

**DOCUMENT OF THE EUROPEAN BANK  
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 22 October 2025<sup>1</sup>

**BOSNIA AND HERZEGOVINA**

**BIH DEPOSIT INSURANCE FUND CREDIT LINE  
III**

*[Redacted in line with the EBRD's Access to Information Policy]*

*[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]*

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<sup>1</sup> As per section 1.4.8 of EBRD's Directive on Access to Information (2024), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.



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**ABBREVIATIONS / CURRENCY CONVERSIONS**

AML	Anti-Money Laundering
BARS	Banking Agency of Republika Srpska
BD	Brčko District
BiH	Bosnia and Herzegovina
BoD	Board of Directors
BRRD	Bank Recovery and Resolution Directive
CAR	Capital Adequacy Ratio
CBAM	Carbon Border Adjustment Mechanism
CBBH	Central Bank of Bosnia and Herzegovina
CR	Coverage Ratio
CRP	Cybersecurity Resilience Programme
DGS	Deposit Guarantee Scheme
DIA BiH	Deposit Insurance Agency of Bosnia and Herzegovina
DIF	Deposit Insurance Fund
ETS	Emissions Trading System
EU	European Union
FBA	Federation of Bosnia and Herzegovina Banking Agency
FBiH	Federation of Bosnia and Herzegovina
FI	Financial Institution
GDP	Gross Domestic Product
IFI	International Financial Institution
IMF	International Monetary Fund
JRA	Joint Revenue Account
KfW	Kreditanstalt für Wiederaufbau
LDI	Law on Deposit Insurance of Bosnia and Herzegovina
LLR	Loan Loss Reserves
MOU	Memorandum of Understanding
NIM	Net Interest Margin
NPL	Non-Performing Loans
PFI	Partner Financial Institution
RF	Resolution Fund
ROAA	Return on Average Assets
ROAE	Return on Average Equity
RS	Republika Srpska
SBCL	Standby Credit Line
SME	Small and Medium sized Enterprises
SSF	Shareholder Special Fund
TC	Technical Cooperation
TI	Transition Impact
WB	World Bank
WE	Women Entrepreneurs
<b>Currency</b>	
EUR	Euro
BAM	Bosnia and Herzegovina Convertible Mark

## **PRESIDENT'S RECOMMENDATION**

This recommendation and the attached Report concerning an operation in favour of Deposit Insurance Agency of Bosnia and Herzegovina (the “DIA BiH”), an independent public institution established in Bosnia and Herzegovina, are submitted for consideration by the Board of Directors.

The facility will consist of a standby credit line in the form of a sovereign operation in Bosnia and Herzegovina, in favour of the DIA BiH in the amount of up to EUR 30 million. This is the third facility with DIA BiH and will have an expanded scope.

DIA BiH would be able to drawdown funds from this credit line under certain pre-agreed conditions with the purpose of making funds available to compensate insured depositors in accordance with the legal requirements or participation in bank resolution. The operation will enable DIA BiH to have an adequate alternative/emergency funding arrangement in place and improve its deposit coverage ratio providing better protection for depositors and improved confidence in the financial system as a whole, thus supporting the Resilient quality while also complementing on-going work on EU directives compliance. Furthermore, tailored cybersecurity support will contribute to the Well-governed quality through the completion of a cybersecurity gap analysis, creation of a roadmap, and training of senior management, thus helping DIA BiH achieve, for the first time, alignment with international best practices of the CIS18 IG 2 Cybersecurity Framework.

TC support for this operation has been provided by Digital Hub SSF Funds.

I am satisfied that the operation is consistent with the Bank's Strategy for BiH, Financial Sector Strategy for 2021-2025 and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed standby credit line substantially on the terms of the attached Report.

