



Centralna banka  
BOSNE I HERCEGOVINE  
Централна банка  
БОСНЕ И ХЕРЦЕГОВИНЕ



**CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

**(unaudited)**

**in accordance with the requirements of International Accounting Standard 34**

Sarajevo, 30 October 2023

*This version of the condensed interim financial statements is a translation from the original, which was prepared in the Bosnian/Croatian/Serbian language. All possible care has been taken to ensure that the translation is an accurate representation of the*



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**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 30 September 2023

**FINANCIAL REPORTING RESPONSIBILITY**

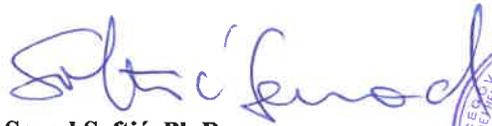
The Management of the Central Bank of Bosnia and Herzegovina is responsible for these condensed interim financial statements, which are prepared in accordance with the Law on the Central Bank of Bosnia and Herzegovina and International Accounting Standard 34: “Interim Financial Reporting”.

The Management is responsible for the consistent application of selected accounting policies, making judgements and estimates that are reasonable and prudent and for maintaining proper accounting records to enable the preparation of financial statements at any time. The Management has a general responsibility for taking steps which are reasonably available and for implementation of such internal controls to safeguard the assets of the Central Bank of Bosnia and Herzegovina and to prevent and detect fraud and other irregularities.

The Governing Board considers the financial statements and oversees the Central Bank of Bosnia and Herzegovina financial reporting process. In overseeing the financial reporting process, the Governing Board is assisted by the Audit Committee, which is consisted of three independent members. The Audit Committee reviews the condensed interim financial statements, which are then considered and approved by the Governing Board and submitted to the Presidency of Bosnia and Herzegovina.

These unaudited condensed interim financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Central Bank of Bosnia and Herzegovina, as at the date of and for the periods presented in these condensed interim financial statements.

The accompanying condensed interim financial statements set out on pages 2 to 46 were approved by the Governing Board on 30 October 2023.



**Senad Softić, Ph.D.**  
**Chairman of the Governing Board**  
**Governor**



**Vesna Pačuka, MA**  
**Head of Accounting and Finance Department**

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 30 September 2023

**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

In thousands of KM	Note	30 September 2023	As at 31 December 2022
<b>ASSETS</b>			
Cash in foreign currencies	<a href="#">6</a>	457,855	572,020
Deposits with foreign banks	<a href="#">7</a>	8,298,270	8,273,200
Special Drawing Rights with the IMF	<a href="#">8, 31</a>	1,759	149
Debt instruments at fair value through other comprehensive income	<a href="#">9</a>	5,815,854	5,887,589
Monetary gold	<a href="#">10</a>	164,162	160,040
Debt instruments at amortised cost	<a href="#">11</a>	1,178,420	1,172,862
Other assets	<a href="#">12</a>	17,478	19,280
Property and equipment		47,473	48,535
Intangible assets		658	844
Other investments		27,813	27,813
<b>TOTAL ASSETS</b>		<b>16,009,742</b>	<b>16,162,332</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Banknotes and coins in circulation	<a href="#">13</a>	7,677,156	7,436,097
Deposits from banks	<a href="#">14</a>	6,720,321	7,217,387
Deposits from the Government and other public institutions	<a href="#">15</a>	796,774	958,245
Provisions		864	897
Other liabilities	<a href="#">16</a>	3,649	4,301
<b>Total liabilities</b>		<b>15,198,764</b>	<b>15,616,927</b>
<b>EQUITY</b>			
Initial capital		25,000	25,000
Reserves		612,963	520,405
Net profit for the period		173,015	-
<b>Total equity</b>	<a href="#">27</a>	<b>810,978</b>	<b>545,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,009,742</b>	<b>16,162,332</b>

The selected notes on pages 9 to 46 are an integral part of these condensed interim financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 30 September 2023

**STATEMENT OF PROFIT OR LOSS (UNAUDITED)**

In thousands of KM	Note	For the period			
		01/07 - 30/09 2023	01/07 - 30/09 2022	01/01 - 30/09 2023	01/01 - 30/09 2022
Interest income		95,424	14,816	214,851	47,539
Interest expense		(4,300)	(8,069)	(10,779)	(35,901)
<b>NET INTEREST INCOME</b>	<a href="#"><u>17</u></a>	<b>91,124</b>	<b>6,747</b>	<b>204,072</b>	<b>11,638</b>
Fee and commission income		5,426	5,540	16,004	16,923
Fee and commission expense		(134)	(200)	(397)	(631)
<b>NET FEE AND COMMISSION INCOME</b>	<a href="#"><u>18</u></a>	<b>5,292</b>	<b>5,340</b>	<b>15,607</b>	<b>16,292</b>
Net realised (losses) from sale of debt instruments at fair value through other comprehensive income	<a href="#"><u>19</u></a>	(22,487)	(2,808)	(22,487)	(12,967)
Net realised gains from sale of monetary gold	<a href="#"><u>20</u></a>	-	-	-	11,489
Net foreign exchange gains	<a href="#"><u>21</u></a>	482	129	2	373
Net decrease / increase of impairment on financial assets	<a href="#"><u>22</u></a>	(333)	(265)	288	(812)
Other income	<a href="#"><u>23</u></a>	20	8	740	795
<b>OPERATING INCOME</b>		<b>74,098</b>	<b>9,151</b>	<b>198,222</b>	<b>26,808</b>
Personnel expenses	<a href="#"><u>24</u></a>	(5,341)	(4,678)	(15,043)	(13,738)
Administrative and other operating expenses	<a href="#"><u>25</u></a>	(1,685)	(1,773)	(4,762)	(4,980)
Costs of production of banknotes and coins	<a href="#"><u>26</u></a>	(1,115)	(819)	(3,289)	(2,759)
Depreciation and amortisation charge		(702)	(728)	(2,113)	(2,175)
<b>OPERATING EXPENSES</b>		<b>(8,843)</b>	<b>(7,998)</b>	<b>(25,207)</b>	<b>(23,652)</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>65,255</b>	<b>1,153</b>	<b>173,015</b>	<b>3,156</b>

The selected notes on pages 9 to 46 are an integral part of these condensed interim financial statements.

**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

In thousands of KM	Note	For the period			
		01/07 - 30/09 2023	01/07 - 30/09 2022	01/01 - 30/09 2023	01/01 - 30/09 2022
<b>NET PROFIT FOR THE PERIOD</b>		<b>65,255</b>	<b>1,153</b>	<b>173,015</b>	<b>3,156</b>
<b>Other comprehensive income / (loss)</b>					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
<b>Debt instruments at fair value through other comprehensive income</b>					
Net change in fair value during the period	<a href="#">9</a>	20,844	(84,253)	65,893	(345,356)
Net change in provisions for expected credit losses recognised in profit or loss during the period	<a href="#">5.1.1.</a>	150	29	56	7
Reclassification to profit or loss from sale of debt instruments	<a href="#">19</a>	22,487	2,808	22,487	12,967
		<b>43,481</b>	<b>(81,416)</b>	<b>88,436</b>	<b>(332,382)</b>
<b>Monetary gold</b>					
Net change in fair value during the period	<a href="#">10</a>	(1,015)	(5,178)	4,122	18,000
Reclassification to profit or loss from sale of monetary gold	<a href="#">20</a>	-	-	-	(11,489)
		<b>(1,015)</b>	<b>(5,178)</b>	<b>4,122</b>	<b>6,511</b>
<b>Total other comprehensive income / (loss)</b>		<b>42,466</b>	<b>(86,594)</b>	<b>92,558</b>	<b>(325,871)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD</b>		<b>107,721</b>	<b>(85,441)</b>	<b>265,573</b>	<b>(322,715)</b>

The selected notes on pages 9 to 46 are an integral part of these condensed interim financial statements.

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

<b>In thousands of KM</b>	<b>Initial capital</b>	<b>Fair value reserves for debt and equity instruments</b>	<b>Fair value reserves for monetary gold</b>	<b>Other reserves</b>	<b>General reserves (Retained earnings)</b>	<b>Total reserves</b>	<b>Net profit for the period</b>	<b>Total equity</b>
<b>Balance at 1 January 2023</b>	<b>25,000</b>	<b>(143,005)</b>	<b>58,111</b>	<b>31,300</b>	<b>573,999</b>	<b>520,405</b>	<b>-</b>	<b>545,405</b>
<b>Total comprehensive income for the period</b>	-	<b>88,436</b>	<b>4,122</b>	-	-	<b>92,558</b>	<b>173,015</b>	<b>265,573</b>
Net profit for the period	-	-	-	-	-	-	173,015	173,015
Other comprehensive income	-	88,436	4,122	-	-	92,558	-	92,558
<i>Net unrealised positive changes in fair value for debt instruments</i>	-	65,893	-	-	-	65,893	-	65,893
<i>Net increase in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	56	-	-	-	56	-	56
<i>Net realised negative changes in fair value for debt instruments sold transferred to profit or loss</i>	-	22,487	-	-	-	22,487	-	22,487
<i>Net unrealised positive changes in fair value for monetary gold</i>	-	-	4,122	-	-	4,122	-	4,122
<b>Balance at 30 September 2023</b>	<b>25,000</b>	<b>(54,569)</b>	<b>62,233</b>	<b>31,300</b>	<b>573,999</b>	<b>612,963</b>	<b>173,015</b>	<b>810,978</b>

The selected notes on pages 9 to 46 are an integral part of these condensed interim financial statements.

