



Centralna banka  
BOSNE I HERCEGOVINE  
Централна банка  
БОСНЕ И ХЕРЦЕГОВИНЕ



## CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

(unaudited)

in accordance with the requirements of International Accounting Standard 34

Sarajevo, 29 April 2022

*This version of the condensed interim financial statements is a translation from the original, which was prepared in the Bosnian/Croatian/Serbian language. All possible care has been taken to ensure that the translation is an accurate representation of the 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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**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 31 March 2022

**FINANCIAL REPORTING RESPONSIBILITY**

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

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

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

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

The accompanying condensed interim financial statements set out on pages 2 to 44 are approved by the Governing Board on 29 April 2022.



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



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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 31 March 2022

**STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

In thousands of KM	Note	31 March 2022	As at 31 December 2021
<b>ASSETS</b>			
Cash in foreign currencies	6	457,018	469,585
Deposits with foreign banks	7	3,926,112	3,945,097
Special Drawing Rights with the IMF	28	2,146	1,881
Debt instruments at fair value through other comprehensive income	8	10,551,265	11,629,592
Monetary gold	9	301,330	301,987
Debt instruments at amortized cost	10	717,478	-
Other assets	11	16,422	16,927
Property and equipment		49,579	50,177
Intangible assets		922	983
Other investments		27,813	27,813
<b>TOTAL ASSETS</b>		<b>16,050,085</b>	<b>16,444,042</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Banknotes and coins in circulation	12	7,333,713	6,923,818
Deposits from banks	13	6,496,144	7,219,617
Deposits from the Government and other public institutions		1,476,312	1,429,596
Provisions		1,360	1,406
Other liabilities	14	3,647	8,162
<b>Total liabilities</b>		<b>15,311,176</b>	<b>15,582,599</b>
<b>EQUITY</b>			
Initial capital		25,000	25,000
Reserves		700,441	836,443
Net profit for the period		13,468	-
<b>Total equity</b>	24	<b>738,909</b>	<b>861,443</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,050,085</b>	<b>16,444,042</b>

The selected notes on pages 9 to 44 are an integral part of these condensed interim financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 31 March 2022

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

<b>In thousands of KM</b>	<b>Note</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Interest income		16,454	12,525
Interest expense		(14,531)	(9,463)
<b>NET INTEREST INCOME</b>	15	<b>1,923</b>	<b>3,062</b>
Fee and commission income		5,990	4,680
Fee and commission expense		(221)	(186)
<b>NET FEE AND COMMISSION INCOME</b>	16	<b>5,769</b>	<b>4,494</b>
Net realised gains from sale of debt instruments at fair value through other comprehensive income	17	2,019	2,023
Net realised gains from sale of monetary gold	18	11,489	-
Net foreign exchange gains	19	144	289
Net impairment on financial assets	20	(353)	(84)
Other income / (expenses)		96	(4)
<b>OPERATING INCOME</b>		<b>21,087</b>	<b>9,780</b>
Personnel expenses	21	(4,213)	(4,341)
Administrative and other operating expenses	22	(1,592)	(1,399)
Costs of production of banknotes and coins	23	(1,088)	(796)
Depreciation and amortisation charge		(726)	(619)
<b>OPERATING EXPENSES</b>		<b>(7,619)</b>	<b>(7,155)</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>13,468</b>	<b>2,625</b>

The selected notes on pages 9 to 44 are an integral part of these condensed interim financial statements.

**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

In thousands of KM	Note	01/01 - 31/03 2022	For the period 01/01 - 31/03 2021
<b>NET PROFIT FOR THE PERIOD</b>		<b>13,468</b>	<b>2,625</b>
<b>Other comprehensive (loss)</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
<b>Debt instruments at fair value through other comprehensive income</b>			
Net change in fair value during the period	8	(150,302)	(66,681)
Net change in provisions for expected credit losses recognized in profit or loss during the period	5.1.1.	(12)	105
Reclassification to profit or loss from sale of debt instruments	17	(2,019)	(2,023)
		<b>(152,333)</b>	<b>(68,599)</b>
<b>Monetary gold</b>			
Net change in fair value during the period	9	27,820	(18,277)
Reclassification to profit or loss from sale of monetary gold	18	(11,489)	-
		<b>16,331</b>	<b>(18,277)</b>
<b>Total other comprehensive (loss)</b>		<b>(136,002)</b>	<b>(86,876)</b>
<b>TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD</b>		<b>(122,534)</b>	<b>(84,251)</b>

The selected notes on pages 9 to 44 are an integral part of these condensed interim financial statements.

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

<b>In thousands of KM</b>	<b>Initial capital</b>	<b>Fair value reserves for debt and equity instruments</b>	<b>Fair value reserves for monetary gold</b>	<b>Other reserves</b>	<b>General reserves (Retained earnings)</b>	<b>Total reserves</b>	<b>Net profit for the period</b>	<b>Total equity</b>
<b>Balance at 1 January 2022</b>	<b>25,000</b>	<b>158,914</b>	<b>98,129</b>	<b>31,300</b>	<b>548,100</b>	<b>836,443</b>	<b>-</b>	<b>861,443</b>
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(152,333)</b>	<b>16,331</b>	<b>-</b>	<b>-</b>	<b>(136,002)</b>	<b>13,468</b>	<b>(122,534)</b>
Net profit for the period	-	-	-	-	-	-	13,468	13,468
Other comprehensive (loss)	-	(152,333)	16,331	-	-	(136,002)	-	(136,002)
<i>Net unrealised negative changes in fair value for debt instruments</i>	-	(150,302)	-	-	-	(150,302)	-	(150,302)
<i>Net release of provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	(12)	-	-	-	(12)	-	(12)
<i>Net realised positive changes in fair value for debt instruments sold transferred to profit or loss</i>	-	(2,019)	-	-	-	(2,019)	-	(2,019)
<i>Net unrealised positive changes in fair value for monetary gold</i>	-	-	27,820	-	-	27,820	-	27,820
<i>Net realised positive changes in fair value for monetary gold sold transferred to profit or loss</i>	-	-	(11,489)	-	-	(11,489)	-	(11,489)
<b>Balance at 31 March 2022</b>	<b>25,000</b>	<b>6,581</b>	<b>114,460</b>	<b>31,300</b>	<b>548,100</b>	<b>700,441</b>	<b>13,468</b>	<b>738,909</b>

The selected notes on pages 9 to 44 are an integral part of these condensed interim financial statements.