**Odile Renaud-Basso**

## BOARD DECISION SHEET

<b>BOSNIA AND HERZEGOVINA - BiH Deposit Insurance Fund Credit Line III - DTM 55992</b>	
<b>Transaction / Board Decision</b>	Board approval <sup>2</sup> is sought for a sovereign operation of up to EUR 30 million in the form of a Standby Credit Line (“SBCL”) in favour of the state-owned Deposit Insurance Agency of Bosnia and Herzegovina (the “DIA BiH”, “the Project Entity”). The SBCL will be available under a sovereign operation in Bosnia and Herzegovina, to be made available to DIA BiH, with the purpose of making funds available to compensate insured depositors, or provide funds to support bank resolution, as prescribed by the Law on Deposit Insurance of BiH.
<b>Client</b>	The DIA BiH is a state level institution established in August 2002 and is an independent, non-profit legal entity that provides deposit insurance to all eligible depositors that hold accounts with member banks.
<b>Main Elements of the Proposal</b>	<p><u>Transition impact:</u> The Project will continue strengthening the capacity of DIA BiH and its credibility, which will decrease the risk of a deposit run in crisis times and improve the overall confidence in the banking sector. The SBCL will also support DIA BiH to increase the amount of insured deposits from BAM 70k to BAM 100k (EUR 35.8k to EUR 51.1k). In the longer run, maintaining a credible deposit insurance system should have a positive impact on the growing deposit base which increases the funding available to the overall economy, thus supporting the Resilient quality. Tailored TC will assist in improving cybersecurity resilience/governance, and business protection, contributing to the Well-governed quality.</p> <p><u>Additionality:</u> The Project will provide an emergency back-up financing facility, in a country that doesn’t have regular access to international capital markets, and where the Central Bank is prevented by law from providing emergency liquidity support to DIA BiH or the state in case of a banking failure and subsequent deposit pay-out. The proposed EBRD SBCL is currently the only viable access to emergency funding the DIA BiH can have in place.</p> <p><u>Sound banking:</u> Banking sector risks are deemed acceptable owing to strong capital and liquidity positions of the sector. Macroeconomic/Political risk remains elevated but acceptable for the size of the facility, while BiH’s capacity to service sovereign debt is strong.</p>
<b>Key Risks</b>	<p>[REDACTED]</p> <p><u>Macroeconomic Environment/Political Risk:</u> The [REDACTED] political environment may affect the economy and the banking sector. Nevertheless, macroeconomic stability has been maintained and the economy continues to be resilient while the banking sector continues to perform well and is largely foreign owned.</p>
<b>Strategic Fit Summary</b>	<p><u>Strategy for Bosnia and Herzegovina</u> The Project is supporting the Bank’s Strategy for BiH, in its capacity of supporting the PFIs and credit guarantee funds to build a stable and accessible financial sector, as well as promoting digitalisation of the financial sector.</p> <p><u>Financial Sector Strategy</u> The Project is also responding to the Financial Sector Strategy, which outlines the need for "strengthening the financial sector’s resilience and ability to respond effectively to present and future challenges by ‘future-proofing’ the sector (e.g. by supporting deposit insurance schemes through debt, capacity-building and policy dialogue).”</p> <p><u>EBRD Approach to Accelerating the Digital Transition 2021-2025</u> The Project is aligned with the Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025, as it will enable the client to enhance their cybersecurity resilience. The digital - cybersecurity component of the project is in support of the Well-Governed Transition Quality as outlined below and in monitoring indicators 2.2-2.3.</p>

<sup>2</sup> Article 27 of the AEB provides the basis for this decision.

## ADDITIONAL SUMMARY TERMS FACTSHEET

<b>EBRD Transaction</b>	Up to EUR 30 million in the form of a Standby Credit Line (“SBCL”) in Bosnia and Herzegovina in favour of the state-owned Deposit Insurance Agency of Bosnia and Herzegovina (the “DIA BiH”, “the Project Entity”). The <u>SBCL of up to EUR 30 million</u> will be available under a sovereign operation in Bosnia and Herzegovina to the DIA BiH in case of the “insured event” (bank failure triggering the payout of insured depositors) or in case of the request to contribute funds for bank resolution, as prescribed by the Law on Deposit Insurance of BiH (“LDI”).
<b>Existing Exposure</b>	<u>Exposure to DIA BiH</u> : SBCL of EUR 30 million signed in 2020 [REDACTED] <u>Total outstanding sovereign and sovereign guaranteed exposures to Bosnia and Herzegovina as of end-April 2025</u> : Sovereign portfolio: EUR 1,003 million [REDACTED] Sovereign portfolio including pipeline: EUR 1,260 million [REDACTED]
<b>Maturity / Exit / Repayment</b>	The availability period is 5 years from signing. [REDACTED]
<b>Potential AMI eligible financing</b>	None.
<b>Use of Proceeds - Description</b>	DIA BiH’s fund (“the Fund” or “DIF”) is comprised of an initial equity injection from 2002, premiums and fees collected from member banks and other accumulated earnings (from the investment portfolio). The Agency has no access to any alternative funding arrangements. Under the SBCL, DIA BiH would be able to drawdown the funds under certain pre-agreed conditions[REDACTED] , with the purpose of making funds available to compensate insured depositors, or in the case of bank resolution where DIA would provide funds for the resolution of a Member Bank on the least-cost principle basis, all in accordance with the LDI. The SBCL will support DIA BiH to increase of the amount of insured deposits from BAM 70k to BAM 100k (EUR 35.8k to EUR 51.1k), while improving the deposit coverage ratio while it gradually builds up its own funds. This will provide better protection for depositors and improve confidence in the financial system as a whole.
<b>Investment Plan</b>	N/A
<b>Financing Plan</b>	<b>SOURCES TOTAL: EUR 30 million</b> EBRD Financing: EUR 30 million <b>Total Financing: EUR 30 million</b>
<b>Key Parties Involved</b>	<i>Borrower</i> : The state of Bosnia and Herzegovina (“BiH”) <i>Project Entity/ Loan Beneficiary (in case of insured event)</i> : The Deposit Insurance Agency of Bosnia and Herzegovina.
<b>Conditions to subscription / disbursement</b>	[REDACTED]
<b>Key Covenants</b>	[REDACTED]
<b>Security / Guarantees</b>	[REDACTED]
<b>Other material agreements</b>	[REDACTED]
<b>Associated Donor Funded TC and Blended Concessional Finance</b>	<i>TC 1: Cybersecurity Resilience TC Programme: Due Diligence for the Deposit Insurance Agency (DIA) of BiH</i>  <i>Main objective of the assignment is to help DIA BiH identify any gaps in its cybersecurity posture, and assist with mitigation of those gaps. To this end, this assignment will focus on: 1). Conducting a cybersecurity gap analysis of DIA BiH’s main digital assets and processes, to be assessed against relevant international standards (CIS18 Implementation Group 2), 2). Formulating an action plan for enhancing the company’s cybersecurity posture, and 3).</i>

