 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 the required information is timely furnished to the IRS. U.S. Holders of Notes should consult their own tax advisers regarding their qualification for an exemption from backup withholding and information reporting and the procedures for obtaining such an exemption, if applicable.

Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, certain “reportable transactions” (as defined in the U.S. Treasury Regulations) are required to be reported to the IRS including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note or used to acquire Notes to the extent that such disposition results in a tax loss in excess of a threshold amount. Penalties and other adverse consequences may apply to U.S. Holders subject to such obligation that fail 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. Prospective investors should consult with their own tax advisor to determine the tax return obligations, if any, with respect to their acquisition, holding or disposition of the Notes, including any requirement to file IRS Form 8886, Reportable Transaction Disclosure Statement.

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 if the aggregate value of all of those assets exceeds certain threshold amounts. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions (in which case the accounts may be reportable if maintained by non-U.S. financial institutions, 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 Republic believes to be reliable, but neither the Republic or the Sole Lead Manager 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 Republic 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 depository 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 depository 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 Republic, the Fiscal Agent, any other Agent or the Sole Lead Manager 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 US 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 Republic 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 Republic 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 31 March 2026 (the “**Subscription Agreement**”) between the Republic and the Sole Lead Manager, the Sole Lead Manager has agreed to purchase, and the Issuer has agreed to sell to the Sole Lead Manager the principal amount of the Notes.

The Issuer has been informed that the Sole Lead Manager proposes to resell the Notes at the issue price set forth on the cover page of this Offering Circular within the United States 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 Sole Lead Manager in respect of certain of its expenses, and have agreed to indemnify the Sole Lead Manager and its 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 obligation of the Sole Lead Manager to subscribe for Notes is 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. The offering of the Notes by the Sole Lead Manager is subject to the Sole Lead Manager’s right to reject any order in whole or in part.

Offers and sales of the Notes in the United States will be made by the Sole Lead Manager or its 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 Sole Lead Manager has advised the Issuer that following the completion of the offering of the Notes, it intends to make a market in the Notes. It is not obligated to do so, however, and any market-making activities with respect to the Notes may be discontinued at any time at its 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 Sole Lead Manager 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 Sole Lead Manager. 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 Sole Lead Manager may conduct these transactions in the over-the-counter market or otherwise. If the Sole Lead Manager commences 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 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in one 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 business day 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 business day should consult their own adviser.

The Sole Lead Manager or its 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 the Issuer and its affiliates in the ordinary course of business for which it has received or may receive customary fees and commissions. The Sole Lead Manager and its affiliates have performed certain investment and commercial banking or financial advisory services for the Issuer and their affiliates from time-to-time, for which it has received customary fees and commissions, and it expects to provide these services to the Issuer and its affiliates in the future, for which it expects 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. The Sole Lead Manager may purchase Notes offered hereby for its own account.

In addition, in the ordinary course of their business activities, the Sole Lead Manager and its 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 its own account and for the accounts of its customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. If the Sole Lead Manager or its affiliates have a lending relationship with the Issuer, it routinely hedges its credit exposure to the Issuer consistent with its customary risk management policies. Typically, the Sole Lead Manager and its 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 Sole Lead Manager and its 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 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. The Sole Lead Manager has represented, warranted and undertaken to the Republic that it proposes to offer the Notes for resale (a) to persons they reasonably believe to be QIBs, within the meaning of Rule 144A under the Securities Act, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) in “offshore transactions” (as defined in Rule 902(k) under the Securities Act) in accordance with Rule 903 of Regulation S under the Securities Act.

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

The Sole 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 Republic; 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.

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.

Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) 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 any Notes be distributed in Italy, except in accordance with any Italian securities, tax and other applicable laws and regulations.

The Sole Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Offering Circular or any other document relating to the Notes in Italy except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “Financial Services Act”) Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “Issuers Regulation”), all as amended from time to time; or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuer’s Regulation.

In any event, 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 be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the 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**”);
- (b) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy and/or any other competent authority.

Hong Kong

The Sole Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“**SFO**”) and any rules made under the SFO; or (ii) 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 “**CWUMPO**”) or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) 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

The Sole Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole 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, the 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 (a)

to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (b) 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 Republic or the Sole 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, the Sole Lead Manager 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 Sole Lead Manager 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 Republic 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 OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE REPUBLIC OF SRPSKA 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 REPUBLIC OF SRPSKA OR ITS AFFILIATES."

4. it understands that the Republic, the Sole Lead Manager, 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 Republic and the Sole Lead Manager;
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 Republic, the Sole Lead Manager nor any person representing the Republic or the Sole Lead Manager, has made any representation to it with respect to the Republic or the offer or sale of any of the Notes, other than (in the case of the Republic) 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 Sole Lead Manager makes 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 Republic of Srpska in connection with the issue and performance of the Notes. The issue of the Notes is authorised pursuant to Decision on long-term borrowing of the Republic of Srpska for 2026 issued by the National Assembly of the Republic of Srpska (*Official Gazette of the Republic, No. 114/25*) and Decision on accepting borrowing of the Republic of Srpska through a bond issuance on the international financial market, issued by the Government of the Republic of Srpska (*Official Gazette of the Republic No. 26/26*).

LEI Code

The Issuer's LEI code is 213800Y1FRB44X9VBR21.

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 the Issue Date, subject only to the issue of the Notes.

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 £7,400.

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 XS3327023787 and the common code is 332702378. In respect of the Rule 144A Notes the ISIN is XS3327024322 and the common code is 332702432.

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

Other than as described in "*Description of the Republic—Legal 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.

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 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 2025.

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 6.50 per cent. per annum. This is not an indication of future yield.

THE ISSUER

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(represented by the Government of the Republic of Srpska, acting through the Ministry of Finance)
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Bosnia and Herzegovina

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