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

<b>In thousands of KM</b>	<b>Initial capital</b>	<b>Fair value reserves for debt and equity instruments</b>	<b>Fair value reserves for monetary gold</b>	<b>Other reserves</b>	<b>General reserves (Retained earnings)</b>	<b>Total reserves</b>	<b>Net profit for the period</b>	<b>Total equity</b>
<b>Balance at 1 January 2021</b>	<b>25,000</b>	<b>293,125</b>	<b>87,703</b>	<b>31,300</b>	<b>545,203</b>	<b>957,331</b>	<b>-</b>	<b>982,331</b>
<b>Total comprehensive (loss) for the period</b>	<b>-</b>	<b>(68,599)</b>	<b>(18,277)</b>	<b>-</b>	<b>-</b>	<b>(86,876)</b>	<b>2,625</b>	<b>(84,251)</b>
Net profit for the period	-	-	-	-	-	-	2,625	2,625
Other comprehensive (loss)	-	(68,599)	(18,277)	-	-	(86,876)	-	(86,876)
<i>Net unrealised negative changes in fair value for debt instruments</i>	-	(66,681)	-	-	-	(66,681)	-	(66,681)
<i>Net increase of provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	105	-	-	-	105	-	105
<i>Net realised positive changes in fair value for debt instruments sold transferred to profit or loss</i>	-	(2,023)	-	-	-	(2,023)	-	(2,023)
<i>Net unrealised negative changes in fair value for monetary gold</i>	-	-	(18,277)	-	-	(18,277)	-	(18,277)
<b>Balance at 31 March 2021</b>	<b>25,000</b>	<b>224,526</b>	<b>69,426</b>	<b>31,300</b>	<b>545,203</b>	<b>870,455</b>	<b>2,625</b>	<b>898,080</b>

The selected notes on pages 9 to 44 are an integral part of these condensed interim financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 31 March 2022

**STATEMENT OF CASH FLOWS (UNAUDITED)**

		<b>For the period</b>	
	<b>Note</b>	<b>01/01 - 31/03 2022</b>	<b>01/01 - 31/03 2021</b>
<b>In thousands of KM</b>			
 <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net profit for the period</b>		<b>13,468</b>	<b>2,625</b>
Adjusted for:			
Interest income	15	(16,454)	(12,525)
Interest expense	15	14,531	9,463
Net impairment on financial assets	20	353	84
Net realised (gains) from sale of debt instruments at fair value through other comprehensive income	17	(2,019)	(2,023)
Net realised (gains) from sale of monetary gold	18	(11,489)	-
Net foreign exchange gains	19	(144)	(289)
Income from grants		(1)	(1)
Provisions, net increase		14	1
Depreciation and amortisation charge		726	619
<b>Net cash flows used in operating activities before changes in operating assets and liabilities</b>		<b>(1,015)</b>	<b>(2,046)</b>
 <b>Changes in operating assets and liabilities</b>			
Decrease in term deposits with foreign banks		48,528	233,889
Decrease / (increase) in debt instruments at fair value through other comprehensive income		928,026	(524,249)
(Increase) in debt instruments at amortized cost		(717,641)	-
Decrease in monetary gold		28,477	-
Decrease / (increase) in other assets		577	(332)
Increase in banknotes and coins in circulation	12	409,895	49,798
(Decrease) in deposits from banks		(720,588)	(245,013)
Increase in deposits from the Government and other public institutions		46,716	51,281
(Decrease) / increase in other liabilities		(4,506)	655
Payments from provisions		(60)	(25)
Interest received		13,569	11,179
Interest paid		(13,676)	(8,144)
<b>Net cash from operating activities</b>		<b>18,302</b>	<b>(433.007)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, equipment and intangible assets		(67)	(63)
<b>Net cash used in investing activities</b>		<b>(67)</b>	<b>(63)</b>

The selected notes on pages 9 to 44 are an integral part of these condensed interim financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Condensed Interim Financial Statements for the period ended 31 March 2022

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

<b>In thousands of KM</b>	<b>Note</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Net effects from impairment for expected credit losses on cash and cash equivalents		(204)	(10)
Net effects of exchange rates on cash and cash equivalents held		134	318
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>18,165</b>	<b>(432,762)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>3,986,726</b>	<b>2,909,688</b>
<b>Cash and cash equivalents at the end of the period</b>	25	<b>4,004,891</b>	<b>2,476,926</b>

The selected notes on pages 9 to 44 are an integral part of these condensed interim financial statements.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2022 (UNAUDITED)**

**1. GENERAL INFORMATION**

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

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

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

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

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

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

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

**Governing Board**

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

**1. GENERAL INFORMATION (CONTINUED)**

**Management**

Senad Softić Ph.D.	Governor
Ernadina Bajrović M.Sc.	Vice Governor
Željko Marić Ph.D.	Vice Governor
Marko Vidaković M.Sc.	Vice Governor (from 1 March 2022)

As at the reporting date, the members of the Central Bank's Audit Committee are:

**Audit Committee**

Elvir Čizmić Ph.D.	Chairman (from 1 January 2022)
Dijana Ćavar Ph.D.	Member (from 1 January 2022)
Vasilj Žarković Ph.D.	Member (from 1 March 2022)

**2. BASIS OF PREPARATION**

**2.1. Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”): “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). The condensed interim financial statements do not include all the information required for the complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the latest audited financial statements of the Central Bank for the year ended 31 December 2021 (“annual financial statements”).

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

These condensed interim financial statements have been prepared using the going concern assumption. More information on the circumstances under which the Central Bank’s operations were performed in the reporting period is disclosed in Note 2.7.

The results of the Central Bank’s business and operations for the reporting period and as at the reporting date presented in these condensed interim financial statements are not necessarily indicative for business results and operations of the Central Bank that are expected for 2022.

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

**2.2. Basis of measurement**

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

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

**2.3. Functional and presentation currency**

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

**2.4. Changes to IFRS**

At the date of approval of these condensed interim financial statements, certain changes and interpretations of the existing standards are effective from 1 January 2022. Their implementation has no significant impact on condensed interim financial statements of the Central Bank.

**2.5. Accounting policies**

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

**2.6. Significant accounting judgements and estimates**

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

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

These condensed interim financial statements have been prepared based upon conditions existing at 31 March 2022. Future conditions may be different from those that resulted in the financial information disclosed in these condensed interim financial statements.

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

**2.7. Circumstances in which the Central Bank's operations were executed**

The gradual recovery of financial markets, which led to a slight increase in the yields on Eurozone debt instruments, has been reflected in a decline in their fair value. This circumstance affected the amount of equity of the Central Bank as at the reporting date. Although the future course of the pandemic remains an important factor of uncertainty that may affect the basic projections of the global economy in the forthcoming period, the Russian-Ukrainian war greatly increases this uncertainty.

New circumstances in the financial markets have created preconditions for the Central Bank to start managing part of the debt instruments according to the business model "Hold to collect contractual cash flows". This decision resulted in the formation of a debt instruments portfolio at amortized cost in the amount of KM 717,478 thousand as at the reporting date.

For more information see the Notes:

<b>Note</b>	<b>Title</b>
3	Currency board arrangement
5	Financial risk management
10	Debt instruments at amortized cost
24	Equity

The Central Bank took advantage of favourable financial markets conditions and in March 2022 sold a smaller amount of ounces of monetary gold. The sale of monetary gold generated a gain in the amount of KM 11,489 thousand.

