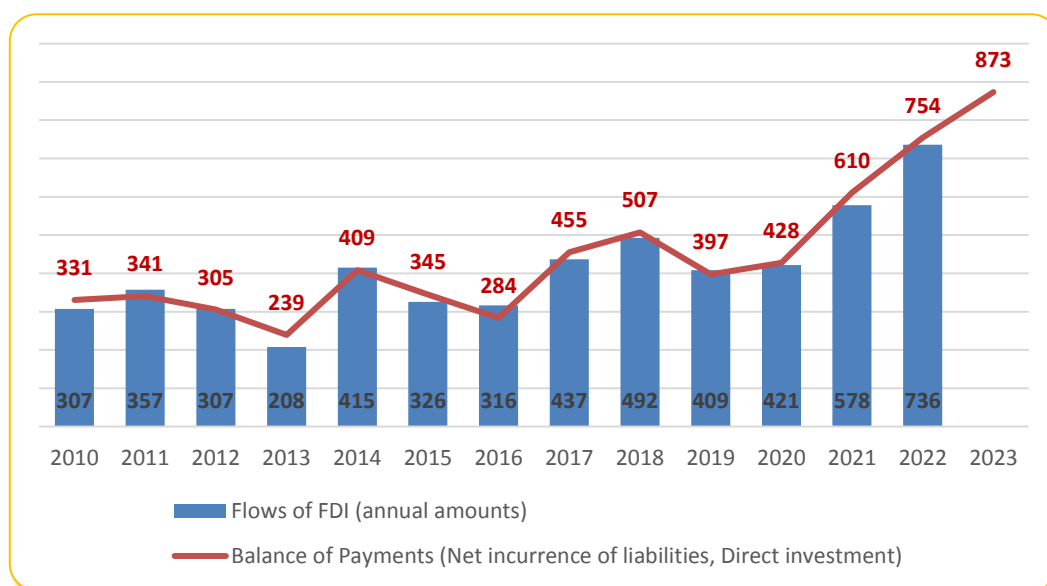


FDI Position and Performance

In 2022, according to the Central Bank of B&H (CBBH), foreign direct investments (FDI) in Bosnia and Herzegovina (B&H) amounted to 736.4 million EUR (or 1.440.3 million BAM). FDI increased by 27.5% in the previous year, with the highest amount since 2007.

Official data about foreign direct investment (FDI) in Bosnia and Herzegovina for 2023 are expected in August this year. According to the first preliminary data of the Central Bank within the Balance of Payments of B&H (the item Net financial liabilities, Direct investment) for the period **January - December 2023 amounts 873 million EUR (1.7 billion KM)**, which is an increase of 15.8% compared to 2022 (according to the same source). For more detailed analyses, it is certainly necessary to wait for official data on the stock and flow of FDI. Considering that the data in the balance of payments and DSI statistics are collected on the basis of different methodologies, the amounts are not identical, but they can certainly confirm the trend, i.e. increase or decrease compared to the previous year. We hope that official DSI data will also confirm the new highest amount after 2007.