	<i>Designing and delivering a cybersecurity awareness training workshop for the company's senior management.</i>
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**[REDACTED]**



# INVESTMENT PROPOSAL SUMMARY

## 1. STRATEGIC FIT AND KEY ISSUES

### 1.1 STRATEGIC CONTEXT

According to the current EU directive on DGS's<sup>3</sup>, a deposit insurance agency should have alternative funding arrangements in place, in addition to the premiums collected from depositors, which enables them to swiftly obtain backup funding to meet claims made against them. DIA BiH does not have access to international capital markets and, by law, the Central Bank of BiH ("CBBH") is prevented from providing emergency liquidity support to DIA BiH in case of a bank failure and subsequent deposit pay-out, or in case of DIA BiH's participation in a bank resolution. The existing EBRD SBCL is currently the only access to emergency funding the DIA BiH has in place, and this project builds on the existing facility.

BiH does not have established Resolution Fund, as prescribed, inter alia, by the BRRD, as there is no political consensus to establish a new state level institution. A new Law on Deposit Insurance of BiH was adopted in 2020, expanding the role of DIA BiH to allow its funds to be used for bank resolution, in line with EU and international best practices. Therefore, the proposed EBRD SBCL would [REDACTED] allow the funds to be used for bank resolution, on a least-cost principle (in accordance with the new Law on Deposit Insurance of BiH). This approach does not raise additional potential liabilities for DIA BiH, but rather reduces the eventual cost in case of a systemic bank failure scenario.

While DIA BiH has not participated in the resolution mechanism since the new Law on Deposit Insurance of BiH and new banking laws have been adopted, DIA BiH has previously been called upon to pay out insured depositors in two instances, in 2014 and 2016, after the failure of Bobar Banka and Banka Srpske, respectively (all funds paid out have been fully recovered). DIA BiH's role in maintaining the financial sector stability in these instances proved essential given its ability to quickly make payments to insured depositors. This contributed significantly to public confidence in the banking sector and prevented the crisis from spreading.

The Project is in alignment with the Financial Sector Strategy for 2021-2025, which outlines the need for "strengthening the financial sector's resilience and ability to respond effectively to present and future challenges by 'future-proofing' the sector (e.g. by supporting deposit insurance schemes through debt, capacity-building, and policy dialogue)." EBRD has supported the regional financial system by successfully completing standby deposit insurance projects [REDACTED]. The Bank is leveraging the experience from the previous two SBCLs with DIA BiH as well as other deposit insurance projects implemented in the region. The Project is also supporting the Bank's Strategy for BiH, in its capacity of supporting the PFIs and credit guarantee funds to build a stable and accessible financial sector, as well as promoting digitalisation of the financial sector.

The technical assistance proposed under this Project will support the development of improved cybersecurity practices at DIA BiH, a vital aspect of their operations given the deposit data at all banks in the country to which DIA BiH has access. The work will include a cybersecurity gap analysis, creation of a roadmap, and training of senior management in best practices, contributing to the Well-Governed transition quality. The project is aligned with the

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<sup>3</sup> Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014, Article 10 Financing of DGSs, item (9)

Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025 as it will enable the client to enhance their cybersecurity resilience.

The Project is also aligned with the Bank's Strategy for the Promotion of Gender Equality (2021-2025). DIA BiH's is committed to supporting the WE Finance Code, a policy initiative active in BiH and across the Western Balkans, that aims to bring together regulators, financial service providers and other stakeholders to address the financing needs of women entrepreneurs in part by improving sex-disaggregated SME data and leveraging it to create actionable solutions. Code countries commit to reporting on five financial indicators on sex-disaggregated basis, including data on deposits. DIA BiH's access to the deposit data of all banks therefore makes it a valuable partner in the success of this project. DIA will work with the Central Bank and other institutions to disaggregate deposit data and report it to the Central Bank's centralised gender data dashboard.

## 1.2 TRANSITION IMPACT

The table below sets out the TI Objectives and details of the project. The relevant Monitoring Indicators and timing for their delivery are shown in Section 2.

### Primary Quality: Resilient

Obj. No.	Objective	Details
1.1	The project is helping the existing deposit insurance scheme to become fully functional (for e.g. bringing the coverage ratio closer to target, strengthening the operational functioning of the fund).	The project supports DIA by providing the standby line of credit (SBLC) to be used for supporting payouts to depositors in case of the insured event (failure of a bank) under the deposit insurance scheme. Current amount of insured deposits is BAM 70,000 (ca EUR 35,790) per depositor per bank, while the goal of the Agency is to increase the limit to BAM 100,000 (ca EUR 51,129). The SBLC supports this by improving the coverage ratio [REDACTED].
1.2	The project enhances the resolution mechanisms available (in terms of available resources).	Following the adoption of the new Law on Deposit Insurance of BiH in 2020 and the new Banking Laws, DIA BiH now has a role in the bank resolution process. The new SBLC would complement the current Deposit Insurance Fund and make significant funds (EUR 30 mil) available for this purpose also, thereby strengthening the resolution mechanism and the public confidence in case of banking market turbulences, thereby supporting financial stability.