For more information see the Notes:

<b>Note</b>	<b>Title</b>
9	Monetary gold
18	Net realised gains from sale of monetary gold

In the reporting period, the Central Bank's monetary liabilities decreased predominantly due to the activities of domestic commercial banks. Domestic commercial banks intensively withdrew KM cash as well as EUR banknotes from the Central Bank, which was reflected in the structure of their reserve accounts. The sudden increase in demand for KM banknotes was successfully realized through the Central Bank's vaults. The disposition of a sufficient amount of cash in the vaults enabled the undisturbed execution of the legal obligations of the Central Bank regarding the guaranteed convertibility of KM, which was not endangered at any time. Regarding the reserve requirement policy, from 1 January 2022, a new negative remuneration rate is applied on the amounts exceeding the required reserves of commercial banks. On the other hand, the behaviour of Central Bank depositors has not been changed significantly compared to the information disclosed in the last annual financial statements.

For more information see Notes:

<b>Note</b>	<b>Name</b>
3	Currency board arrangement
6	Cash in foreign currencies
12	Banknotes and coins in circulation
13	Deposits from banks
15	Net interest income

The Management takes into consideration the current uncertainty regarding the impact of the Russian-Ukrainian war and the future course of the global pandemic situation in terms of potentially significant impact on the overall financial position and performance of the Central Bank.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected notes to the Condensed Interim Financial Statements for the period ended 31 March 2022

**3. CURRENCY BOARD ARRANGEMENT**

Article 31 of the Law on the Central Bank defines the rule for issuing the currency “currency board”, according to which the Central Bank is obliged to ensure that total amount of its monetary liabilities never exceeds the equivalent amount (expressed in KM) of its net foreign currency reserves.

Details of compliance with that rule are as follows:

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
<b>Gross foreign currency reserves</b>	<b>15,955,349</b>	<b>16,348,142</b>
Cash in foreign currencies	457,018	469,585
Deposits with foreign banks	3,926,112	3,945,097
Special Drawing Rights with the IMF	2,146	1,881
Debt instruments	11,268,743	11,629,592
Monetary gold	301,330	301,987
<b>Liabilities to non-residents</b>	<b>3,010</b>	<b>2,331</b>
<b>Net foreign currency reserves</b> (Gross foreign currency reserves less liabilities to non-residents)	<b>15,952,339</b>	<b>16,345,811</b>
<b>Monetary liabilities</b>	<b>15,306,169</b>	<b>15,573,031</b>
Banknotes and coins in circulation	7,333,713	6,923,818
Deposits from banks	6,496,144	7,219,617
Deposits from the Government and other public institutions	1,476,312	1,429,596
<b>NET FOREIGN ASSETS</b> (Net foreign currency reserves less monetary liabilities)	<b>646,170</b>	<b>772,780</b>

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. Being the part of gross foreign currency reserves, net foreign assets cannot be assumed as the Central Bank’s asset available for fiscal purposes. The use of the Central Bank’s foreign currency reserves for fiscal purposes is explicitly prohibited by the Law on the Central Bank. As at 31 March 2022, net foreign currency reserves exceed monetary liabilities by KM 646,170 thousand which ensures an adequate level of foreign currency reserves and the domestic currency is fully stable (31 December 2021: KM 772,780 thousand). For more information see Note 24.

Fluctuations in market prices of debt instruments at fair value through other comprehensive income and monetary gold dominantly affect the amount of net foreign assets. More information about changes in debt instruments at fair value through other comprehensive income and monetary gold is disclosed in the Notes 8 and 9.

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

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

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

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

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

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

**In thousands of KM**

	<b>31 March 2022</b>	<b>31 December 2021</b>
<b>Financial assets</b>		
<i>Financial assets measured at fair value through other comprehensive income</i>		
Debt instruments	10,551,265	11,629,592
Monetary gold	301,330	301,987
	<b>10,852,595</b>	<b>11,931,579</b>
<b>TOTAL</b>	<b>10,852,595</b>	<b>11,931,579</b>

Financial assets measured at fair value belong to Level 1 of fair value measurement as at the reporting date.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

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

**In thousands of KM**

	<b>31 March 2022</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
<i>Financial assets measured at amortized cost:</i>		
Cash in foreign currencies	457,018	457,018
Deposits with foreign banks	3,926,112	3,920,160
Special Drawing Rights with the IMF	2,146	2,146
Debt instruments at amortized cost	717,478	710,002
Other financial assets	4,035	4,035
	<b>5,106,789</b>	<b>5,093,361</b>
<i>Financial assets measured at fair value through other comprehensive income-cost choice:</i>		
Other investments	27,813	27,813
	<b>27,813</b>	<b>27,813</b>
<b>Total</b>	<b>5,134,602</b>	<b>5,121,174</b>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortized cost:</i>		
Banknotes and coins in circulation	7,333,713	7,333,713
Deposits from banks	6,496,144	6,505,765
Deposits from the Government and other public institutions	1,476,312	1,478,498
Other financial liabilities	3,534	3,534
<b>Total</b>	<b>15,309,703</b>	<b>15,321,510</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

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

In thousands of KM

	<b>Carrying amount</b>	<b>31 December 2021 Fair value</b>
<b>Financial assets</b>		
<i>Financial assets measured at amortized cost:</i>		
Cash in foreign currencies	469,585	469,585
Deposits with foreign banks	3,945,097	3,936,151
Special Drawing Rights with the IMF	1,881	1,881
Other financial assets	3,349	3,349
	4,419,912	4,410,966
<i>Financial assets measured at fair value through other comprehensive income- cost choice:</i>		
Other investments	27,813	27,813
	27,813	27,813
<b>Total</b>	<b>4,447,725</b>	<b>4,438,779</b>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortized cost:</i>		
Banknotes and coins in circulation	6,923,818	6,923,818
Deposits from banks	7,219,617	7,203,407
Deposits from the Government and other public institutions	1,429,596	1,426,386
Other financial liabilities	8,023	8,023
<b>Total</b>	<b>15,581,054</b>	<b>15,561,634</b>

Financial assets and financial liabilities that are not measured at fair value belong to Level 2 of fair value measurement as at the reporting dates.

## **5. FINANCIAL RISK MANAGEMENT**

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

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

### **5.1. Credit risk**

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

For the funds recorded in off-balance sheet records, the Central Bank is not exposed to credit risk, as all the risk, which may result from the investments of these funds, is to be borne contractually by the owners of these funds (see Notes 27 and 28).