Flow of FDI in B&H and Net financial liabilities DI,
Annual amounts, million EUR

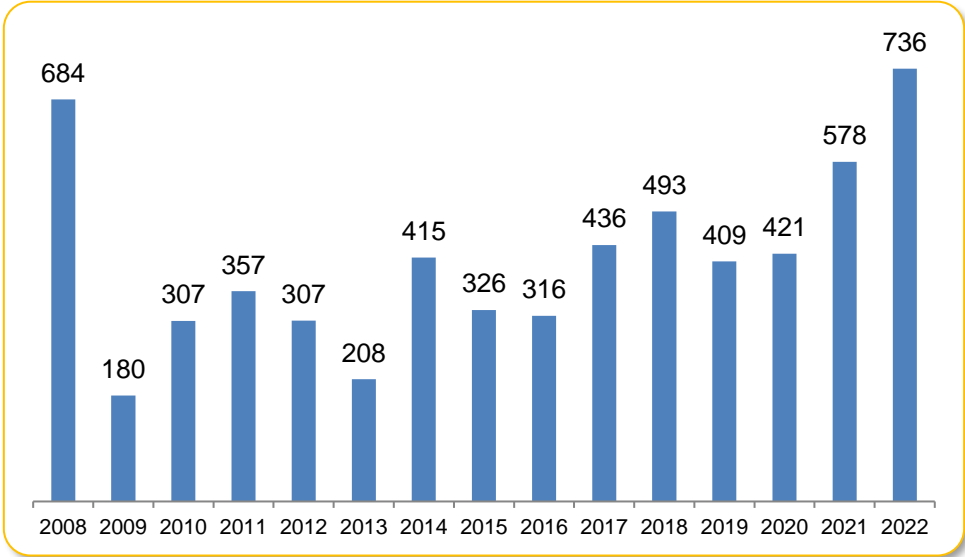


Source: Central Bank of B&H, March 2024

In 2007 B&H attracted 1.3 billion EUR that is absolutely the highest amount recorded till now, mainly thanks to the privatization of certain large state-owned enterprises. In 2008 FDI inflow (684 million EUR), without the expected privatization, could be considered as satisfying, especially if we take into account its positive structure (investment in production sector and high contribution of Greenfield investments).

The global economic crisis significantly affected the decrease of foreign investments in 2009. In the period from 2010 to 2020, the trend of FDI inflows is variable and unequal. The average annual amount of FDI for the period 2018 - 2022 is EUR 527 million and has increased compared to the ten-year average (2013 – 2022), which was EUR 434 million.

Flow of FDI in B&H, million EUR



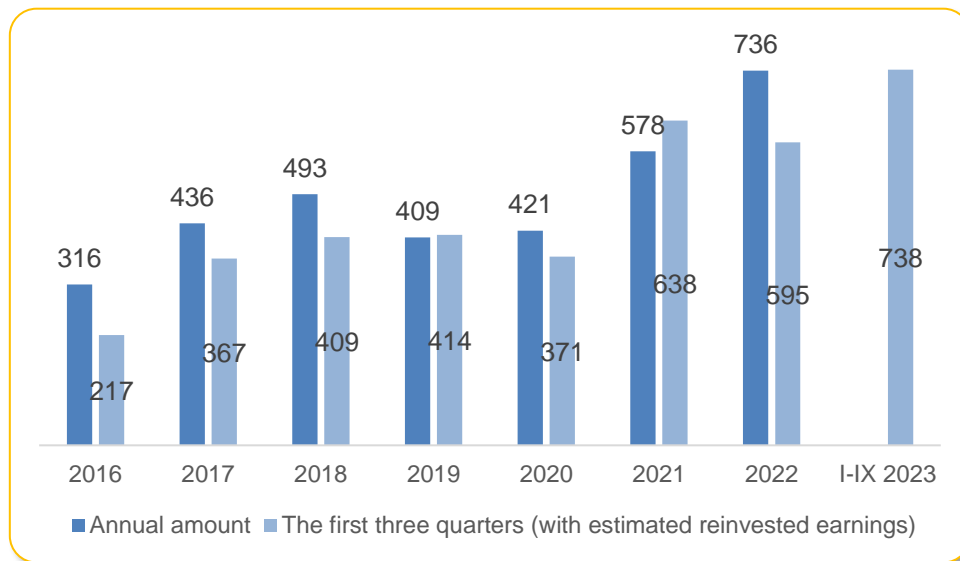
Source: Central Bank of B&H

According to CBBH revised data, in 2021 B&H attracted EUR 578 million and FDI increased by 37.2%, compared with the previous year. As already stated, increase of FDI was registered in 2022 as well.

According to preliminary data of the Central Bank of B&H, within flow of FDI (with estimated reinvested earnings), for the period **January - September 2023**, direct foreign investments amounted to 737.7 million EUR. With a note that preliminary data are subject to subsequent revisions, FDI in the period I - IX 2023 is 23.9% higher compared to the same period of the previous year.

Based on the positive indicator of a significant increase in foreign direct investment (FDI) in 2021 and 2022, as well as the first data for the 2023, we hope that the growth of FDI in Bosnia and Herzegovina will continue.