### Secondary Quality: Well-Governed

Obj. No.	Objective	Details
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2.1	The project improves the governance of the fund by making the existing arrangements work better.	The project will support DIA in implementing and aligning its operations with international best-practices and EU directives on deposit insurance, focusing on the implementation of the cybersecurity best-practices, leveraging the TC support provided by the EBRD Digital Hub.
2.2	The project helps the client achieve, for the first time, international best practice in financial systems cyber resiliency (CIS18 IG 2, MITRE ATT&CK, or equivalent).	This Project supports the client in identifying gaps in its cybersecurity posture and assisting with mitigation of those gaps. To this end, this assignment will focus on: 1) Conducting a cybersecurity gap analysis of DIA BiH's main digital assets and processes, to be assessed against relevant international standards, 2) Formulating an action plan for enhancing the company's cybersecurity posture, and 3) Designing and delivering a cybersecurity awareness training workshop for the company's senior management. By doing so, the assignment will help DIA BiH achieve, for the first time, alignment with international best practices of the CIS18 IG 2 framework.

**Digital Approach:** The project is aligned with the Adaptation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025, as it will enable the client to enhance their cybersecurity resilience, by aligning, for the first time, with international best practices of the CIS18 IG 2 Cybersecurity Framework.

**Delivery Risks:** [REDACTED] The risks are mitigated by the positive experience in collaboration with DIA BiH so far (two previous SBCLs), strong management with a long track record. Continuous cooperation with other IFIs [REDACTED] offer additional comfort. Additionally, DIA BiH is a permanent member of EFDI (European Forum of Deposit Insurers), and actively participates in the organisation's work.

### 1.3 ADDITIONALITY

Identified triggers	Description
No triggers identified	n/a

Additionality sources	Description of additionality sources
<b>Financing Structure</b> - EBRD offers financing that is not available in the market from commercial sources on reasonable <b>terms and conditions</b> , e.g. a longer grace period that is rarely available in the market, restricted foreign currency financing etc. Such financing is necessary to structure the project. - EBRD offers a <b>large volume</b> instrument that fills a market funding gap and is required to structure the project. - Crisis response: EBRD financing <b>effectively bridges a financing gap</b> due to adverse market conditions. - Public sector: EBRD investment is needed to close the <b>funding gap</b> . At the same time,	- The Project will help to ensure better resilience of the financial system in Bosnia and Herzegovina with an increased capacity of DIA BiH's fund to effectively engage in the payment of insured deposits should one or several financial institutions fail, or to support bank(s) resolution in case of failure. - The facility is structured to serve as an emergency back-up financing facility, in a country that doesn't have a lender-of-last resort, nor easy access to international capital markets, in the form of long-term SBCL of a significant amount. - The proposed new SBCL is currently the only access to emergency funding DIA BiH can have in place, following the upcoming

EBRD does not crowd out other sources, such as from IFIs, government, commercial banks and/or complements them.	expiry of the previous SBCL in October 2025.
<b>Risk mitigation</b> - EBRD provides comfort to clients and investors by <b>mitigating non-financial risks</b> , such as country, regulatory, project, economic cycle, or political risks.	- The Project mitigates economic and country risks. In particular, it helps <b>support the confidence in the financial system</b> and <b>prevent isolated bank failures from creating panic and deposit runs</b> on otherwise healthy banks. In BiH, the banks are primarily funded through deposits (92.4% of total liabilities in 3Q2024), which makes preserving depositors' confidence crucial for the stability of the banking sector.
<b>Standard-setting: helping projects and clients achieve higher standards</b> -Gender SMART	Under the project, the DIA would endeavour to support the Women Entrepreneurs Finance Code (the "WE Finance Code"), launched by the World Bank and under the local coordination of the Central Bank of BiH. The WE Finance Code aims to improve the availability of sex-disaggregated data across several financial indicators, and DIA will play a crucial role in supporting the Central Bank with a specific focus on deposit data.

#### 1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
<i>Project specific risks</i>		
Banking sector risk	Low / High	<p>Significant deterioration in the market environment could weaken the banking sector stability, in particular the performance of domestically owned banks which would not benefit from strong parent support. [REDACTED]</p> <p><b>Mitigating factors:</b> Banking sector is currently liquid, well capitalised and profitable, dominated by foreign owned banks with adequate corporate governance and risk management systems. The banks highlighted as vulnerable in the recent DIA BiH stress test make up less than 10% of the banking sector asset base. The available funds can cover all four banks individually, as well as the 3 smaller banks simultaneously. However, the largest of these four banks, is expected to benefit from strong parent support in case of difficulties. The EUR 30 million SBCL will increase the DIA BiH's simultaneous coverage ratio for insured depositors of all the four banks [REDACTED]. The coverage ratio for the 3 smaller banks is improved [REDACTED].</p>
Corporate governance risk	Low / Medium	<p>DIA BiH's corporate governance structure is determined by the government officials who directly appoint the Members of the DIA BiH Management Board. [REDACTED].</p> <p><b>Mitigating factor:</b> Current Director of the Agency has held the role since 2018 and the Bank's experience has been positive so far. There is additional comfort in the successful</p>