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)**

<b>In thousands of KM</b>	<b>Initial capital</b>	<b>Fair value reserves for debt and equity instruments</b>	<b>Fair value reserves for monetary gold</b>	<b>Other reserves</b>	<b>General reserves (Retained earnings)</b>	<b>Total reserves</b>	<b>Net profit for the period</b>	<b>Total equity</b>
<b>Balance at 1 January 2022</b>	<b>25,000</b>	<b>158,914</b>	<b>98,129</b>	<b>31,300</b>	<b>548,100</b>	<b>836,443</b>	<b>-</b>	<b>861,443</b>
<b>Total comprehensive (loss) / income for the period</b>	<b>-</b>	<b>(332,382)</b>	<b>6,511</b>	<b>-</b>	<b>-</b>	<b>(325,871)</b>	<b>3,156</b>	<b>(322,715)</b>
Net profit for the period	-	-	-	-	-	-	3,156	3,156
Other comprehensive (loss) / income	-	(332,382)	6,511	-	-	(325,871)	-	(325,871)
<i>Net unrealised negative changes in fair value for debt instruments</i>	-	(345,356)	-	-	-	(345,356)	-	(345,356)
<i>Net increase in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	7	-	-	-	7	-	7
<i>Net realised negative changes in fair value for debt instruments sold transferred to profit or loss</i>	-	12,967	-	-	-	12,967	-	12,967
<i>Net unrealised positive changes in fair value for monetary gold</i>	-	-	18,000	-	-	18,000	-	18,000
<i>Net realised positive changes in fair value for monetary gold sold transferred to profit or loss</i>	-	-	(11,489)	-	-	(11,489)	-	(11,489)
<b>Balance at 30 September 2022</b>	<b>25,000</b>	<b>(173,468)</b>	<b>104,640</b>	<b>31,300</b>	<b>548,100</b>	<b>510,572</b>	<b>3,156</b>	<b>538,728</b>

The selected notes on pages 9 to 46 are an integral part of these condensed interim financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 30 September 2023

**STATEMENT OF CASH FLOWS (UNAUDITED)**

	Note	For the period	
		01/01 - 30/09 2023	01/01 - 30/09 2022
<b>In thousands of KM</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net profit for the period</b>		<b>173,015</b>	<b>3,156</b>
Adjusted for:			
Interest income	<a href="#">17</a>	(214,851)	(47,539)
Interest expense	<a href="#">17</a>	10,779	35,901
Net increase / decrease of impairment on financial assets	<a href="#">22</a>	(288)	812
Net realised losses from sale of debt instruments at fair value through other comprehensive income	<a href="#">19</a>	22,487	12,967
Net realised (gains) from sale of monetary gold	<a href="#">20</a>	-	(11,489)
Net foreign exchange (gains)	<a href="#">21</a>	(2)	(373)
Income from grants		(3)	(2)
Provisions, net increase		13	30
Dividend income recognised in profit or loss		(721)	(721)
Depreciation and amortisation charge		2,113	2,175
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(7,458)</b>	<b>(5,083)</b>
<b>Changes in operating assets and liabilities</b>			
(Increase) in term deposits with foreign banks		(1,158,898)	(733,145)
Decrease in debt instruments at fair value through other comprehensive income		137,628	2,724,929
(Increase) in debt instruments at amortised cost		(5,558)	(1,171,108)
Decrease in monetary gold		-	28,477
Decrease in other assets		992	2,392
Increase in banknotes and coins in circulation	<a href="#">13</a>	241,059	520,383
(Decrease) / increase in deposits from banks		(498,194)	53,283
(Decrease) in deposits from the Government and other public institutions		(161,471)	(78,072)
(Decrease) in other liabilities		(631)	(4,548)
Payments from provisions		(46)	(149)
Interest received		195,282	45,904
Interest paid		(9,651)	(35,901)
<b>Net cash from operating activities</b>		<b>(1,266,946)</b>	<b>1,347,362</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, equipment and intangible assets		(862)	(831)
Dividend received		721	721
<b>Net cash used in investing activities</b>		<b>(141)</b>	<b>(110)</b>

The selected notes on pages 9 to 46 are an integral part of these condensed interim financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 30 September 2023

**STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)**

<b>In thousands of KM</b>	<b>Note</b>	<b>01/01 - 30/09 2023</b>	<b>For the period 01/01 - 30/09 2022</b>
Net effects from impairment for expected credit losses on cash and cash equivalents		432	(537)
Net effects of exchange rates on cash and cash equivalents held		(13)	531
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,266,668)</b>	<b>1,347,246</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>7,846,633</b>	<b>3,986,726</b>
<b>Cash and cash equivalents at the end of the period</b>	<a href="#"><u>28</u></a>	<b>6,579,965</b>	<b>5,333,972</b>

The selected notes on pages 9 to 46 are an integral part of these condensed interim financial statements.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2023 (UNAUDITED)**

**1. GENERAL INFORMATION**

The Central Bank of Bosnia and Herzegovina (the “Central Bank”) is the supreme monetary authority of Bosnia and Herzegovina (“BH”). Its establishment, organisation and operations have been defined by the Law on the Central Bank of Bosnia and Herzegovina, Official Gazette BH no: 1/97, 29/02, 08/03, 13/03, 14/03, 09/05, 76/06 and 32/07 (the “Law on the Central Bank”), adopted by the Parliamentary Assembly of Bosnia and Herzegovina, according to the General Framework Peace Agreement in Bosnia and Herzegovina (the “BH Constitution”).

Head Office of the Central Bank is located in Sarajevo, Maršala Tita Street, No. 25.

The main objective of the Central Bank is to achieve and maintain the stability of domestic currency by issuing it in accordance with the currency board rule. The currency board rule, required by the Law on the Central Bank, implies that domestic currency must be issued only with full coverage in convertible foreign currency reserves. Nevertheless, the Central Bank has an obligation to purchase and sell Convertible Mark (KM) for euro (EUR) on demand, without any restrictions, at the official exchange rate of KM to EUR as  $KM\ 1.95583 = EUR\ 1$ , as prescribed by the Law on the Central Bank.

The guaranteed convertibility of domestic currency and full coverage of monetary liabilities with convertible foreign currency reserves according to the currency board rule are the primary objectives of the Central Bank. All activities and operations of the Central Bank are undertaken in order to achieve the legally set goals and objectives with reference to preservation of the monetary stability in accordance with the currency board rule and are not, at any moment, aimed at profit maximization.

Within the limits of its authority prescribed by the Law on the Central Bank, the Central Bank is entirely independent from the entities, public agencies and any other authority in the pursuit of its objectives and tasks.

The key management of the Central Bank consists of two bodies: The Governing Board and the Management.

As at reporting dates, the key management members of the Central Bank are:

**The Governing Board**

Senad Softić Ph.D.	Chairman
Radomir Božić Ph.D.	Member
Šerif Isović M.Sc.	Member
Dragan Kulina Ph.D.	Member
Danijela Martinović Ph.D.	Member

**1. GENERAL INFORMATION (CONTINUED)****The Management**

Senad Softić Ph.D.	Governor
Ernadina Bajrović M.Sc.	Vice Governor
Željko Marić Ph.D.	Vice Governor
Marko Vidaković M.Sc.	Vice Governor

As at reporting dates, the Audit Committee members of the Central Bank are:

**The Audit Committee**

Elvir Čizmić Ph.D.	Chairman
Dijana Čavar Ph.D.	Member
Vasilj Žarković Ph.D.	Member

**2. BASIS OF PREPARATION****2.1. Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”): “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). The condensed interim financial statements do not include all the information required for the complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the latest audited financial statements of the Central Bank for the year ended 31 December 2022 (“annual financial statements”).

The selected notes of these condensed interim financial statements clarify events and transactions that are significant for understanding the changes in the financial position and performance of the Central Bank in relation to the latest annual financial statements.

These condensed interim financial statements have been prepared using the going concern assumption. More information on the significant changes and conditions in the environment under which the Central Bank’s operations have been performed in the reporting period is disclosed in [Note 2.7](#).

The results of the Central Bank operations for the reporting period and as at reporting date presented in these condensed interim financial statements are not necessarily indicative for the results of the Central Bank operations that can be expected for 2023.

**2. BASIS OF PREPARATION (CONTINUED)**

**2.2. Basis of measurement**

These condensed interim financial statements have been prepared under the accrual base of accounting and using the historical cost as a measurement base, except for the following material items:

<b>Item</b>	<b>Basis of measurement</b>
Debt instruments at fair value through other comprehensive income	Fair value
Monetary gold	Fair value

**2.3. Functional and presentation currency**

The condensed interim financial statements of the Central Bank are stated in the BH monetary unit which is the KM. All financial information has been rounded to the nearest thousand (unless otherwise stated).

**2.4. Changes to IFRSs**

At the date of approval of these condensed interim financial statements, certain changes and interpretations of the existing standards are effective from 1 January 2023. Their implementation has no significant impact on condensed interim financial statements of the Central Bank.

**2.5. Accounting policies**

The Central Bank's condensed interim financial statements have been prepared in accordance with the same accounting policies used in preparation of the latest annual financial statements.

**2.6. Significant accounting judgements and estimates**

The preparation of financial statements in accordance with IFRS requires the Management to make judgments, estimates and assumptions that affect the implementation of accounting policies and reported amounts of assets, liabilities, income, expenses and other disclosed information in these condensed interim financial statements. Actual amounts may differ from these estimates.

The estimates and related assumptions used by the Management in the preparation of these condensed interim financial statements are based on the latest available and reliable information and are reviewed on an ongoing basis.

These condensed interim financial statements have been prepared based upon conditions existing at 30 September 2023. Future conditions may differ from those that resulted in the financial information disclosed in these condensed interim financial statements.

**2.7. Significant changes and conditions in the environment for the period 01/01 - 30/09/2023**

The circumstances and conditions for performing the Central Bank's operations in the current reporting period have been significantly changed comparing to the circumstances and conditions in the comparative reporting period, i.e., that determined 2022. Therefore, the presented amounts of balances and the effects from subsequent measurement of certain currency board components significantly differ from the corresponding comparative amounts presented in these condensed financial statements.

**2. BASIS OF PREPARATION (CONTINUED)****2.7. Significant changes and conditions in the environment for the period 01/01 - 30/09/2023 (continued)**

In the current reporting period, trends in the global financial markets, as well as in the euro area financial markets where the Central Bank primarily invests its foreign currency reserves, were under the influence of the heightened geopolitical tensions, sudden situations of collapse and takeover of certain foreign banks and heightened uncertainties regarding the future monetary policy decisions of the leading central banks. The European Central Bank ("ECB") has raised key interest rates on six occasions in the total of 200 basis points in the current reporting period. The significant increases of the ECB key interest rates in the current reporting period reflected conditions in the euro area financial markets leading to the increase of the interest rates on the funds that can be held with foreign banks, while the market yields of debt instruments had volatile trends. The above mentioned circumstances reflected the Central Bank's foreign currency reserves investment process which was continuously directed towards adjusting to the existing market conditions through the restructuring of the interest-bearing foreign currency reserves components.

Activities carried out within the Central Bank's foreign currency reserves investments have influenced the amounts of generated foreign currency interest income, i.e., the amount of net profit for the current reporting period. In addition, net positive effects of changes in the fair value of the Central Bank's financial assets, subsequently measured at fair value through other comprehensive income, have been recorded in the current reporting period. Achieved net profit and net positive financial effects of fair value changes during the current reporting period generated other and total comprehensive income for the period.

As at reporting date, the largest part of the Central Bank's interest-bearing financial assets is invested in deposits with foreign banks with a significant part of holdings the Central Bank's foreign currency reserves funds with foreign central banks.