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

**5.1. Credit risk (continued)**

**5.1.1. Credit risk exposure**

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

**In thousands of KM**

	2022				2021			
	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>913</b>	-	-	<b>913</b>	<b>807</b>	-	-	<b>807</b>
Increases in expected credit losses	1,927	-	-	1,927	1,149	-	-	1,149
Releases of expected credit losses	(59)	-	-	(59)	(58)	-	-	(58)
Releases due to derecognition of term deposits	(1,667)	-	-	(1,667)	(1,113)	-	-	(1,113)
<b>As at 31 March</b>	<b>1,114</b>	-	-	<b>1,114</b>	<b>785</b>	-	-	<b>785</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 March</b>	-	-	-	-	-	-	-	-
<b>3. Debt instruments at fair value through other comprehensive income</b>								
<b>As at 1 January</b>	<b>1,786</b>	-	-	<b>1,786</b>	<b>1,598</b>	-	-	<b>1,598</b>
Increases in expected credit losses	231	-	-	231	172	-	-	172
Releases of expected credit losses	(40)	-	-	(40)	(17)	-	-	(17)
Releases due to debt instruments matured	(203)	-	-	(203)	(50)	-	-	(50)
<i>Net (decrease) /increase during the period</i>	<i>(12)</i>	<i>-</i>	<i>-</i>	<i>(12)</i>	<i>105</i>	<i>-</i>	<i>-</i>	<i>105</i>
Releases due to debt instruments sold	(247)	-	-	(247)	(25)	-	-	(25)
<b>As at 31 March</b>	<b>1,527</b>	-	-	<b>1,527</b>	<b>1,678</b>	-	-	<b>1,678</b>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.1. Credit risk exposure (continued)

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>4. Debt instruments at amortized cost</b>								
<b>As at 1 January</b>	-	-	-	-	-	-	-	-
Increases in expected credit losses	164	-	-	164	-	-	-	-
Releases of expected credit losses	(1)	-	-	(1)	-	-	-	-
<b>As at 31 March</b>	<b>163</b>	-	-	<b>163</b>	-	-	-	-
<b>5. Other financial assets</b>								
<b>As at 1 January</b>	<b>6</b>	-	<b>602</b>	<b>608</b>	<b>5</b>	-	<b>613</b>	<b>618</b>
Increases in expected credit losses	4	-	-	4	2	-	1	3
Releases of expected credit losses	(3)	-	-	(3)	(2)	-	-	(2)
<b>As at 31 March</b>	<b>7</b>	-	<b>602</b>	<b>609</b>	<b>5</b>	-	<b>614</b>	<b>619</b>
<b>Total opening balance at 1 January</b>	<b>2,705</b>	-	<b>602</b>	<b>3,307</b>	<b>2,410</b>	-	<b>613</b>	<b>3,023</b>
Total net increase in expected credit losses	106	-	-	106	58	-	1	59
<b>Total closing balance at 31 March</b>	<b>2,811</b>	-	<b>602</b>	<b>3,413</b>	<b>2,468</b>	-	<b>614</b>	<b>3,082</b>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Credit risk concentration

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

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

In thousands of KM

Classes of financial instruments	31 March 2022				31 December 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Cash in foreign currencies</b>								
Gross carrying amount	457,018	-	-	457,018	469,585	-	-	469,585
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>457,018</b>	-	-	<b>457,018</b>	<b>469,585</b>	-	-	<b>469,585</b>
<b>Deposits with foreign banks</b>								
Gross carrying amount	3,927,226	-	-	3,927,226	3,946,010	-	-	3,946,010
Impairment	(1,114)	-	-	(1,114)	(913)	-	-	(913)
<b>Carrying amount</b>	<b>3,926,112</b>	-	-	<b>3,926,112</b>	<b>3,945,097</b>	-	-	<b>3,945,097</b>
<b>Special Drawing Rights with the IMF</b>								
Gross carrying amount	2,146	-	-	2,146	1,881	-	-	1,881
Impairment	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>2,146</b>	-	-	<b>2,146</b>	<b>1,881</b>	-	-	<b>1,881</b>
<b>Debt instruments at fair value through other comprehensive income</b>								
Gross carrying amount	10,551,265	-	-	10,551,265	11,629,592	-	-	11,629,592
Provisions for expected credit losses (recognized in other comprehensive income)	1,527	-	-	1,527	1,786	-	-	1,786
<b>Gross carrying amount</b>	<b>10,551,265</b>	-	-	<b>10,551,265</b>	<b>11,629,592</b>	-	-	<b>11,629,592</b>

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Credit risk concentration (continued)

In thousands of KM	31 March 2022				31 December 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Classes of financial instruments</b>								
<b>Debt instruments at amortized cost</b>								
Gross carrying amount	717,641	-	-	717,641	-	-	-	-
Impairment	(163)	-	-	(163)	-	-	-	-
<b>Carrying amount</b>	<b>717,478</b>	<b>-</b>	<b>-</b>	<b>717,478</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other financial assets</b>								
Gross carrying amount	4,042	-	602	4,644	3,355	-	602	3,957
Impairment	(7)	-	(602)	(609)	(6)	-	(602)	(608)
<b>Carrying amount</b>	<b>4,035</b>	<b>-</b>	<b>-</b>	<b>4,035</b>	<b>3,349</b>	<b>-</b>	<b>-</b>	<b>3,349</b>

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Selected notes to the Condensed interim financial statements for the period ended 31 March 2022

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

**5.1. Credit risk (continued)**

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

**b) Maximum exposure to credit risk – Financial assets not subjected to impairment**

In thousands of KM	31 March 2022	31 December 2021
<b>Carrying amount</b>		
Monetary gold	301,330	301,987
Other investments	27,813	27,813
<b>TOTAL</b>	<b>329,143</b>	<b>329,800</b>

**Concentration per credit rating**

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

**Deposits with foreign banks**

In thousands of KM Credit rating	31 March 2022	31 December 2021
AAA	987,238	1,622,277
AA+	-	-
AA	78,201	78,200
AA-	-	-
A+	866,394	488,958
A	1,911,445	1,653,649
A-	82,786	102,166
II <sup>1</sup>	1,162	760
BBB+	-	-
BBB	-	-
BBB-	-	-
<b>Total</b>	<b>3,927,226</b>	<b>3,946,010</b>
Impairment	(1,114)	(913)
<b>TOTAL</b>	<b>3,926,112</b>	<b>3,945,097</b>

<sup>1</sup> International institutions

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

**5.1. Credit risk (continued)**

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

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

**In thousands of KM**

<b>Credit rating</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
AAA	2,742,284	2,523,051
AA+	1,399,676	1,349,129
AA	3,443,033	3,986,839
AA-	1,192,206	1,672,536
A+	-	-
A	-	-
A-	1,228,098	1,428,865
BBB+	-	-
BBB	545,968	669,172
BBB-	-	-
<b>TOTAL</b>	<b>10,551,265</b>	<b>11,629,592</b>

**Debt instruments at amortized cost**

**In thousands of KM**

<b>Credit rating</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
AAA	26,793	-
AA+	92,015	-
AA	129,305	-
AA-	90,517	-
A+	54,125	-
A	41,481	-
A-	189,757	-
BBB+	-	-
BBB	93,648	-
BBB-	-	-
<b>Total</b>	<b>717,641</b>	<b>-</b>
<b>Impairment</b>	<b>(163)</b>	<b>-</b>
<b>TOTAL</b>	<b>717,478</b>	<b>-</b>

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

**5.2. 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.

For the purpose of quantifying the market risks effects on the foreign currency reserves value, the Central Bank applies the Value at Risk (VaR) concept. VaR value for market risk is calculated by analytical (parametric) method, based on the mean value of gain/loss or yield rate of observed portfolio and standard deviation of observed data. The Central Bank, when calculating VaR, applies a level of confidence of 99% and a 10-day horizon.