		completion of several assistance programmes implemented by KfW and USAID, aimed at improving corporate governance in line with the EU Directives and best practices. As a result of bilateral donor agreements and to support development of the governance best-practices, USAID and KfW have participated as observers in the BoD up until 2024, with veto rights on key decisions affecting the Fund (e.g. level of premiums, level of insured deposits, use of the Fund, investment policy etc.).
<b>External risks</b>		
Sovereign risk	Low / High	<p>Out of total exposure in BiH in March 2025 (EUR 1.24 billion), 74% is the exposure to BiH sovereign (portfolio of EUR 913 million).</p> <p><b>Mitigant:</b> In August 2024, BiH's credit rating got upgraded by S&amp;Ps from "B stable" to "B+ stable" which was affirmed in August 2024 and Moody's maintained its rating of "B3 Stable" outlook. Per the latest IMF data (April 2025), gross debt to GDP ratio stood at 33.8% categorizing the country as moderately indebted. Based on BiH Law on Debt, foreign debt service of the country has absolute priority over other expenditure and is even independent of the adoption of the State Budget. The exposure will remain within the unofficial sovereign cap for BiH.</p>
Political risk	High / High	[REDACTED] <b>Mitigating factors:</b> The Project is a replacement of the expiring SBCL, and its extension is not expected to be a politically controversial topic, financial sector stability being the joint interest of all the parties and both entities. In addition, the Bank has a strong profile in the country and a long experience of policy dialogue with the State, RS and FBiH level authorities. The Project signing is not expected to be impacted by the next general elections in 2026.
Macro-economic risk	Low / Medium	<p>Economic growth improved to 2.5% in 2024. The contribution of net exports was negative due to the growth in imports and a decline in exports driven by subdued external demand. The current account deficit almost doubled from 2023 to EUR 1.1 billion, or 2 per cent of GDP in 2024. Inflation reached 3.5% in February 2025, mainly due to expansionary fiscal and wage policies, with increases in the minimum wages and pensions in both entities and higher public-sector wages in certain cantons of the FBiH.</p> <p>The reform agenda is facing delays, jeopardising disbursements from the EU Growth Plan. Planned allocations for Bosnia and Herzegovina are close to EUR 1 billion, with one e-third half of that in grants and the rest in concessional loans, i.e. EUR 125 m of each per annum. However, disbursement of the funding is conditional on the country adopting (which has not happened yet) and implementing the reform agenda. Missing out on these funds could worsen the macroeconomic situation of the country. The EU Carbon Border Adjustment Mechanism ("CBAM") could present an issue as BiH is yet to establish the emissions trading system ("ETS") which could put significant pressure on the exports to EU, which is the largest export market.</p>

		<p><b>Mitigating factors:</b> The economic growth has picked up from 2023, and the IMF forecasts 2.8% growth for 2025, alongside the 2.2% inflation. The draft reform agenda has been presented to the Council of Ministers, with its adoption expected once the ruling coalition has been reconstructed. A significant step towards the establishment of the ETS has been taken in April 2025 as the F BiH and RS Ministries of Energy have reached consensus on the state-level Law on Electrical Energy and the state-level energy exchange (ETS) which is to be presented to the Council of Ministers.</p>
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## 2. MEASURING / MONITORING SUCCESS

### Transition Impact Monitoring Indicators

#### Primary Quality:

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Measure of deposit insurance fund's coverage: coverage ratio	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Measure of deposit insurance fund's coverage: coverage limit	The insured amount per depositor per bank to increase to BAM 100,000 (EUR 51,129).	[REDACTED]	[REDACTED]	[REDACTED]

#### Secondary Quality:

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
2.1	Corporate governance improved: Transparency and Disclosure	DIA to enhance transparency and disclosure in line with the EU Directive on Deposit Guarantee Schemes.	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Improved Cybersecurity Standards	Project will support the company in achieving, for the first time, international best practice related to cybersecurity controls and governance. This will provide demonstration of substantial alignment with one or more aspects of a recognised cybersecurity standard (CIS18 IG2).	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Demonstrated quantitative evidence of client's improved cyber resilience	Demonstrated quantitative evidence of client's improved cyber resilience: reduction in mean time of fixing critical vulnerabilities; reduction in number of known vulnerabilities facing the Internet; reduction in number of system misconfigurations facing the Internet and posing security risks; reduction in yearly number of unknown Dark Web mentions of leaked credentials; reduction in number of vulnerabilities discovered in Penetration tests/vulnerability assessments.	[REDACTED]	[REDACTED]	[REDACTED]

### Additional Indicators



Indicator type	Monitoring indicator	Details	Baseline	Target	Due date
Advisory & Policy Indicators	Practices of the relevant stakeholder improved (data collection, reporting)	Under the project, the DIA would endeavour to support the Women Entrepreneurs Finance Code (the WE Finance Code), launched by the World Bank and under the local leadership of the Central bank of BiH with the goal of providing gender disaggregated reporting on the deposit structure.	[REDACTED]	[REDACTED]	[REDACTED]

