



Centralna banka  
BOSNE I HERCEGOVINE  
Централна банка  
БОСНЕ И ХЕРЦЕГОВИНЕ



## FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2024

*This version of the financial statements is a translation of 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 original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.*



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## FINANCIAL REPORTING RESPONSIBILITY

The Management of the Central Bank of Bosnia and Herzegovina is responsible for preparation of the annual financial statements in accordance with the Law on the Central Bank of Bosnia and Herzegovina and International Financial Reporting Standards.

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 the 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 is responsible for selecting suitable accounting policies to conform to applicable International Financial Reporting Standards. 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 annual financial statements are considered and approved by the Governing Board and submitted to the Parliamentary Assembly of Bosnia and Herzegovina and the Presidency of Bosnia and Herzegovina.

These 2024 financial statements have been audited by the independent auditor of the Central Bank of Bosnia and Herzegovina ERNST & YOUNG d.o.o. Sarajevo and its report is presented on pages 2 to 4. The independent auditor has been provided with full and unrestricted access to all information and communication necessary to perform and discuss its audit procedures.

The accompanying financial statements set out on pages 5 to 85 are approved by the Governing Board on 27 March 2025.

  
**Jasmina Selimović, Ph.D.**  
**Chairwoman of the Governing Board**  
**Governor**



  
**Meliha Smajlagić**  
**Head of Accounting and Finance Department**





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## Independent auditor's report (*continued*)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Central Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Central Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Central Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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## Independent auditor's report (continued)

### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Danijela Mirković, procurator

Ernst & Young d.o.o. Sarajevo  
Vrbanja 1 (SCC - Sarajevo City Center)  
71000 Sarajevo  
Bosnia and Herzegovina

Sarajevo, 27 March 2025



Tarik Alijagić, licensed auditor

Ernst & Young d.o.o. Sarajevo  
Vrbanja 1 (SCC - Sarajevo City Center)  
71000 Sarajevo  
Bosnia and Herzegovina

Sarajevo, 27 March 2025

Nikola Ribar, partner

Ernst & Young d.o.o. Beograd  
Vladimira Popovića 8a  
11070 Belgrade  
Republic of Serbia

Belgrade, 27 March 2025

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## STATEMENT OF FINANCIAL POSITION

In thousands of KM	Note	31 December 2024	As at 31 December 2023
<b>ASSETS</b>			
Cash in foreign currencies	<a href="#">7</a>	525,980	455,191
Deposits with foreign banks	<a href="#">8</a>	6,786,228	8,326,590
Special Drawing Rights with the IMF	<a href="#">9, 36</a>	4,771	2,073
Debt instruments at fair value through other comprehensive income	<a href="#">10</a>	8,639,813	6,150,130
Monetary gold	<a href="#">11</a>	555,157	175,459
Debt instruments at amortised cost	<a href="#">12</a>	1,128,901	1,180,421
Other assets	<a href="#">13</a>	18,461	17,384
Property and equipment	<a href="#">14</a>	48,451	47,310
Intangible assets	<a href="#">15</a>	912	864
Other investments	<a href="#">16</a>	27,813	27,813
<b>TOTAL ASSETS</b>		<b><u>17,736,487</u></b>	<b><u>16,383,235</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Banknotes and coins in circulation	<a href="#">17</a>	7,959,215	7,565,108
Deposits from banks	<a href="#">18</a>	7,455,395	7,083,235
Deposits from the Government and other public institutions	<a href="#">19</a>	860,083	752,898
Provisions	<a href="#">20</a>	13,119	2,025
Other liabilities	<a href="#">21</a>	250,492	68,669
<b>Total liabilities</b>		<b><u>16,538,304</u></b>	<b><u>15,471,935</u></b>
<b>EQUITY</b>			
Initial capital		25,000	25,000
Reserves		1,173,183	886,300
<b>Total equity</b>	<a href="#">32</a>	<b><u>1,198,183</u></b>	<b><u>911,300</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>17,736,487</u></b>	<b><u>16,383,235</u></b>

The accompanying notes on pages 12 to 85 are an integral part of these financial statements.

## STATEMENT OF PROFIT OR LOSS

In thousands of KM	Note	For the year ended 31 December	
		2024	2023
Interest income		461,179	330,687
Interest expense		(14,557)	(14,269)
<b>NET INTEREST INCOME</b>	<a href="#"><u>22</u></a>	<b>446,622</b>	<b>316,418</b>
Fee and commission income		23,173	21,945
Fee and commission expenses		(970)	(534)
<b>NET FEE AND COMMISSION INCOME</b>	<a href="#"><u>23</u></a>	<b>22,203</b>	<b>21,411</b>
Net realised (losses) from sale of debt instruments at fair value through other comprehensive income	<a href="#"><u>24</u></a>	(6,019)	(22,487)
Net foreign exchange gains / (losses)	<a href="#"><u>25</u></a>	6,794	(202)
Net decreases of / increases in impairment on financial assets	<a href="#"><u>26</u></a>	(2,482)	100
Other income	<a href="#"><u>27</u></a>	1,353	793
<b>OPERATING INCOME</b>		<b>468,471</b>	<b>316,033</b>
Personnel expenses	<a href="#"><u>28</u></a>	(38,256)	(23,074)
Administrative and other operating expenses	<a href="#"><u>29</u></a>	(9,724)	(7,500)
Costs of production of banknotes and coins	<a href="#"><u>30</u></a>	(5,272)	(4,404)
Depreciation and amortisation charge	<a href="#"><u>14, 15</u></a>	(2,619)	(2,794)
<b>OPERATING EXPENSES</b>		<b>(55,871)</b>	<b>(37,772)</b>
<b>NET PROFIT FOR THE YEAR</b>	<a href="#"><u>31</u></a>	<b>412,600</b>	<b>278,261</b>

The accompanying notes on pages 12 to 85 are an integral part of these financial statements.



## STATEMENT OF COMPREHENSIVE INCOME

In thousands of KM	Note	<b>For the year ended 31 December</b>	
		2024	2023
<b>NET PROFIT FOR THE YEAR</b>		<b>412,600</b>	<b>278,261</b>
<b>Other comprehensive income</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 year	<a href="#">10</a>	44,159	113,948
Net change in provisions for expected credit losses recognised in profit or loss during the year	<a href="#">6.1.1.</a> , <a href="#">26</a>	1,647	99
Reclassification to profit or loss from sale of debt instruments	<a href="#">24</a>	6,019	22,487
		<b>51,825</b>	<b>136,534</b>
<b>Monetary gold</b>			
Net change in fair value during the year	<a href="#">11</a>	66,765	15,419
		<b>66,765</b>	<b>15,419</b>
<b>Total other comprehensive income</b>		<b>118,590</b>	<b>151,953</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>531,190</b>	<b>430,214</b>

The accompanying notes on pages 12 to 85 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

In thousands of KM	Initial capital	Fair value reserves for debt and equity instruments	Fair value reserves for monetary gold	Reserves for unrealised foreign exchange differences	Other reserves	General reserves (Retained earnings)	Total reserves	Total equity
<b>Balance at 1 January 2024</b>	<b>25,000</b>	<b>(6,471)</b>	<b>73,530</b>	<b>-</b>	<b>31,300</b>	<b>787,941</b>	<b>886,300</b>	<b>911,300</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>51,825</b>	<b>66,765</b>	<b>-</b>	<b>-</b>	<b>412,600</b>	<b>531,190</b>	<b>531,190</b>
Net profit for the year ( <a href="#">Note 31</a> )	-	-	-	-	-	412,600	412,600	412,600
<b>Other comprehensive income</b>	<b>-</b>	<b>51,825</b>	<b>66,765</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,590</b>	<b>118,590</b>
<i>Net increase in fair value for debt instruments</i>	-	44,159	-	-	-	-	44,159	44,159
<i>Net increases in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	1,647	-	-	-	-	1,647	1,647
<i>Reclassification to profit or loss from sale of debt instruments</i>	-	6,019	-	-	-	-	6,019	6,019
<i>Net increase in fair value for monetary gold</i>	-	-	66,765	-	-	-	66,765	66,765
Transfer of net unrealised foreign exchange gains ( <a href="#">Note 31</a> )	-	-	-	4,628	-	(4,628)	-	-
Profit allocation to the budget of Bosnia and Herzegovina ( <a href="#">Note 31</a> )	-	-	-	-	-	(244,307)	(244,307)	(244,307)
<b>Balance at 31 December 2024</b>	<b>25,000</b>	<b>45,354</b>	<b>140,295</b>	<b>4,628</b>	<b>31,300</b>	<b>951,606</b>	<b>1,173,183</b>	<b>1,198,183</b>

The accompanying notes on pages 12 to 85 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY (CONTINUED)

In thousands of KM

	Initial capital	Fair value reserves for debt and equity instruments	Fair value reserves for monetary gold	Reserves for unrealised foreign exchange differences	Other reserves	General reserves (Retained earnings)	Total reserves	Total equity
<b>Balance at 1 January 2023</b>	<b>25,000</b>	<b>(143,005)</b>	<b>58,111</b>	<b>-</b>	<b>31,300</b>	<b>573,999</b>	<b>520,405</b>	<b>545,405</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>136,534</b>	<b>15,419</b>	<b>-</b>	<b>-</b>	<b>278,261</b>	<b>430,214</b>	<b>430,214</b>
Net profit for the year ( <a href="#">Note 31</a> )	-	-	-	-	-	278,261	278,261	278,261
<b>Other comprehensive income</b>	<b>-</b>	<b>136,534</b>	<b>15,419</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>151,953</b>	<b>151,953</b>
<i>Net increase in fair value for debt instruments</i>	-	113,948	-	-	-	-	113,948	113,948
<i>Net increases in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	99	-	-	-	-	99	99
<i>Reclassification to profit or loss from sale of debt instruments</i>	-	22,487	-	-	-	-	22,487	22,487
<i>Net increase in fair value for monetary gold</i>	-	-	15,419	-	-	-	15,419	15,419
Transfer of net unrealised foreign exchange gains	-	-	-	-	-	-	-	-
Profit allocation to the budget of Bosnia and Herzegovina ( <a href="#">Note 31</a> )	-	-	-	-	-	(64,319)	(64,319)	(64,319)
<b>Balance at 31 December 2023</b>	<b>25,000</b>	<b>(6,471)</b>	<b>73,530</b>	<b>-</b>	<b>31,300</b>	<b>787,941</b>	<b>886,300</b>	<b>911,300</b>

The accompanying notes on pages 12 to 85 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

		For the year ended 31 December	
In thousands of KM	Note	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net profit for the year</b>		<b>412,600</b>	<b>278,261</b>
Adjusted for:			
Interest income	<a href="#">22</a>	(461,179)	(330,687)
Interest expense	<a href="#">22</a>	14,557	14,269
Net decreases of / (increases) in impairment on financial assets	<a href="#">26</a>	2,482	(100)
Net realised losses from sale of debt instruments at fair value through other comprehensive income	<a href="#">24</a>	6,019	22,487
Net foreign exchange (gains) / losses	<a href="#">25</a>	(6,794)	202
Income from grants		-	(3)
Provisions, net increases	<a href="#">20, 28</a>	11,300	1,255
Net (gains) on disposal of property, equipment and intangible assets		(40)	(2)
Dividend income recognised in profit or loss	<a href="#">27</a>	(940)	(721)
Depreciation and amortisation charge	<a href="#">14, 15</a>	2,619	2,794
<b>Net cash flows used in operating activities before changes in operating assets and liabilities</b>		<b>(19,376)</b>	<b>(12,245)</b>
<b>Changes in operating assets and liabilities</b>			
Decrease / (increase) in term deposits with foreign banks		123,704	(748,816)
(Increase) in debt instruments at fair value through other comprehensive income		(2,439,362)	(148,593)
Decrease / (increase) in debt instruments at amortised cost		51,359	(7,553)
(Increase) in monetary gold		(312,933)	-
(Increase) / decrease in other assets		(637)	1,107
Increase in banknotes and coins in circulation	<a href="#">17</a>	394,107	129,011
Increase / (decrease) in deposits from banks		370,874	(135,333)
Increase / (decrease) in deposits from the Government and other public institutions		107,185	(205,347)
Increase in other liabilities		1,766	116
Payments from provisions	<a href="#">20</a>	(206)	(127)
Interest received		444,221	307,731
Interest paid		(13,271)	(13,088)
<b>Net cash from operating activities</b>		<b>(1,292,569)</b>	<b>(833,137)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		40	3
Purchases of property, equipment and intangible assets	<a href="#">14, 15</a>	(3,806)	(1,594)
Dividend received		940	721
<b>Net cash used in investing activities</b>		<b>(2,826)</b>	<b>(870)</b>

## STATEMENT OF CASH FLOWS (CONTINUED)

In thousands of KM	Note	For the year ended 31 December 2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Transfer of the part of annual net profit to the BH budget		(64,319)	-
<b>Net cash from financing activities</b>		<b>(64,319)</b>	<b>-</b>
Net effects from impairment for expected credit losses on cash and cash equivalents		(397)	266
Net effects of foreign exchange rates on cash and cash equivalents		699	(266)
<b>Net (decrease) in cash and cash equivalents</b>		<b>(1,359,412)</b>	<b>(834,007)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7,012,626</b>	<b>7,846,633</b>
<b>Cash and cash equivalents at the end of the year</b>	<a href="#">33</a>	<b>5,653,214</b>	<b>7,012,626</b>

The accompanying notes on pages 12 to 85 are .an integral part of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **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 Constitution).

The Central Bank has been established on 20 June 1997 and started its operations on 11 August 1997.

The Central Bank operates through its Head Office, three main units located in Sarajevo, Mostar and Banja Luka, and two branches, one in Brčko and other in Pale, the latter of which operates under the authorisation of the main unit in Banja Luka.

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

The guaranteed convertibility KM 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 mandated goals and objectives with reference to preserve the monetary stability in accordance with the currency board rule and are not, at any moment, aimed at profit maximization.

The Central Bank’s main tasks, as defined by the Law on the Central Bank, include:

- determining, adopting and controlling the monetary policy of BH by issuing the domestic currency (Convertible Mark) at the prescribed exchange rate with the full coverage in free convertible foreign currency reserves;
- holding and managing the official foreign currency reserves of the Central Bank in a safe and profitable manner;
- establishing and maintaining adequate payment and settlement systems;
- issuing provisions and guidelines for the performance of the Central Bank’s operations, in accordance with the Law on the Central Bank;
- coordinating the activities of the banking agencies, which are in charge of issuing banking licences and supervising banks;
- receiving deposits from BH institutions and public agencies, entities’ institutions and agencies and deposits from resident banks to fulfil their required reserve obligations;
- putting and withdrawing from circulation the domestic currency, including legal tender banknotes and coins, adhering strictly to the currency board rule;
- participating in the operations of international organisations working on strengthening the financial and economic stability through international monetary cooperation;
- representing BH in all intergovernmental meetings, bodies and organisations regarding monetary policy and other issues within its competence.

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

## 1. GENERAL INFORMATION (CONTINUED)

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

According to the Law on the Central Bank, all powers that are not specifically granted to the Governing Board are vested in the Governor. The Governor is the chairman of the Governing Board and the chairman of the Management.

The Management of the Central Bank, in addition to the Governor, consists of three vice governors who are appointed by the Governor with the approval of the Governing Board. The Management operationally manages the Central Bank's activities.

During 2023 and 2024, including the period up to the issuing date of these statements, the key management members of the Central Bank are:

### **The Governing Board**

Jasmina Selimović Ph.D.	Chairwoman (from 3 January 2024)
Senad Softić Ph.D.	Chairman (until 3 January 2024)
Radomir Božić Ph.D.	Member
Danijela Martinović Ph.D.	Member
Mirza Kršo Ph.D.	Member (from 3 January 2024)
Darko Tomaš Ph.D.	Member (from 3 January 2024)
Šerif Isović M.Sc.	Member (until 3 January 2024)
Dragan Kulina Ph.D.	Member (until 3 January 2024)

### **The Management**

Jasmina Selimović Ph.D.	Governor (from 3 January 2024)
Senad Softić Ph.D.	Governor (until 3 January 2024)
Ernadina Bajrović M.Sc.	Vice Governor (until 31 December 2024)
Željko Marić Ph.D.	Vice Governor
Marko Vidaković M.Sc.	Vice Governor
Emir Kurtić Ph.D.	Vice Governor (from 1 January 2025)

The Audit Committee evaluates the overall adequacy and the effectiveness of the financial reporting process of the Central Bank, reviews financial statements prior to their consideration and approval by the Governing Board as well as oversees the process of the external audit of the annual financial statements and the election process of the Central Bank's independent auditors. The supervisory functions of the Audit Committee also include supervision of the risk management framework and the system of internal controls, supervision of the compliance function and supervision of the internal audit function.

During 2023 and 2024, including the period up to the issuing date of these statements, the Audit Committee members of the Central Bank are:

### **The Audit Committee**

Elvir Čizmić Ph.D.	Chairman (until 31 December 2024)
Dijana Čavar Ph.D.	Member (until 31 December 2024)
Vasilj Žarković Ph.D.	Member (until 28 February 2025)

## 2. BASIS OF PREPARATION

### 2.1. Statement of compliance

The financial statements of the Central Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) published by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared using the going concern assumption.

More information on the environmental conditions under which the Central Bank’s operations have been performed in 2024, significantly affecting the Central Bank’s reported balances of assets, liabilities, income and expenses, is disclosed in [Note 3.13](#).

### 2.2. Basis of measurement

These 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:

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

### 2.3. Functional and presentational currency

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

### 2.4. Changes in accounting policy and disclosures

#### 2.4.1. New and amended standards

The adopted accounting policies are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Central Bank as of 1 January 2024:

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and are applied retrospectively. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that the management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity’s own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Central Bank’s accounting policies.

- **IFRS 16 Leases: Lease Liabilities in a Sale and Leaseback (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease.



## 2. BASIS OF PREPARATION (CONTINUED)

### 2.4. Changes in accounting policy and disclosures (continued)

#### 2.4.1. New and amended standards (continued)

The seller-lessee applies the amendments retrospectively to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Bank's accounting policies.

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose as at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The newly adopted IFRS and amendments to IFRS did not have a material impact on the Central Bank's accounting policies.

#### 2.4.2. Standards issued but not yet effective and not early adopted

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If the currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of Financial Instruments (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is paid, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including ESG-linked) and equity instruments classified at fair value through other comprehensive income.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.4. Changes in accounting policy and disclosures (continued)

#### 2.4.2. Standards issued but not yet effective and not early adopted (continued)

The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Contracts Referencing Nature-dependent Electricity (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if contracts in scope of the amendments are used as hedging instruments, and introduce new disclosure requirements to enable investors to understand the impact of these contracts on a company's financial performance and cash flows. The clarifications regarding the 'own-use' requirements must be applied retrospectively, but the guidance permitting hedge accounting have to be applied prospectively to new hedging relationships designated on or after the date of initial application. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **IFRS 18 Presentation and Disclosure in Financial Statements**

IFRS 18 introduces new requirements on presentation within the statement of profit or loss. It requires an entity to classify all income and expenses within its statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations. These categories are complemented by the requirements to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. In addition, there are consequential amendments to other accounting standards. IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. In the following reporting periods, the Management will analyse the requirements of this newly issued standard and assess its impact.