As at 31 March 2022, the exposure of the Central Bank's foreign currency reserves, including fluctuations of the prices of financial instruments and foreign exchange rates against the KM, equals to KM 132,724 thousand (31 December 2021: KM 65,070 thousand), which represents 0.83% of the total financial assets (31 December 2021: 0.40% of the total financial assets).

VaR values as at the reporting dates are shown in the following table:

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Interest rate risk	102,421	51,622
Risk of change in EUR price of monetary gold	29,941	13,138
Foreign exchange risk	362	310
<b>Total VaR</b>	<b>132,724</b>	<b>65,070</b>

**5.2.1. Foreign exchange risk**

Foreign exchange risk is the risk of changes in foreign exchange 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 as through setting the quantitative limits for exposure to foreign exchange risk.

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

The largest part of gross foreign currency reserves is held in EUR, and the maximum amount that can be held in convertible currencies other than EUR, must not exceed the equivalent of 50% of the total amount of the unimpaired capital and reserves of the Central Bank.

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

**5.2. Market risk (continued)**

**5.2.2. 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. Interest rate risk is managed by determining the acceptable term duration and maturity of financial instruments in which the investing is done. Maximum term for investing in deposits with foreign banks is one year, while maximum term for investing in debt instruments with fixed income is ten years.

The Central Bank uses a modified duration of debts instruments at fair value through other comprehensive income as a key measure of interest rate risk exposure. During the reporting period, the modified duration was further shortened to 1.92 as at 31 March 2022 (31 December 2021: 2.14), with the aim of reducing interest rate risk and further improving the stability of the currency board.

During the reporting period, fixed income debt instruments classified at amortized cost were purchased, which represents an additional way to reduce exposure to interest rate risk, since their value is not subject to fluctuations in the financial market.

Eurozone bond yields were increased significantly in the reporting period, primarily due to inflationary expectations. Statements by European Central Bank (ECB) officials that inflation is likely to remain high for longer period than previously expected gave a strong boost to Eurozone bond yield growth in early and mid-February 2022. An additional stimulus to yield growth was provided by the announcements of the ECB's future activities related to further purchases of bonds under the PEPP (Pandemic Emergency Purchase Program), which were announced after the ECB meeting held in March 2022. Additional factors affecting the volatility of Eurozone bond yields in the reporting period are news related to further developments in geopolitical tensions as well as market expectations regarding the increase in the reference rates of the Fed (The Federal Reserve System) and the Bank of England.

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

**5.2. Market risk (continued)**

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

The following tables show the Central Bank's exposure to interest rate risk as at the reporting dates by the financial instrument's carrying amount, categorised under criteria of re-determining interest rates date in accordance with contractual arrangements or the maturity date of an instrument, whichever occurs earlier:

<b>31 March 2022</b>						
<b>In thousands of KM</b>	<b>Up to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 3 years</b>	<b>Over 3 Years</b>	<b>Non- interest bearing</b>	<b>Total</b>
Cash in foreign currencies	-	-	-	-	457,018	457,018
Deposits with foreign banks	3,546,390	381,993	-	-	(2,271)	3,926,112
Special Drawing Rights with the IMF	2,146	-	-	-	-	2,146
Debt instruments at fair value through other comprehensive income	3,137,453	7,353,069	-	-	60,743	10,551,265
Monetary gold	-	-	-	-	301,330	301,330
Debt instruments at amortized cost	-	-	-	717,048	430	717,478
Other financial assets	-	-	-	-	4,035	4,035
Other investments	-	-	-	-	27,813	27,813
<b>Total financial assets</b>	<b>6,685,989</b>	<b>7,735,062</b>	<b>-</b>	<b>717,048</b>	<b>849,098</b>	<b>15,987,197</b>
Banknotes and coins in circulation	-	-	-	-	7,333,713	7,333,713
Deposits from banks	4,837,407	-	-	-	1,658,737	6,496,144
Deposits from the Government and other public institutions	-	-	-	-	1,476,312	1,476,312
Other financial liabilities	-	-	-	-	3,534	3,534
<b>Total financial liabilities</b>	<b>4,837,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,472,296</b>	<b>15,309,703</b>
<b>INTEREST RATE GAP</b>	<b>1,848,582</b>	<b>7,735,062</b>	<b>-</b>	<b>717,048</b>	<b>(9,623,198)</b>	<b>677,494</b>

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Selected notes to the Condensed interim financial statements for the period ended 31 March 2022

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

**5.2. Market risk (continued)**

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

<b>31 December 2021</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	-	-	-	-	469,585	469,585
Deposits with foreign banks	3,564,490	381,994	-	-	(1,387)	3,945,097
Special Drawing Rights with the IMF	1,881	-	-	-	-	1,881
Debt instruments at fair value through other comprehensive income	2,739,234	8,820,388	-	-	69,970	11,629,592
Monetary gold	-	-	-	-	301,987	301,987
Other financial assets	-	-	-	-	3,349	3,349
Other investments	-	-	-	-	27,813	27,813
<b>Total financial assets</b>	<b>6,305,605</b>	<b>9,202,382</b>	<b>-</b>	<b>-</b>	<b>871,317</b>	<b>16,379,304</b>
Banknotes and coins in circulation	-	-	-	-	6,923,818	6,923,818
Deposits from banks	5,551,424	-	-	-	1,668,193	7,219,617
Deposits from the Government and other public institutions	-	-	-	-	1,429,596	1,429,596
Other financial liabilities	-	-	-	-	8,023	8,023
<b>Total financial liabilities</b>	<b>5,551,424</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,029,630</b>	<b>15,581,054</b>
<b>INTEREST RATE GAP</b>	<b>754,181</b>	<b>9,202,382</b>	<b>-</b>	<b>-</b>	<b>(9,158,313)</b>	<b>798,250</b>

**5.3. Liquidity risk**

Liquidity risk refers to the possible difficulties in liquidating a portion of assets quickly, which is possible when market conditions are unfavourable and also when there is an unfavourable price movements.