In order to adjust to the changed market conditions in the euro area financial markets, the portfolio of debt instruments at fair value through other comprehensive income has been also restructured. Besides the portfolio was gradually decreased by cash inflows from debt instrument maturities, certain sales of debt instruments, which were contracted at negative and low yields in the past periods, were also carried out. Realised losses from sale of debt instruments were amortised by generated foreign exchange interest income in the same period when they occurred and cash inflows from performed sales were reinvested under existing positive yields and interest rates. In the second quarter of the current reporting period, the Central Bank has continued to invest in debt instruments at fair value through other comprehensive income by purchasing debt instruments with shorter maturities.

More information about significant changes and amounts of deposits with foreign banks and debt instruments at fair value through other comprehensive income is disclosed in the following Notes:

<b>Note</b>	<b>Title</b>
<a href="#">5</a>	Financial risk management
<a href="#">7</a>	Deposits with foreign banks
<a href="#">9</a>	Debt instruments at fair value through other comprehensive income
<a href="#">17</a>	Net interest income

As at reporting date, monetary liabilities of the Central Bank have been decreased comparing to the disclosed amounts in the latest annual financial statements. The decrease in monetary liabilities has been affected by the transactions of purchases and sales of KM with depositors and domestic banks resulting in total net purchases of KM for the current reporting period. Transactions of net purchases of KM with depositors have been primarily performed for the purpose of servicing the BH external debt i.e., transferring funds to depositors' off-balance sheet current accounts.

**2. BASIS OF PREPARATION (CONTINUED)****2.7. Significant changes and conditions in the environment for the period 01/01 - 30/09/2023 (continued)**

In the current reporting period, domestic banks were withdrawing and returning KM banknotes and coins through the Central Bank's dislocated vaults with a non-cyclical intensity. The cumulative net effect of the above-mentioned transactions resulted in total net increase of banknotes and coins in circulation which reduced the reserve accounts of domestic banks. These transactions changed the amounts of the Central Bank's monetary liability's analytical structure components without affecting the total decrease of monetary liabilities as at reporting date.

The decrease of monetary liabilities arising from performed transactions of KM net purchases has directly decreased the Central Bank foreign currency reserves as at reporting date.

From 1 January 2023, the Central Bank has started with the implementation of new determined remuneration rates regarding the required reserves instrument, introducing the positive remuneration rates for domestic banks on their reserve accounts funds depending on its basis for calculation. In the current reporting period, remuneration rates regarding the required reserves instrument were increased once, by 25 basis points on the required reserves funds on the basis in domestic currency, i.e., by 20 basis points on the required reserves funds on the basis in foreign currencies and in domestic currency with a foreign currency clause.

More information on changes and balances of monetary liabilities components is disclosed in the following Notes:

<b>Note</b>	<b>Title</b>
<a href="#">13</a>	Banknotes and coins in circulation
<a href="#">14</a>	Deposits from banks
<a href="#">15</a>	Deposits from the Government and other public institutions
<a href="#">17</a>	Net interest income

The decrease of monetary liabilities, in conjunction with the positive financial effects of the subsequent measurement of foreign currency reserves components, have had a positive effect on net foreign assets, i.e., the Central Bank's equity as at reporting date. More information is disclosed in the following Notes:

<b>Note</b>	<b>Title</b>
<a href="#">3</a>	Currency board arrangement
<a href="#">27</a>	Equity

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**3. CURRENCY BOARD ARRANGEMENT**

The Law on the Central Bank defines the rule “currency board” for issuing the currency, according to which the Central Bank is obliged to ensure that total amount of its monetary liabilities never exceeds the equivalent amount (expressed in KM) of its net foreign currency reserves.

Details of compliance with that rule are as follows:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Official foreign currency reserves</b>		
Cash in foreign currencies	457,855	572,020
Deposits with foreign banks	8,298,270	8,273,200
Special Drawing Rights with the IMF	1,759	149
Debt instruments	6,994,274	7,060,451
Monetary gold	164,162	160,040
<b>TOTAL</b>	<b>15,916,320</b>	<b>16,065,860</b>
<b>Liabilities to non-residents</b>	<b>2,781</b>	<b>2,583</b>
<b>Net foreign currency reserves</b> (Official foreign currency reserves less liabilities to non-residents)	<b>15,913,539</b>	<b>16,063,277</b>
<b>Monetary liabilities</b>		
Banknotes and coins in circulation	7,677,156	7,436,097
Deposits from banks	6,720,321	7,217,387
Deposits from the Government and other public institutions	796,774	958,245
<b>TOTAL</b>	<b>15,194,251</b>	<b>15,611,729</b>
<b>NET FOREIGN ASSETS</b> (Net foreign currency reserves less monetary liabilities)	<b>719,288</b>	<b>451,548</b>

Disclosed amounts of all components of the currency board represent their carrying amounts as at reporting dates.

Net foreign assets are the Central Bank’s main financial indicator of achieving and maintaining the stability of domestic currency in BH and its main financial performance measure. It represents the part of official foreign currency reserves which can be used only for purposes and needs determined by the Law on the Central Bank.

Net foreign assets are the amounts that guarantee the domestic currency stability, respectively monetary stability and absorb potential financial risks arising from official currency reserves management. As at 30 September 2023, the financial balance of net foreign assets amounts to KM 719,288 thousand ensuring the full stability of domestic currency (31 December 2022: KM 451,548 thousand).

More information on financial risks to which the Central Bank has been exposed in foreign currency reserves management is disclosed in [Note 5](#).

**4. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

Fair value is the price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Central Bank considers the characteristics of the asset or liability which market participants would consider when pricing the asset or liability at the measurement date.

The estimated fair values of the Central Bank's financial assets and financial liabilities have been determined using available market information, where it exists, and appropriate valuation methodologies.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Central Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly and
- Level 3 inputs are unobservable inputs for the asset or liability.

**4.1. Financial assets measured at fair value**

**In thousands of KM**

	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Financial assets</b>		
<i>Financial assets measured at fair value through other comprehensive income</i>		
Debt instruments	5,815,854	5,887,589
Monetary gold	164,162	160,040
<b>TOTAL</b>	<b>5,980,016</b>	<b>6,047,629</b>

Financial assets measured at fair value correspond to Level 1 of fair value measurement as at reporting dates.

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**4. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

**4.2. Financial assets and financial liabilities not measured at fair value**

**In thousands of KM**

	<b>30 September 2023</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	457,855	457,855
Deposits with foreign banks	8,298,270	8,298,270
Special Drawing Rights with the IMF	1,759	1,759
Debt instruments at amortised cost	1,178,420	1,024,893
Other financial assets	2,923	2,923
	9,939,227	9,785,700
<i>Financial assets measured at fair value through other comprehensive income - cost choice:</i>		
Other investments	27,813	27,813
	27,813	27,813
<b>Total</b>	<b>9,967,040</b>	<b>9,813,513</b>
 <b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	7,677,156	7,677,156
Deposits from banks	6,720,321	6,720,321
Deposits from the Government and other public institutions	796,774	796,774
Other financial liabilities	3,404	3,404
<b>Total</b>	<b>15,197,655</b>	<b>15,197,655</b>

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**4. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)**

**4.2. Financial assets and financial liabilities not measured at fair value (continued)**

**In thousands of KM**

	<b>31 December 2022</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	572,020	572,020
Deposits with foreign banks	8,273,200	8,273,200
Special Drawing Rights with the IMF	149	149
Debt instruments at amortised cost	1,172,862	1,018,598
Other financial assets	4,282	4,282
	<b>10,022,513</b>	<b>9,868,249</b>
 <i>Financial assets measured at fair value through other comprehensive income - cost choice:</i>		
Other investments	27,813	27,813
	<b>27,813</b>	<b>27,813</b>
 <b>Total</b>	<b>10,050,326</b>	<b>9,896,062</b>
 <b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	7,436,097	7,436,097
Deposits from banks	7,217,387	7,217,387
Deposits from the Government and other public institutions	958,245	958,245
Other financial liabilities	4,023	4,023
<b>Total</b>	<b>15,615,752</b>	<b>15,615,752</b>

As at reporting dates, financial assets and financial liabilities not measured at fair value correspond to Level 2 of fair value measurement, except for debt instruments at amortised cost which correspond to Level 1 because their fair value is determined with the same measurement technique used for debt instruments measured at fair value through other comprehensive income.

## **5. FINANCIAL RISK MANAGEMENT**

The main financial risks to which the Central Bank is exposed in its daily operations are:

- Credit risk,
- Market risk (interest rate risk, gold price risk and foreign exchange risk) and
- Liquidity risk.

### **5.1. Credit risk**

Credit risk is the risk of default on the contractual obligations of other counterparty or the issuer of fixed income debt securities, where the counterparty is an entity which, in accordance with the Central Bank's regulations, foreign currency reserves are held or invested.

Credit risk management is performed through the selection of the counterparties with the investible credit rating level, by limiting terms and controlling the volume and dynamics of investments. Credit ratings represent the basic criterium for defining credit risk exposure limits and are continuously monitored on a daily basis.

For the funds recorded in off-balance sheet records, the Central Bank is not exposed to credit risk, as all the risk, which may result from the investments of these funds, is to be borne contractually by the owners of these funds (see [Notes 30](#) and [31](#)).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.1 Credit risk exposure

The following table shows the reconciliation from the opening to the closing balance for the impairment as well as the provisions for expected credit losses for financial assets during the reporting periods:

In thousands of KM

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>1. Deposits with foreign banks</b>								
As at 1 January	1,850	-	-	1,850	913	-	-	913
Increases in expected credit losses	10,112	-	-	10,112	7,105	-	-	7,105
Releases of expected credit losses	(126)	-	-	(126)	(330)	-	-	(330)
Releases due to derecognition of term deposits	(10,325)	-	-	(10,325)	(6,193)	-	-	(6,193)
<b>As at 30 September</b>	<b>1,511</b>	<b>-</b>	<b>-</b>	<b>1,511</b>	<b>1,495</b>	<b>-</b>	<b>-</b>	<b>1,495</b>
<b>2. Special Drawing Rights with the IMF</b>								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	-	-	-	-	-	-	-	-
Releases of expected credit losses	-	-	-	-	-	-	-	-
<b>As at 30 September</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Debt instruments at fair value through other comprehensive income</b>								
As at 1 January	910	-	-	910	1,786	-	-	1,786
Increases in expected credit losses	447	-	-	447	681	-	-	681
Releases of expected credit losses	(19)	-	-	(19)	(112)	-	-	(112)
Releases due to debt instruments matured	(372)	-	-	(372)	(562)	-	-	(562)
<i>Net increase during the period</i>	56	-	-	56	7	-	-	7
Release due to debt instruments sold	(105)	-	-	(105)	(493)	-	-	(493)
<b>As at 30 September</b>	<b>861</b>	<b>-</b>	<b>-</b>	<b>861</b>	<b>1,300</b>	<b>-</b>	<b>-</b>	<b>1,300</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1. Credit risk (continued)**