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures**

IFRS 19 permits subsidiaries without public accountability to use reduced disclosure requirements if their parent company (either ultimate or intermediate) prepares publicly available consolidated financial statements in compliance with IFRS accounting standards. These subsidiaries must still apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS accounting standards. IFRS 19 is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

- **Annual Improvements to IFRS Accounting Standards – Volume 11**

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In July 2024, the IASB issued Annual Improvements to IFRS Accounting Standards — Volume 11. An entity shall apply those amendments for annual reporting periods beginning on or after 1 January 2026. The Annual Improvements to IFRS Accounting Standards - Volume 11, includes amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. These amendments aim to clarify wording, correct minor unintended consequences, oversights, or conflicts between requirements in the standards. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

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

**2.4. Changes in accounting policy and disclosures (continued)**

**2.4.2. Standards issued but not yet effective and not early adopted (continued)**

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION

Disclosed significant accounting policies have been applied by the Central Bank consistently to all periods presented in these financial statements.

#### 3.1 Financial assets and financial liabilities

##### 3.1.1. Classification of financial assets and financial liabilities

The classification of financial assets and financial liabilities is determined at initial recognition.

##### **A Financial assets**

The Central Bank can classify its financial assets in one of the following three categories at initial recognition:

- Financial assets subsequently measured at amortised cost,
- Financial assets subsequently measured at fair value through other comprehensive income and
- Financial assets subsequently measured at fair value through profit or loss.

As at reporting dates, the Central Bank did not have any financial assets classified at fair value through profit or loss.

The classification of financial asset is determined by:

- The Central Bank's business model for managing the financial assets and
- The contractual cash flow characteristics of the financial assets.

##### ***Business model***

The business model reflects how the Central Bank manages financial assets in order to generate cash flows. As at reporting dates, the Central Bank manages its assets through following business models:

1. "Hold to collect contractual cash flows" model for financial assets that generate contractual cash flows during its lifetime and
2. "Hold to collect contractual cash flows and sell" model for financial assets that generate contractual cash flows during its lifetime and cash flows arising at the moment of sale.

Management of contractual cash flows from investments in debt instruments can be carried out through both business models.

The Central Bank is obliged to reclassify all financial assets affected by the change in the business model, only if changing its business model for financial assets management.

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.1. Financial assets and financial liabilities (continued)

##### 3.1.1. Classification of financial assets and financial liabilities (continued)

For financial assets that are managed through these models, the Central Bank assesses whether the contractual cash flows associated with the financial assets are solely payments of principal and interest on the principal amount outstanding. The assessment is made at a portfolio level because of its best reflection of the way the business is managed. For the purpose of assessment, “principal” is defined as fair value of the financial asset at initial recognition. “Interest” is defined as a consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time, and for other risks and costs related to the holding the financial asset.

In assessing whether the contractual cash flows are “solely payment of principal and interest”, the Central Bank considers the contractual cash flows of the instrument. Only financial assets that satisfy “solely payment of principal and interest” requirement can be classified into category of financial assets measured at amortised cost or financial assets measured at fair value through other comprehensive income.

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within the business model whose objective is to hold the financial assets and collect its contractual cash flows and
- by the contractual terms of the financial assets, cash flows arise on specified dates and are solely payments of principal and interest of the principal amount outstanding.

Financial assets are measured at fair value through other comprehensive income if the assets meet the following conditions:

- they are held within the business model whose objective is achieved by both collecting contractual cash flows and selling financial asset and
- by the contractual terms of the financial assets, cash flows arise on specified dates to cash flows that are solely payments of principal and interest of the principal amount outstanding.

#### **B Financial liabilities**

The Central Bank classifies its financial liabilities as subsequently measured at amortised cost, with the exception of banknotes and coins in circulation which are measured at their nominal value ([Note 3.6](#)). Financial liabilities are not reclassified.

As at reporting dates, the Central Bank did not have financial liabilities classified under the category of subsequent measurement at fair value through profit and loss.

##### 3.1.2. Initial recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the statement of financial position only when the Central Bank becomes one of the counterparties to which the contractual terms of the financial instrument are applied.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except those classified at fair value through profit and loss, are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised directly in profit or loss.

All financial assets are initially recognised at the settlement date, which is the date that an asset is obtained from, or delivered to, the Central Bank.

### **3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.1. Financial assets and financial liabilities (continued)**

##### **3.1.3. Subsequent measurement of financial assets and financial liabilities**

Subsequent measurement is determined by the selected classification of financial assets and financial liabilities.

The amortised cost of financial assets or financial liability is the amount at which financial assets or financial liability is measured on initial recognition decreased by the principal repayments, increased or decreased by the cumulative amortisation using the effective interest rate method on all differences between the initial amount and amount to maturity and, for financial assets, adjusted for any expected credit losses.

The gross carrying amount of financial assets is the amortised cost of financial assets before adjustment for impairment for expected credit losses.

The effective interest rate method is the method used in the calculation of the amortised cost (gross carrying amount) of financial assets or financial liability and for allocation and recognition of interest income or expense in profit or loss over a specified period.

#### **A Financial assets**

##### **Financial assets at amortised cost**

After initial recognition, financial assets are measured at amortised cost using the effective interest rate method on the gross carrying amount of the assets. Effects of subsequent measurement of financial assets at amortised cost are recognised in profit or loss as interest income or interest expense arising from the effects of negative interest rates in the period they occurred.

As at reporting dates, cash in foreign currencies, deposits with foreign banks, Special Drawing Rights with the IMF, debt instruments at amortised cost and other financial assets fall into category of financial assets at amortised cost.

##### **Financial assets at fair value through other comprehensive income**

After initial recognition, financial assets are measured at fair value through other comprehensive income using the effective interest rate method on the gross carrying amount of the assets and are adjusted to the fair value of the financial assets at each reporting date. During the holding period, effects of subsequent measurement of financial assets at fair value through other comprehensive income are recognised as follows:

- Interest income or interest expense arising from the effects of negative interest rates are recognised in profit or loss in the period they occurred.
- Fair value adjustments are recognised in other comprehensive income in the period they occurred.

When debt instruments at fair value through other comprehensive income are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss, including previously recognised impairment gains or losses.

As at reporting dates, the Central Bank's debt instruments fall into the category of financial assets at fair value through other comprehensive income.

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.1. Financial assets and financial liabilities (continued)

##### 3.1.3. Subsequent measurement of financial assets and financial liabilities (continued)

###### Equity instruments

The Central Bank has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of equity instruments that are not held for trading due to their specific characteristics and absence of an active market for their trading. Other investments represent equity instruments which are initially recognised at cost that is considered to be their fair value due to inability to reliably determine their fair value.

As at reporting dates, the Central Bank's equity instruments at fair value through other comprehensive income are composed of The Bank for International Settlements (BIS) and SWIFT (Society for Worldwide Interbank Financial Telecommunication) shares ([Note 16](#)).

###### Impairment of financial assets

Impairment requirements of financial assets use more forward-looking information to recognise expected credit losses. Instruments within the scope of these requirements include financial assets measured at amortised cost i.e., deposits with foreign banks, debt instruments at amortised cost and Special Drawing Rights with the IMF as well as debt instruments measured at fair value through other comprehensive income. The Central Bank uses a simplified approach in calculation of expected credit losses for other receivables. Equity instruments measured at fair value through other comprehensive income are not subject of impairment.

The Central Bank recognises an impairment for these losses at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- The time value of money and
- Reasonable and useful information that is available without additional cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

[Note 6.1.](#) provides more information about how the expected credit losses are measured.

Impairment for expected credit losses is calculated and presented in the statement of financial position as follows:

**Financial assets measured at amortised cost:** Expected credit losses are calculated on the gross carrying amount of the assets and recorded as a deduction from the gross carrying amount of the assets.

**Debt instruments at fair value through other comprehensive income:** Expected credit losses are calculated on the gross carrying amount of the assets, but impairment is recognised in other comprehensive income as provisions for expected credit losses that do not reduce the carrying amount of the financial assets in the statement of financial position.

Impairment of financial assets is recognised in profit or loss regardless of classification of financial assets at each reporting date.

### **3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)**

#### **3.1. Financial assets and financial liabilities (continued)**

##### **3.1.3. Subsequent measurement of financial assets and financial liabilities (continued)**

#### **B Financial liabilities**

Interest income or interest expense arising from financial liabilities measured at amortised cost are recognised in profit or loss using the effective interest rate method.

Fee and commission income arising from financial liabilities is recognised when service is provided.

Financial liabilities measured at amortised cost include banknotes and coins in circulation, deposits from banks, deposits from the Government and other public institutions and other financial liabilities.

##### **3.1.4. Derecognition of financial assets and financial liabilities**

The Central Bank derecognises financial assets only when the contractual rights to the cash flows from the assets expire or it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity.

A financial liability is derecognised when it is extinguished, discharged or expired.

#### **3.2. Offsetting**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position on a net basis, only where there is a legally enforceable right to offset the recognised amounts and when there is an intention to present or settle the transactions on the net basis.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions.

#### **3.3. Cash and cash equivalents**

For the purpose of reporting cash flows, cash and cash equivalents comprise the following categories: giro accounts, cash in foreign currencies, demand deposits in foreign currency, deposits in foreign currency with maturity up to three months or less from the date of acquisition and Special Drawing Rights with the IMF.

#### **3.4. Monetary gold**

Monetary gold, being the part of foreign currency reserves of the Central Bank, is classified as financial assets. Monetary gold is initially recognised at fair value, including transaction cost directly attributable to the acquisition of monetary gold.

After initial recognition, monetary gold is subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value, referring to the price changes of monetary gold, are recognised in the fair value reserve account within other comprehensive income. Prior to the annual profit allocation, if unrealised losses exceed the balance of the fair value reserves for monetary gold, the Central Bank recognises the amount of negative balance in the profit or loss account which is then included in the profit available for distribution if the legally prescribed conditions for profit distributions are met.

On the sale of monetary gold, unrealised gains and losses from other comprehensive income are transferred to profit or loss.

The fair value of monetary gold is expressed in EUR, converted at the fixed rate of KM at the reporting date and is measured at the last quoted bid price for one ounce of gold as at reporting date.



### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.5. Property, equipment and intangible assets

Property, equipment and intangible assets consist of assets obtained from the Central Bank's own funds and cash and non-cash grants. Property, equipment and intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are recognised as expenses when incurred. Significant improvements and replacements of assets are capitalized.

Assets under construction are reported at their cost of construction including costs charged by third parties. Upon completion, all accumulated costs of the asset are transferred to the appropriate property, equipment and intangible assets category to which corresponding depreciation and amortisation rates are subsequently applied.

Depreciation and amortisation of property, equipment and intangible assets are calculated on all assets, except land and assets in the course of construction, on a straight-line basis at prescribed rate designed to write off the cost of the assets over their estimated useful lives. The estimated depreciation and amortisation rates during 2024 and 2023 were as follows:

##### **Property and equipment**

Buildings	1.3% to 4.0%
Equipment	11.0% to 20.0%
Furniture	10.0% to 12.5%
Vehicles	15.5%

##### **Intangible assets**

Software	20.0%
Other intangible assets	20.0%

Gains and losses on disposal of property and equipment and intangible assets are recognised in profit or loss.

##### **Impairment of non-financial assets**

The useful life of the property, equipment and intangible assets is reviewed and adjusted on an annual basis at minimum, if necessary, and is applied prospectively.

The carrying amounts of the Central Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of other assets is the greater value at comparing its value in use in relation to fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, as if no impairment loss had been recognised.

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.6. Banknotes and coins in circulation

The Central Bank is the only institution in BH authorised for issuing and withdrawing KM banknotes and coins, acting strictly under the currency board rule.

In accordance with the Law on the Central Bank, aggregate amounts of banknotes and coins in circulation is recorded as the Central Bank's financial liability in the statement of financial position. Banknotes and coins in circulation include only KM banknotes and coins outside of Central Bank's vaults.

When banknotes and coins are withdrawn from circulation, they are recognised as a liability as part of banknotes and coins in circulation, until the formal date of withdrawal. Any outstanding amount not withdrawn, after the formal due date, is recognised as income.

#### 3.7. Deposits of banks and depositors

These deposits include received deposits from resident banks and deposits from the Government and other public institutions and represent the Central Bank's financial liabilities that are initially recognised at fair value and subsequently measured at amortised cost. Deposits from banks include resident banks' deposits arising from required reserve policy of the Central Bank and other resident banks' deposits. Deposits from the Government and other public institutions represent received deposits from BH institutions and other public BH agencies, and entities' institutions and agencies.

The Central Bank's role as a depository, banker, adviser and fiscal agent is prescribed by the Law on the Central Bank.

#### 3.8. Provisions

Provisions are recognised when the Central Bank has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are maintained at the level that the Central Bank's Management considers sufficient for absorption of incurred losses. The Management determines the sufficiency of provisions on the basis of insight into specific items, current economic circumstances, risk characteristics of certain transaction categories, as well as other relevant factors.

Provisions may include the amounts subject to the requirements of IAS 19: Employee Benefits and the requirements of IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Provisions are released only for such expenditure for which provisions are recognised at inception. If the outflow of economic benefits to settle the obligations is no longer probable, the provision is reversed.

#### 3.9. Income and expense recognition

##### Interest income and expenses

Interest income and expenses are recorded in profit or loss using the effective interest rate method. The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial assets or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments, the Central Bank estimates future cash flows considering all contractual terms of the financial instrument, but excluding the expected credit losses. The calculation includes all fees and amounts paid or received between the Central Bank and other counterparty that are an integral part of the effective interest rate, transaction costs, and all other discounts and premiums.

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.9. Income and expense recognition (continued)

Accrued interest on financial assets with positive interest rate, i.e., yield is recognised in profit or loss as interest income. Accrued interest on financial assets with negative interest rate, i.e., yield is recognised in profit or loss as the effects of negative interest rates within the interest expense. As at reporting dates, interest income includes interest income from deposits with foreign banks, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost and Special Drawing Rights with the IMF. The effects of negative interest rates on financial assets arose from debt instruments at fair value through other comprehensive income in the comparative period.

Accrued interest on financial liabilities at amortised cost is recognised in profit or loss as interest expense, i.e., as the effects of negative deposit interest rates on financial liabilities within the interest income. As at reporting dates, the accrued interests on financial liabilities include interest expenses on deposits from resident banks based on the required reserve policy.

#### Fee and commission income and expenses

Fee and commission income is earned from the services provided by the Central Bank and is recognised in profit or loss when the service is provided. The Central Bank calculates fee and commission income under determined tariffs for its services. Services provided by the Central Bank include services to resident banks, depositors and other non-banking clients. They arise from payment system transactions, cash processing, conversion transactions and other services.

Fee and commission expense arises from received services related from Central Bank's foreign currency reserves management and is recognised in profit or loss when the service is received.

#### Foreign currency transactions and foreign exchange differences

At initial recognition, foreign currency transactions are recorded into KM, by applying to the foreign currency amount the spot exchange rate between the KM and the foreign currency at the date of the transaction.

Monetary items denominated in foreign currencies are translated to KM by applying exchange rate from the Central Bank's exchange rate list at the reporting date. Non-monetary items measured in terms of historical cost in a foreign currency are translated by applying the exchange rate at the date of transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Foreign exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated at initial recognition during the period or in previous reporting periods are recognised in profit or loss when they arise. Due to the currency board rule, there are no foreign exchange differences on monetary items denominated in EUR currency.

Middle exchange rates of most relevant currencies are provided below:

Middle exchange rate:	31 December 2024	31 December 2023
	KM	KM
EUR	1.95583	1.95583
CHF	2.072952	2.112127
GBP	2.357842	2.250538
USD	1.872683	1.769982
XDR	2.454215	2.381282

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.9. Income and expense recognition (continued)

##### **Dividend income**

Dividend income from equity instruments is recognised in profit or loss when the Central Bank's right to receive dividend is established. Dividend income arises from BIS shares held by the Central Bank ([Notes 16](#) and [27](#)).

##### **Employee benefits**

###### *Short-term employee benefits*

In accordance with local regulations, on behalf of its employees, the Central Bank pays personal income tax and contributions for pension, disability, health and unemployment insurance, on and from salaries, which are calculated as per the set legal rates during the course of the year on the gross salary. The Central Bank pays those taxes and contributions in the favour of the institutions of the Federation of Bosnia and Herzegovina (on federal and cantonal levels), Republic of Srpska and Brčko District.

In addition, meal allowances, transport allowances and vacation bonuses are paid in accordance with the domestic legislation requirements. These expenses are recognised in profit or loss in the period in which the expense is incurred.

###### *Long-term employee benefits*

According to local legal requirements, upon retirement employees of the Central Bank are entitled to receive severance pay, when provided legal conditions are met, such as the age or years of service, which in accordance with the Central Bank's internal acts is granted in an amount equal to six regular monthly salaries paid to the respective employee in the last six months. Such payments are treated as long-term employee benefits. The Central Bank engages the certified actuary for preparing an actuarial calculation using the projected unit credit method.

##### **Costs of production of banknotes and coins**

Costs related to the production and design of banknotes and coins are initially recognised as deferred costs which are part of Central Bank's other assets and are subsequently amortised by their expense recognition through profit or loss over the period of five years.

##### **Taxes**

The Central Bank is obliged to pay Value Added Tax for all goods and services purchased. These payables are part of the Central Bank's administrative and other operating expenses. According to the Law on the Central Bank, the Central Bank is excluded from income tax payables.

#### 3.10. Fund management for and on behalf of third parties

The Central Bank also maintains certain accounts in foreign currencies related to agreements concluded between the governments in BH and its entities and foreign governments and financial organisations, as well as foreign currency accounts of the BH institutions and agencies, and resident banks, for which the Central Bank acts as an agent ([Note 35](#)).

#### 3.11. Financial arrangements of Bosnia and Herzegovina with the International Monetary Fund

According to the financial arrangements concluded between BH, the Central Bank and the International Monetary Fund ("IMF"), the statement of financial position of the Central Bank includes the following items related to BH's membership with the IMF: Special Drawing Rights with the IMF which are part of foreign currency reserves of the Central Bank and are interest-bearing and the IMF No. 1 account and IMF No. 2 account that are part of Central Bank's financial liabilities. These accounts are also included in currency board compliance ([Note 4](#)).