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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

**5.3. Liquidity risk (continued)**

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

<b>31 March 2022</b>	<b>Up to 3</b>	<b>From 3</b>	<b>From 1</b>	<b>Over 3</b>	<b>Without</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>specified</b>	
		<b>months</b>	<b>years</b>	<b>years</b>	<b>maturity</b>	
Banknotes and coins in circulation	7,333,713	-	-	-	-	7,333,713
Deposits from banks	6,496,144	-	-	-	-	6,496,144
Deposits from the Government and other public institutions	1,476,312	-	-	-	-	1,476,312
Other financial liabilities	3,534	-	-	-	-	3,534
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,309,703</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,309,703</b>

<b>31 December 2021</b>	<b>Up to 3</b>	<b>From 3</b>	<b>From 1</b>	<b>Over 3</b>	<b>Without</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>specified</b>	
		<b>months</b>	<b>years</b>	<b>years</b>	<b>maturity</b>	
Banknotes and coins in circulation	6,923,818	-	-	-	-	6,923,818
Deposits from banks	7,219,617	-	-	-	-	7,219,617
Deposits from the Government and other public institutions	1,429,596	-	-	-	-	1,429,596
Other financial liabilities	8,023	-	-	-	-	8,023
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15,581,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,581,054</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected notes to the Condensed interim financial statements for the period ended 31 March 2022

**6. CASH IN FOREIGN CURRENCIES**

Cash in foreign currencies is held in the Central Bank's vaults. The following table presents balances of cash in foreign currencies, with an analytical presentation by type of currency:

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Cash in foreign currencies in vaults		
EUR	456,980	469,548
USD	20	20
GBP	18	17
<b>TOTAL</b>	<b>457,018</b>	<b>469,585</b>

During the reporting period the Central Bank purchased cash in EUR in the amount of KM 293,375 thousand from foreign bank in order to fulfill its legal obligation to guarantee the convertibility of KM for EUR, i.e. to execute transactions of purchase and sale of KM for EUR without restrictions.

**7. DEPOSITS WITH FOREIGN BANKS**

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

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

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Term deposits:		
EUR	3,285,858	2,592,738
Impairment	(1,023)	(764)
<b>Total</b>	<b>3,284,835</b>	<b>2,591,974</b>
Demand deposits:		
EUR	637,634	1,349,790
GBP	2,150	2,202
USD	1,313	1,171
CHF	271	109
	<b>641,368</b>	<b>1,353,272</b>
Impairment	(91)	(149)
<b>Total</b>	<b>641,277</b>	<b>1,353,123</b>
<b>TOTAL</b>	<b>3,926,112</b>	<b>3,945,097</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

Deposits with foreign banks include negative accrued interest in the amount of KM 2,271 thousand as at 31 March 2022 (31 December 2021: Included negative accrued interest in the amount of KM 1,387 thousand).

Term deposits with foreign banks, analysed by the remaining contractual maturity, are as follows:

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Up to one month	1,498,228	1,055,372
From one to two months	544,414	457,180
From two to three months	1,243,216	698,391
From three to four months	-	95,591
From four to twelve months	-	286,204
<b>Total</b>	<b>3,285,858</b>	<b>2,592,738</b>
Impairment	(1,023)	(764)
<b>TOTAL</b>	<b>3,284,835</b>	<b>2,591,974</b>

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

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Foreign commercial banks	2,131,066	1,477,588
Foreign central banks	1,794,998	2,467,662
International financial institutions	1,162	760
<b>Total</b>	<b>3,927,226</b>	<b>3,946,010</b>
Impairment (Note 5.1.1)	(1,114)	(913)
<b>TOTAL</b>	<b>3,926,112</b>	<b>3,945,097</b>

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected notes to the Condensed interim financial statements for the period ended 31 March 2022

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

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

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

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Coupon debt instruments	7,820,814	7,931,557
Accrued interest on coupon debt instruments	54,547	57,320
<b>Total</b>	<b>7,875,361</b>	<b>7,988,877</b>
Discount debt instruments	2,669,708	3,628,065
Accrued premium on discount debt instruments	6,196	12,650
<b>Total</b>	<b>2,675,904</b>	<b>3,640,715</b>
<b>TOTAL</b>	<b>10,551,265</b>	<b>11,629,592</b>

As at 31 March 2022, provisions for expected credit losses for debt instruments, recognized in other comprehensive income, amount to KM 1,527 thousand (31 December 2021: KM 1,786 thousand). During the reporting period, the net release in provisions for expected credit losses recognized in profit or loss, amounts to KM 12 thousand (01/01.-31/03/2021: net increase of KM 105 thousand). For more information about these changes in the reporting period see Note 5.1.1.

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

<b>In thousands of KM</b>	<b>For the period</b>	
	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>11,629,592</b>	<b>9,601,315</b>
Purchases during the period	1,510,536	1,252,620
Sales during the period	(1,148,658)	(284,941)
Interest income recognised during the period (Note 15)	6,980	8,634
Effects of negative interest rates recognised during the period (Note 15)	(9,329)	(4,814)
Maturities of debt instruments	(1,269,823)	(422,244)
Maturities of coupons	(17,733)	(25,008)
Net unrealised change in fair value during the period	(150,302)	(66,681)
Transaction costs	2	2
<b>As at 31 March</b>	<b>10,551,265</b>	<b>10,058,883</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected notes to the Condensed interim financial statements for the period ended 31 March 2022

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

Price fluctuations of debt instruments in the reporting period in relation to the comparable one resulted in a temporary decline of their fair value. This decline was absorbed by the existence of an adequate level of fair value reserves for debt instruments in the Central Bank's equity. The effects of fair value temporary oscillations, as a result of market conditions that the Central Bank cannot affect, do not withdraw any realized losses for the Central Bank but represent a quantification of market conditions in the international financial environment for a certain period of time.

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

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

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Up to 3 months	1,142,078	1,114,409
From 3 to 12 months	3,079,010	4,093,847
From 1 to 3 years	3,794,114	2,958,887
Over 3 years	2,536,062	3,462,449
<b>TOTAL</b>	<b>10,551,264</b>	<b>11,629,592</b>

**9. MONETARY GOLD**

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

**In thousands KM**

<b>As at</b>	<b>Quantity of ounces</b>	<b>Price per ounce in KM</b>	<b>Fair value of monetary gold as at</b>
31 March 2022	88,000	3,424	<b>301,330</b>
31 December 2021	96,000	3,146	<b>301,987</b>
31 March 2021	96,000	2,847	<b>273,284</b>

Effects of fair value changes in monetary gold during the reporting periods are provided in the following table:

<b>In thousands of KM</b>	<b>For the period</b>	
	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>301,987</b>	<b>291,561</b>
Inflows from the sale of monetary gold	(28,477)	-
Net change in fair value during the period	27,820	(18,277)
<b>As at 31 March</b>	<b>301,330</b>	<b>273,284</b>

During March 2022, the Central Bank sold a smaller amount of ounces of monetary gold and realised net gain of KM 11,489 thousand. For more information see the Note 18.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected notes to the Condensed interim financial statements for the period ended 31 March 2022

**10. DEBT INSTRUMENTS AT AMORTIZED COST**

Debt instruments at amortized cost represent Central Bank's foreign currency reserve funds invested in liquid Eurozone government bonds with the intention of holding until their maturity. As at the reporting date, this portfolio consists of long-term coupon government bonds with a fixed interest rate. Debt instruments at amortized cost are denominated in EUR currency.