### 3. KEY PARTIES

#### 3.1 BOSNIA AND HERZEGOVINA / BORROWER

The Borrower is the state of BiH. In August 2025, S&P affirmed its long-term sovereign credit rating on Bosnia and Herzegovina at ‘B+’ and kept the stable outlook on resilient economic growth prospects and favourable fiscal position. At the same time, Moody's affirmed BiH's B3 domestic and foreign currency long-term issuer ratings and kept the stable outlook. According to the 4th quarterly report of 2024 by the State Ministry of Finance and Treasury (“MFT”), the total public debt balance of BiH as of 31 December 2024 was EUR 7.0 billion of which external public debt was EUR 4.67billion. Total public debt represents moderate 25.7 per cent of the GDP as of end of 2024, which is in line with IMF’s national debt sustainability analysis. Most of the debt was from IFIs of which EIB and the World Bank made up around 50%.

Total public debt of BIH as of 31 December 2024					
<i>in EUR million</i>	<b>FBIH</b>	<b>RS</b>	<b>BD</b>	<b>BIH Institutions</b>	<b>Total</b>
External Public Debt	2,597	2,077	26	22	<b>4,722</b>
Internal Public Debt	930	1,369	-	5	<b>2,303</b>
<b>Total Public Debt</b>	<b>3,527</b>	<b>3,445</b>	<b>26</b>	<b>27</b>	<b>7,024</b>

Based on the BiH Law on Debt, foreign debt service of the country has absolute priority over other expenditure and is even independent of the adoption of the State Budget. IFI debt service is paid via foreign debt service account out of a joint revenue account held by the State at the Central Bank of Bosnia and Herzegovina. The foreign debt service account is funded before remaining revenue from centrally collected direct taxes is distributed to the Entities’ budgets, making IFI debt service effectively super-senior in the cash waterfall of fiscal revenues and expenses. The latest available data on the external public debt is presented in table above. [REDACTED]

#### 3.2 DEPOSIT INSURANCE AGENCY OF BIH / CLIENT



### Establishment and objectives of DIA BiH

- The DIA BiH was established at the State level in August 2002 to replace two agencies that had existed in the Federation of BiH (“FBiH”) and Republika Srpska (“RS”). It was created from funds provided by the US and German governments with the initial endowment totalling EUR 15 million (in equal shares) by the two donor countries and is an independent, non-profit legal entity and the membership for local banks is mandatory.
- The objective of the DIA BiH is to provide deposit insurance to individuals with the view to strengthen the stability of, and confidence in, the banking system. It has responsibility for administering a pay-box form of deposit insurance where the Deposit Insurance Fund (“the Fund” or “DIF”) is financed by annual levies on banks and is backed by the EUR 30 million SBCL with the EBRD (the current facility expires in October 2025).
- Since its establishment, the DIA BiH has made good progress in developing much of the infrastructure required for an effective deposit insurance framework, including MOUs to support coordination with the FBiH Banking Agency (“FBA”) and Banking Agency of RS (“BARS”), regular testing of depositor data and procedures for making deposit payouts.
- To-date, it has performed during failures of two local banks (Bobar Banka and Banka Srpske) and paid out insured depositors in the total amount of EUR 72.6 million. Both payments were made in an orderly manner and within 60 days, with no negative impact on the market and depositor confidence and full recovery of all the funds paid out.
- The current limit for insured deposit in Bosnia and Herzegovina is BAM 70,000 (EUR 35,790) vs the EU Directive which prescribes a protection level of EUR 100,000. The current (as of Q1 2025) limit covers 52.4% by amount (97.7% by the number of deponents) of the total deposits in the system and at the moment, there is hence no objective reason to fully align with the EU level which reflects the much higher average account size in Europe.

### Recent amendments to legislative framework regulating DIA BiH

- The original mandate of DIA BiH limited it to a simple pay-box model. However, with the amendment of the Law on Deposit Insurance from February 2020, it has been envisaged that the necessary funds from the Deposit Insurance Fund (“DIF” or “the Fund”, which is managed by DIA BiH) can be transferred to the banking agencies if resolution action is taken (banking agencies can call for the use of funds from the DIF, in the amount of up to 50% of the total fund). The Resolution Authorities (FBA and BARS) are the ones managing the whole resolution process and turn to DIA for funds on the least-cost principle basis in accordance with EU guarantee scheme directive. It is mandatory under the banking laws to bail-in shareholders and creditors for a minimum amount of 8% of total liabilities before any funds from the Deposit Insurance Fund may be injected into a bank under resolution. All subsequent decisions about the use of funds would be taken by the entities’ banking agencies.
- The Deposit Insurance Fund has a safeguard provision in the law on Deposit Insurance in Banks of BiH (Article 21 Requirements for the use of the Fund under member bank resolution) where the position of the Fund has to be the same or more favourable to participate in bank resolution in relation to liquidation or bankruptcy (this option results in the lowest net cost to the DIF vs payout to depositors, after accounting for potential recoveries in a liquidation scenario). This amendment therefore introduced a dual role by

which now DIA BiH, or more precisely DIF can also be used in the bank resolution process as a de facto Resolution Fund ("RF") which would be applied for systemically important banks.