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.11. Financial arrangements of Bosnia and Herzegovina with the International Monetary Fund (continued)

Other assets and liabilities related to the IMF, belonging to or being the responsibility of BH, are recorded in a separate Trust Fund within off-balance-sheet records. Central Bank has an obligation to keep proper records arising from transactions between BH and the IMF, but strictly adhering to the Law on the Central Bank and local legislation in BH that regulates foreign borrowing of BH ([Note 36](#)).

#### 3.12. Significant accounting judgements and estimates

In preparing the Central Bank's financial statements in accordance with IFRSs, the Management applies judgments and makes estimates that are evaluated continuously. In evaluation of significant judgments and estimates, the Management considers assumptions based on historical experience and expectations about future that are believed to be reasonable under the circumstances.

Significant judgements and estimates effect the reported amounts of assets and liabilities, as well as disclosure of the amounts of contingent assets and liabilities as at reporting date, and the corresponding amounts of revenues and expenses for the reporting period. Actual amounts could differ from these estimates. Changes in Central Bank's accounting policies are applied retrospectively when applicable in accordance with IFRSs. Changes in accounting estimates are recognised prospectively in the period in which the estimate is changed if the change affects only that period or in the period of change and future periods if the change affects both current and future periods.

These financial statements have been prepared based upon conditions existing at 31 December 2024. Future conditions may be different from those that resulted in the financial information disclosed in these financial statements. The Management continuously monitors the increased factors of uncertainty that may significantly impact the financial performances of the Central Bank in the upcoming period.

Key assumptions and estimates relating to significant items of the statement of financial position are presented below:

##### *Business model*

[Note 3.1.1.](#): Determination of the business model within the financial assets are held and assessment of contractual terms of financial assets regarding the "Solely payment of principal and interest" requirement. These assessments determine the classification of financial assets.

##### *Impairment of financial assets*

The Central Bank calculates the expected credit losses for certain classes of financial assets measured at amortised cost and debt instruments measured at fair value through other comprehensive income.

In 2024, the Central Bank revised and updated the methodology for calculation of expected credit losses in terms of certain parameters of input variables used in the calculation for expected credit losses for specific classes of financial instruments.

[Note 6.1.](#) describes assumptions and updates used in the determination of the inputs into the expected credit loss measurement model, including the forward-looking view information in the reporting periods.

##### *Fair value of assets and liabilities*

The Central Bank's business policy is to disclose fair value information on those financial assets and financial liabilities for which public market information is readily available or such value may be calculated by applying some alternative valuation techniques, and whose fair value is materially different from their recorded amounts. According to the Central Bank's Management, amounts presented in the financial statements reflect the most reliable and useful estimate of fair value for financial reporting purposes, in accordance with IFRSs. For more information about fair value measurement of financial assets and financial liabilities see [Note 5](#).

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.12. Significant accounting judgements and estimates (continued)

##### *Depreciation and amortisation charge and rates applied*

The calculation of depreciation and amortisation, as well as depreciation and amortisation rates are based on the assessed economic useful life of property, equipment and intangible assets. Once a year, the Central Bank assesses economic useful life based on current assumptions.

##### *The impact of climate changes and sustainable development on the Central Bank's financial reporting*

In accordance with the requirements of IFRS S1: General Requirements for Disclosures of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures, the Central Bank has recognised the risks associated with sustainable development and climate changes as potential source of uncertainty in the future period.

In response to the identified climate and sustainability uncertainties, the Central Bank has intensified activities aimed at creating conditions for proactive management of these sources of uncertainty. During 2024, the Central Bank became a member of the Network for Greening the Financial System (NGFS) and the Sustainable Banking and Finance Network (SBFN) which are two internationally recognised networks. Membership in these networks enables the improvement of business standards in central banking and the application of internationally recognised best practices with the aim of protecting the environment and reducing climate risks. Furthermore, the Central Bank has defined a policy for managing the challenges posed by climate changes, creating a foundational basis for proactive management of these risks, their quantification and the assessment of their impact on financial operations in the future period.

As at reporting dates, the Central Bank considers that these sources of uncertainty do not have a significant impact on the Central Bank's financial position and performance.

#### 3.13. Conditions in the environment for performing the Central Bank's operations in 2024

In 2024, the Central Bank's operations were performed in conditions of moderate recovery of the global economy and the economy of the eurozone, despite the presence of macroeconomic and, particularly, geopolitical uncertainties. Decisions and announcements by leading central banks, particularly the European Central Bank ("ECB"), significantly impacted the business environment and conditions in the financial markets of the eurozone. Throughout 2024, the ECB continued to ease its restrictive monetary policy measures, by lowering key interest rates on four occasions – in June, September, October and December. The deposit facility rate was reduced by a total of 100 basis points in 2024.

In 2024, the Central Bank invested and reinvested foreign currency reserves funds in an environment of favourable market circumstances and conditions, which had positive influence on the Central Bank's key financial indicators and enabled further stabilization of the currency board. The Central Bank's key financial indicators and results as at and for the year ending 31 December 2024 are as follows:

The Central Bank's net foreign assets amount to KM 1,363,695 thousand as at 31 December 2024,

The Central Bank's net profit amounts to KM 412,600 thousand for 2024,

The amount of annual net profit to be transferred to the budget of Bosnia and Herzegovina is KM 244,307 thousand and represents the Central Bank's liability as at 31 December 2024 and

The Central Bank's equity, after the allocation of the annual net profit, amounts to KM 1,198,183 thousand as at 31 December 2024.

Throughout 2024, the Central Bank directed more of its foreign currency reserves funds into a portfolio of debt instruments at fair value through other comprehensive income and additionally purchased 64,000 ounces of monetary gold. Meanwhile, the interest income arising from interest-bearing components of foreign currency reserves was the main income generator for the Central Bank's net profit in 2024.

### 3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

#### 3.13. Conditions in the environment for performing the Central Bank's operations in 2024 (continued)

The total equity of the Central Bank for 2024 was primarily increased by the financial results of the foreign currency reserve investment process, which included the growth of interest income and the financial effects of changes in the market values of the components of foreign currency reserves that are subsequently measured at fair value. The net changes in the fair value of debt instruments at fair value through other comprehensive income, as well as monetary gold, amount to KM 118,590 thousand for 2024. These, along with the achieved annual net profit, resulted in a total comprehensive income of KM 531,190 thousand.

In 2024, the Central Bank concluded an agreement with the World Bank to join the Reserve Advisory & Management Partnership (RAMP), and a part of the Central Bank's foreign currency reserves funds was redirected to an external portfolio manager for management on this basis. As at 31 December 2024, the external portfolio manager has invested the entrusted foreign currency reserve funds in debt instruments denominated in EUR and USD currency.

More information on changes and analytical balances of significant foreign currency reserves components, as well as the corresponding amounts that have affected net foreign assets, annual net profit and equity of the Central Bank are disclosed in the following notes:

<b>Note</b>	<b>Title</b>
<a href="#">4</a>	Currency board arrangement
<a href="#">8</a>	Deposits with foreign banks
<a href="#">10</a>	Debt instruments at fair value through other comprehensive income
<a href="#">11</a>	Monetary gold
<a href="#">22</a>	Net interest income
<a href="#">32</a>	Equity

The increase in the amount of monetary liabilities in 2024 is primarily the result of the net financial effects of performed transactions of KM purchases and sales with resident banks and for Central Bank's depositors, as well as net foreign currency inflows from the resident banks into EUR reserve accounts, to fulfil the required reserve requirements in accordance with the new required reserve framework. In addition, resident banks have been withdrawing and returning KM banknotes and coins through the Central Bank's dislocated vaults with a non-cyclical intensity, which resulted in cumulative net increase in KM banknotes and coins in circulation compared to 31 December 2023 with simultaneous net decrease of resident bank's reserve accounts on this basis.

All resident banks have regularly fulfilled the required reserve in accordance with the Central Bank's legal regulations. From 1 January 2024, the Central Bank has applied new required reserve framework for resident banks. The new framework defines the remuneration rates arising from the required reserves funds which are calculated and paid to resident banks. During 2024, The Central Bank did not change the remuneration rates.

More information on changes and analytical balances of monetary liabilities components and applied Central Bank's required reserve policy are disclosed in the following Notes:

<b>Note</b>	<b>Title</b>
<a href="#">17</a>	Banknotes and coins in circulation
<a href="#">18</a>	Deposits from banks
<a href="#">19</a>	Deposits from the Government and other public institutions
<a href="#">22</a>	Net interest income

#### 4. CURRENCY BOARD ARRANGEMENT

The currency board is an arrangement with a fixed foreign currency exchange rate which is tied to a stable foreign currency, known as the reserve currency, where the total amount of domestic currency can be freely converted to reserve currency at any time. Each issued KM has full coverage in foreign currency to which it is tied at the fixed EUR foreign currency exchange rate. The Law on the Central Bank defines the rule “currency board” for issuing currency, under which the Central Bank is obliged to ensure that total amount of its monetary liabilities never exceed the equivalent amount (expressed in KM) of its net foreign currency reserves.

Details of compliance with that rule are as follows:

In thousands of KM	31 December 2024	31 December 2023
<b>Official foreign currency reserves</b>		
Cash in foreign currencies	525,980	455,191
Deposits with foreign banks	6,786,228	8,326,590
Special Drawing Rights with the IMF	4,771	2,073
Debt instruments	9,768,714	7,330,551
Monetary gold	555,157	175,459
<b>TOTAL</b>	<b>17,640,850</b>	<b>16,289,864</b>
<b>Liabilities to non-residents</b>	<b>2,462</b>	<b>2,454</b>
<b>Net foreign currency reserves</b> (Official foreign currency reserves less liabilities to non-residents)	<b>17,638,388</b>	<b>16,287,410</b>
<b>Monetary liabilities</b>		
Banknotes and coins in circulation	7,959,215	7,565,108
Deposits from banks	7,455,395	7,083,235
Deposits from the Government and other public institutions	860,083	752,898
<b>TOTAL</b>	<b>16,274,693</b>	<b>15,401,241</b>
<b>NET FOREIGN ASSETS</b> (Net foreign currency reserves less monetary liabilities)	<b>1,363,695</b>	<b>886,169</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 stability of domestic currency, respectively monetary stability and absorb potential financial risks arising from official currency reserves management. Significantly improved financial performances of the Central Bank have led to the increase in the Central Bank’s net foreign assets in 2024, as a main indicator of the currency board stability. As at 31 December 2024, the financial balance of net foreign assets amounts to KM 1,363,695 thousand and the stability of domestic currency is completely provided (31 December 2023: KM 886,169 thousand).



#### 4. CURRENCY BOARD ARRANGEMENT (CONTINUED)

More information on financial risks to which the Central Bank has been exposed in foreign currency reserves management is disclosed in [Note 6](#).

As at reporting dates, the Central Bank's adequate capitalisation level has ensured implementation of its functions prescribed by the Law on Central Bank. For more information see [Note 32](#).

#### 5. 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.

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

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

The following table analyses financial assets measured at fair value at each reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts represent values that are presented in the statement of financial position.

**In thousands of KM**

	<b>31 December 2024</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets</b>				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	8,639,813	-	-	8,639,813
Monetary gold	555,157	-	-	555,157
<b>TOTAL</b>	<b>9,194,970</b>	<b>-</b>	<b>-</b>	<b>9,194,970</b>

**In thousands of KM**

	<b>31 December 2023</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets</b>				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	6,150,130	-	-	6,150,130
Monetary gold	175,459	-	-	175,459
<b>TOTAL</b>	<b>6,325,589</b>	<b>-</b>	<b>-</b>	<b>6,325,589</b>

Financial assets are measured at fair value in the statement of financial position using the last quoted bid prices in an active market, taken from official services, which correspond to Level 1 hierarchy as at reporting dates. Market prices from the official service Bloomberg are used for fair value measurement of debt instruments. Market prices from the official service Reuters are used for fair value measurement of monetary gold.

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

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

**In thousands of KM**

	<b>31 December 2024</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	525,980	525,980
Deposits with foreign banks	6,786,228	6,786,228
Special Drawing Rights with the IMF	4,771	4,771
Debt instruments at amortised cost	1,128,901	1,041,621
Other financial assets	4,121	4,121
	<i>8,450,001</i>	<i>8,362,721</i>
<i>Financial assets measured at fair value through other comprehensive income - cost choice:</i>		
Other investments	27,813	27,813
	<i>27,813</i>	<i>27,813</i>
<b>Total</b>	<b>8,477,814</b>	<b>8,390,534</b>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	7,959,215	7,959,215
Deposits from banks	7,455,395	7,455,395
Deposits from the Government and other public institutions	860,083	860,083
Other financial liabilities	250,245	250,245
<b>Total</b>	<b>16,524,938</b>	<b>16,524,938</b>

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

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

In thousands of KM

	<b>Carrying amount</b>	<b>31 December 2023 Fair value</b>
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	455,191	455,191
Deposits with foreign banks	8,326,590	8,326,590
Special Drawing Rights with the IMF	2,073	2,073
Debt instruments at amortised cost	1,180,421	1,084,267
Other financial assets	3,539	3,539
	9,967,814	9,871,660
<i>Financial assets at 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>9,995,627</b>	<b>9,899,473</b>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	7,565,108	7,565,108
Deposits from banks	7,083,235	7,083,235
Deposits from the Government and other public institutions	752,898	752,898
Other financial liabilities	68,423	68,423
<b>Total</b>	<b>15,469,664</b>	<b>15,469,664</b>

For financial assets and financial liabilities not measured at fair value, fair value of these components is considered for the purpose of disclosing information on their estimated fair value. The Management considers that carrying amounts of financial assets at amortised cost, other investments and financial liabilities at amortised cost, except for debt instruments at amortised cost, represent reasonable estimation of their fair value as at reporting dates. The above-mentioned estimate is made considering the specific position of the Central Bank as the supreme monetary authority operating under currency board arrangement, as well as dominant short-term nature of these components. For more information see [Notes 6.3.](#) and [8.](#)

As at reporting dates, financial assets and financial liabilities not measured at fair value are included in Level 2 of fair value measurement, except for debt instruments at amortised cost which are included in 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.

## 6. FINANCIAL RISK MANAGEMENT

Financial assets which represent the Central Bank's exposure to financial risks (credit risk, market risks and liquidity risk) are:

- Cash in foreign currencies,
- Deposits with foreign banks (central banks, commercial banks and BIS),
- Special Drawing Rights with the IMF,
- Debt instruments at fair value through other comprehensive income,
- Monetary gold,
- Debt instruments at amortised cost,
- Other financial assets (resident banks' receivables, employees' loans and other receivables) and
- Other investments.

The management of foreign currency reserves and the management of financial risks in the process of managing foreign currency reserves are significantly influenced by movements in financial markets, primarily movements in the eurozone financial market, which are affected by a large number of different factors, with the most important being the measures taken by the ECB and other leading central banks at the global level.

All three key ECB interest rates were reduced in June, September, October and December 2024. Deposit facility rate was reduced from 4.00%, at the beginning of the year, to 3.00% by the end of the year. Main refinancing operations rate was reduced from 4.50% to 3.15%, while marginal lending facility rate was reduced from 4.75% to 3.40%. The primary determinant of the ECB's monetary policy remains the eurozone inflation level, with an aim of achieving medium-term targeted inflation level of 2.00%. The ECB's Governing Council emphasizes that, when determining monetary policy, it does not decide on certain changes in interest rates dynamics in advance, but it applies an approach based on the most recent available data. The ECB's Governing Council decisions on interest rates, as they stated, will depend on the assessment of future inflation movements based on the most recent macroeconomic and financial data, as well as the dynamics of core inflation and strength of monetary policy transmission.

The reduction in key interest rates in the eurozone, as in previous years, has reflected on the movement of market interest rates (Euribor) and market yields on euro-denominated bonds in 2024. In the middle of the year, there was a more pronounced decline in bond yields of eurozone member states, while the yields on the short-term bonds have mostly maintained this trend until the end of the year. On the other hand, yields on medium-term and long-term bonds recorded a slight upward correction at the end of the year due to the expectations that the future ECB interest rate cuts are unlikely to be as intensive.

In addition, the expectations regarding the future monetary policy of the US Federal Reserve System (Fed) had an impact on these movements of yields. During 2024, the US central bank, reduced the reference interest rate three times (in September, November and December) by a total of 100 basis points.

The yield curve for government bonds in the eurozone financial market still remains inverse in the current reporting period, that is, the yields on government bonds of longer remaining maturities are still lower than short-term market yields and short-term interest rates in the eurozone financial market.

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.1. 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 in which, in accordance with the Central Bank's regulations, foreign currency reserves are held or invested.

The management of credit risk is performed through:

- limiting the scope of financial instruments,
- limiting counterparties and issuers to those with acceptable composite credit rating,
- defining concentration limits for investments with an individual counterparty,
- limiting the maximum amount to be invested into individual types of financial instruments,
- limiting the size of the issue of individual securities and
- limiting maturities.

For the funds recorded in off-balance sheet records, the Central Bank is not exposed to credit risk, since all the risk, which may result from the investments of these funds, are borne contractually by the owners of these funds (see [Notes 35](#) and [36](#)).

#### **Expected credit loss measurement**

Financial assets for which the Central Bank calculates the expected credit losses includes:

- Deposits with foreign banks,
- Special Drawing Rights with IMF,
- Debt instruments at fair value through other comprehensive income,
- Debt instruments at amortised cost and
- Other financial assets (resident banks' receivables, employees' loans and other receivables).

The basic criteria for defining the limit of exposure to credit risk is the composite credit rating. Composite credit rating is the average of current ratings assigned to a certain entity by at least two out of three credit rating agencies (Standard and Poor's, Fitch ratings or Moody's).

Financial assets which have the composite credit rating AA minus (AA-) or higher, the Central Bank treats as low credit risk exposure.

Financial assets which have the composite credit rating from BBB minus (BBB-) to A plus (A+), the Central Bank treats as medium credit risk exposure.

Financial assets which have the composite credit rating below BBB minus (BBB-), the Central Bank treats as high credit risk exposure.

In the absence of credit rating, the Central Bank estimates the borrower's capacity to properly repay his contractual cash obligations.

Model for impairment of financial assets defines three stages based on the credit risk level at initial recognition and changes in the credit risk level after initial recognition as summarized below:

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.1. Credit risk (continued)

1. Stage 1 of exposure distribution – Financial assets which are treated by the Central Bank as the low or medium credit risk exposure are allocated to Stage 1 at initial recognition. In accordance with internal Central Bank’s regulations, investments of foreign currency reserves are not allowed to the high credit risk exposure. Each investment of foreign currency reserves at initial recognition is allocated to Stage 1 of exposure distribution.
2. Stage 2 of exposure distribution – If a significant increase in credit risk since initial recognition is identified, financial assets which were allocated to Stage 1 will be transferred to Stage 2.
3. Stage 3 of exposure distribution – The criteria for movement into Stage 3 is assigning the default status to financial assets.