**5.1.1. Credit risk exposure (continued)**

In thousands of KM

	<b>2023</b>				<b>2022</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>4. Debt instruments at amortised cost</b>								
<b>As at 1 January</b>	<b>225</b>	-	-	<b>225</b>	-	-	-	-
Increases in expected credit losses	2	-	-	2	233	-	-	233
Releases of expected credit losses	(6)	-	-	(6)	(9)	-	-	(9)
<b>As at 30 September</b>	<b>221</b>	-	-	<b>221</b>	<b>224</b>	-	-	<b>224</b>
<b>5. Other financial assets</b>								
<b>As at 1 January</b>	<b>6</b>	-	<b>601</b>	<b>607</b>	<b>6</b>	-	<b>602</b>	<b>608</b>
Increases in expected credit losses	5	-	-	5	7	-	-	7
Releases of expected credit losses	(6)	-	-	(6)	(8)	-	-	(8)
<b>As at 30 September</b>	<b>5</b>	-	<b>601</b>	<b>606</b>	<b>5</b>	-	<b>602</b>	<b>607</b>
<b>Total opening balance at 1 January</b>	<b>2,991</b>	-	<b>601</b>	<b>3,592</b>	<b>2,705</b>	-	<b>602</b>	<b>3,307</b>
Total net (release) of / increase in expected credit losses	(393)	-	-	(393)	319	-	-	319
<b>Total closing balance at 30 September</b>	<b>2,598</b>	-	<b>601</b>	<b>3,199</b>	<b>3,024</b>	-	<b>602</b>	<b>3,626</b>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2 Credit risk concentration

a) Maximum exposure to credit risk - Financial assets subject to impairment

The following table shows the maximum exposure to credit risk for the Central Bank's financial assets as at reporting dates, analysed by the classes of financial instruments for which the expected credit losses are calculated and recognised:

In thousands of KM Classes of financial instruments	30 September 2023				31 December 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Cash in foreign currencies</b>								
Gross carrying amount	457,855	-	-	457,855	572,020	-	-	572,020
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>457,855</b>	<b>-</b>	<b>-</b>	<b>457,855</b>	<b>572,020</b>	<b>-</b>	<b>-</b>	<b>572,020</b>
<b>Deposits with foreign banks</b>								
Gross carrying amount	8,299,781	-	-	8,299,781	8,275,050	-	-	8,275,050
Impairment	(1,511)	-	-	(1,511)	(1,850)	-	-	(1,850)
<b>Carrying amount</b>	<b>8,298,270</b>	<b>-</b>	<b>-</b>	<b>8,298,270</b>	<b>8,273,200</b>	<b>-</b>	<b>-</b>	<b>8,273,200</b>
<b>Special Drawing Rights with the IMF</b>								
Gross carrying amount	1,759	-	-	1,759	149	-	-	149
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>1,759</b>	<b>-</b>	<b>-</b>	<b>1,759</b>	<b>149</b>	<b>-</b>	<b>-</b>	<b>149</b>
<b>Debt instruments at fair value through other comprehensive income</b>								
Gross carrying amount	5,815,854	-	-	5,815,854	5,887,589	-	-	5,887,589
Provisions for expected credit losses (recognised in other comprehensive income)	861	-	-	861	910	-	-	910
<b>Gross carrying amount</b>	<b>5,815,854</b>	<b>-</b>	<b>-</b>	<b>5,815,854</b>	<b>5,887,589</b>	<b>-</b>	<b>-</b>	<b>5,887,589</b>

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1. Credit risk (continued)**

**5.1.2. Credit risk concentration (continued)**

In thousands of KM	30 September 2023				31 December 2022			
Classes of financial instruments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt instruments at amortised cost</b>								
Gross carrying amount	1,178,641	-	-	1,178,641	1,173,087	-	-	1,173,087
Impairment	(221)	-	-	(221)	(225)	-	-	(225)
<b>Carrying amount</b>	<b>1,178,420</b>	<b>-</b>	<b>-</b>	<b>1,178,420</b>	<b>1,172,862</b>	<b>-</b>	<b>-</b>	<b>1,172,862</b>
<b>Other financial assets</b>								
Gross carrying amount	2,928	-	601	3,529	4,288	-	601	4,889
Impairment	(5)	-	(601)	(606)	(6)	-	(601)	(607)
<b>Carrying amount</b>	<b>2,923</b>	<b>-</b>	<b>-</b>	<b>2,923</b>	<b>4,282</b>	<b>-</b>	<b>-</b>	<b>4,282</b>

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**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1. Credit risk (continued)**

**5.1.2. Credit risk concentration (continued)**

**b) Maximum exposure to credit risk - Financial assets not subject to impairment**

In thousands of KM	30 September 2023	31 December 2022
<b>Carrying amount</b>		
Monetary gold	164,162	160,040
Other investments	27,813	27,813
<b>TOTAL</b>	<b>191,975</b>	<b>187,853</b>

**Concentration per credit rating**

The tables below present an analysis of the Central Bank's concentration of deposits with foreign banks, debt instruments at fair value through other comprehensive income and debt instruments at amortised cost per composite credit rating to the counterparty as at reporting dates:

**Deposits with foreign banks**

In thousands of KM	30 September 2023	31 December 2022
<b>Credit rating</b>		
AAA	4,021,003	3,562,708
AA+	754	-
AA	1,124,149	450,701
AA-	788,353	-
A+	1,163,178	1,678,882
A	895,659	2,575,495
A-	-	3,481
II <sup>1</sup>	306,685	3,783
BBB+	-	-
BBB	-	-
BBB-	-	-
<b>Total</b>	<b>8,299,781</b>	<b>8,275,050</b>
Impairment	(1,511)	(1,850)
<b>TOTAL</b>	<b>8,298,270</b>	<b>8,273,200</b>

<sup>1</sup> International institutions

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**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1. Credit risk (continued)**

**5.1.2. Credit risk concentration (continued)**

**Debt instruments at fair value through other comprehensive income**

**In thousands of KM**

<b>Credit rating</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
AAA	2,097,715	2,142,560
AA+	627,570	693,016
AA	1,380,795	1,244,391
AA-	623,170	524,373
A+	-	-
A	-	-
A-	593,450	795,710
BBB+	-	-
BBB	493,154	487,539
BBB-	-	-
<b>TOTAL</b>	<b>5,815,854<sup>2</sup></b>	<b>5,887,589</b>

**Debt instruments at amortised cost**

**In thousands of KM**

<b>Credit rating</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
AAA	141,509	141,023
AA+	282,881	282,171
AA	221,247	219,864
AA-	146,437	145,540
A+	-	-
A	41,430	41,776
A-	191,566	190,370
BBB+	-	-
BBB	153,571	152,343
BBB-	-	-
<b>Total</b>	<b>1,178,641</b>	<b>1,173,087</b>
Impairment	(221)	(225)
<b>TOTAL</b>	<b>1,178,420</b>	<b>1,172,862</b>

<sup>2</sup> Provisions for expected credit losses do not reduce the gross carrying amount of debt instruments at fair value through other comprehensive income

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2. Market risk**

Market risk is the risk of market value change in the financial assets and instruments due to the changes in the financial market conditions.

For the purpose of quantifying the market risk effects on the foreign currency reserves value, the Central Bank applies the Value at Risk (VaR) concept. VaR value for market risk is calculated by analytical (parametric) method, based on the mean value of gain/loss or yield rate of observed portfolio and standard deviation of observed data. The Central Bank, when calculating VaR, applies a level of confidence of 99% for a 10-day horizon. When calculating VaR value for the Central Bank's foreign currency reserves portfolio, all positions in the foreign currency reserves portfolio that are exposed to market risks (interest rate risk, risk of change in EUR price of monetary gold and foreign exchange risk) are taken into consideration.

As at 30 September 2023, the exposure of the Central Bank's foreign currency reserves, including fluctuations of the prices of financial instruments and changes of foreign exchange rates against the KM, equals to KM 24,078 thousand (31 December 2022: KM 44,976 thousand), which represents 0.15% of the total financial assets (31 December 2022: 0.28% of the total financial assets).

Value at Risk has been decreased primarily due to reduced volatility of interest rates, i.e., yields on debt instruments of the Central Bank's foreign currency reserve portfolio.

As at reporting dates, VaR values are provided in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Interest rate risk	17,233	37,044
Risk of change in EUR price of monetary gold	6,616	7,873
Foreign exchange risk	229	59
<b>Total VaR</b>	<b>24,078</b>	<b>44,976</b>

**5.2.1. Interest rate risk**

Interest rate risk is the risk of changes in market value of the financial assets due to the unfavourable movements of interest rates. Interest rate risk is managed by determining the targeted modified duration of the invested foreign currency reserves, by monitoring the value at risk, and by selecting the adequate market index which, with the necessary adjustments, represent the reference portfolio (benchmark) and by determining the maximum amount of the allowed deviation of the portfolio's return from the return of corresponding benchmark (tracking error). The targeted modified duration is shortened or extended by the appropriate regulations of the Central Bank, depending on the current structure of the foreign currency reserves portfolio, current market conditions and available expectations and forecasts, and in accordance with the strategic determination that the maximum allowed term for investing in debt instruments with fixed income is ten years, while maximum allowed term for investing in deposits with foreign banks is one year. According to the regulations effective as at reporting dates, the targeted modified duration of the total portfolio of foreign currency reserves is 1.00 year, with +/- 0.30 year deviations allowed, while the target modified duration of the portfolio of debt instruments at fair value through other comprehensive income with remaining maturity longer than one year is 1.60 years with +/- 0.30 year deviations allowed.

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)****5.2. Market risk (continued)****5.2.1. Interest rate risk (continued)**

The Central Bank uses the modified duration of debt instruments at fair value through other comprehensive income as a key measure of interest rate risk exposure. The modified duration is a measure of the price sensitivity of financial instrument to changes in interest rates, i.e., the market yield of a debt instrument. The modified duration is expressed as the number of years and the longer the duration, the higher the interest rate risk. The modified duration of the portfolio is calculated as a weighted average of the cash flows' maturities of individual financial instruments in the portfolio, where the weight is the present value of the cash flow. The modified duration of the portfolio of debt instruments at fair value through other comprehensive income amounts to 0.93 years as at 30 September 2023 (31 December 2022: 0.92 years).