### DIA BiH's Corporate Governance

In accordance with the law, the sole governing body of the Agency is the Board of Directors ("BoD") and should be comprised of the following five members:

- ✓ Governor of the Central Bank of BiH – Mrs Jasmina Selimović (Chairman)
- ✓ Minister of Finance and Treasury of BiH – Mr Srđan Amidžić (Vice-Chairman)
- ✓ Minister of Finance of RS – Mrs Zora Vidović (Member)
- ✓ Minister of Finance of FBiH – Mr Toni Kraljević (Member)
- ✓ Member appointed by the Central Bank of BiH – Mr Dragan Kulina (Member)

The main powers of the BoD include:

- ✓ Selection of the Agency's Director and 2 Branch Directors (FBiH and RS)
- ✓ Decide on bank participation criteria, approval of bank membership participation and cessation
- ✓ Setting and changing the premiums, fees and coverage ratios
- ✓ Approving the financial and strategic plan of DIA BiH
- ✓ Approving the investment policy of the Fund
- ✓ Approving the external auditor

The Agency is operated by the Director of the DIA BiH and Directors of Sarajevo and Banja Luka branch of the DIA BiH. The main tasks of the Director include:

- ✓ Make recommendations to the BoD on bank participation criteria, approval of bank membership participation and cessation
- ✓ At least one time per year, review and propose levels for premiums, fees and coverage ratios to the BoD
- ✓ Make recommendations to the BoD on the financial and strategic plan of DIA BiH
- ✓ Make recommendations to the BoD on the investment policy of the Fund
- ✓ Make recommendations to the BoD on the external auditor

The current Director, Mr Krešimir Šoljić, has been appointed in 2018. He is a graduated economist from Faculty of Economics in Zagreb and brings along a long track record in the local banking sector.

## **4. MARKET CONTEXT**

[REDACTED]

## 5. FINANCIAL / ECONOMIC ANALYSIS

### 5.1 FINANCIAL ANALYSIS OF DIA BiH

[REDACTED]

### 5.2 SENSITIVITY ANALYSIS

[REDACTED]

### 5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

## 6. OTHER KEY CONSIDERATIONS

### 6.1 ENVIRONMENT

Categorised FI (ESP 2024). DIA BiH is an existing client of the EBRD. Environmental and Social (E&S) due diligence has reviewed the use of funds and the client's annual E&S report, confirming that the project has limited E&S risks, and that DIA BiH is satisfactorily meeting the EBRD E&S policy requirements and reporting on E&S matters under its existing exposures, of a similar nature. DIA BiH will be required to continue to comply with Environmental and Social Requirements (ESRs) 2 and 4. ESR 9 does not apply, as DIA BiH is a public entity responsible for providing deposit insurance for other financial institutions; therefore, the only risks envisaged are those related to labour and health and safety management within DIA BiH itself. DIA BiH is required to continue submitting Annual E&S Reports to the EBRD.

### 6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the Company, its shareholders, senior management and other relevant parties.

[REDACTED]

All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the project, and the project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the project.

### 6.3 OTHER ISSUES

None.

## ANNEXES TO OPERATION REPORT

ANNEX 1	SOVEREIGN DEBT ANALYSIS
ANNEX 2	DIA BIH FINANCIAL ANALYSIS
ANNEX 3	BIH'S BANKING SECTOR OVERVIEW
ANNEX 4	TRANSITION IMPACT SCORING CHART
ANNEX 5	GREEN ASSESSMENTS
ANNEX 6	CYBERSECURITY RESILIENCE TC PROGRAMME

## **ANNEX 1 – SOVEREIGN DEBT ANALYSIS**

[REDACTED]

## **ANNEX 2 – DIA BIH FINANCIAL ANALYSIS**

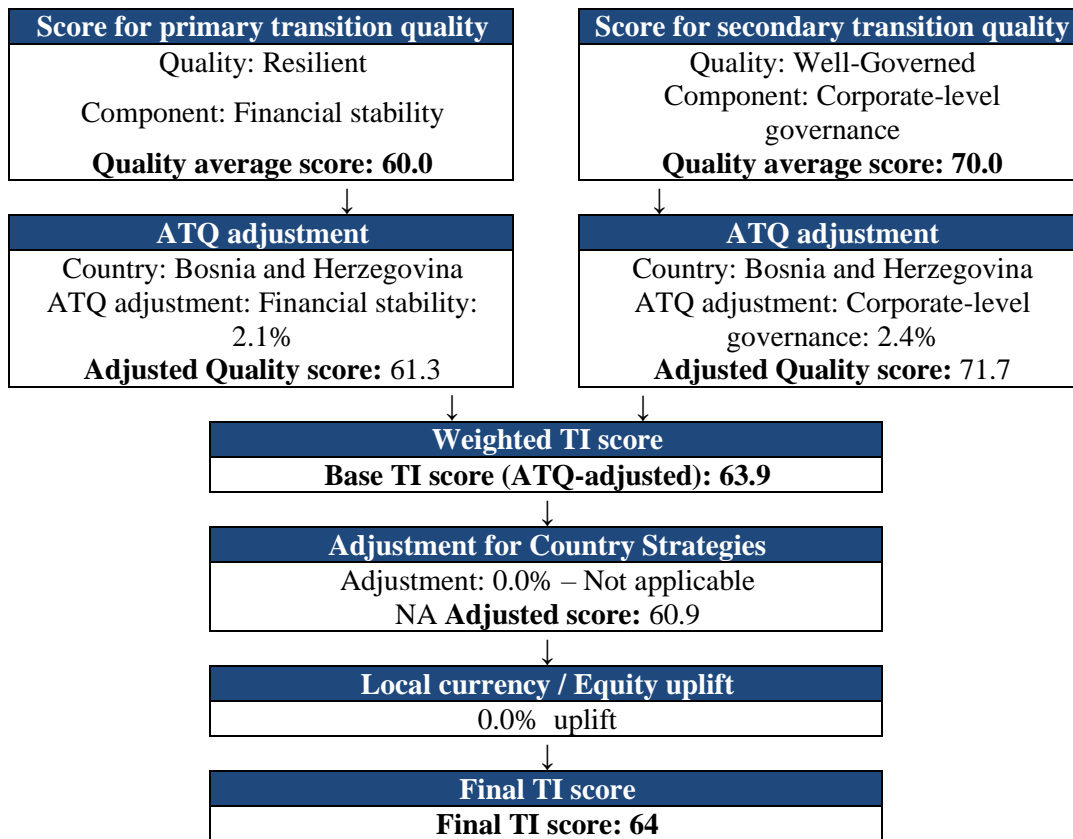
[REDACTED]