The calculation of expected credit losses is measured on a 12-month basis or a lifetime basis, depending on financial asset’s composite credit rating level, if the significant increase in credit risk has occurred from the moment of financial assets’ initial recognition and depending on if the financial asset is credit-impaired.

For financial assets allocated in Stage 1, the expected credit losses are measured on a 12-month basis, while for financial assets allocated in Stage 2 or Stage 3 the expected credit losses are measured on a lifetime basis.

#### **Significant increase in credit risk**

Significant increase in credit risk, as criteria for transfer of exposure into Stage 2, represents:

- The decrease in composite credit rating for more than two notches in relation to initial recognition date, excluding the financial assets which even after the decrease in composite credit rating is treated as the low credit risk exposure at reporting date or
- The decrease in composite credit rating of financial assets below investment level of composite credit rating, i.e., below the BBB minus (BBB-) rating.

Financial assets cannot be allocated from Stage 1 to Stage 2 if the Central Bank considers that the debtor, which does not have credit rating assigned, has high capacity to settle all matured contractual obligations. Financial assets cannot be allocated to Stage 2 if, even after the decrease in the level of composite credit rating, the financial assets have rating AA minus (AA-) or higher, considering that it is treated as low credit risk exposure.

If financial instrument is consisted of multiple tranches that were initially recognised in different periods, and which in different periods had different composite credit ratings, by using the conservative approach, the Central Bank will take as relevant the calculated increase in credit risk from the highest notch.

If the change in credit risk rating occurred due to the change in certain credit rating agency methodology and the significant increase in credit risk did not occur related to initially estimated risks, the exposures will not be classified into Stage 2.

The Central Bank, based on its analysis, can determine the allocation of every individual financial asset into Stage 2 or Stage 3. If the causes that led to the transfer of financial asset in Stage 2 have been removed, the exposure can be reverted to Stage 1, but at least 90 days after removal of the cause.

In addition to the criteria mentioned above, stage classification can be performed based on assumption that the significant increase in credit risk has occurred if the payment is delayed for 30 days or more, where the financial assets will be classified to Stage 2 (underperforming) if the payment is delayed for 30 to 89 days. Financial assets will be classified to the Stage 3 (nonperforming) if payment is delayed for 90 days or more.

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.1. Credit risk (continued)

#### Definition of default

Default criteria are objective evidences of impairment, especially:

- Significant financial difficulties of securities' issuers,
- Breach of contractual obligations in terms of delinquency on principal and interest,
- Any restructuring or modification of the existing terms of servicing obligations arising from financial instrument debt for reasons related to financial difficulties of the issuer,
- Probability of bankruptcy and/or liquidation or other form of financial reorganization and/or
- Disappearance of an active trading market.

#### Expected credit loss calculation

Expected credit losses are calculated as the product of three variables: The Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), defined as follows:

- **Probability of Default (PD)** is an estimate of the probability that another counterparty will not be able to meet its debt obligations. In the reporting periods, the same PD calculation method was used, in accordance with the Central Bank's methodology for expected credit losses calculation which was introduced on 1 January 2019.

During 2024, the parameters for calculating the probability of default for exposures to foreign banks and exposures to foreign debt instruments were updated, in light of the perception of an increased credit risks due to the intensification of geopolitical tensions and their impact on the global economy. This led to a higher probability of default for all exposures that have been assigned sovereign and corporate ratings by the global leading rating agencies, which has caused higher amounts of expected credit losses. For the impairment calculation, in accordance with best practices in other central banks in region and European Union, which are obliged to comply with IFRS, the Central Bank, as a parameter of the probability of default, uses the estimates based on data from transition matrices which are published by credit rating agencies and expert judgement in the form of fixed percentages of probability of default.

For probability of default calculation, the estimates are based on transition matrices for corporations on a global level which contain data on one-year transition average rate of long-term credit rating level in status "D" i.e., default or status "SD", i.e., selective default. Based on data mentioned above, the probability of default estimates is calculated for exposures to foreign commercial banks and foreign countries, respectively foreign central banks and governments, for which it is possible to calculate composite credit rating. For probability of default estimates of exposures to foreign countries, respectively foreign central banks and governments, the first non-zero data on one-year transition rate of sovereign ratings is taken into consideration in status "D" i.e., default or status "SD" i.e., selective default from transition matrices for sovereign rating. For exposures for which the composite credit rating cannot be calculated, in both reporting periods, expert judgements in terms of fixed percentages are used, respectively the simplified approach in accordance with the current situation analysis and former experience.

- **Loss Given Default (LGD)** is an estimate of the percentage of exposure to the issuer/entity which cannot be collected if a default event occurs. For loss given default, the Central Bank uses constant value of one-year LGD, 45 per cent (45%), in accordance with the article 161. of the Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 (Capital Requirements Regulations i.e., CRR).



## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.1. Credit risk (continued)

- **Exposure at Default (EAD)** represents the carrying amount of the financial assets, i.e., the carrying amount at the initial recognition date/at the reporting date.

Impairment amount for exposures that are subject of the individual evaluation approach is calculated as a difference between the financial asset carrying amount and probability weighted present value of the estimated cash flows, discounted with the effective interest rate, where the expected credit losses are discounted at the reporting date, not at the date of expected default or any other date.

For the purpose of determining a significant increase in credit risk and the recognition of expected credit losses, financial instruments may be grouped on the basis of common credit risk characteristics to facilitate the timely analysis of significant increase in credit risk determination.

Impairment calculation on a collective basis for financial instruments allocated in Stage 1 is carried out on a 12-month basis, while for exposures allocated in Stage 2, the lifetime credit loss is calculated.

#### **Forward-looking information incorporation**

The purpose of the impairment is to recognise expected credit losses on a lifetime basis for financial assets that had a significant increase in credit risk compared to initially estimated risks, whether the estimation is on individual or collective basis, considering all reasonable and substantiated information including those related to the future.

In accordance with the above, incorporation of forward-looking information in expected credit losses calculation is done by adjusting the probability of default.

Given that the Central Bank in its portfolio has financial instruments of issuers that are different by structure as well as by geographical distribution, in relation to incorporating forward looking information in expected credit losses calculation, the Central Bank relies on predicting changes in credit ratings for individual financial instruments, respectively issuers.

Predictions of credit rating movement directions on calculated probability of default of three biggest credit rating agencies: positive, stable or negative outlook, is incorporated in probability of default by the principle of equal probabilities.

The Central Bank uses individual and collective approach for impairment.

Considering the portfolio structure and classification, the Central Bank will consider every exposure for which the objective impairment is determined, respectively the default is determined, as individually significant exposure and will apply the individual estimation approach. For an individual approach to impairment assessment, three different scenarios are used. It is not necessary to determine each possible scenario for the expected credit losses measurement, but it needs to be taken into the consideration the risk or likelihood of a credit loss occurring in a way that reflects the probability of a credit loss and the probability that there will be no credit loss, even when the probability of credit loss is very low.

#### **6.1.1. 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 at the reporting dates:

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

**6.1. Credit risk (continued)**

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

In thousands of KM

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>1. Deposits with foreign banks</b>								
<b>As at 1 January</b>	<b>1,657</b>	-	-	<b>1,657</b>	<b>1,850</b>	-	-	<b>1,850</b>
Increases in expected credit losses	10,472	-	-	10,472	13,096	-	-	13,096
Releases of expected credit losses	(183)	-	-	(183)	(139)	-	-	(139)
Releases due to derecognition of term deposits	(9,615)	-	-	(9,615)	(13,150)	-	-	(13,150)
<b>As at 31 December</b>	<b>2,331</b>	-	-	<b>2,331</b>	<b>1,657</b>	-	-	<b>1,657</b>
<b>2. Special Drawing Rights with the IMF</b>								
<b>As at 1 January</b>	-	-	-	-	-	-	-	-
Increases in expected credit losses	-	-	-	-	-	-	-	-
Releases of expected credit losses	-	-	-	-	-	-	-	-
<b>As at 31 December</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>								
<b>As at 1 January</b>	<b>904</b>	-	-	<b>904</b>	<b>910</b>	-	-	<b>910</b>
Increases in expected credit losses	2,299	-	-	2,299	619	-	-	619
Releases of expected credit losses	(46)	-	-	(46)	(28)	-	-	(28)
Releases due to debt instruments matured	(606)	-	-	(606)	(492)	-	-	(492)
<i>Net increases during the year</i>	<i>1,647</i>	-	-	<i>1,647</i>	<i>99</i>	-	-	<i>99</i>
Net releases due to debt instruments sold	(37)	-	-	(37)	(105)	-	-	(105)
<b>As at 31 December</b>	<b>2,514</b>	-	-	<b>2,514</b>	<b>904</b>	-	-	<b>904</b>

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

**6.1. Credit risk (continued)**

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

In thousands of KM

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>4. Debt instruments at amortised cost</b>								
<b>As at 1 January</b>	<b>219</b>	-	-	<b>219</b>	<b>225</b>	-	-	<b>225</b>
Increases in expected credit losses	199	-	-	199	3	-	-	3
Releases of expected credit losses	(12)	-	-	(12)	(9)	-	-	(9)
Releases due to debt instruments matured	(26)	-	-	(26)	-	-	-	-
<b>As at 31 December</b>	<b>380</b>	-	-	<b>380</b>	<b>219</b>	-	-	<b>219</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>601</b>	<b>607</b>
Increases in expected credit losses	6	-	-	6	7	-	-	7
Releases of expected credit losses	(6)	-	-	(6)	(7)	-	-	(7)
<b>As at 31 December</b>	<b>6</b>	-	<b>601</b>	<b>607</b>	<b>6</b>	-	<b>601</b>	<b>607</b>
<b>Total opening balance at 1 January</b>	<b>2,786</b>	-	<b>601</b>	<b>3,387</b>	<b>2,991</b>	-	<b>601</b>	<b>3,592</b>
Total net increases in / (releases) of expected credit losses during the year	2,445	-	-	2,445	(205)	-	-	(205)
<b>Total closing balance at 31 December</b>	<b>5,231</b>	-	<b>601</b>	<b>5,832</b>	<b>2,786</b>	-	<b>601</b>	<b>3,387</b>

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

**6.1. Credit risk (continued)**

**6.1.2. Credit risk concentration**

**a) Maximum exposure to credit risk - financial instruments subject to impairment**

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

In thousands of KM	31 December 2024				31 December 2023			
Classes of financial instruments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Cash in foreign currencies</b>								
Gross carrying amount	525,980	-	-	525,980	455,191	-	-	455,191
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>525,980</b>	<b>-</b>	<b>-</b>	<b>525,980</b>	<b>455,191</b>	<b>-</b>	<b>-</b>	<b>455,191</b>
<b>Deposits with foreign banks</b>								
Gross carrying amount	6,788,559	-	-	6,788,559	8,328,247	-	-	8,328,247
Impairment	(2,331)	-	-	(2,331)	(1,657)	-	-	(1,657)
<b>Carrying amount</b>	<b>6,786,228</b>	<b>-</b>	<b>-</b>	<b>6,786,228</b>	<b>8,326,590</b>	<b>-</b>	<b>-</b>	<b>8,326,590</b>
<b>Special Drawing Rights with the IMF</b>								
Gross carrying amount	4,771	-	-	4,771	2,073	-	-	2,073
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>4,771</b>	<b>-</b>	<b>-</b>	<b>4,771</b>	<b>2,073</b>	<b>-</b>	<b>-</b>	<b>2,073</b>
<b>Debt instruments at fair value through other comprehensive income</b>								
Gross carrying amount	8,639,813	-	-	8,639,813	6,150,130	-	-	6,150,130
Provisions for expected credit losses (recognised in other comprehensive income)	2,514	-	-	2,514	904	-	-	904
<b>Gross carrying amount</b>	<b>8,639,813</b>	<b>-</b>	<b>-</b>	<b>8,639,813</b>	<b>6,150,130</b>	<b>-</b>	<b>-</b>	<b>6,150,130</b>

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

**6.1. Credit risk (continued)**

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

In thousands of KM	31 December 2024				31 December 2023			
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	1,129,281	-	-	1,129,281	1,180,640	-	-	1,180,640
Impairment	(380)	-	-	(380)	(219)	-	-	(219)
<b>Carrying amount</b>	<b>1,128,901</b>	<b>-</b>	<b>-</b>	<b>1,128,901</b>	<b>1,180,421</b>	<b>-</b>	<b>-</b>	<b>1,180,421</b>
<b>Other financial assets</b>								
Gross carrying amount	4,127	-	601	4,728	3,545	-	601	4,146
Impairment	(6)	-	(601)	(607)	(6)	-	(601)	(607)
<b>Carrying amount</b>	<b>4,121</b>	<b>-</b>	<b>-</b>	<b>4,121</b>	<b>3,539</b>	<b>-</b>	<b>-</b>	<b>3,539</b>

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

**6.1. Credit risk (continued)**

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

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

In thousands of KM	31 December 2024	31 December 2023
<b>Carrying amounts</b>		
Monetary gold	555,157	175,459
Other investments	27,813	27,813
<b>TOTAL</b>	<b>582,970</b>	<b>203,272</b>

The Central Bank does not hold any collateral or other credit enhancements for the credit risk coverage. As at 31 December 2024 the Central Bank does not have any assets that are past due but unpaid, and has impaired assets in the amount of KM 601 thousand (31 December 2023: The Central Bank did not have any assets that are past due but unpaid, and had impaired assets in the amount of KM 601 thousand).

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

**6.1. Credit risk (continued)**

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

**Concentration per credit rating**

The tables below present an analysis of the Central Bank's concentration per composite credit rating to the counterparty for its financial assets as at reporting dates:

In thousands of KM

**31 December 2024**

Credit rating	Cash in foreign currencies	Deposits with foreign banks	Special Drawing Rights with the IMF	Debt instruments at fair value through other comprehensive income	Monetary gold	Debt instruments at amortised cost	Other financial assets	Other investments	Total
AAA	-	3,590,164	-	2,413,995	-	142,730	-	-	6,146,889
AA+	-	601	-	1,830,820	-	285,063	-	-	2,116,484
AA	-	8,625	-	61,464	-	55,400	-	-	125,489
AA-	-	1,406,504	-	2,778,154	-	316,143	-	-	4,500,801
A+	-	877,999	-	-	-	-	-	-	877,999
A	-	472,428	-	131,506	-	41,279	-	-	645,213
A-	-	-	-	781,479	-	192,408	-	-	973,887
II <sup>1</sup>	-	432,238	4,771	-	555,157	-	-	27,813	1,019,979
BBB+	-	-	-	-	-	-	-	-	-
BBB	-	-	-	642,395	-	96,258	-	-	738,653
BBB-	-	-	-	-	-	-	-	-	-
Unrated	525,980	-	-	-	-	-	4,728	-	530,708
<b>Total</b>	<b>525,980</b>	<b>6,788,559</b>	<b>4,771</b>	<b>8,639,813</b>	<b>555,157</b>	<b>1,129,281</b>	<b>4,728</b>	<b>27,813</b>	<b>17,676,102</b>
Impairment	-	(2,331)	-	-	-	(380)	(607)	-	(3,318)
<b>TOTAL</b>	<b>525,980</b>	<b>6,786,228</b>	<b>4,771</b>	<b>8,639,813<sup>2</sup></b>	<b>555,157</b>	<b>1,128,901</b>	<b>4,121</b>	<b>27,813</b>	<b>17,672,784</b>

<sup>1</sup> International institutions

<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

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

**6.1. Credit risk (continued)**

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

In thousands of KM

**31 December 2023**

Credit rating	Cash in foreign currencies	Deposits with foreign banks	Special Drawing Rights with the IMF	Debt instruments at fair value through other comprehensive income	Monetary gold	Debt instruments at amortised cost	Other financial assets	Other investments	Total
AAA	-	3,914,210	-	2,015,799	-	141,871	-	-	6,071,880
AA+	-	431	-	653,467	-	283,696	-	-	937,594
AA	-	836,324	-	1,578,434	-	221,715	-	-	2,636,473
AA-	-	806,995	-	723,414	-	146,741	-	-	1,677,150
A+	-	-	-	-	-	-	-	-	-
A	-	2,224,953	-	37,616	-	41,528	-	-	2,304,097
A-	-	-	-	683,479	-	191,383	-	-	874,862
II <sup>3</sup>	-	545,334	2,073	-	175,459	-	-	27,813	750,679
BBB+	-	-	-	-	-	-	-	-	-
BBB	-	-	-	457,921	-	153,706	-	-	611,627
BBB-	-	-	-	-	-	-	-	-	-
Unrated	455,191	-	-	-	-	-	4,146	-	459,337
<b>Total</b>	<b>455,191</b>	<b>8,328,247</b>	<b>2,073</b>	<b>6,150,130</b>	<b>175,459</b>	<b>1,180,640</b>	<b>4,146</b>	<b>27,813</b>	<b>16,323,699</b>
Impairment	-	(1,657)	-	-	-	(219)	(607)	-	(2,483)
<b>TOTAL</b>	<b>455,191</b>	<b>8,326,590</b>	<b>2,073</b>	<b>6,150,130<sup>4</sup></b>	<b>175,459</b>	<b>1,180,421</b>	<b>3,539</b>	<b>27,813</b>	<b>16,321,216</b>

<sup>3</sup> International institutions

<sup>4</sup> Provisions for expected credit losses do not reduce the gross carrying amount of debt instruments at fair value through other comprehensive income



## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.1. Credit risk (continued)

#### 6.1.2. Credit risk concentration (continued)

##### Geographical concentration of risks of financial assets with credit risk exposure

The following tables provide the information on the Central Bank's main credit risk exposure at their gross carrying amounts, categorized by geographical region as at reporting dates. For the purposes of this disclosure, the Central Bank has allocated exposures to regions based on the country of domicile of its counterparties:

#### 31 December 2024

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Cash in foreign currencies	-	-	525,980	525,980
Deposits with foreign banks	3,834,332	2,954,227	-	6,788,559
Special Drawing Rights with the IMF	-	4,771	-	4,771
Debt instruments at fair value through other comprehensive income	8,553,500	86,313	-	8,639,813
Monetary gold	-	555,157	-	555,157
Debt instruments at amortised cost	1,129,281	-	-	1,129,281
Other financial assets	-	-	4,728	4,728
Other investments	10	27,803	-	27,813
<b>Total</b>	<b>13,517,123</b>	<b>3,628,271</b>	<b>530,708</b>	<b>17,676,102</b>
			Impairment	(3,318)
			<b>TOTAL</b>	<b>17,672,784</b>

#### 31 December 2023

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Cash in foreign currencies	-	-	455,191	455,191
Deposits with foreign banks	4,967,125	3,361,122	-	8,328,247
Special Drawing Rights with the IMF	-	2,073	-	2,073
Debt instruments at fair value through other comprehensive income	6,150,130	-	-	6,150,130
Monetary gold	-	175,459	-	175,459
Debt instruments at amortised cost	1,180,640	-	-	1,180,640
Other financial assets	-	-	4,146	4,146
Other investments	10	27,803	-	27,813
<b>Total</b>	<b>12,297,905</b>	<b>3,566,457</b>	<b>459,337</b>	<b>16,323,699</b>
			Impairment	(2,483)
			<b>TOTAL</b>	<b>16,321,216</b>

Interest-bearing components of foreign currency reserves, analysed by the country where the funds are invested, are disclosed in [Notes 8](#), [10](#) and [12](#).