In the current reporting period, the trends in interest rates and the euro area government bonds market yields are characterized by certain degree of volatility caused primarily by the ECB's activities on further raise of key interest rates in the euro area with the aim of containing the inflation, and geopolitical tensions. By the end of the reporting period, the ECB's key interest rates have been increased on six occasions, by 50 basis points at the beginning of February and the end of March and by 25 basis points at the beginning of May, the end of June, the beginning of August and in the middle of September. The above-mentioned increases of key interest rates in the euro area affected the growth of interest rates and market yields of the euro area bonds, but the growth was not equal. The market yields growth of bonds with shorter maturity was more pronounced than the market yields growth of bonds with longer maturity, which means that there was a so-called bond yield curve inversion in the euro area. Macroeconomic data that indicate a recession in certain countries of the euro area also affected the growth of interest rates and yields.

The following tables show the Central Bank's exposure to interest rate risk as at reporting dates by the financial instrument's carrying amount, categorised (classified into maturity classes) under criteria of re-determining interest rate dates in accordance with contractual arrangements (contractual cashflows, such as coupon payments) or the maturity date of the instruments. Accordingly, the criteria for classifying instruments into maturity classes for coupon debt instruments at fair value through other comprehensive income is the maturity date of the first subsequent coupon payment, while discount debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and deposits with foreign banks are classified into maturity classes according to the maturity date of the instrument:

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Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2. Market risk (continued)**

**5.2.1. Interest rate risk (continued)**

<b>30 September 2023</b>	<b>Up to 3</b>	<b>From 3</b>	<b>From 1</b>	<b>Over 3</b>	<b>Non-</b>	<b>Total</b>
<b>In thousands of KM</b>	<b>months</b>	<b>to 12</b>	<b>to 3</b>	<b>years</b>	<b>interest</b>	
		<b>months</b>	<b>years</b>	<b>years</b>	<b>bearing</b>	
Cash in foreign currencies	-	-	-	-	457,855	457,855
Deposits with foreign banks	6,991,241	1,276,205	-	-	30,824	8,298,270
Special Drawing Rights with the IMF	1,744	-	-	-	15	1,759
Debt instruments at fair value through other comprehensive income	1,479,334	4,341,430	-	-	(4,910)	5,815,854
Monetary gold	-	-	-	-	164,162	164,162
Debt instruments at amortised cost	-	-	211,838	964,138	2,444	1,178,420
Other financial assets	-	-	-	-	2,923	2,923
Other investments	-	-	-	-	27,813	27,813
<b>Total financial assets</b>	<b>8,472,319</b>	<b>5,617,635</b>	<b>211,838</b>	<b>964,138</b>	<b>681,126</b>	<b>15,947,056</b>
Banknotes and coins in circulation	-	-	-	-	7,677,156	7,677,156
Deposits from banks	6,719,664	-	-	-	657	6,720,321
Deposits from the Government and other public institutions	-	-	-	-	796,774	796,774
Other financial liabilities	-	-	-	-	3,404	3,404
<b>Total financial liabilities</b>	<b>6,719,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,477,991</b>	<b>15,197,655</b>
<b>INTEREST RATE GAP</b>	<b>1,752,655</b>	<b>5,617,635</b>	<b>211,838</b>	<b>964,138</b>	<b>(7,796,865)</b>	<b>749,401</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2. Market risk (continued)**

**5.2.1. Interest rate risk (continued)**

<b>31 December 2022</b>		<b>From 3</b>	<b>From 1</b>		<b>Non-</b>	
<b>In thousands of KM</b>	<b>Up to 3</b>	<b>to 12</b>	<b>to 3</b>	<b>Over 3</b>	<b>interest</b>	<b>Total</b>
	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>bearing</b>	
Cash in foreign currencies	-	-	-	-	572,020	572,020
Deposits with foreign banks	7,834,456	430,241	-	-	8,503	8,273,200
Special Drawing Rights with the IMF	147	-	-	-	2	149
Debt instruments at fair value through other comprehensive income	1,500,366	4,368,552	-	-	18,671	5,887,589
Monetary gold	-	-	-	-	160,040	160,040
Debt instruments at amortised cost	-	-	116,508	1,053,960	2,394	1,172,862
Other financial assets	-	-	-	-	4,282	4,282
Other investments	-	-	-	-	27,813	27,813
<b>Total financial assets</b>	<b>9,334,969</b>	<b>4,798,793</b>	<b>116,508</b>	<b>1,053,960</b>	<b>793,725</b>	<b>16,097,955</b>
Banknotes and coins in circulation	-	-	-	-	7,436,097	7,436,097
Deposits from banks	5,329,117	-	-	-	1,888,270	7,217,387
Deposits from the Government and other public institutions	-	-	-	-	958,245	958,245
Other financial liabilities	-	-	-	-	4,023	4,023
<b>Total financial liabilities</b>	<b>5,329,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,286,635</b>	<b>15,615,752</b>
<b>INTEREST RATE GAP</b>	<b>4,005,852</b>	<b>4,798,793</b>	<b>116,508</b>	<b>1,053,960</b>	<b>(9,492,910)</b>	<b>482,203</b>

**5.2.2. Foreign exchange risk**

Foreign exchange risk is the risk of changes in foreign exchange assets and liabilities due to changes in foreign exchange rates. The Central Bank is exposed to foreign exchange risk through transactions in foreign currencies. Foreign exchange risk is primarily managed through reconciling currency structure of assets and liabilities of the Central Bank, as well as through setting the quantitative limits for exposure to foreign exchange risk.

The control and management of the foreign exchange risk is based on the strict adherence to the provisions of the Law on the Central Bank and the Central Bank's internal regulations.

The largest part of official foreign currency reserves is held in EUR, and the maximum amount that can be held in convertible currencies other than EUR, must not exceed the equivalent of 50% of the total amount of the unimpaired capital and reserves of the Central Bank. More information about the components of official foreign currency reserves that are held in convertible currencies other than EUR is disclosed in [Notes 6, 7 and 8](#).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.3. Liquidity risk**

Liquidity risk refers to the possible difficulties in liquidating a portion of assets quickly, which is possible when market conditions are unfavourable and also when there is an unfavourable price movement. The liquidity of foreign currency reserves portfolio is ensured by holding a sufficient funds of liquid instruments in the portfolio.

Considering the need of guaranteeing the KM convertibility, the daily liquidity must be provided by the maturity adjustment of the Central Bank's foreign currency reserves.

Tables below present the maturity of the Central Bank's financial liabilities as at reporting dates based on the remaining contractual maturity from the reporting dates:

<b>30 September 2023</b>						
<b>In thousands of KM</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 3 years</b>	<b>Over 3 years</b>	<b>Without specified maturity</b>	<b>Total</b>
Banknotes and coins in circulation	7,677,156	-	-	-	-	7,677,156
Deposits from banks	6,720,321	-	-	-	-	6,720,321
Deposits from the Government and other public institutions	796,774	-	-	-	-	796,774
Other financial liabilities	3,404	-	-	-	-	3,404
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,197,655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,197,655</b>

<b>31 December 2022</b>						
<b>In thousands of KM</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 3 years</b>	<b>Over 3 years</b>	<b>Without specified maturity</b>	<b>Total</b>
Banknotes and coins in circulation	7,436,097	-	-	-	-	7,436,097
Deposits from banks	7,217,387	-	-	-	-	7,217,387
Deposits from the Government and other public institutions	958,245	-	-	-	-	958,245
Other financial liabilities	4,023	-	-	-	-	4,023
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,615,752</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,615,752</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**6. CASH IN FOREIGN CURRENCIES**

The following table presents balances of cash in foreign currencies, with an analytical presentation by the type of currency:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Cash in foreign currencies:		
EUR	457,817	571,982
USD	21	21
GBP	17	17
<b>TOTAL</b>	<b>457,855</b>	<b>572,020</b>

During the current reporting period, the Central Bank sold EUR banknotes to the foreign bank in the amount of KM 156,466 thousand (01/01 - 30/09/2022: The Central Bank purchased EUR banknotes in the amount of KM 293,375 thousand).

**7. DEPOSITS WITH FOREIGN BANKS**

Deposits with foreign banks represent the Central Bank's invested foreign currency reserves funds held on the accounts with foreign banks and other financial institutions.

The following table presents balances of term and demand deposits, with an analytical presentation by the type of currency:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Term deposits:		
EUR	6,877,471	6,646,490
USD	3,735	-
	<b>6,881,206</b>	<b>6,646,490</b>
Impairment	(1,410)	(1,734)
<b>Total</b>	<b>6,879,796</b>	<b>6,644,756</b>
Demand deposits:		
EUR	1,410,346	1,621,860
CHF	4,034	2,306
USD	2,138	2,351
GBP	2,057	2,043
	<b>1,418,575</b>	<b>1,628,560</b>
Impairment	(101)	(116)
<b>Total</b>	<b>1,418,474</b>	<b>1,628,444</b>
<b>TOTAL</b>	<b>8,298,270</b>	<b>8,273,200</b>

Deposits with foreign banks include net accrued interest in the amount of KM 30,824 thousand as at 30 September 2023 (31 December 2022: Included net accrued interest in the amount of KM 8,503 thousand).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**7. DEPOSITS WITH FOREIGN BANKS (CONTINUED)**

Term deposits with foreign banks, analysed by the remaining contractual maturity, are presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Up to one month	4,010,134	3,980,765
From one to two months	1,211,981	1,469,432
From two to three months	375,312	764,312
From three to four months	396,159	431,981
From four to twelve months	887,620	-
<b>Total</b>	<b>6,881,206</b>	<b>6,646,490</b>
Impairment	(1,410)	(1,734)
<b>TOTAL</b>	<b>6,879,796</b>	<b>6,644,756</b>

Deposits with foreign banks, analysed by the type of the financial institution in which the funds are invested, are provided in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Foreign central banks</b>		
Term deposits	2,927,389	2,997,881
Overnight deposits	-	-
Demand deposits	1,407,024	1,621,296
	<b>4,334,413</b>	<b>4,619,177</b>
<b>Foreign commercial banks</b>		
Term deposits	2,606,644	3,104,888
Overnight deposits	1,046,368	543,721
Demand deposits	5,671	3,481
	<b>3,658,683</b>	<b>3,652,090</b>
<b>International financial institutions</b>		
Term deposits	300,805	-
Overnight deposits	-	-
Demand deposits	5,880	3,783
	<b>306,685</b>	<b>3,783</b>
<b>Total</b>	<b>8,299,781</b>	<b>8,275,050</b>
Impairment ( <a href="#">Note 5.1.1.</a> )	(1,511)	(1,850)
<b>TOTAL</b>	<b>8,298,270</b>	<b>8,273,200</b>

More information about the Central Bank's composite credit rating range and credit risk concentration for deposits with foreign banks as at reporting dates is disclosed in [Note 5.1.2.](#)

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**7. DEPOSITS WITH FOREIGN BANKS (CONTINUED)**

Deposits with foreign banks, analysed by the country where the funds are invested, are presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
France	2,287,327	1.339.340
Luxembourg	2,256,886	1.627.805
Switzerland	1,906,532	1.578.436
Great Britain	889,988	1.185.316
Germany	858,789	1.055.215
Netherlands	99,505	98.100
USA	754	659
Slovakia	-	1.390.179
<b>Total</b>	<b>8,299,781</b>	<b>8.275.050</b>
Impairment	(1,511)	(1.850)
<b>TOTAL</b>	<b>8,298,270</b>	<b>8.273.200</b>

**8. SPECIAL DRAWING RIGHTS WITH THE IMF**

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Account of Special Drawing Rights with the IMF	1,744	147
Accrued interest	15	2
<b>Total</b>	<b>1,759</b>	<b>149</b>
Impairment	-	-
<b>TOTAL</b>	<b>1,759</b>	<b>149</b>

**9. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

Debt instruments at fair value through other comprehensive income represent the Central Bank's foreign currency reserve funds invested in liquid sovereign government bonds of the euro area countries. The portfolio of these debt instruments includes short-term and long-term government bonds with a fixed interest rate. Debt instruments at fair value through other comprehensive income are denominated in EUR currency.