## **ANNEX 3 - BiH BANKING SECTOR OVERVIEW**

**[REDACTED]**



## ANNEX 4 - TRANSITION IMPACT SCORING CHART



## ANNEX 5 - GREEN ASSESSMENTS

### SUMMARY

- The Project is a standalone transaction providing a Standby Credit Line to the Deposit Insurance Agency of Bosnia and Herzegovina to provide financing in case of agreed events.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement.**
- No GET is attributed to the Project.

[REDACTED]

### PARIS ALIGNMENT ASSESSMENT

The Project is determined Paris aligned based on the application of the Bank's Paris alignment methodology for indirect finance: (i) the nature of the activities of the client, and (ii) applicable exclusions. The activities of the client focus on providing deposit insurance, and as a result, the residual risks of non-alignment with the goals of the Paris Agreement are low.

## **ANNEX 6- CYBERSECURITY RESILIENCE TC PROGRAMME (CRP) ASSIGNMENT: Cybersecurity Support for DIA BiH**

Accelerating the digital transition is one of the three cross-cutting themes of the EBRD's Strategic and Capital Framework (SCF) 2021-25. The new digital approach approved in November 2021 is implemented by the Digital Hub, a dedicated unit established in January 2022. To accelerate the digital transition, the Bank is establishing the foundations for digital transformation, promoting adaptation among enterprises and governments, and supporting innovation and new market entrants.

As cyber threats pose considerable risks for the achievement of these goals, the Digital Approach has committed to: (1) The Bank's external policy and investment promotional activities take into account cyber issues; (2) The Bank undertakes an appropriate level of cyber due diligence to ensure the compliance of investee companies, where necessary. Cyber threats are relevant to the great majority of the Bank's investments in all sectors and all regions, to corporations. As such, the Digital Hub is engaging with prospective and existing clients facing cyber risks in order to promote their cyber resilience, the economic overall resilience of their markets, and derisk EBRD operations.

The Deposit Insurance Agency of Bosnia in Herzegovina ("DIA BiH", or "the Company") is an independent, non-profit legal entity, owned by the government of BiH, with powers provided for in accordance with the Law on Deposit Insurance in Banks of Bosnia and Herzegovina ("Official Gazette of BiH" no. 32/20). The Agency has its seat in Banja Luka and branch offices in Banja Luka and Sarajevo. The tasks of the Agency are as follows:

1. insuring eligible deposits of natural persons and legal entities in banks;
2. issuing and revoking membership certificates to banks;
3. investing the means of the Deposit Insurance Fund;
4. paying out deposit insurance in the event of a cessation of bank operations;
5. enacting regulations on deposit insurance and operations of the Agency;
6. participating in bank resolution procedures

Given DIA BiH's role as a government agency handling sensitive personal and commercial data, and given the high frequency of cyber-attacks in BiH, support for the company's cybersecurity efforts is of continued importance.

Thus, the Digital Hub wishes to carry out an assignment under the Cybersecurity Resilience TC Programme (CRP), in order to help DIA BiH identify any gaps in its cybersecurity posture, and assist with mitigation of those gaps. To this end, this assignment will focus on: 1). Conducting a cybersecurity gap analysis of DIA BiH's main digital assets and processes, to be assessed against relevant international standards, 2). Formulating an action plan for enhancing the company's cybersecurity posture, and 3). Designing and delivering a cybersecurity awareness training workshop for the company's senior management. Via these activities, this TC assignment will assist DIA BiH in securing its assets and operations, while also helping ensure that BiH's economy and business environment remain safe and functional in the coming years. These activities will allow DIA BiH to align, for the first time, with international best practice for FI in cybersecurity (CIS18 IG 2 framework). As such, the assignment will support the Well-Governed transition quality, as outlined above and in Monitoring Indicators 2.2-2.