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.2. Market risk

Market risk is the risk of market value changes in the financial assets and instruments due to the changes in the financial market conditions. The market risks that the Central Bank is exposed in its operations are: foreign exchange risk, interest rate risk and gold price risk. The goal of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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 represents a statistical measure which shows the maximum loss that can occur in foreign currency reserves portfolio due to the changes in the financial instruments prices and the foreign exchange rates, given a certain level of confidence and a particular time horizon. 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.

For the calculation of VaR of the Central Bank's foreign currency reserves portfolio, all positions which are exposed to market risks, i.e., foreign exchange risk, interest rate risk and price risk, in foreign currency reserves portfolio are considered. As at 31 December 2024, the exposure of the Central Bank's foreign currency reserves (VaR at a level of confidence of 99% for a 10-day horizon), including fluctuations of the prices of financial instruments and foreign exchange rates against the KM, equals to KM 73,590 thousand (2023: KM 29,493 thousand), which represents the equivalent of 0.42% of the total financial assets (2023: 0.18% of the total financial assets).

The Value at Risk, in relation to 2023, increased primarily due to the increased risk of changes in EUR price of monetary gold (contribution to increase in VaR is 63.13%) and due to the increased interest rate risk of the Central bank's foreign currency reserves portfolio (contribution to increase in VaR is 36.03%).

VaR values as at reporting dates are calculated as the sum of componential VaR values:

- for the part of debt instruments at fair value through other comprehensive income and deposits with foreign banks (currency VaR due to changes in foreign exchange rates),
- for debt instruments at fair value through other comprehensive income (interest rate VaR due to changes in market yields, i.e., changes in market prices of debt instruments) and
- for monetary gold (VaR due to changes in EUR price of monetary gold).

In thousands of KM	31 December 2024	31 December 2023
Interest rate risk	37,528	21,641
Risk of change in EUR price of monetary gold	35,314	7,477
Foreign exchange risk	748	375
<b>Total VaR</b>	<b>73,590</b>	<b>29,493</b>

#### 6.2.1. Foreign exchange risk

Foreign exchange risk is the risk of changes in foreign currency assets and liabilities due to the 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 through setting the quantitative limits for exposure to foreign exchange risk.

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.2. Market risk (continued)

#### 6.2.1. Foreign exchange risk (continued)

The control and management of 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 unimpaired equity and reserves of the Central Bank.

The following table shows foreign currency position as at 31 December 2024 and 31 December 2023:

#### 31 December 2024

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Cash in foreign currencies	525,980	-	-	-	525,980
Deposits with foreign banks	6,761,143	17,083	8,002	-	6,786,228
Special Drawing Rights with the IMF	-	-	4,771	-	4,771
Debt instruments at fair value through other comprehensive income	8,553,500	86,313	-	-	8,639,813
Monetary gold	555,157	-	-	-	555,157
Debt instruments at amortised cost	1,128,901	-	-	-	1,128,901
Other financial assets	66	-	-	4,055	4,121
Other investments	10	-	-	27,803	27,813
<b>Total financial assets</b>	<b>17,524,757</b>	<b>103,396</b>	<b>12,773</b>	<b>31,858</b>	<b>17,672,784</b>
Banknotes and coins in circulation	-	-	-	7,959,215	7,959,215
Deposits from banks	623,510	-	-	6,831,885	7,455,395
Deposits from the Government and other public institutions	-	-	-	860,083	860,083
Other financial liabilities	745	263	1	249,236	250,245
<b>Total financial liabilities</b>	<b>624,255</b>	<b>263</b>	<b>1</b>	<b>15,900,419</b>	<b>16,524,938</b>
<b>NET FOREIGN EXCHANGE POSITION</b>	<b>16,900,502</b>	<b>103,133</b>	<b>12,772</b>	<b>(15,868,561)</b>	<b>1,147,846</b>

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.2. Market risk (continued)

#### 6.2.1. Foreign exchange risk (continued)

31 December 2023

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Cash in foreign currencies	455,191	-	-	-	455,191
Deposits with foreign banks	8,313,378	6,829	6,383	-	8,326,590
Special Drawing Rights with the IMF	-	-	2,073	-	2,073
Debt instruments at fair value through other comprehensive income	6,150,130	-	-	-	6,150,130
Monetary gold	175,459	-	-	-	175,459
Debt instruments at amortised cost	1,180,421	-	-	-	1,180,421
Other financial assets	63	-	-	3,476	3,539
Other investments	10	-	-	27,803	27,813
<b>Total financial assets</b>	<b>16,274,652</b>	<b>6,829</b>	<b>8,456</b>	<b>31,279</b>	<b>16,321,216</b>
Banknotes and coins in circulation	-	-	-	7,565,108	7,565,108
Deposits from banks	-	-	-	7,083,235	7,083,235
Deposits from the Government and other public institutions	-	-	-	752,898	752,898
Other financial liabilities	561	23	1	67,838	68,423
<b>Total financial liabilities</b>	<b>561</b>	<b>23</b>	<b>1</b>	<b>15,469,079</b>	<b>15,469,664</b>
<b>NET FOREIGN EXCHANGE POSITION</b>	<b>16,274,091</b>	<b>6,806</b>	<b>8,455</b>	<b>(15,437,800)</b>	<b>851,552</b>

The Central Bank is not exposed to EUR foreign currency risk due to Currency Board arrangement aligning KM to EUR at fixed exchange rate of EUR 1 = KM 1.95583.

#### 6.2.2. 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.

The interest rate risk is managed by defining a target modified duration of invested foreign currency reserves, monitoring the value at risk, and selecting an appropriate market index which, with the necessary adjustments, represents the reference portfolio (benchmark) and prescribing the maximum amount of permitted deviation of the portfolio's return from the return of the corresponding benchmark (tracking error).

The target modified duration is shortened or extended by the appropriate regulations of the Central Bank, depending on the current structure of the portfolio of foreign currency reserves, current market conditions and available expectations and forecasts, and in accordance with the strategic determination that the maximum allowed term of investing debt instruments with fixed income is ten years, and the maximum allowed investment term of deposits with foreign banks is one year.

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.2 Market risk (continued)

#### 6.2.2. Interest rate risk (continued)

According to the regulations valid at the reporting dates, the target modified duration of the total portfolio of foreign currency reserves managed by the Central bank amounts to 1.10 years, with permitted deviations of +/- 0.40 years, while the target modified duration of the portfolio of debt instruments at fair value through other comprehensive income with the remaining term to maturity of more than one-year amounts to 2.20 years with permitted deviations of +/- 0.30 years.

For foreign currency reserve funds entrusted to an external portfolio manager for management under an agreement concluded with the World Bank as part of the RAMP Program, the modified duration deviation allowance is +/- 0.25 years from the respective benchmarks for the USD and EUR portfolio of debt instruments at fair value through other comprehensive income (Note 10).

The Central Bank uses a 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 a financial instrument to changes in interest rates, i.e., the market yield of a debt instrument. 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. During the fourth quarter of 2024, the modified duration of debt instruments at fair value through other comprehensive income, including funds of foreign currency reserves funds entrusted an external portfolio manager for management, was slightly extended and amounts to 1.35 years on 31 December 2024 (31 December 2023: 0.97 years), given the improved stability of the currency board.

The following tables present the Central Bank's exposure to interest rate risk as at reporting dates by the financial instrument's carrying amount, categorized (classified into maturity classes) under criteria of re-determining interest rate dates in accordance with contractual arrangements (contractual cash flows, 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, and debt instruments at amortised cost and deposits with foreign banks are classified into maturity classes according to the maturity date of the instrument:

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

**6.2 Market risk (continued)**

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

<b>31 December 2024</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>bearing</b>	
Cash in foreign currencies	-	-	-	-	525,980	525,980
Deposits with foreign banks	6,193,032	571,034	-	-	22,162	6,786,228
Special Drawing Rights with the IMF	4,742	-	-	-	29	4,771
Debt instruments at fair value through other comprehensive income	2,986,605	5,602,376	-	-	50,832	8,639,813
Monetary gold	-	-	-	-	555,157	555,157
Debt instruments at amortised cost	-	58,664	231,159	836,608	2,470	1,128,901
Other financial assets	-	-	-	-	4,121	4,121
Other investments	-	-	-	-	27,813	27,813
<b>Total financial assets</b>	<b>9,184,379</b>	<b>6,232,074</b>	<b>231,159</b>	<b>836,608</b>	<b>1,188,564</b>	<b>17,672,784</b>
Banknotes and coins in circulation	-	-	-	-	7,959,215	7,959,215
Deposits from banks	7,454,281	-	-	-	1,114	7,455,395
Deposits from the Government and other public institutions	-	-	-	-	860,083	860,083
Other financial liabilities	-	-	-	-	250,245	250,245
<b>Total financial liabilities</b>	<b>7,454,281</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,070,657</b>	<b>16,524,938</b>
<b>INTEREST RATE GAP</b>	<b>1,730,098</b>	<b>6,232,074</b>	<b>231,159</b>	<b>836,608</b>	<b>(7,882,093)</b>	<b>1,147,846</b>

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.2. Market risk (continued)

#### 6.2.2. Interest rate risk (continued)

31 December 2023						Non-	
In thousands of KM	Up to 3	From 3	From 1	Over 3	interest	Total	
	months	to 12	to 3 years	Years	bearing		
Cash in foreign currencies	-	-	-	-	455,191		455,191
Deposits with foreign banks	7,465,786	824,722	-	-	36,082		8,326,590
Special Drawing Rights with the IMF	2,053	-	-	-	20		2,073
Debt instruments at fair value through other comprehensive income	1,321,372	4,827,264	-	-	1,494		6,150,130
Monetary gold	-	-	-	-	175,459		175,459
Debt instruments at amortised cost	-	58,271	153,916	965,658	2,576		1,180,421
Other financial assets	-	-	-	-	3,539		3,539
Other investments	-	-	-	-	27,813		27,813
<b>Total financial assets</b>	<b>8,789,211</b>	<b>5,710,257</b>	<b>153,916</b>	<b>965,658</b>	<b>702,174</b>		<b>16,321,216</b>
Banknotes and coins in circulation	-	-	-	-	7,565,108		7,565,108
Deposits from banks	7,082,560	-	-	-	675		7,083,235
Deposits from the Government and other public institutions	-	-	-	-	752,898		752,898
Other financial liabilities	-	-	-	-	68,423		68,423
<b>Total financial liabilities</b>	<b>7,082,560</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,387,104</b>		<b>15,469,664</b>
<b>INTEREST RATE GAP</b>	<b>1,706,651</b>	<b>5,710,257</b>	<b>153,916</b>	<b>965,658</b>	<b>(7,684,930)</b>		<b>851,552</b>

#### *Sensitivity analysis based on scenarios of predefined changes in market yields*

In order to quantify the effects of exposure of foreign currency reserves to interest rate risk, as an addition to the VaR analysis, a stress test (sensitivity analysis) is used, which, based on the modified duration of the portfolio of debt instruments, predicts the possible effect of changes in interest rates (market yields) on the financial assets of the Central Bank.

For the Central Bank, the most important scenario is a possible unexpected growth in interest rates (fall in market prices of debt instruments), so the impact on financial assets is calculated in the event of an increase in interest rates (upward shift of the yield curve on euro bonds) according to the assumed scenario (predefined increases).

Interest rate risk sensitivity analysis based on scenarios of predefined changes in market yields (interest rates) expressed in basis points (bp) shows the effects of changes in the level of the bond yield curve in the eurozone (the yield curve on euro bonds) on the value of the bank's financial assets as at reporting dates.

The effects of a change in the level of the euro yield curve represent a fall in the market values of debt instruments for predefined increases in interest rates by 1, 50, 100 or 200 basis points. This analysis assumes that all other variables are unchanged at observed reporting dates.

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.2. Market risk (continued)

#### 6.2.2. Interest rate risk (continued)

Sensitivity analysis - scenarios of assumed changes in market yields as at 31 December 2024

Change in market yields	+/- 1 bp	+/- 50 bp	+/- 100 bp	+/- 200 bp
<b>Change of the financial assets value (in thousands of KM)</b>	(1,048)/1,048	(52,419)/52,419	(104,837)/104,837	(209,674)/209,674

Sensitivity analysis - scenarios of assumed changes in market yields as at 31 December 2023

Change in market yields	+/- 1 bp	+/- 50 bp	+/- 100 bp	+/- 200 bp
<b>Change of the financial assets value (in thousands of KM)</b>	(595)/595	(29,739)/29,739	(59,478)/59,478	(118,957)/118,957

In the case of the scenario of an upward shift of the yield curve on euro bonds by 1 bp (0.01%), the financial assets of the Central Bank would be decreased by KM 1,048 thousand as at 31 December 2024 (As at 31 December 2023: KM 595 thousand).

In the case of the scenario of a downward shift of the yield curve on euro bonds by 1 bp (0.01%), the financial assets of the Central Bank would be higher by KM 1,048 thousand as at 31 December 2024 (As at 31 December 2023: KM 595 thousand).

The effects on the value of financial assets in the case of a scenario of larger shifts (+/- 50 bp, +/- 100 bp, or +/- 200 bp) of the yield curve on euro bonds, would be proportional to the effects of the change in the value of financial assets caused by the mentioned shifts in the yield curve for +/- 1 bp (+/- 0.01%).

### 6.3. Liquidity risk

Liquidity risk refers to the possible difficulties in liquidating a portion of assets quickly, which is possible in the situation where market conditions are unfavourable and when there is unfavourable movement in prices.

The liquidity of the foreign currency reserves portfolio is provided by holding a sufficient amount of liquid instruments in the portfolio.

Liquid assets are defined as those assets whose conversion into cash causes minimal transaction costs and whose value is the closest to market value.

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

The liquidity framework should match the forecasted potential liquidity needs with identified liquid instruments. The liquidity of each financial instrument eligible for investment must be duly considered before the investment in the instrument is made.



## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.3. Liquidity risk (continued)

Maturity analysis

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

Banknotes and coins in circulation have been classified in the maturity period within three months.

<b>31 December 2024</b>		<b>From 3</b>		<b>Over</b>	<b>Without</b>	
<b>In thousands of KM</b>	<b>Up to 3</b>	<b>to 12</b>	<b>From 1</b>	<b>3</b>	<b>specified</b>	<b>Total</b>
	<b>months</b>	<b>months</b>	<b>to 3 years</b>	<b>years</b>	<b>maturity</b>	
Banknotes and coins in circulation	7,959,215	-	-	-	-	7,959,215
Deposits from banks	7,455,395	-	-	-	-	7,455,395
Deposits from the Government and other public institutions	860,083	-	-	-	-	860,083
Other financial liabilities	5,938	244,307	-	-	-	250,245
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>16,280,631</b>	<b>244,307</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,524,938</b>

  

<b>31 December 2023</b>		<b>From 3</b>		<b>Over</b>	<b>Without</b>	
<b>In thousands of KM</b>	<b>Up to 3</b>	<b>to 12</b>	<b>From 1</b>	<b>3</b>	<b>specified</b>	<b>Total</b>
	<b>months</b>	<b>months</b>	<b>to 3 years</b>	<b>years</b>	<b>maturity</b>	
Banknotes and coins in circulation	7,565,108	-	-	-	-	7,565,108
Deposits from banks	7,083,235	-	-	-	-	7,083,235
Deposits from the Government and other public institutions	752,898	-	-	-	-	752,898
Other financial liabilities	4,104	64,319	-	-	-	68,423
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,405,345</b>	<b>64,319</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,469,664</b>

The interest-bearing components of foreign currency reserves, analysed by their remaining contractual maturities in relation to the reporting dates, are disclosed in [Notes 8, 10](#) and [12](#).

## 7. CASH IN FOREIGN CURRENCIES

Cash in foreign currencies represents cash held in the Central Bank's vaults. As at reporting dates, the total amount of cash in foreign currencies is held in EUR currency (31 December 2023: The total amount of cash in foreign currencies was held in EUR currency).

For the purpose of cash flow reporting, cash in foreign currencies is included in cash and cash equivalents ([Note 33](#)).

## 8. DEPOSITS WITH FOREIGN BANKS

Deposits with foreign banks represent the Central Bank's invested foreign currency reserves funds held in accounts with foreign banks and international financial institutions. Deposits with foreign banks include demand deposits and term deposits and are held with foreign banks of eurozone and non-eurozone countries ([Note 6.1.2](#)).

For the purpose of cash flow reporting, demand deposits in foreign currency and deposits in foreign currency with maturity up to three months or less from the date of acquisition are included in cash and cash equivalents. The following table presents the analysis of deposits with foreign banks for the purpose of cash flow reporting:

In thousands of KM	31 December 2024	31 December 2023
Demand deposits	1,547,796	1,811,641
Term deposits with maturity up to three months or less from the date of acquisition	3,575,469	4,744,565
Impairment	(1,884)	(1,486)
<b>Included in cash and cash equivalents (<a href="#">Note 33</a>)</b>	<b>5,121,381</b>	<b>6,554,720</b>
Term deposits with maturity over three months from the date of acquisition	1,665,294	1,772,041
Impairment	(447)	(171)
<b>Total</b>	<b>1,664,847</b>	<b>1,771,870</b>
<b>TOTAL</b>	<b>6,786,228</b>	<b>8,326,590</b>

## 8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

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

In thousands of KM	31 December 2024	31 December 2023
Term deposits:		
EUR	5,240,763	6,512,976
USD	-	3,630
	<b>5,240,763</b>	<b>6,516,606</b>
Impairment	(2,117)	(1,520)
<b>Total</b>	<b>5,238,646</b>	<b>6,515,086</b>
Demand deposits:		
EUR	1,522,704	1,802,057
USD	17,087	3,199
CHF	5,893	4,325
GBP	2,112	2,060
	<b>1,547,796</b>	<b>1,811,641</b>
Impairment	(214)	(137)
<b>Total</b>	<b>1,547,582</b>	<b>1,811,504</b>
<b>TOTAL</b>	<b>6,786,228</b>	<b>8,326,590</b>

The average interest rates on term deposits denominated in EUR currency range from 2.21% to 4.03% p.a. in 2024 (2023: The average interest rates on term deposits denominated in EUR currency ranged from 1.95% to 4.12% p.a.).