The structure of investments in debt instruments at amortized costs is presented in the following table:

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Coupon debt instruments	717,211	-
Accrued interest on coupon debt instruments	430	-
<b>Total</b>	<b>717,641</b>	-
Impairment	(163)	-
<b>TOTAL</b>	<b>717,478</b>	-

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

<b>In thousands of KM</b>	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	-	-
Purchases during the period	717,283	-
Interest income recognised during the period (Note 15)	357	-
Net impairment during the period	(163)	-
Transaction costs	1	-
<b>As at 31 March</b>	<b>717,478</b>	-

In relation to the reporting date, all debt instruments at amortized cost, in the aspect of their remaining contractual maturity, belong to a time interval of over three years.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

Selected notes to the Condensed interim financial statements for the period ended 31 March 2022

**11. OTHER ASSETS**

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Receivables from domestic banks	2,949	2,203
Giro accounts	754	682
Receivables from employee based on domestic currency deficit	600	600
Other miscellaneous financial assets	341	472
<b>Total</b>	<b>4,644</b>	<b>3,957</b>
Impairment	(609)	(608)
<b>Total other financial assets</b>	<b>4,035</b>	<b>3,349</b>
Prepaid expenses for banknotes and coins production	10,077	11,164
Numismatic collections	1,045	981
Prepaid expenses for business administration	1,024	1,194
Other miscellaneous nonfinancial assets	241	239
<b>Total other nonfinancial assets</b>	<b>12,387</b>	<b>13,578</b>
<b>TOTAL</b>	<b>16,422</b>	<b>16,927</b>

**12. BANKNOTES AND COINS IN CIRCULATION**

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
<b>Opening balance</b>	<b>6,923,818</b>	<b>6,172,457</b>
Increase in value of banknotes and coins during the period	409,895	751,361
<b>Closing balance</b>	<b>7,333,713</b>	<b>6,923,818</b>

**13. DEPOSITS FROM BANKS**

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

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Deposits of domestic commercial banks	6,495,357	7,218,902
Reserve accounts of the Central Bank organizational units	754	682
Special deposits of domestic commercial banks - blocked funds	33	33
<b>TOTAL</b>	<b>6,496,144</b>	<b>7,219,617</b>

Deposits from domestic commercial banks, on the basis of required reserve policy, include negative accrued remuneration in the amount of KM 2,885 thousand as at 31 March 2022 (31 December 2021: KM 2,498 thousand).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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**13. DEPOSITS FROM BANKS (CONTINUED)**

The following table presents the average balance of the reserve account of domestic commercial banks, calculated for the last ten-day period as at the reporting dates:

<b>In thousands of KM</b>	<b>21/03-31/03/2022</b>	<b>21/12-31/12/2021</b>
Average required reserve	2,919,654	2,989,873
Amounts exceeding the required reserve	3,364,329	4,097,112
<b>TOTAL</b>	<b>6,283,983</b>	<b>7,086,985</b>

**14. OTHER LIABILITIES**

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
IMF Accounts No, 1 and 2 (Note 28)	2,252	2,242
World Bank deposits	758	89
Accrued, but non-invoiced liabilities	378	4,114
Suppliers	145	1,560
Other financial liabilities	1	18
<b>Total other financial liabilities</b>	<b>3,534</b>	<b>8,023</b>
Non-financial liabilities on various bases	68	87
Collected and deferred income	45	52
<b>Total other nonfinancial liabilities</b>	<b>113</b>	<b>139</b>
<b>TOTAL</b>	<b>3,647</b>	<b>8,162</b>

**15. NET INTEREST INCOME**

<b>In thousands of KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
<b>Interest income arising from:</b>		
Effects of negative deposit interest rates on deposits from domestic commercial banks	9,116	3,891
Debt instruments at fair value through other comprehensive income (Note 8)	6,980	8,634
Debt instruments at amortized cost (Note 10)	357	-
Financial assets at amortized cost	1	-
<b>Total</b>	<b>16,454</b>	<b>12,525</b>
<b>Interest expense arising from:</b>		
Effects of negative interest rates from debt instruments at fair value through other comprehensive income (Note 8)	(9,329)	(4,814)
Effects of negative interest rates from deposits with foreign banks	(5,202)	(4,649)
<b>Total</b>	<b>(14,531)</b>	<b>(9,463)</b>
<b>Net interest income</b>	<b>1,923</b>	<b>3,062</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

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

<b>In thousands of KM</b>	<b>For the period</b>	
	<b>01/01-31/03 2022</b>	<b>01/01-31/03 2021</b>
<b>Financial assets at amortized cost</b>		
Interest income	358	-
Effects of negative interest rates from deposits with foreign banks	(5,202)	(4,649)
<b>Total</b>	<b>(4,844)</b>	<b>(4,649)</b>
<b>Financial assets at fair value through other comprehensive income</b>		
Interest income	6,980	8,634
Effects of negative interest rates from debt instruments at fair value through other comprehensive income	(9,329)	(4,814)
<b>Total</b>	<b>(2,349)</b>	<b>3,820</b>
<b>Financial liabilities at amortized cost</b>		
Effects of negative deposit interest rates on deposits from domestic commercial banks	9,116	3,891
Interest expenses	-	-
<b>Total</b>	<b>9,116</b>	<b>3,891</b>
<b>Net interest income</b>	<b>1,923</b>	<b>3,062</b>

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

The required reserve ratio applied by the Central Bank on the required reserve base amounts to 10% and is equally applied for all domestic commercial banks.

The Central Bank calculates the remuneration on the amount of required reserve funds generated from the foreign currency base and the domestic currency with currency clause base in in the period 01/01 – 31/03/2022, while the calculation of remuneration on these bases did not apply in the period 01/01 – 31/03/2021. The remuneration is also calculated on the amounts exceeding the required reserve funds in both reporting periods.

The Central Bank does not calculate a remuneration on the amounts of required reserve funds generated from domestic currency base.

The remuneration rate applied by the Central Bank on the required reserves amounts and the amounts exceeding the required reserves is linked to the European Central Bank deposit facility rate in both reporting periods.

In the period 01/01 – 31/03/2022 the Central Bank's remuneration rate is further reduced by 10 basis points on the required reserves amounts, while in the period 01/01 – 31/03/2021 the calculation of remuneration on the required reserves amounts was not applied.

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

In the period 01/01 – 31/03/2022 the Central Bank's remuneration rate is further reduced by 25 basis points on the amounts exceeding the required reserves, while in the period 01/01 – 31/03/2021 negative European Central Bank deposit facility rate was applied without additional corrections from the Central Bank.

Negative European Central Bank deposit facility rate amounts to 0.50% in the reporting periods.

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

Base for calculation of remuneration	Period	The Central Bank remuneration rate
<b>2022</b>		
<b>Required reserves amounts</b>		
<i>Domestic currency base</i>	01/01 – 31/03	0.00%
<i>Foreign currency base</i>	01/01 – 31/03	(0.60)%
<i>Domestic currency with currency clause base</i>	01/01 – 31/03	(0.60)%
<b>Amounts exceeding the required reserves</b>	01/01 – 31/03	(0.75)%
<b>2021</b>		
<b>Required reserves amounts</b>		
<i>Domestic currency base</i>	01/01 – 31/03	0.00%
<i>Foreign currency base</i>	01/01 – 31/03	0.00%
<i>Domestic currency with currency clause base</i>	01/01 – 31/03	0.00)%
<b>Amounts exceeding the required reserves</b>	01/01 – 31/03	(0.50)%

The remuneration rates applied by the Central Bank arising from the required reserves instrument are determined solely to cover its opportunity costs that are generated from the holding deposit funds of domestic commercial banks and for the purpose of strengthening the domestic currency.