The structure of investments in debt instruments at fair value through other comprehensive income is presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Coupon debt instruments	4,207,204	4,656,303
Accrued interest on coupon debt instruments	31,099	31,978
<b>Total</b>	<b>4,238,303</b>	<b>4,688,281</b>
Discount debt instruments	1,613,560	1,212,615
Accrued (discount) on discount debt instruments	(36,009)	(13,307)
<b>Total</b>	<b>1,577,551</b>	<b>1,199,308</b>
<b>TOTAL</b>	<b>5,815,854</b>	<b>5,887,589</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**9. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**

As at 30 September 2023, provisions for expected credit losses for debt instruments at fair value through other comprehensive income amount to KM 861 thousand (31 December 2022: KM 910 thousand). During the reporting period, net increase in provisions for expected credit losses, recognised in profit or loss for the period, amounts to KM 56 thousand (01/01 - 30/09/2022: Net increase amounted to KM 7 thousand). More information about these changes in the reporting periods is disclosed in [Notes 5.1.1.](#) and [22.](#)

Debt instruments at fair value through other comprehensive income, analysed by the country where the funds are invested, are presented in the following table:

	30 September 2023		31 December 2022	
	In thousands of KM	%	In thousands of KM	%
Germany	1,790,662	30.79	1,698,303	28.84
France	1,380,795	23.74	1,244,391	21.13
Spain	593,450	10.20	795,710	13.52
Belgium	583,346	10.03	483,940	8.22
Italy	493,154	8.48	487,539	8.28
Finland	343,339	5.90	231,787	3.94
Netherlands	307,053	5.28	444,257	7.55
Austria	284,231	4.89	461,229	7.83
Ireland	39,824	0.69	40,433	0.69
<b>TOTAL</b>	<b>5,815,854</b>	<b>100.00</b>	<b>5,887,589</b>	<b>100.00</b>

Changes in debt instruments at fair value through other comprehensive income during the reporting periods are presented in the following table:

In thousands of KM	01/07 - 30/09		For the period	
	2023	2022	01/01 - 30/09 2023	01/01 - 30/09 2022
<b>As at</b>	<b>5,625,960</b>	<b>9,512,807</b>	<b>5,887,589</b>	<b>11,629,592</b>
Purchases during the period	2,652,599	1,840,546	3,651,512	4,706,082
Sales during the period	(987,892)	(1,310,629)	(987,892)	(3,570,275)
Interest income recognised during the period ( <a href="#">Note 17</a> )	21,322	4,772	32,812	17,118
Effects of negative interest rates recognised during the period ( <a href="#">Note 17</a> )	(880)	(6,385)	(4,427)	(23,755)
Maturities of debt instruments	(1,511,925)	(1,383,554)	(2,807,755)	(3,794,975)
Maturities of coupons	(4,177)	(13,999)	(21,882)	(59,130)
Net unrealised change in fair value during the period	20,844	(84,253)	65,893	(345,356)
Transaction costs	3	2	4	6
<b>As at</b>	<b>5,815,854</b>	<b>8,559,307</b>	<b>5,815,854</b>	<b>8,559,307</b>

Significant deviations in presented amounts in the comparative reporting period are the result of different market conditions for investing the foreign currency reserves, significantly larger portfolio volume and different investment operations undertaken in the comparative reporting period. More information about the Central Bank's composite credit rating range and credit risk concentration for debt instruments at fair value through other comprehensive income as at reporting dates is disclosed in [Note 5.1.2.](#)

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**9. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**

Debt instruments, analysed by their remaining contractual maturity, are presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Up to 3 months	830,022	514,934
From 3 to 12 months	2,892,776	3,120,538
From 1 to 3 years	2,021,177	2,180,052
Over 3 years	71,879	72,065
<b>TOTAL</b>	<b>5,815,854</b>	<b>5,887,589</b>

**10. MONETARY GOLD**

As at reporting dates, the values of the input data for calculating the fair value of monetary gold are provided in the following table:

**In thousands of KM**

<b>As at</b>	<b>Quantity of ounces</b>	<b>Price per ounce in KM</b>	<b>Fair value of monetary gold as at</b>
30 September 2023	48,000	3,420.04	164,162
31 December 2022	48,000	3,334.17	160,040
30 September 2022	88,000	3,312.61	291,510

Changes in monetary gold during the reporting periods are provided in the following table:

<b>In thousands of KM</b>	<b>01/07 - 30/09 2023</b>	<b>01/07 - 30/09 2022</b>	<b>01/01 - 30/09 2023</b>	<b>For the period 01/01 - 30/09 2022</b>
<b>As at</b>	<b>165,177</b>	<b>296,688</b>	<b>160,040</b>	<b>301,987</b>
Sales during the period	-	-	-	(28,477)
Net unrealized change in fair value during the period	(1,015)	(5,178)	4,122	18,000
<b>As at</b>	<b>164,162</b>	<b>291,510</b>	<b>164,162</b>	<b>291,510</b>

**11. DEBT INSTRUMENTS AT AMORTISED COST**

Debt instruments at amortised cost represent Central Bank's foreign currency reserves funds invested in liquid sovereign government bonds of the euro area countries with the intention of holding them until maturity. As at reporting date, this portfolio consists of long-term coupon government bonds with a fixed interest rate. Debt instruments at amortised cost are denominated in EUR currency.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**11. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)**

The structure of investments in debt instruments at amortised cost is presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Coupon debt instruments	1,176,197	1,170,693
Accrued interest on coupon debt instruments	2,444	2,394
<b>Total</b>	<b>1,178,641</b>	<b>1,173,087</b>
Impairment	(221)	(225)
<b>TOTAL</b>	<b>1,178,420</b>	<b>1,172,862</b>

More information about the Central Bank's composite credit rating range and credit risk concentration for debt instruments at amortised cost as at reporting dates is disclosed in [Note 5.1.2.](#)

Debt instruments at amortised cost, analysed by their remaining contractual maturity, are presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Up to 3 months	-	-
From 3 to 12 months	-	-
From 1 to 3 years	212,310	116,872
Over 3 years	966,331	1,056,215
<b>Total</b>	<b>1,178,641</b>	<b>1,173,087</b>
Impairment	(221)	(225)
<b>TOTAL</b>	<b>1,178,420</b>	<b>1,172,862</b>

As at reporting date, debt instruments at amortised cost, analysed by the country where the funds are invested, approximately correspond to the amounts disclosed in the latest annual financial statements because the Central Bank did not invest foreign currency reserves funds in this portfolio during 2023.

**12. OTHER ASSETS**

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Gross carrying amount of other financial assets	3,529	4,889
Impairment	(606)	(607)
<b>Other financial assets</b>	<b>2,923</b>	<b>4,282</b>
<b>Other nonfinancial assets</b>	<b>14,555</b>	<b>14,998</b>
<b>TOTAL</b>	<b>17,478</b>	<b>19,280</b>

As at reporting date, other nonfinancial assets are mostly related to the prepaid expenses for banknotes and coins production in the amount of KM 12,176 thousand (31 December 2022: KM 12,995 thousand).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**13. BANKNOTES AND COINS IN CIRCULATION**

The amounts of banknotes and coins in circulation are presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Coins in circulation	262,999	243,749
Banknotes in circulation	7,414,157	7,192,348
<b>TOTAL</b>	<b>7,677,156</b>	<b>7,436,097</b>

Changes in banknotes and coins in circulation during the reporting periods are presented in the following table:

<b>In thousands of KM</b>	<b>01/07 - 30/09 2023</b>	<b>01/07 - 30/09 2022</b>	<b>01/01 - 30/09 2023</b>	<b>For the period 01/01 - 30/09 2022</b>
<b>Banknotes and coins in circulation as at</b>	<b>7,571,373</b>	<b>7,221,991</b>	<b>7,436,097</b>	<b>6,923,818</b>
Net increase in value of banknotes and coins in circulation during the period	105,783	222,210	241,059	520,383
<b>Banknotes and coins in circulation as at</b>	<b>7,677,156</b>	<b>7,444,201</b>	<b>7,677,156</b>	<b>7,444,201</b>

**14. DEPOSITS FROM BANKS**

The structure of deposits from banks is presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Deposits from domestic banks	6,719,664	7,215,919
Reserve accounts of the Central Bank organizational units	624	1,435
Special deposits of domestic banks - blocked funds	33	33
<b>TOTAL</b>	<b>6,720,321</b>	<b>7,217,387</b>

Deposits from domestic banks include accrued remuneration on the basis of required reserve policy in the amount of KM 1,128 thousand as at 30 September 2023 (31 December 2022: The amount of KM 894 thousand represented the negative accrued remuneration).