The average interest rates on demand deposits denominated in EUR currency range from 0.00% to 4.00% p.a. in 2024 (2023: The average interest rates on demand deposits denominated in EUR currency ranged from 0.00% to 4.00% p.a.).

Deposits with foreign banks include accrued interest in the amount KM 22,162 thousand as at 31 December 2024 (31 December 2023: Included net accrued interest in the amount KM 36,082 thousand).

The average effective yield rate on deposits with foreign banks amounts to 3.73% for 2024 (2023: The average effective yield rate amounted to 3.19%).

The following table presents term deposits with foreign banks, analysed by the remaining contractual maturity in relation to reporting dates:

In thousands of KM	31 December 2024	31 December 2023
Up to one month	3,625,697	3,983,673
From one to two months	514,532	960,845
From two to three months	526,785	738,995
From three to four months	267,875	298,167
From four to twelve months	305,874	534,926
<b>Total</b>	<b>5,240,763</b>	<b>6,516,606</b>
Impairment	(2,117)	(1,520)
<b>TOTAL</b>	<b>5,238,646</b>	<b>6,515,086</b>

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

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>31 December 2024</b>	<b>31 December 2023</b>
<b>Foreign commercial banks</b>		
Term deposits	1,906,111	2,739,866
Overnight deposits	1,493,276	1,199,902
Demand deposits	14,213	4,506
	<b>3,413,600</b>	<b>3,944,274</b>
<b>Foreign central banks</b>		
Term deposits	1,423,857	2,038,953
Overnight deposits	-	-
Demand deposits	1,518,864	1,799,686
	<b>2,942,721</b>	<b>3,838,639</b>
<b>International financial institutions</b>		
Term deposits	417,519	537,885
Overnight deposits	-	-
Demand deposits	14,719	7,449
	<b>432,238</b>	<b>545,334</b>
<b>Total</b>	<b>6,788,559</b>	<b>8,328,247</b>
Impairment ( <a href="#">Note 6.1.1.</a> )	(2,331)	(1,657)
<b>TOTAL</b>	<b>6,786,228</b>	<b>8,326,590</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 6.1.2.](#)

## 8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

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

In thousands of KM	31 December 2024	31 December 2023
<i>Switzerland</i>		
Term deposits	2,472,067	2,257,205
Demand deposits	14,719	7,449
	<b>2,486,786</b>	<b>2,264,654</b>
<i>Germany</i>		
Term deposits	117,388	-
Demand deposits	1,516,489	1,052,667
	<b>1,633,877</b>	<b>1,052,667</b>
<i>France</i>		
Term deposits	1,405,081	1,682,242
Demand deposits	2,180	278,492
	<b>1,407,261</b>	<b>1,960,734</b>
<i>Luxembourg</i>		
Term deposits	779,388	1,481,122
Demand deposits	2,940	374,134
	<b>782,328</b>	<b>1,855,256</b>
<i>Great Britain</i>		
Term deposits	466,839	1,096,037
Demand deposits	-	-
	<b>466,839</b>	<b>1,096,037</b>
<i>Belgium</i>		
Term deposits	-	-
Demand deposits	8,625	-
	<b>8,625</b>	-
<i>Netherlands</i>		
Term deposits	-	-
Demand deposits	2,242	98,468
	<b>2,242</b>	<b>98,468</b>
<i>USA</i>		
Term deposits	-	-
Demand deposits	601	431
	<b>601</b>	<b>431</b>
<b>Total term deposits</b>	<b>5,240,763</b>	<b>6,516,606</b>
<b>Total demand deposits</b>	<b>1,547,796</b>	<b>1,811,641</b>
Impairment	(2,331)	(1,657)
<b>TOTAL</b>	<b>6,786,228</b>	<b>8,326,590</b>

## 9. SPECIAL DRAWING RIGHTS WITH THE IMF

In thousands of KM	31 December 2024	31 December 2023
Account of Special Drawing Rights with the IMF	4,742	2,053
Accrued interest	29	20
<b>Total</b>	<b>4,771</b>	<b>2,073</b>
Impairment	-	-
<b>TOTAL</b>	<b>4,771</b>	<b>2,073</b>

Changes in Special Drawing Rights with the IMF in the reporting periods are presented in the following table:

In thousands of KM	2024	2023
<b>As at 1 January</b>	<b>2,073</b>	<b>149</b>
Cash inflows on the account of Special Drawing Rights	68,282	75,937
Cash outflows	(65,830)	(73,705)
Interest income on the account of Special Drawing Rights	240	189
Collection of accrued interest	(232)	(171)
Net foreign exchange gains / (losses)	238	(326)
<b>As at 31 December</b>	<b>4,771</b>	<b>2,073</b>

For the purpose of cash flow reporting, Special Drawing Rights with the IMF are included in cash and cash equivalents ([Note 33](#)).

## 10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

As at reporting date, debt instruments at fair value through other comprehensive income are denominated in EUR and USD currency (31 December 2023: Debt instruments at fair value through other comprehensive income were denominated in EUR).

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

In thousands of KM	31 December 2024	31 December 2023
Coupon debt instruments	6,781,033	4,476,401
Accrued interest on coupon debt instruments	64,195	29,919
	<b>6,845,228</b>	<b>4,506,320</b>
Discount debt instruments	1,807,948	1,672,235
Accrued (discount) on discount debt instruments	(13,363)	(28,425)
	<b>1,794,585</b>	<b>1,643,810</b>
<b>TOTAL</b>	<b>8,639,813</b>	<b>6,150,130</b>

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

The structure of the portfolio of debt instruments at fair value through other comprehensive income, depending on whether the foreign currency reserve funds are managed by the Central Bank or entrusted to an external portfolio manager for management is presented in the following table:

<b>In thousands of KM</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Debt instruments managed by the Central Bank	8,062,986	6,150,130
Debt instruments entrusted to an external portfolio manager for management	576,827	-
<b>TOTAL</b>	<b>8,639,813</b>	<b>6,150,130</b>

The balances of debt instruments at fair value through other comprehensive income, with an analytical presentation by the type of currency, are presented in the following table:

<b>In thousands of KM</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Debt instruments at fair value through other comprehensive income		
EUR	8,553,500	6,150,130
USD	86,313	-
<b>TOTAL</b>	<b>8,639,813</b>	<b>6,150,130</b>

As at reporting date, debt instruments at fair value through other comprehensive income managed by the external portfolio manager amount to KM 576,827 thousand and are held in EUR currency in the amount of KM 490,514 thousand and USD currency in the amount of KM 86,313 thousand.

As at 31 December 2024, provisions for expected credit losses for debt instruments, recognised in other comprehensive income, amount to KM 2,514 thousand (31 December 2023: KM 904 thousand). During 2024, the net increases in provisions for expected credit losses recognised in profit or loss, amount to KM 1,647 thousand (2023: Net increases of KM 99 thousand). For more information see [Notes 6.1.1.](#) and [26.](#)

The average effective yield rate on debt instruments at fair value through other comprehensive income amounts to 2.79% for 2024 (2023: The average effective yield rate amounted to 0.75%).

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

	<b>31 December 2024</b>		<b>31 December 2023</b>	
	<b>In thousands of KM</b>	<b>%</b>	<b>In thousands of KM</b>	<b>%</b>
<i>France</i>	1,977,683	22.89	1,578,434	25.67
<i>Germany</i>	1,422,155	16.46	1,842,371	29.96
<i>Austria</i>	916,221	10.60	303,826	4.94
<i>Netherlands</i>	905,753	10.48	173,428	2.82
<i>Finland</i>	828,286	9.59	349,641	5.69
<i>Belgium</i>	800,471	9.26	683,296	11.11
<i>Spain</i>	781,479	9.05	683,479	11.11
<i>Italy</i>	642,395	7.44	457,921	7.45
<i>Slovakia</i>	131,506	1.52	37,616	0.60
<i>USA</i>	86,313	1.00	-	-
<i>Luxemburg</i>	86,087	1.00	-	-
<i>Ireland</i>	61,464	0.71	40,118	0.65
<b>TOTAL</b>	<b>8,639,813</b>	<b>100.00</b>	<b>6,150,130</b>	<b>100.00</b>

## 10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

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 6.1.2](#).

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	2024	2023
<b>As at 1 January</b>	<b>6,150,130</b>	<b>5,887,589</b>
Purchases during the year	7,004,418	4,741,235
Sales during the year	(290,228)	(987,892)
Interest income recognised during the year ( <a href="#">Note 22</a> )	221,908	69,366
Effects of negative interest rates recognised during the year ( <a href="#">Note 22</a> )	-	(4,427)
Maturities of debt instruments	(4,417,956)	(3,640,509)
Maturities of coupon	(78,788)	(29,186)
Net unrealised change in fair value during the year	44,159	113,948
Net foreign exchange gains	6,162	-
Transaction costs	8	6
<b>As at 31 December</b>	<b>8,639,813</b>	<b>6,150,130</b>

Debt instruments at fair value through other comprehensive income, analysed by their remaining contractual maturity in relation to reporting dates, are presented in the following table:

In thousands of KM	31 December 2024	31 December 2023
Up to three months	1,604,277	716,892
From three to twelve months	2,595,687	2,943,406
From one to three years	3,111,784	2,414,490
Over three years	1,328,065	75,342
<b>TOTAL</b>	<b>8,639,813</b>	<b>6,150,130</b>

## 11. 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:

As at	Quantity of ounces	Price per ounce in KM	Fair value of monetary gold as at in thousands of KM
31 December 2024	112,000	4,956.76	555,157
31 December 2023	48,000	3,655.40	175,459



## 11. MONETARY GOLD (CONTINUED)

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

In thousands of KM	2024	2023
<b>As at 1 January</b>	<b>175,459</b>	<b>160,040</b>
Purchases during the year	312,933	-
Net unrealised change in fair value during the year	66,765	15,419
<b>As at 31 December</b>	<b>555,157</b>	<b>175,459</b>

## 12. 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 eurozone countries with the intention of holding them until maturity. As at reporting dates, this portfolio consists of short-term and long-term coupon government bonds with a fixed interest rate. Debt instruments at amortised cost are denominated in EUR currency.

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

In thousands of KM	31 December 2024	31 December 2023
Coupon debt instruments	1,126,811	1,178,064
Accrued interest on coupon debt instruments	2,470	2,576
<b>Total</b>	<b>1,129,281</b>	<b>1,180,640</b>
Impairment	(380)	(219)
<b>TOTAL</b>	<b>1,128,901</b>	<b>1,180,421</b>

The average effective yield rate on debt instruments at amortised cost amounts to 1.02% for 2024 (2023: 1.01%).

Debt instruments at amortised cost, analysed by the country where the funds are invested, are presented in the following table:

	31 December 2024		31 December 2023	
	In thousands of KM	%	In thousands of KM	%
<i>France</i>	223,587	19.80	221,715	18.78
<i>Spain</i>	192,408	17.04	191,383	16.21
<i>Austria</i>	191,421	16.95	190,662	16.15
<i>Italy</i>	96,258	8.52	153,706	13.02
<i>Finland</i>	93,642	8.29	93,034	7.88
<i>Belgium</i>	92,556	8.20	91,810	7.78
<i>Germany</i>	58,893	5.22	58,887	4.99
<i>Netherlands</i>	56,288	4.98	55,710	4.72
<i>Ireland</i>	55,400	4.91	54,933	4.65
<i>Slovakia</i>	41,279	3.66	41,528	3.52
<i>Luxembourg</i>	27,549	2.43	27,272	2.30
<b>Total</b>	<b>1,129,281</b>	<b>100.00</b>	<b>1,180,640</b>	<b>100.00</b>
Impairment	(380)		(219)	
<b>TOTAL</b>	<b>1,128,901</b>		<b>1,180,421</b>	

## 12. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

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 6.1.2](#).

Changes in debt instruments at amortised cost during the reporting periods are presented in the following table:

In thousands of KM	2024	2023
<b>As at 1 January</b>	<b>1,180,421</b>	<b>1,172,862</b>
Interest income recognised during the year ( <a href="#">Note 22</a> )	11,858	11,912
Maturities of debt instruments	(59,100)	-
Maturities of coupons	(4,117)	(4,359)
Net decreases of / increases in impairment during the year	(161)	6
<b>As at 31 December</b>	<b>1,128,901</b>	<b>1,180,421</b>

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

In thousands of KM	31 December 2024	31 December 2023
Up to three months	-	-
From three to twelve months	58,893	58,406
From one to three years	231,308	154,187
Over three years	839,080	968,047
<b>Total</b>	<b>1,129,281</b>	<b>1,180,640</b>
Impairment	(380)	(219)
<b>TOTAL</b>	<b>1,128,901</b>	<b>1,180,421</b>

## 13. OTHER ASSETS

In thousands of KM	31 December 2024	31 December 2023
Receivables from resident banks	2,596	2,526
Giro accounts ( <a href="#">Note 33</a> )	1,081	642
Receivables from employee based on domestic currency deficit	601	601
Other miscellaneous financial assets	450	377
<b>Total</b>	<b>4,728</b>	<b>4,146</b>
Impairment	(607)	(607)
<b>Total other financial assets</b>	<b>4,121</b>	<b>3,539</b>
Prepaid expenses for banknotes and coins production	10,902	11,062
Prepaid expenses for business administration	1,742	1,367
Numismatic collections	1,468	1,198
Other miscellaneous nonfinancial assets	228	218
<b>Total other nonfinancial assets</b>	<b>14,340</b>	<b>13,845</b>
<b>TOTAL</b>	<b>18,461</b>	<b>17,384</b>

### 13. OTHER ASSETS (CONTINUED)

As disclosed in [Note 3.9](#), prepaid expenses for banknotes and coins production are initially recognised as accrued expenses and subsequently amortised by the expense recognising over the five years period. For more information see [Note 30](#).

### 14. PROPERTY AND EQUIPMENT

In thousands of KM	Land and buildings	Equipment and furniture	Vehicles	Other	Assets under construction	Property and equipment total
<b>Cost</b>						
<b>As at 1 January 2023</b>	<b>49,674</b>	<b>26,469</b>	<b>1,402</b>	<b>1,059</b>	<b>130</b>	<b>78,734</b>
Additions	-	-	-	-	1,184	1,184
Transferred to use	-	1,144	-	21	(1,165)	-
Write offs and disposals	-	(769)	(178)	(8)	-	(955)
<b>As at 31 December 2023</b>	<b>49,674</b>	<b>26,844</b>	<b>1,224</b>	<b>1,072</b>	<b>149</b>	<b>78,963</b>
Additions	-	-	-	-	3,417	3,417
Transferred to use	-	3,049	265	115	(3,429)	-
Returned to use	-	7	-	-	-	7
Write offs and disposals	-	(1,160)	-	(1)	-	(1,161)
<b>As at 31 December 2024</b>	<b>49,674</b>	<b>28,740</b>	<b>1,489</b>	<b>1,186</b>	<b>137</b>	<b>81,226</b>
<b>Accumulated depreciation</b>						
<b>As at 1 January 2023</b>	<b>7,713</b>	<b>20,231</b>	<b>1,338</b>	<b>917</b>	-	<b>30,199</b>
Charge for the year	580	1,736	61	27	-	2,404
Write offs and disposals	-	(764)	(178)	(8)	-	(950)
<b>As at 31 December 2023</b>	<b>8,293</b>	<b>21,203</b>	<b>1,221</b>	<b>936</b>	-	<b>31,653</b>
Charge for the year	580	1,668	6	24	-	2,278
Returned to use	-	4	-	-	-	4
Write offs and disposals	-	(1,159)	-	(1)	-	(1,160)
<b>As at 31 December 2024</b>	<b>8,873</b>	<b>21,716</b>	<b>1,227</b>	<b>959</b>	-	<b>32,775</b>
<b>Net carrying amount</b>						
<b>As at 1 January 2024</b>	<b>41,381</b>	<b>5,641</b>	<b>3</b>	<b>136</b>	<b>149</b>	<b>47,310</b>
<b>As at 31 December 2024</b>	<b>40,801</b>	<b>7,024</b>	<b>262</b>	<b>227</b>	<b>137</b>	<b>48,451</b>

The Central Bank purchased the land for the construction of the office building for the Main Unit Sarajevo under a contract with the Municipality Centar. The Municipality Centar subsequently issued a decision refusing to grant urban planning permission for the office building construction, which, after the second instance procedure, became final by the decision of the relevant cantonal Ministry.

As at reporting dates, the Central Bank is involved in two court proceedings regarding the purchased land, one of which concerns the termination of the land purchase contract with the Municipality Centar and the damage compensation, while the other relates to the annulment of the decision of the relevant cantonal Ministry. The Central Bank is the legal owner of the land and has no outstanding contractual obligations towards the Municipality Centar as the seller of the land.

As at reporting dates, except from the above mentioned, the Central Bank has no other encumbrances over its property and equipment.

## 15. INTANGIBLE ASSETS

In thousands of KM	Software and other intangible assets	Intangible assets under construction	Intangible assets total
<b>Cost</b>			
<b>As at 1 January 2023</b>	<b>15,953</b>	-	<b>15,953</b>
Additions	-	410	410
Transferred to use	410	(410)	-
Write offs and disposals	(310)	-	(310)
<b>As at 31 December 2023</b>	<b>16,053</b>	-	<b>16,053</b>
Additions	-	389	389
Transferred to use	307	(307)	-
<b>As at 31 December 2024</b>	<b>16,360</b>	<b>82</b>	<b>16,442</b>
<b>Accumulated amortisation</b>			
<b>As at 1 January 2023</b>	<b>15,109</b>	-	<b>15,109</b>
Charge for the year	390	-	390
Write offs and disposals	(310)	-	(310)
<b>As at 31 December 2023</b>	<b>15,189</b>	-	<b>15,189</b>
Charge for the year	341	-	341
<b>As at 31 December 2024</b>	<b>15,530</b>	-	<b>15,530</b>
<b>Net carrying amount</b>			
<b>As at 1 January 2024</b>	<b>864</b>	-	<b>864</b>
<b>As at 31 December 2024</b>	<b>830</b>	<b>82</b>	<b>912</b>

## 16. OTHER INVESTMENTS

The structure of other investments is as follows:

In thousands of KM	31 December 2024	31 December 2023
<i>Equity instruments:</i>		
Shares in BIS	27,803	27,803
Shares in SWIFT	10	10
<b>TOTAL</b>	<b>27,813</b>	<b>27,813</b>

BIS is specialised international financial institution owned and managed by 63 central banks all over the world whose main role is to foster central banks' cooperation, ensure monetary and financial stability and mediate in financial transactions between central banks. BIS shares are exclusively owned by central banks and monetary authorities.

SWIFT is international cooperation owned by the financial institutions that are its members.

BIS and SWIFT shares are not tradable.