Comparative overview of annual and first three quarters amounts within FDI flows, since 2016, million EUR



Source: Central Bank of B&H, FDI Flows, January 2024

FDI Stock - December 2022

Total amount of Foreign Direct Investment (FDI) in Bosnia and Herzegovina was 8.9 billion EUR (8,921 million EUR). In the structure of FDI, for the period May 1994 till December 2022, equity and reinvested earnings were 7.3 billion EUR (7,317 million EUR) and other capital was 1.6 billion EUR (1,603 million EUR).

Based on CBBH data, according to the area, Federation of B&H participates in total FDI with 64.5% (5,755 million EUR), Republic of Srpska 34.4% (3,065 million EUR) and Brčko District with 1.1% (101 million EUR).

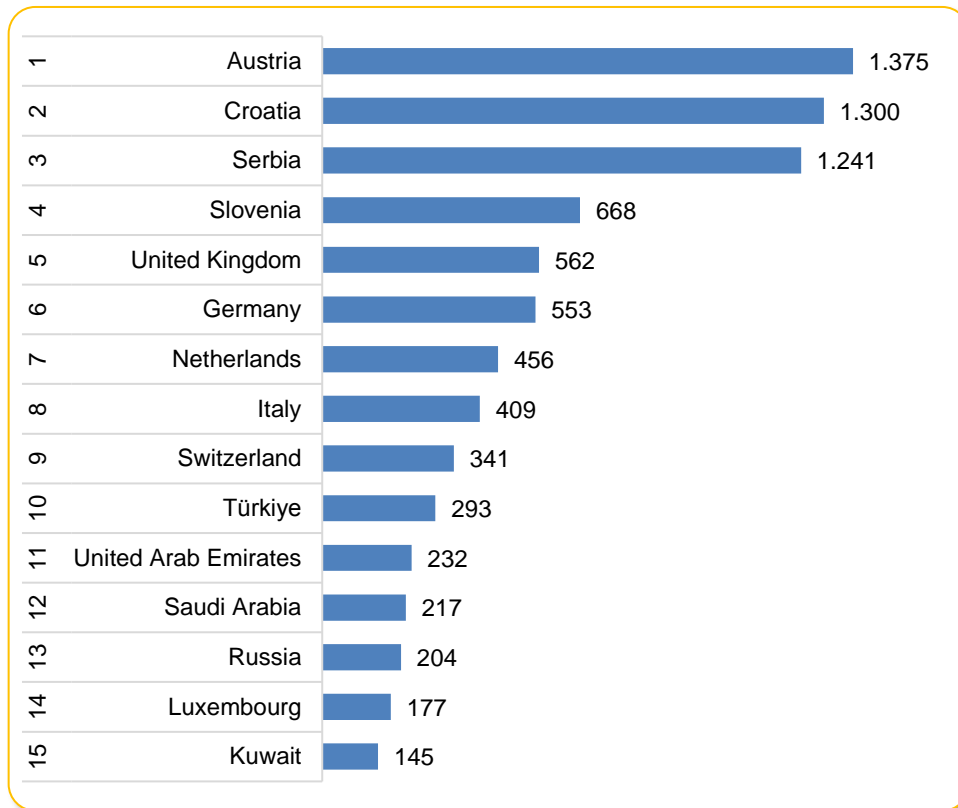
According to the FDI Stock by countries in December 2022 the largest share still refers to Austria (1.4 billion EUR), Croatia (1.3 billion EUR) and Serbia (1.2 billion EUR). The following are the countries with invested capital over 500 million EUR: Slovenia (668 million EUR), United Kingdom (562 million EUR) and Germany (553 million EUR). European countries are still the most important investors in B&H. Investments from EU-27 countries amounted to 59.4% of total FDI in B&H (5.3 billion EUR).

Out of total foreign direct investments, 37.7% have been invested within the production (primary, industrial and electricity production), followed by the banking sector with 19.6%, trade 14.3% and telecommunications 11.4%.