**15. DEPOSITS FROM THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS**

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Budgetary deposits from BH institutions	596,243	560,390
Deposits from other local governments and government institutions	115,939	125,108
Deposits from other public institutions	83,402	272,721
Deposits- BH external debt	1,171	-
Deposit account under the IMF transactions	19	26
<b>TOTAL</b>	<b>796,774</b>	<b>958,245</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**16. OTHER LIABILITIES**

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Other financial liabilities	3,404	4,023
Other nonfinancial liabilities	245	278
<b>TOTAL</b>	<b>3,649</b>	<b>4,301</b>

**17. NET INTEREST INCOME**

<b>In thousands of KM</b>	<b>01/07 - 30/09 2023</b>	<b>01/07 - 30/09 2022</b>	<b>01/01 - 30/09 2023</b>	<b>For the period 01/01 - 30/09 2022</b>
<b>Interest income arising from:</b>				
Deposits with foreign banks ( <a href="#">Note 7</a> )	71,035	2,178	173,005	2,216
Debt instruments at fair value through other comprehensive income ( <a href="#">Note 9</a> )	21,322	4,772	32,812	17,118
Debt instruments at amortised cost	3,005	2,987	8,901	5,678
Special Drawing Rights with the IMF	62	9	133	13
Effects of negative deposit interest rates on deposits from domestic banks	-	4,870	-	22,514
<b>Total</b>	<b>95,424</b>	<b>14,816</b>	<b>214,851</b>	<b>47,539</b>
<b>Interest expense arising from:</b>				
Deposits from domestic banks	(3,420)	-	(6,352)	-
Effects of negative interest rates from debt instruments at fair value through other comprehensive income ( <a href="#">Note 9</a> )	(880)	(6,385)	(4,427)	(23,755)
Effects of negative interest rates from deposits with foreign banks	-	(1,684)	-	(12,146)
<b>Total</b>	<b>(4,300)</b>	<b>(8,069)</b>	<b>(10,779)</b>	<b>(35,901)</b>
<b>Net interest income</b>	<b>91,124</b>	<b>6,747</b>	<b>204,072</b>	<b>11,638</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**17. NET INTEREST INCOME (CONTINUED)**

Total interest and similar income and expenses by classes of financial instruments are presented in the following table:

<b>In thousands of KM</b>	<b>For the period</b>			
	<b>01/07 - 30/09 2023</b>	<b>01/07 - 30/09 2022</b>	<b>01/01 - 30/09 2023</b>	<b>01/01 - 30/09 2022</b>
<b>1. Financial assets at amortised cost</b>				
<i>Interest income arising from:</i>				
Deposits with foreign banks	71,035	2,178	173,005	2,216
Debt instruments at amortised cost	3,005	2,987	8,901	5,678
Special Drawing Rights with the IMF	62	9	133	13
	<b>74,102</b>	<b>5,174</b>	<b>182,039</b>	<b>7,907</b>
<i>Interest expense arising from:</i>				
Effects of negative interest rates from deposits with foreign banks	-	(1,684)	-	(12,146)
	-	(1,684)	-	(12,146)
<b>Total</b>	<b>74,102</b>	<b>3,490</b>	<b>182,039</b>	<b>(4,239)</b>
<b>2. Debt instruments at fair value through other comprehensive income</b>				
Interest income	21,322	4,772	32,812	17,118
Effects of negative interest rates	(880)	(6,385)	(4,427)	(23,755)
<b>Total</b>	<b>20,442</b>	<b>(1,613)</b>	<b>28,385</b>	<b>(6,637)</b>
<b>3. Financial liabilities at amortised cost</b>				
Effects of negative deposit interest rates on deposits from domestic banks	-	4,870	-	22,514
Interest expenses arising from deposits from domestic banks	(3,420)	-	(6,352)	-
<b>Total</b>	<b>(3,420)</b>	<b>4,870</b>	<b>(6,352)</b>	<b>22,514</b>
<b>Net interest income</b>	<b>91,124</b>	<b>6,747</b>	<b>204,072</b>	<b>11,638</b>

The following table presents interest income and effects of negative interest rates from deposits with foreign banks with an analytical presentation of corresponding amounts by the term type:

<b>In thousands of KM</b>	<b>For the period</b>			
	<b>01/07 - 30/09 2023</b>	<b>01/07 - 30/09 2022</b>	<b>01/01 - 30/09 2023</b>	<b>01/01 - 30/09 2022</b>
<b>Interest income</b>				
Term deposits	60,708	1,951	148,229	1,986
Demand deposits	10,327	227	24,776	230
<b>Total</b>	<b>71,035</b>	<b>2,178</b>	<b>173,005</b>	<b>2,216</b>
<b>Effects of negative interest rates</b>				
Term deposits	-	(1,339)	-	(10,147)
Demand deposits	-	(345)	-	(1,999)
<b>Total</b>	-	<b>(1,684)</b>	-	<b>(12,146)</b>

**17. NET INTEREST INCOME (CONTINUED)**

The average effective yield rate on deposits with foreign banks amounts to 2.95% in the period 01/01 - 30/09/2023 (01/01 - 30/09/2022: The average negative effective yield rate amounted to 0.30%).

The average effective yield rate on debt instruments at fair value through other comprehensive income amounts to 0.14% in the period 01/01 - 30/09/2023 (01/01 - 30/09/2022: The average negative effective yield rate amounted to 0.26%).

The average effective yield rate on debt instruments at amortised cost amounts to 1.01% in the period 01/01 - 30/09/2023 (01/01 - 30/09/2022: The average effective yield rate amounted to 0.97%).

The base for calculation of interest expense, i.e., the effects of negative deposit interest rates on deposits from domestic banks is generated from the total amount of deposits of domestic banks on reserve accounts during the ten-day calculation period, which consists of required reserve amounts and the amounts exceeding the required reserves.

The required reserve rate applied by the Central Bank on the required reserve base, equally for all domestic banks, amounts to 10%.

In the period 01/01 - 30/09/2023, the Central Bank calculates and pays a remuneration to domestic banks on the required reserves amounts generated from domestic currency base and from the foreign currency base and the domestic currency with a currency clause base. The zero-remuneration rate is calculated on the amounts exceeding required reserves.

In the period 01/01 - 30/09/2022, the Central Bank did not calculate a remuneration on the required reserves amounts generated from domestic currency base, while it was calculated and charged on the required reserves amounts generated from the foreign currency base and the domestic currency with a currency clause base. Also, the remuneration was calculated on the amounts exceeding the required reserves.

In the period 01/01 - 31/08/2022, the remuneration rates applied by the Central Bank were linked to the ECB deposit facility rate, additionally reduced by 10 basis points for the required reserves amounts and by 25 basis points for the amounts exceeding the required reserves. In the period 01/09 - 30/09/2022 negative remuneration rates were determined in fixed amounts.

The ECB negative deposit facility rate amounted to 0.50% until 26 July 2022. From 27 July 2022 ECB deposit facility rate amounted to 0.00% and from 14 to 30 September was positive amounting to 0.75%.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**17. NET INTEREST INCOME (CONTINUED)**

During the reporting periods, the Central Bank's remuneration rates amount to:

<b>Base for calculation of remuneration</b>	<b>The Central Bank remuneration rate for the period</b>	
<b>2023</b>		
<b>Required reserves amounts</b>	<b>01/01 - 30/06</b>	<b>01/07 - 30/09</b>
<i>Domestic currency base</i>	0.25%	0.50%
<i>Foreign currency base</i>	0.10%	0.30%
<i>Domestic currency with currency clause base</i>	0.10%	0.30%
<b>Amounts exceeding the required reserves</b>	0.00%	0.00%

**2022**

<b>Required reserves amounts</b>	<b>01/01 - 31/07</b>	<b>01/08 - 30/09</b>
<i>Domestic currency base</i>	0.00%	0.00%
<i>Foreign currency base</i>	(0.60%)	(0.10%)
<i>Domestic currency with currency clause base</i>	(0.60%)	(0.10%)
<b>Amounts exceeding the required reserves</b>	(0.75%)	(0.25%)

Interest expenses arising from deposits from domestic banks include expenses arising from the required reserves in the amount of KM 6,352 thousand in the period 01/01 - 30/09/2023 (01/01 - 30/09/2022: The effects of negative deposit interest rates on deposits from domestic banks included income arising from the amounts exceeding the required reserves in the amount of KM 17,632 thousand and KM 4,882 thousand arising from the amounts of required reserves).

**18. NET FEE AND COMMISSION INCOME**

<b>In thousands of KM</b>	<b>For the period</b>			
	<b>01/07 - 30/09 2023</b>	<b>01/07 - 30/09 2022</b>	<b>01/01 - 30/09 2023</b>	<b>01/01 - 30/09 2022</b>
<b>Fee and commission income arising from:</b>				
Services for domestic banks	5,072	5,119	14,937	15,626
Services for the Government and other non-banking clients	354	421	1,067	1,297
<b>Total</b>	<b>5,426</b>	<b>5,540</b>	<b>16,004</b>	<b>16,923</b>
<b>Fee and commission expenses arising from:</b>				
Custodian and other expenses for debt instruments	(126)	(189)	(371)	(601)
Transactions with foreign banks	(8)	(10)	(24)	(26)
Other fee and commission expenses	-	(1)	(2)	(4)
<b>Total</b>	<b>(134)</b>	<b>(200)</b>	<b>(397)</b>	<b>(631)</b>
<b>Net fee and commission income</b>	<b>5,292</b>	<b>5,340</b>	<b>15,607</b>	<b>16,292</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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**19. NET REALISED (LOSSES) FROM SALE OF DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

In thousands of KM	01/07 - 30/09	01/07 - 30/09	01/01 - 30/09	For the period
	2023	2022	2023	01/01 - 30/09
				2022
Realised gains	-	5,868	-	20,145
Realised losses	(22,487)	(8,676)	(22,487)	(33,112)
<b>TOTAL</b>	<b>(22,487)</b>	<b>(2,808)</b>	<b>(22,487)</b>	<b>(12,967)</b>

The corresponding amounts of realised gains from released provisions for expected credit losses for debt instruments sold in the comparative reporting period are presented in [Note 5.1.1.](#)

**20. NET REALISED GAINS FROM SALE OF MONETARY GOLD**

In the comparative reporting period, 8,000 ounces of monetary gold have been sold generating net realised gain in the amount of KM 11,489 thousand. Gains arising from fair value changes of monetary gold recognised in other comprehensive income, within fair value reserves for monetary gold, are recognised as realised gains in profit or loss account at the sale date.