## 16. OTHER INVESTMENTS (CONTINUED)

The Central Bank owns ordinary BIS shares with a nominal value of SDR 5,000 per share, paid up at 25% of their nominal value by former Yugoslavia. In accordance with the Statue of BIS, remaining 75% of the share's nominal value is payable by the Central Bank upon call for payment from BIS. The Central Bank has a dividend right arising from these shares ([Note 27](#)).

SWIFT shares are composed of two ordinary shares and their total value is KM 10 thousand.

BIS and SWIFT shares represent unquoted equity instruments whose fair value cannot be reliably determined and therefore they are recorded at cost.

## 17. BANKNOTES AND COINS IN CIRCULATION

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

In thousands of KM	2024	2023
<b>As at 1 January</b>	<b>7,565,108</b>	<b>7,436,097</b>
Net increase in value of banknotes and coins in circulation during the year	394,107	129,011
<b>As at 31 December</b>	<b>7,959,215</b>	<b>7,565,108</b>

The denomination structure and the quantity of banknotes and coins in circulation are presented in the following table:

	31 December 2024			31 December 2023		
	Denomination	Pieces	Value in thousands of KM	Pieces	Value in thousands of KM	
Coins	0.05	109,898,527	5,495	101,836,346	5,092	
Coins	0.10	149,895,239	14,990	144,279,167	14,428	
Coins	0.20	109,885,948	21,977	106,401,362	21,280	
Coins	0.50	53,734,646	26,867	49,610,221	24,805	
Coins	1	79,209,267	79,209	74,067,545	74,068	
Coins	2	23,915,604	47,831	21,957,007	43,914	
Coins	5	17,972,643	89,863	16,301,766	81,509	
<b>Total coins</b>			<b>286,232</b>		<b>265,096</b>	
Banknotes	10	16,767,446	167,674	15,705,792	157,058	
Banknotes	20	13,284,351	265,687	12,168,451	243,369	
Banknotes	50	27,517,579	1,375,879	27,815,563	1,390,778	
Banknotes	100	49,493,662	4,949,366	45,958,334	4,595,833	
Banknotes	200	4,571,881	914,377	4,564,870	912,974	
<b>Total banknotes</b>			<b>7,672,983</b>		<b>7,300,012</b>	
<b>TOTAL</b>			<b>7,959,215</b>		<b>7,565,108</b>	

## 18. DEPOSITS FROM BANKS

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

In thousands of KM	31 December 2024	31 December 2023
Deposits from resident banks		
<i>KM</i>	6,830,771	7,082,560
<i>EUR</i>	623,510	-
	7,454,281	7,082,560
Reserve accounts of the Central Bank organizational units	1,081	642
Special deposit of resident banks – blocked funds	33	33
<b>TOTAL</b>	<b>7,455,395</b>	<b>7,083,235</b>

Deposits from resident banks are placed in accordance with required reserve policy of the Central Bank, to meet obligations for settling payment transactions between resident banks mutually as well as for transactions with the Central Bank. As at 31 December 2024 the total amount of KM 7,454,281 thousand represents deposits of 22 resident banks (31 December 2023: KM 7,082,560 thousand represented deposits of 22 banks).

Deposits from resident banks, on the basis of required reserve policy, include accrued remuneration in the amount KM 1,286 thousand as at 31 December 2024 (31 December 2023: Included accrued remuneration in the amount KM 1,181 thousand).

From 1 January 2024, the new required reserve framework for resident banks is applied by the Central Bank. The new required reserve framework prescribes the obligation for resident banks to allocate and maintain required reserve in KM and EUR currency on KM and EUR reserve accounts. Required reserve is calculated as KM required reserve on the domestic currency base and EUR required reserve on the foreign currency base, applying unique 10% rate on all bases. The EUR currency reserve is maintained by allocating 5% of the amount of calculated EUR required reserve on EUR reserve account and by allocating and maintaining the 95% of the amount of calculated EUR required reserve in KM equivalent on KM reserve account.

In 2023, the basis for the calculation of the required reserve for resident banks consisted of deposits and borrowed funds no matter in which currency the funds were denominated. The required reserve rate of 10% was applied on the basis for calculation of required reserve. The required reserve was allocated and maintained in KM.

Amounts exceeding the required reserve are deposits which resident banks hold on their reserve accounts. More information on applied remuneration rates on the basis of required reserve instrument in the reporting periods is provided in [Note 22](#).

## 19. DEPOSITS FROM THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

The structure of deposits from the Government and other public institutions is provided in the following table:

In thousands of KM	31 December 2024	31 December 2023
Budgetary deposits from BH institutions	756,999	633,891
Deposits from other local governments and government institutions	87,770	85,101
Deposits from other public institutions	15,295	16,887
Deposit account under the IMF transactions	19	17,019
<b>TOTAL</b>	<b>860,083</b>	<b>752,898</b>

## 20. PROVISIONS

Changes in provisions are presented in the following tables:

In thousands of KM	2024					Total
	Litigations	Life insurance	Severance payments	Jubilee awards	Unused annual leave	
<b>As at 1 January</b>	<b>300</b>	-	<b>1,419</b>	<b>306</b>	-	<b>2,025</b>
Releases of provisions	-	-	(18)	-	-	(18)
Increases in provisions	1,400	8,060	661	543	654	11,318
<b>Total recognised in profit or loss</b>	<b>1,400</b>	<b>8,060</b>	<b>643</b>	<b>543</b>	<b>654</b>	<b>11,300</b>
Amounts paid	(46)	-	(113)	(47)	-	(206)
<b>As at 31 December</b>	<b>1,654</b>	<b>8,060</b>	<b>1,949</b>	<b>802</b>	<b>654</b>	<b>13,119</b>

  

In thousands of KM	2023					Total
	Litigations	Life insurance	Severance payments	Jubilee awards	Unused annual leave	
<b>As at 1 January</b>	-	-	<b>860</b>	<b>37</b>	-	<b>897</b>
Releases of provisions	-	-	(15)	-	-	(15)
Increases in provisions	300	-	689	281	-	1,270
<b>Total recognised in profit or loss</b>	<b>300</b>	-	<b>674</b>	<b>281</b>	-	<b>1,255</b>
Amounts paid	-	-	(115)	(12)	-	(127)
<b>As at 31 December</b>	<b>300</b>	-	<b>1,419</b>	<b>306</b>	-	<b>2,025</b>

### *Provisions for employee benefits*

In 2024, in addition to provisions related to severance payments and jubilee awards for employees, the Central Bank made provisions for life insurance for employees and unused annual leave of employees. The actuarial calculation for formation of these provisions was performed by a certified actuary.

### *Litigations*

The Central Bank is a defendant in few legal proceedings arising from its operations. The Central Bank has additionally formed a provision for litigations in which it appears as the defendant in the amount of KM 1,400 thousand on a basis of uncertainty of the final outcome of litigations in 2024 (2023: The provisions for litigations amounted to KM 300 thousand).

### *Commitments*

As at reporting dates, the Central Bank has no unrecognised contractual commitments.

## 21. OTHER LIABILITIES

The structure of other liabilities is presented in the following table:

In thousands of KM	31 December 2024	31 December 2023
Liabilities for allocation a portion of the profit to the BH budget ( <a href="#">Note 31</a> )	244,307	64,319
Suppliers	2,471	1,527
IMF Accounts No. 1 and 2 ( <a href="#">Note 36</a> )	2,271	2,203
Accrued, but non-invoiced liabilities	937	92
The World Bank deposits	191	251
Other financial liabilities	68	31
<b>Total other financial liabilities</b>	<b>250,245</b>	<b>68,423</b>
Non-financial liabilities on various bases	205	215
Collected and deferred income	42	31
<b>Total other nonfinancial liabilities</b>	<b>247</b>	<b>246</b>
<b>TOTAL</b>	<b>250,492</b>	<b>68,669</b>

## 22. NET INTEREST INCOME

In thousands of KM	For the year ended 31 December	
	2024	2023
<b>Interest income arising from:</b>		
Deposits with foreign banks ( <a href="#">Note 8</a> )	227,173	249,220
Debt instruments at fair value through other comprehensive income ( <a href="#">Note 10</a> )	221,908	69,366
Debt instruments at amortised cost ( <a href="#">Note 12</a> )	11,858	11,912
Special Drawing Rights with the IMF	240	189
<b>Total</b>	<b>461,179</b>	<b>330,687</b>
<b>Interest expense arising from:</b>		
Deposits from resident banks	(14,557)	(9,842)
Effects of negative interest rates from debt instruments at fair value through other comprehensive income ( <a href="#">Note 10</a> )	-	(4,427)
<b>Total</b>	<b>(14,557)</b>	<b>(14,269)</b>
<b>Net interest income</b>	<b>446,622</b>	<b>316,418</b>



## 22. NET INTEREST INCOME (CONTINUED)

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

In thousands of KM	For the year ended 31 December	
	2024	2023
<b>1. Financial assets at amortised cost</b>		
<i>Interest income arising from:</i>		
Deposits with foreign banks	227,173	249,220
Debt instruments at amortised cost	11,858	11,912
Special Drawing Rights with the IMF	240	189
<b>Total</b>	<b>239,271</b>	<b>261,321</b>
<b>2. Debt instruments at fair value through other comprehensive income</b>		
Interest income	221,908	69,366
Effects of negative interest rates	-	(4,427)
<b>Total</b>	<b>221,908</b>	<b>64,939</b>
<b>3. Financial liabilities at amortised cost</b>		
Interest expense arising from deposits from resident banks	(14,557)	(9,842)
<b>Total</b>	<b>(14,557)</b>	<b>(9,842)</b>
<b>Net interest income</b>	<b>446,622</b>	<b>316,418</b>

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

As disclosed in [Note 18](#), the implementation of the new required reserve framework, from 1 January 2024, prescribes the obligation for resident banks to allocate and maintain required reserve in KM and EUR currency on KM and EUR reserve accounts.

In the period 01/01 - 31/12/2024, the Central Bank calculates and pays the remuneration to resident banks according to prescribed remuneration rates on the KM required reserves amounts, i.e., the EUR required reserves amounts. The zero-remuneration rate is applied by the Central Bank on the amounts exceeding required reserves, regardless of the currency allocation and the maintenance of required reserve.

In the period 01/01 - 31/12/2023, the Central Bank calculated and paid the remuneration to resident banks applying remuneration rates on the required reserves amounts generated from domestic currency base, i.e., on required reserve amounts generated from the foreign currency base and on the domestic currency with a currency clause base. The zero-remuneration rate is calculated by the Central Bank on the amounts exceeding required reserves.

## 22. NET INTEREST INCOME (CONTINUED)

The following table presents applied Central Bank's remuneration rates during reporting periods:

<b>Base for calculation of remuneration</b>	<b>The Central Bank remuneration rate for the period</b>	
<b>2024: New required reserve framework</b>		
<b>Required reserves amounts</b>	<b>01/01 - 31/12</b>	
<i>KM required reserve on domestic currency base</i>	0.50%	
<i>EUR required reserve on foreign currency base</i>	0.30%	
<b>Amounts exceeding the required reserves</b>	<b>0.00%</b>	
<b>2023: Previously required reserve framework</b>		
<b>Previously required reserve framework</b>	<b>01/01 - 30/6</b>	<b>01/07 - 31/12</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>	<b>0.00%</b>	<b>0.00%</b>

Interest expenses arising from deposits from resident banks include expenses arising from the required reserves funds in the amount of KM 14,557 thousand in 2024 (2023: The interest expenses arising from deposits from resident banks included expenses arising from required reserves funds in the amount of KM 9,842 thousand).

More information regarding the required reserves policy of the Central Bank is disclosed in [Note 18](#).

Following table presents interest income 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 year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
<b>Interest income</b>		
Term deposits	189,430	214,020
Demand deposits	37,743	35,200
<b>Total</b>	<b>227,173</b>	<b>249,220</b>

**23. NET FEE AND COMMISSION INCOME**

	For the year ended 31 December	
In thousands of KM	2024	2023
<b>Fee and commission income arising from:</b>		
Services for resident banks	21,589	20,465
Services for the Government and other non-banking clients	1,584	1,480
<b>Total</b>	<b>23,173</b>	<b>21,945</b>
<b>Fee and commission expenses arising from:</b>		
Custodian and other expenses for debt instruments	(935)	(499)
Transactions with foreign banks	(31)	(32)
Other fee and commission expenses	(4)	(3)
<b>Total</b>	<b>(970)</b>	<b>(534)</b>
<b>Net fee and commission income</b>	<b>22,203</b>	<b>21,411</b>

The Central Bank calculates fee and commission income under determined tariffs for its services ([Note 3.9](#)). Fee and commission income for resident banks are dominantly generated from transactions in the Real-Time Gross Settlement system and Gyro Clearing system. More information on payment systems functioning is disclosed in [Note 37](#).

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

	For the year ended 31 December	
In thousands of KM	2024	2023
Realised gains	37	-
Realised losses	(6,056)	(22,487)
<b>TOTAL</b>	<b>(6,019)</b>	<b>(22,487)</b>

The corresponding amounts of realised gains from released provisions for expected credit losses for debt instruments sold are presented in [Note 6.1.1](#).

**25. NET FOREIGN EXCHANGE GAINS / (LOSSES)**

	For the year ended 31 December	
In thousands of KM	2024	2023
Unrealised foreign exchange gains	6,378	1,930
Unrealised foreign exchange (losses)	(1,750)	(2,218)
<b>Net unrealised foreign exchange gains / (losses)</b>	<b>4,628</b>	<b>(288)</b>
Realised foreign exchange gains	2,376	86
Realised foreign exchange (losses)	(210)	-
<b>Net unrealised foreign exchange gains</b>	<b>2,166</b>	<b>86</b>
<b>TOTAL</b>	<b>6,794</b>	<b>(202)</b>

**26. IMPAIRMENT ON FINANCIAL ASSETS, NET DECREASES / INCREASES**

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2024</b>	<b>2023</b>
Net (increases) in / releases of impairment for deposits with foreign banks	(674)	193
Net (increases) in / releases of impairment for Special Drawing Rights with the IMF	-	-
Net (increases) in provisions for expected credit losses for debt instruments at fair value through other comprehensive income	(1,647)	(99)
Net (increases) in / releases of provisions for impairment for debt instruments at amortised cost	(161)	6
Net (increases) in / releases of impairment for other financial assets	-	-
<b>TOTAL</b>	<b>(2,482)</b>	<b>100</b>

More information on the gross amounts of gains and losses arising from increases and releases from expected credit losses in the reporting periods is disclosed in [Note 6.1.1.](#)

**27. OTHER INCOME**

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2024</b>	<b>2023</b>
Dividend income from BIS shares ( <a href="#">Note 16</a> )	940	721
Net effects of numismatic collections value adjustments	289	29
Other income	124	43
<b>TOTAL</b>	<b>1,353</b>	<b>793</b>

During 2024, the Central Bank received a dividend from BIS shares amounting to KM 940 thousand (2023: KM 721 thousand).

**28. PERSONNEL EXPENSES**

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2024</b>	<b>2023</b>
Salaries	15,666	12,530
Contributions and other fees on salaries	8,729	6,972
Other employee benefits	3,229	2,086
Contributions and other fees on other employee benefits	732	531
<b>Total</b>	<b>28,356</b>	<b>22,119</b>
Net increase in provisions under IAS 19 ( <a href="#">Note 20</a> )	9,900	955
<b>TOTAL</b>	<b>38,256</b>	<b>23,074</b>

## 28. PERSONNEL EXPENSES (CONTINUED)

Personnel expenses include KM 5,378 thousand (2023: KM 4,249 thousand) of defined pension contributions paid to the public pension funds in BH. Contributions are calculated as percentage of the gross salary.

Other employee benefits are mainly comprised of expenses arising from meal allowances, transport services and vacation bonuses.

The average number of employees amounts to 357 for 2024 (2023: 353).

In 2024, the discount rate of 3% is used for the calculation of provisions under IAS 19 (2023: 4%). More information on additional types of provisions made in 2024 is disclosed in [Note 20](#).

## 29. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of KM	For the year ended 31 December	
	2024	2023
Payment systems maintenance expenses	1,825	1,794
IT infrastructure expenses	1,078	1,049
Overhead expenses	1,017	935
Access to official services expenses	831	794
Fixed assets maintenance expenses	601	608
Other administrative and operating expenses	4,372	2,320
<b>TOTAL</b>	<b>9,724</b>	<b>7,500</b>

## 30. COSTS OF PRODUCTION OF BANKNOTES AND COINS

In thousands of KM	For the year ended 31 December	
	2024	2023
Costs of production and design of banknotes	2,764	1,950
Costs of production and design of coins	2,508	2,454
<b>TOTAL</b>	<b>5,272</b>	<b>4,404</b>

## 31. ALLOCATION OF THE ANNUAL NET PROFIT

The allocation of the annual net profit is carried out in accordance with the Law on the Central Bank.

The provisions of the Law on the Central Bank define the criteria of the annual net profit allocation, according to which the Central Bank allocates 60% of the current profit to the account of the institution responsible for the Budget of BH, provided that the amount of the initial capital and general reserves (retained earnings) is equal to 5.000% of the total monetary liabilities. After the condition that the amount of initial capital and general reserves (retained earnings) is equal to 5.000% of the total monetary liabilities is met, the remaining amount of net profit is reduced by the net unrealised gains which is allocated to reserve account for unrealised gains. The legally prescribed percentage distribution ratios are then applied to this adjusted amount.

### 31. ALLOCATION OF THE ANNUAL NET PROFIT (CONTINUED)

The initial capital and general reserves (retained earnings) ratio before net profit allocation in 2024 amounts to 4.995% (2023: 3.889%). According to the Decision of the Governing Board and in accordance with the Law on the Central Bank, the amount of KM 794 thousand from achieved net profit for 2024 is allocated to general reserves (retained earnings), firstly fulfilling the legal criteria that the amount of initial capital and general reserves (retained earnings) equals to the amount of 5.000% of the total amount of monetary liabilities. The remaining net profit is reduced by KM 4,628 thousand due to net unrealised gains arising from foreign exchange differences, thereby determining the net profit available for distribution. From the remaining net profit for 2024 in the amount of KM 407,178 thousand, 60% is allocated to the BH budget in the amount of KM 244,307 thousand, and 40% is allocated to general reserves (retained earnings) in the amount of KM 162,871 thousand (2023: Net profit for 2023 in the amount of KM 278,261 thousand KM was allocated to general reserves in the total amount of KM 213,942 thousand and to the BH budget in the amount of KM 64,319 thousand).