Top investor countries in B&H, December 2022

Total amount 8.9 billion EUR

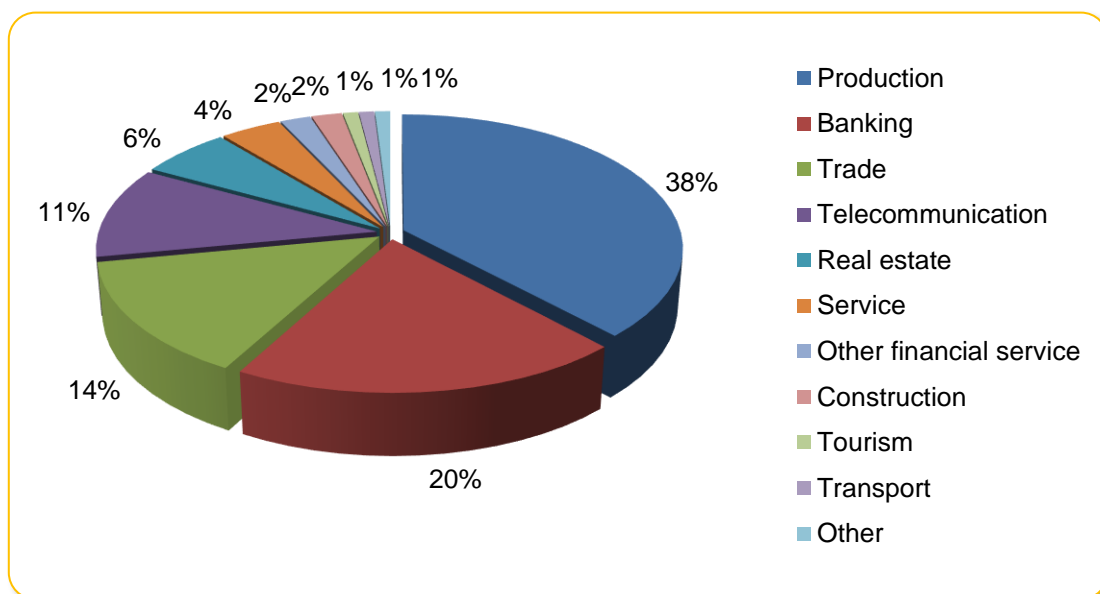
Million EUR



Source: Central Bank of B&H

FDI Stocks by Industry (%)

December 2022



Source: according to the data Central Bank of B&H

Foreign Direct Investment in B&H in 2022

Based on official data of Central bank of B&H foreign direct investment in 2022 were 736.4 million EUR (or 1,440.3 million BAM) in Bosnia and Herzegovina. The increase of FDI by 27.5% in 2022 is a positive indicator.

According to the Central Bank of B&H "Most of this growth in foreign direct investments is a consequence of high reinvested earnings of existing non-financial and financial companies with foreign investments, while investments in the form of equity capital and other capital (intercompany lending) amounted to a total of KM 500 million."

Main investor countries in B&H in 2022 were: United Kingdom (138.9 million EUR), Austria (89.9 million EUR), Netherlands (85.2), Germany (81.6), and Serbia (68.7 million EUR), with invested capital exceeding 50 million EUR.

Based on CBBH data, by activities, most investments were realized in the area of Electricity, gas, steam and air conditioning supply in the amount of 102 million EUR, followed by the area of Financial service activities with 75 million EUR and Manufacture of basic metals 63 million EUR. With investments exceeding 50 million EUR, the following are: Wholesale trade (58 million EUR) and Manufacture of chemicals and chemical products (55 million EUR).

According to the area in 2022 in Federation of B&H registered FDI amounted 512 million EUR (or participation 69.5% in the annual amount), FDI was 202 million EUR (27.4% share) in Republic of Srpska, and in Brčko District FDI was 23 million EUR (3.1% share in the annual amount).

The increase of foreign direct investment encouraged by reinvestment confirms the positive business and expansion of the capacity of existing foreign investors, which is certainly a good indicator for potential investors. Success stories of foreign investors confirm that Bosnia and Herzegovina is favorable destination for foreign investment, and that we could be optimistic in terms of the FDI inflows in the coming period.

April 2024