**21. NET FOREIGN EXCHANGE GAINS**

In thousands of KM	01/07 - 30/09	01/07 - 30/09	01/01 - 30/09	For the period
	2023	2022	2023	01/01 - 30/09
				2022
Net unrealised foreign exchange gains / (losses)	451	124	(74)	268
Net realised foreign exchange gains	31	5	76	105
<b>TOTAL</b>	<b>482</b>	<b>129</b>	<b>2</b>	<b>373</b>

**22. NET DECREASE / INCREASE OF IMPAIRMENT ON FINANCIAL ASSETS**

In thousands of KM	01/07 - 30/09	01/07 - 30/09	01/01 - 30/09	For the period
	2023	2022	2023	01/01 - 30/09
				2022
Net (increase) in / release of impairment for deposits with foreign banks	(184)	(229)	339	(582)
Net release of impairment for Special Drawing Rights with the IMF	-	-	-	-
Net (increase) in provisions for expected credit losses for debt instruments at fair value through other comprehensive income	(150)	(29)	(56)	(7)
Net release of /(increase) in impairment for debt instruments at amortised cost	1	(8)	4	(224)
Net release of impairment for other financial assets	-	1	1	1
<b>TOTAL</b>	<b>(333)</b>	<b>(265)</b>	<b>288</b>	<b>(812)</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**23. OTHER INCOME**

In thousands of KM	01/07 - 30/09	01/07 - 30/09	For the period	
	2023	2022	01/01 - 30/09 2023	01/01 - 30/09 2022
Dividend income from BIS shares	-	-	721	721
Other income	20	8	19	74
<b>TOTAL</b>	<b>20</b>	<b>8</b>	<b>740</b>	<b>795</b>

**24. PERSONNEL EXPENSES**

In thousands of KM	01/07 - 30/09	01/07 - 30/09	For the period	
	2023	2022	01/01 - 30/09 2023	01/01 - 30/09 2022
Salaries	3,157	2,729	8,289	7,470
Contributions and other fees on salaries	1,757	1,523	4,612	4,173
Other employee benefits	368	339	1,677	1,606
Contributions and other fees on other employees' benefits	70	70	452	459
<b>Total</b>	<b>5,352</b>	<b>4,661</b>	<b>15,030</b>	<b>13,708</b>
Provisions for severance payments and jubilee awards, net (release) of / increase in	(11)	17	13	30
<b>TOTAL</b>	<b>5,341</b>	<b>4,678</b>	<b>15,043</b>	<b>13,738</b>

Personnel expenses include KM 2,865 thousand of defined pension contributions paid to the public pension funds in BH (01/01 - 30/09/2022: KM 2,623 thousand).

The average number of employees in the reporting period amounts to 352 (01/01 - 30/09/2022: 353 employees).

**25. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

In thousands of KM	01/07 - 30/09	01/07 - 30/09	For the period	
	2023	2022	01/01 - 30/09 2023	01/01 - 30/09 2022
Payment systems maintenance expenses	470	395	1,337	1,267
IT infrastructure expenses	250	239	688	638
Overhead expenses	219	222	668	652
Access to official services expenses	200	215	573	545
Fixed assets maintenance expenses	100	101	256	323
Other administrative and operating expenses	446	601	1,240	1,555
<b>TOTAL</b>	<b>1,685</b>	<b>1,773</b>	<b>4,762</b>	<b>4,980</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**26. COSTS OF PRODUCTION OF BANKNOTES AND COINS**

<b>In thousands of KM</b>	<b>For the period</b>			
	<b>01/07 - 30/09 2023</b>	<b>01/07 - 30/09 2022</b>	<b>01/01 - 30/09 2023</b>	<b>01/01 - 30/09 2022</b>
Costs of production and design of coins	627	332	1,827	1,118
Costs of production and design of banknotes	488	487	1,462	1,641
<b>TOTAL</b>	<b>1,115</b>	<b>819</b>	<b>3,289</b>	<b>2,759</b>

**27. EQUITY**

The structure of equity is presented in the following table:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
<b>Initial capital</b>	<b>25,000</b>	<b>25,000</b>
Fair value reserves for debt and equity instruments	(54,569)	(143,005)
Fair value reserves for monetary gold	62,233	58,111
Other reserves	31,300	31,300
General reserves (Retained earnings)	573,999	573,999
<b>Total reserves</b>	<b>612,963</b>	<b>520,405</b>
Net profit for the period	173,015	-
<b>TOTAL</b>	<b>810,978</b>	<b>545,405</b>

As at reporting date, equity of the Central Bank is strengthened by achieved net profit for the period, with significant increase of interest income arising from invested foreign currency reserves within its structure, as well as by significant reduction of fair value reserves negative balance for debt instruments. Information on significant changes and conditions in the current reporting period that increased the Central Bank's equity is disclosed in [Notes 2.7](#), [9](#) and [17](#).

**28. CASH AND CASH EQUIVALENTS**

For the purposes of Cash Flow Statement, cash and cash equivalents comprise of:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>30 September 2022</b>
Foreign currency deposits with maturity up to three months or less from the date of acquisition	4,702,472	3,943,934
Foreign currency demand deposits	1,418,575	912,996
Cash in foreign currencies	457,855	476,131
Special Drawing Rights with the IMF	1,759	1,366
Giro accounts	624	940
<b>Total</b>	<b>6,581,285</b>	<b>5,335,367</b>
Impairment	(1,320)	(1,395)
<b>TOTAL</b>	<b>6,579,965</b>	<b>5,333,972</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

**29. RELATED PARTIES TRANSACTIONS**

Transactions with the State and BH institutions are presented in the following tables:

**In thousands of KM**

As at 30 September 2023	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
<b>ASSETS</b>				
Other assets	5	1	2	8
<b>TOTAL</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>8</b>

**LIABILITIES**

Deposits from depositors	416,080	66,956	233,917	716,953
<b>TOTAL</b>	<b>416,080</b>	<b>66,956</b>	<b>233,917</b>	<b>716,953</b>

**In thousands of KM**

As at 31 December 2022	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
<b>ASSETS</b>				
Other assets	30	3	11	44
<b>TOTAL</b>	<b>30</b>	<b>3</b>	<b>11</b>	<b>44</b>

**LIABILITIES**

Deposits from depositors	423,902	230,883	202,588	857,373
Other liabilities	-	-	1	1
<b>TOTAL</b>	<b>423,902</b>	<b>230,883</b>	<b>202,589</b>	<b>857,374</b>

Generated income with the State and BH institutions is presented in the following table:

**In thousands of KM**

	For the period			
	01/07 - 30/09 2023	01/07 - 30/09 2022	01/01 - 30/09 2023	01/01 - 30/09 2022
<b>Fee and commission income</b>				
BH Ministry of Finance and Treasury	14	24	45	85
BH Deposit Insurance Agency	3	9	12	46
BH Indirect Taxation Authority	8	38	22	90
<b>TOTAL</b>	<b>25</b>	<b>71</b>	<b>79</b>	<b>221</b>

By performing its functions of the banker, the depository and the fiscal agent prescribed by the Law on the Central Bank, the Central Bank also maintains certain bookkeeping and executes transactions for the State and BH institutions that are recorded off-balance. More information about these off-balance records is disclosed in [Notes 30](#) and [31](#).

## CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2023

### 29. RELATED PARTIES TRANSACTIONS (CONTINUED)

#### Remuneration of key management members

The total remuneration of the key management members, in the period 01/01 - 30/09/2023, amounts to KM 795 thousand, out of which KM 498 thousand is related to salaries and other remuneration and KM 297 thousand is related to taxes and contributions (01/01 - 30/09/2022: Out of the total amount of KM 714 thousand, the amount of KM 448 thousand was related to salaries and other remunerations and KM 266 thousand was related to taxes and contribution).

### 30. OFF-BALANCE SHEET DEPOSITS

The Central Bank maintains certain accounts in foreign currencies related to agreements concluded between the governments in BH and foreign governments and financial organizations. As these accounts do not represent either assets or liabilities of the Central Bank, they are not included in the Central Bank's statement of financial position.

Also, off-balance sheet deposits also include foreign currency accounts of the BH institutions and agencies, as well as of the banks, for which the Central Bank acts as an agent.

Off-balance sheet deposits consist of:

<b>In thousands of KM</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Deposits of the Council of Ministers of BH for the Budget of BH institutions	307,913	197,946
Deposits of the Council of Ministers of BH for servicing of BH foreign debt	24,683	9,367
Other deposits of the Council of Ministers of BH	306	294
Deposits of the Council of Ministers of BH on the basis of succession	49	47
<b>Total</b>	<b>332,951</b>	<b>207,654</b>
Funds of the Deposit Insurance Agency of BH	931	20,985
<b>Total</b>	<b>931</b>	<b>20,985</b>
Deposit accounts of domestic banks	12,212	18,537
Deposits - Retirement allowance from Germany	236	348
<b>Total</b>	<b>12,448</b>	<b>18,885</b>
<b>TOTAL</b>	<b>346,330</b>	<b>247,524</b>

BH Ministry of Finance and Treasury is the institution that acts on behalf of the Council of Ministers of BH and State in deposit management and coordination. As at 30 September 2023 the total of these funds amount to KM 332,951 thousand (31 December 2022: KM 207,654 thousand).

### 31. BOSNIA AND HERZEGOVINA MEMBERSHIP WITH THE INTERNATIONAL MONETARY FUND

According to arrangements concluded between BH and the IMF the Central Bank is designated as a fiscal agent and depository for BH membership with the IMF. The Central Bank's role as a fiscal agent is specific due to "currency board" arrangement. The Central Bank acts on behalf of the BH in dealing with the IMF but does not have any responsibility for assets and liabilities related to the membership.

The Central Bank maintains Special Drawing Rights with the IMF account, IMF account No.1 and IMF account No.2 in the statement of financial position. The Central Bank also provides a custody service for the BH Promissory notes issued to support IMF membership and repurchase obligations that are recorded off-balance.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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**31. BOSNIA AND HERZEGOVINA MEMBERSHIP WITH THE INTERNATIONAL MONETARY FUND (CONTINUED)**

The Central Bank uses net method in presentation of BH financial position with the IMF which is provided by the following table:

In thousands of KM

	<b>30 September 2023</b>	<b>31 December 2022</b>
Quota	645,380	649,867
Special Drawing Rights with the IMF	1,759	149
<b>TOTAL ASSETS</b>	<b>647,139</b>	<b>650,016</b>
IMF account No.1	1,613	1,625
IMF account No.2	639	643
Securities	1,400,487	1,543,253
SDR allocation	1,010,095	1,017,117
Accrued interest on SDR allocation	6,874	4,669
Accounts of payable charges	6,506	5,610
<b>TOTAL LIABILITIES</b>	<b>2,426,214</b>	<b>2,572,917</b>
<b>BH NET POSITION WITH THE IMF</b>	<b>1,779,075</b>	<b>1,922,901</b>

Securities account, IMF account No.1 and IMF account No.2 are subject of valuation adjustments whenever the currency is used in financial transactions between the IMF and BH. At least once per year, at the end of the IMF's financial year (30 April), all IMF currency holdings are revalued based on the prevailing SDR exchange rate. These valuation adjustments are included in account balances stated.

**32. EVENTS AFTER THE REPORTING PERIOD**

The Presidency of BH has not appointed new Governing Board members of the Central Bank up to date of the approval of these financial statements.

With the exception of the above, there were no events in the period between 30 September 2023 and the date of approval of these condensed interim financial statements that would require adjustment or are material but do not require adjustment.