#### 2024

##### Before profit allocation

(In thousands of KM)

<b>Monetary liabilities</b>	<b>16,274,693</b>
Initial capital and general reserves (retained earnings)	812,941
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>4.995%</b>

##### Profit allocation

(In thousands of KM)

<b>Net profit before allocation</b>	<b>412,600</b>
First allocation of profit to general reserves (retained earnings)	794
Initial capital and general reserves (retained earnings) after first allocation	813,735
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>5.000%</b>

(In thousands of KM)

<b>Net profit after first allocation</b>	<b>411,806</b>
Net unrealised foreign exchange gains	4,628
<b>Net profit for allocation</b>	<b>407,178</b>
Allocation of profit to the budget of BH	244,307
Allocation of profit to general reserves (retained earnings)	162,871

(In thousands of KM)

<b>Total net profit allocation for 2024</b>	<b>244,307</b>
<b>Allocation of profit to the BH budget</b>	<b>244,307</b>
<i>Allocation of profit to general reserves (retained earnings)</i>	<i>163,665</i>
<i>Transfer of net unrealised foreign exchange gains</i>	<i>4,628</i>
<b>Allocation of profit to the Central Bank's equity</b>	<b>168,293</b>
<b>Total</b>	<b>412,600</b>

##### After profit allocation

(In thousands of KM)

<b>Monetary liabilities</b>	<b>16,274,693</b>
Initial capital and general reserves (retained earnings)	976,606
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>6.001%</b>

**31. ALLOCATION OF THE ANNUAL NET PROFIT (CONTINUED)**

**2023**

**Before profit allocation**

(In thousands of KM)

<b>Monetary liabilities</b>	<b>15,401,241</b>
Initial capital and general reserves (retained earnings)	598,999
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>3.889%</b>

**Profit allocation**

(In thousands of KM)

<b>Net profit before allocation</b>	<b>278,261</b>
First allocation of profit to general reserves (retained earnings)	171,063
Initial capital and general reserves (retained earnings) after first allocation	770,062
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>5.000%</b>

(In thousands of KM)

<b>Net profit after first allocation</b>	<b>107,198</b>
Allocation of profit to the budget of BH	64,319
Allocation of profit to general reserves (retained earnings)	42,879

(In thousands of KM)

**Total net profit allocation for 2023**

Allocation of profit to the BH budget	64,319
Allocation of profit to general reserves (retained earnings)	213,942
<b>Total</b>	<b>278,261</b>

**After profit allocation**

(In thousands of KM)

<b>Monetary liabilities</b>	<b>15,401,241</b>
Initial capital and general reserves (retained earnings)	812,941
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>5.278%</b>

## 32. EQUITY

The structure of equity is presented in the following table:

In thousands of KM	31 December 2024	31 December 2023
<b>Initial capital</b>	<b>25,000</b>	<b>25,000</b>
Fair value reserves for debt and equity instruments	45,354	(6,471)
Fair value reserves for monetary gold	140,295	73,530
Reserves for unrealised foreign exchange differences	4,628	-
Other reserves	31,300	31,300
General reserves (Retained earnings)	951,606	787,941
<b>Total reserves</b>	<b>1,173,183</b>	<b>886,300</b>
<b>TOTAL</b>	<b>1,198,183</b>	<b>911,300</b>

### *Initial capital*

Initial capital represents nominal capital paid in on 12 June 1998 in accordance with the Law on Central Bank.

### *Fair value reserves*

Fair value reserves relate to:

- Fair value reserves for debt instruments and monetary gold representing cumulative unrealised gains and losses arising from changes in market value of these financial assets during the holding period.
- Provisions for expected credit losses relating to debt instruments measured at fair value through other comprehensive income. For more information see [Note 6.1.1.](#)

### *Reserves for unrealised foreign exchange differences*

Reserves for unrealised foreign exchange differences relate to net unrealised gains from foreign exchange differences.

### *Other reserves*

Other reserves relate to:

- Special reserves from grants in the amount of KM 3,497 thousand, which relate to grants received in cash from the Council of Ministers of Bosnia and Herzegovina on 12 June 1998. The status of these reserves is regulated by the Decision of the Governing Board of the Central Bank with the approval of the Presidency of Bosnia and Herzegovina. The right to utilise the reserves from grants fall within the competence of the Governing Board of the Central Bank.
- Amounts received in accordance with the Succession Agreement of the former Yugoslavia in the amount of KM 27,803 thousand and relates to shares in BIS (see [Note 16](#)).

### *General reserves (Retained earnings)*

General reserves (Retained earnings) comprise of accumulated undistributed profits of the Central Bank since the beginning of its operations on 11 August 1997. Status of General reserves (Retained earnings) is in jurisdiction of the Central Bank's Governing Board. General reserves (Retained earnings) are primarily used for the allocation of the Central Bank's annual net profit or coverage of the Central Bank's annual net loss, as prescribed by the Law on the Central Bank.

As at 31 December 2024, the equity of the Central Bank increased compared to its balance as at 31 December 2023. The increase of the equity was primary driven by the portion of annual net profit which is allocated in accordance with the Law on the Central Bank, as well as positive net changes in fair value of monetary gold and debt instruments. As disclosed in [Note 3.13](#), activities undertaken with the aim to adjust to conditions in the environment in which the Central Bank invests its foreign currency reserves, have significantly improved Central Bank's financial performances for 2024.



### 33. CASH AND CASH EQUIVALENTS

For the purposes of the Cash flow statement, cash and cash equivalents comprise of:

<b>In thousands of KM</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Deposits in foreign currency with maturity up to three months or less from the date of acquisition ( <a href="#">Note 8</a> )	3,575,469	4,744,565
Demand deposits in foreign currency ( <a href="#">Note 8</a> )	1,547,796	1,811,641
Cash in foreign currencies ( <a href="#">Note 7</a> )	525,980	455,191
Special Drawing Rights with the IMF ( <a href="#">Note 9</a> )	4,771	2,073
Giro accounts ( <a href="#">Note 13</a> )	1,081	642
<b>Total</b>	<b>5,655,097</b>	<b>7,014,112</b>
Impairment	(1,883)	(1,486)
<b>TOTAL</b>	<b>5,653,214</b>	<b>7,012,626</b>

Changes in expected credit losses on cash and cash equivalents in the reporting periods are provided below:

<b>In thousands of KM</b>	<b>2024</b>	<b>2023</b>
<b>As at 1 January</b>	<b>1,486</b>	<b>1,752</b>
Deposits in foreign currency with maturity up to three months or less from the date of acquisition	320	(287)
Demand deposits in foreign currency	77	21
Special Drawing Rights with the IMF	-	-
<b>As at 31 December</b>	<b>1,883</b>	<b>1,486</b>

### 34. RELATED PARTY TRANSACTIONS

In the normal course of its operations, the Central Bank enters into transactions with related parties. Having in mind that the Central Bank has been established by a Legal Act passed by Parliamentary Assembly of Bosnia and Herzegovina and that the initial capital has been paid up in accordance with the Law on the Central Bank, transactions performed as part of regular operations of the Central Bank with the state and BH institutions represent related party transactions. In accordance with the Law on the Central Bank, the Central Bank acts as an agent for the state and for other BH institutions. The Central Bank receives deposits from state and other public agencies as determined by the Presidency of BH and acts strictly on depositors' behalf and order.

Transactions with the state and BH institutions are disclosed in the following table:

**In thousands of KM**

**As at**

**31 December 2024**

	<b>BH Ministry of Finance and Treasury</b>	<b>BH Deposit Insurance Agency</b>	<b>BH Indirect Taxation Authority</b>	<b>Total</b>
<b>ASSETS</b>				
Other assets	37	-	3	40
<b>TOTAL</b>	<b>37</b>	<b>-</b>	<b>3</b>	<b>40</b>
<b>LIABILITIES</b>				
Deposits from depositors	484,581	1,353	290,341	776,275
Liabilities for allocation a portion of the profit to the BH budget	244,307	-	-	244,307
Other liabilities	-	-	9	9
<b>TOTAL</b>	<b>728,888</b>	<b>1,353</b>	<b>290,350</b>	<b>1,020,591</b>

**In thousands of KM**

**As at**

**31 December 2023**

	<b>BH Ministry of Finance and Treasury</b>	<b>BH Deposit Insurance Agency</b>	<b>BH Indirect Taxation Authority</b>	<b>Total</b>
<b>ASSETS</b>				
Other assets	55	-	3	58
<b>TOTAL</b>	<b>55</b>	<b>-</b>	<b>3</b>	<b>58</b>
<b>LIABILITIES</b>				
Deposits from depositors	442,770	68	244,938	687,776
Liabilities for allocation a portion of the profit to the BH budget	64,319	-	-	64,319
Other liabilities	-	-	94	94
<b>TOTAL</b>	<b>507,089</b>	<b>68</b>	<b>245,032</b>	<b>752,189</b>

### 34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

In thousands of KM	<b>For the year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
<b>Fee and commission income</b>		
BH Ministry of Finance and Treasury	98	111
BH Indirect Taxation Authority	43	30
BH Deposit Insurance Agency	3	13
<b>TOTAL</b>	<b>144</b>	<b>154</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 records 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 35](#) and [36](#).

#### Remuneration of key management members

In accordance with IAS 24, key management personnel, close family members of key management personnel, and entities controlled, jointly controlled or significantly influenced by key management personnel and their close family members are considered as related parties.

The total remuneration of the members of the key management personnel in 2024 amounts to KM 1,504 thousand, out of which KM 940 thousand is related to salaries and other remuneration and KM 564 thousand to taxes and contributions (In 2023 out of total amount of KM 1,165 thousand, the amount of KM 727 thousand related to salaries and other remuneration and KM 438 thousand related to taxes and contributions).

### 35. 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 organisations and institutions. 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.

Off-balance sheet deposits also include foreign currency accounts of the governments and the government BH institutions and public agencies for which the Central Bank acts as an agent, as well as residents' banks foreign currency accounts.

### 35. OFF-BALANCE SHEET DEPOSITS (CONTINUED)

Off-balance sheet deposits consist of:

<b>In thousands of KM</b>	<b>31 December 2024</b>	<b>31 December 2023</b>
Deposits of the Council of Ministers of BH for the budget of BH institutions	316,379	304,440
Deposits of the Council of Ministers of BH for the servicing of foreign debt	10,462	10,294
Other deposits of the Council of Ministers of BH	392	298
Deposits of the Council of Ministers of BH on the basis of succession	53	48
<b>Total</b>	<b>327,286</b>	<b>315,080</b>
Funds of the BH Deposit Insurance Agency	2,042	589
<b>Total</b>	<b>2,042</b>	<b>589</b>
Budget deposits of entity governments- Federation BH	1	-
<b>Total</b>	<b>1</b>	<b>-</b>
Deposit accounts of resident banks	19,315	21,035
Deposits - Retirement allowance from Germany	-	237
<b>Total</b>	<b>19,315</b>	<b>21,272</b>
<b>TOTAL</b>	<b>348,644</b>	<b>336,941</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 presented in the table. As at 31 December 2024 the total of these funds amount to KM 327,286 thousand (2023: KM 315,080 thousand).

#### Residents' investments related to securities

The Central Bank enabled the BH Deposit Insurance Agency to invest in securities by opening account (cash and custody account) on behalf of the Central Bank. All transactions on this account are performed between the BH Deposit Insurance Agency and its Asset Manager. The Central Bank does not charge any interest on such account.

### 36. BH MEMBERSHIP WITH THE IMF

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 the fiscal agent is specific due to currency board arrangement. By performing the function of fiscal agent defined by the Law on the Central Bank and by the Law on the borrowing, debt and guarantees in Bosnia and Herzegovina, the Central Bank is not obliged in any way to pay any debt of BH nor can be attributed to pay such debt nor its foreign currency reserves can in no way be considered as a guarantee for the payment of such debt. 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.

Special Drawing Rights with the IMF are demand funds denominated in SDR on the account opened with the IMF for the BH. The Central Bank holds Special Drawing Rights as a part of its foreign currency reserve management function. These funds are interest-bearing for the Central Bank.

### 36. BH MEMBERSHIP WITH THE IMF (CONTINUED)

IMF account No. 1 is the IMF account with the Central Bank that is used for transactions with the IMF related to utilization and repayment of IMF loans. IMF account No. 2 is the IMF account with the Central Bank that is used by the IMF for receipts and administrative disbursements in KM on Bosnia and Herzegovina territory. These accounts are part of the Central Bank's liabilities and are denominated in KM.

The quota balance is a specific type of asset which represents BH's subscription as a member of the IMF, denominated in SDRs. The quota represents BH's voting powers in the IMF, the limits to access to financial resources of the IMF and a BH's share in the allocation of SDRs which are the IMF's unit of account.

Promissory notes are issued by the Ministry of Finance and Treasury of BH and are substituted for KM. These securities are payable on demand by the IMF.

SDR allocation is also interest-bearing. Ministry of Finance and Treasury of BH pays interest on Special Drawing Rights allocation.

Promissory notes 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 holding are revalued based on the prevailing SDR exchange rate. These valuation adjustments are included in account balances stated.

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>31 December 2024</b>	<b>31 December 2023</b>
Quota	650,858	631,516
Special Drawing Rights with the IMF	4,771	2,073
<b>TOTAL ASSETS</b>	<b>655,629</b>	<b>633,589</b>
IMF account No.1	1,627	1,579
IMF account No.2	644	624
Securities	953,711	1,291,461
SDR allocation	1,018,667	988,395
Accrued interest on SDR allocation	5,663	6,867
Accounts of payable charges	2,004	5,710
<b>TOTAL LIABILITIES</b>	<b>1,982,316</b>	<b>2,294,636</b>
<b>BH NET POSITION WITH THE IMF</b>	<b>1,326,687</b>	<b>1,661,047</b>

As at reporting dates, BH quota with the IMF amount to SDR 265,200 thousand. The quota does not earn interest.

### 37. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS

On the basis of the Law on the Central Bank, the Central Bank has established the systems by which interbank payments in KM in BH are performed.

Since January 2001, the interbank clearing and settlement systems are organized through two payment systems owned and administered by the Central Bank. Those are Real-Time Gross Settlement (RTGS) and Giro Clearing system (GC).

RTGS is a system through which real-time payment orders are settled through settlement accounts that participants have opened with the Central Bank. All the banks licenced to perform payment operations are participants, as well as the Central Bank. Settlement is final and irrevocable at the moment that settlement account of ordering bank is debited with the same amount that beneficiary's bank settlement account is credited in RTGS. Transactions processed through system are above KM 10 thousand, and its use for lower amounts is optional.

The GC System is an interbank clearing system (bilateral and multilateral) for transactions in the amounts lower or equal to KM 10 thousand. The settlement of net positions of participants in GC system is carried out through settlement accounts in RTGS as well as settlement of transactions of legal persons acting as clearing agents, such as card transaction operators. Participants of the system are banks licenced to perform payment operations that are RTGS participants, as well as the Central Bank. The system is adjusted to SEPA standard, i.e., ISO 20022. The clearing of payment orders of all the GC participants is carried out by defining the net position of each individual participant as a result of the settlement of all credits and debits of participants for each clearing cycle.

To ensure a more balanced distribution of payment orders throughout the day and to encourage participating banks in payment systems to process client orders more efficiently, the Central Bank implemented a uniform fee per order for transactions executed in the GC and RTGS systems in 2024.

#### **Credit risk**

Each participant in the payment systems is obliged to provide funds on its settlement account in RTGS prior to settlement of payment orders.

Pursuant to the role of the Central Bank as defined by the Law on the Central Bank, the Central Bank is not allowed to provide any credits to RTGS and GC System participants which would provide liquidity to the system in any form.

#### **Operational risk**

In order to minimize the operational risk of the smooth functioning of payment systems, Operational Rules for the RTGS and GC System have been issued, as accompanying Decisions setting minimum security standards for the functioning of the system.

Relevant security objectives, policies and procedures aim to ensure security measures and features. The systems and networks are operated according to established objectives and policies. The security objectives and policies are reviewed periodically. Each direct participant is also required to have appropriate security measures and controls for processing payments.

The Central Bank has defined the following Contingency Settlement Procedures:

- **Contingency plans and measures:** The Central Bank has defined contingency measures in order to ensure continuity of reliable, correct and lawful operation of the payment and settlement systems in the event of disruption to the regular payment and settlement system, or other contingency events.
- **Backup system in primary location and DR location:** To support the primary location for the payment systems with redundant systems (if case of system falling, switching to another one on the primary location is done), the Central Bank has also established functional DR (Disaster Recovery) system located in Main Bank of Republic of Srpska Central Bank in Banja Luka.

### **37. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS (CONTUNUED)**

#### **Oversight and development of payment systems**

Applying the principles and responsibilities defined in "Principles of Financial Markets Infrastructure" adopted by the BIS Committee on Payments and Settlements systems and the International Organization of Securities Commissions (IOSCO), the Central Bank performs permanent monitoring and periodical assessment of the functioning of payment systems in relation to the adopted principles. Evaluation compliance activities and system monitoring promote security and efficiency of payment systems and undisturbed performance of interbank payment operations in BH providing directly support to the maintenance of financial stability in BH by the Central Bank.

Also, through development function, the Central Bank actively participates in preparation and implementation phases related to innovations in payment systems and analyses their impact on BH economy and the impact on public policy objectives of secure and efficient payment systems.

### **38. EVENTS AFTER THE REPORTING PERIOD**

At the Governing Board meeting held on 27 December 2024 the Governor of the Central Bank, with the approval of the Governing Board, appointed Emir Kurtić Ph.D. as Vice Governor of the Central Bank for a term of four years, starting from 1 January 2025.

In 2025, the Central Bank was notified about the enforcement of the decision of the Arbitration Council in Washington, under which BH, as the defendant, was obliged to pay damage compensation, including related interest and legal fees, to the claimants, Viaduct d.o.o. Portorož, along with the claimant's intention to initiate enforcement proceedings through competent authorities across BH, including the Central Bank's property. The arbitration process lasted for several years and resulted in an arbitral decision against BH. The Central Bank was not a party to the proceedings and was unaware that any potential collection of claims arising from the arbitration could be directed toward its property.

On 7 February 2025, the Central Bank was notified by the claimants that, based on the final arbitral decision sent to the competent courts in BH, they proposed the enforcement of their claims against BH and the Central Bank, including the seizure and sale of Central Bank properties in Banja Luka, Mostar and Brčko District. On 11 March 2025, the Municipality Court in Mostar issued a non-final decision to accept this proposal for the Central Bank's property in Mostar which the Central Bank received on 13 March 2025. Through the public attorney office, the Central Bank filed an appeal against this decision on 21 March 2025.

As at the approval date of the financial statements, the method of enforcing the arbitral decision has not been determined due to the lack of final court decisions, and it is not possible to reliably assess the final outcome of the dispute. However, the Central Bank considers that there are no legal grounds for collection from its assets and, accordingly, does not expect outflows of economic benefits related to this matter.

Except from the above mentioned, no adjusting or non-adjusting events have occurred between 31 December 2024 and the date of authorization of these financial statements.