The effects of negative deposit interest rates from deposits with domestic commercial banks amount to KM 2,012 thousand on the basis of the foreign currency base and the domestic currency with currency clause base and KM 7,104 thousand on the basis of amounts exceeding the required reserve funds in the period 01/01 – 31/03/2022 (01/01 – 31/03/2021: Amounted to KM 3,891 thousand on the basis of amounts exceeding the required reserve funds).

The effects of negative interest rates from interest-bearing financial assets are the result of the negative interest rates and yields calculated on deposits with foreign banks and debt instruments that could not be avoided according to current market circumstances and allowed legal requirements for investing the Central Bank's foreign currency reserves.

The effects of negative interest rates on deposits with foreign banks include the amount of KM 4,367 thousand on term deposits and the amount of KM 835 thousand on demand deposits in the period 01/01 – 31/03/2022 (In the period 01/01 – 31/03/2021 included the amount of KM 3,524 thousand on term deposits and the amount of KM 1,125 thousand on demand deposits).

The average negative effective yield rate on deposits with foreign banks amounts to 0.53 % in the period 01/01 – 31/03/2022 (In the period 01/01 – 31/03/2021 the average negative effective interest rate amounted to 0.54%).

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

The average negative effective yield rate on debt instruments at fair value through other comprehensive income amounts to 0.01% in the period 01/01 – 31/03/2022 (In the period 01/01 – 31/03/2021 the average effective yield rate amounted to 0.24%).

The average effective yield rate on debt instruments at amortized cost amounts to 0.92% in the period 01/01 – 31/03/2022 (In the period 01/01 – 31/03/2021 the Central Bank did not hold debt instruments at amortized cost).

**16. NET FEE AND COMMISSION INCOME**

<b>In thousands KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
<b>Fee and commission income arising from:</b>		
Services for domestic banks	5,577	4,300
Services for the Government and other non-banking clients	413	380
<b>Total</b>	<b>5,990</b>	<b>4,680</b>
<b>Fee and commission expenses arising from:</b>		
Custody and other expenses for debt instruments	(211)	(176)
Transactions with foreign banks	(8)	(8)
Other fee and commission expenses	(2)	(2)
<b>Total</b>	<b>(221)</b>	<b>(186)</b>
<b>Net fee and commission income</b>	<b>5,769</b>	<b>4,494</b>

As disclosed in the latest annual financial statements, the Central Bank applied different tariffs for its services during the reporting periods presented.

**17. NET REALISED GAINS FROM SALE OF DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

<b>In thousands of KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Realised gains	8,366	2,023
Realised losses	(6,347)	-
<b>TOTAL</b>	<b>2,019</b>	<b>2,023</b>

The corresponding amounts of realised gains from released provisions for expected credit losses for debt instruments sold are presented in Note 5.1.1.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

Gains arising from changes in fair value of monetary gold recognised in other comprehensive income, within fair value reserves for monetary gold, are recognised as realized gains within the statement of comprehensive income at the date of sale. Net realized gains from the sale of part of monetary gold carried out in March 2022 amount to KM 11,489 thousand.

**19. NET FOREIGN EXCHANGE GAINS**

<b>In thousands of KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Net realised foreign exchange gains	52	190
Net unrealised foreign exchange gains	92	99
<b>TOTAL</b>	<b>144</b>	<b>289</b>

**20. NET IMPAIRMENT ON FINANCIAL ASSETS**

<b>In thousands of KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Net (increase) / release of impairment for deposits with foreign banks	(201)	22
Net release / (increase) in provisions for expected credit losses for debt instruments at fair value through other comprehensive income	12	(105)
Net (increase) of impairment for debt instruments at amortized cost	(163)	-
Net (increase) of impairment for other financial assets	(1)	(1)
<b>TOTAL</b>	<b>(353)</b>	<b>(84)</b>

**21. PERSONNEL EXPENSES**

<b>In thousands of KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Salaries	2,382	2,443
Contributions and other fees on salaries	1,333	1,391
Other employee benefits	391	398
Contributions and other fees on other employees' benefits	93	108
Provisions for severance payments and jubilee awards, net increase	14	1
<b>TOTAL</b>	<b>4,213</b>	<b>4,341</b>

Personnel expenses include KM 810 thousand of defined pension contributions paid to the public pension funds in BH (01/01 – 31/03/2021: KM 835 thousand)

The average number of employees in the reporting period amounts to 357 (01/01 – 31/03/2021: 371 employees).

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**22. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

<b>In thousands of KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Payment systems maintenance expenses	433	415
Overhead expenses	220	243
IT infrastructure expenses	194	193
Access to official services expenses	160	153
Fixed assets maintenance expenses	52	55
Other administrative and operating expenses	533	340
<b>TOTAL</b>	<b>1,592</b>	<b>1,399</b>

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

<b>In thousands of KM</b>	<b>01/01 - 31/03 2022</b>	<b>For the period 01/01 - 31/03 2021</b>
Costs of production and design of banknotes	679	605
Costs of production and design of coins	409	191
<b>TOTAL</b>	<b>1,088</b>	<b>796</b>

**24. EQUITY**

The structure of equity is presented in the following table:

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Initial capital	25,000	25,000
Fair value reserves for debt and equity instruments	6,581	158,914
Fair value reserves for monetary gold	114,460	98,129
Other reserves	31,300	31,300
General reserves (Retained earnings)	548,100	548,100
Net profit for the period	13,468	-
<b>TOTAL</b>	<b>738,909</b>	<b>861,443</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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**25. CASH AND CASH EQUIVALENTS**

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

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
Foreign currency deposits with maturity up to three months or less from the date of acquisition	2,904,667	1,665,860
Foreign currency demand deposits	641,368	666,998
Cash in foreign currencies	457,018	143,127
Special Drawing Rights with the IMF	2,146	864
Giro accounts	754	761
<b>Total</b>	<b>4,005,953</b>	<b>2,477,610</b>
Impairment	(1,062)	(684)
<b>TOTAL</b>	<b>4,004,891</b>	<b>2,476,926</b>

**26. RELATED PARTIES 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 by the Council of Ministers of Bosnia and Herzegovina, transactions performed as part of regular operations of the Central Bank with the state and state institutions represent related party transactions. In accordance with the Law on the Central Bank, the Central Bank acts as an agent for the BH state and for other state institutions. The Central Bank receives deposits from BH state and other state institutions and acts strictly on depositors' behalf and order.

Transactions with the state and state institutions are presented in the following tables:

**In thousands of KM**

<b>As at 31 March 2022</b>	<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	10	5	8	23
<b>TOTAL</b>	<b>10</b>	<b>5</b>	<b>8</b>	<b>23</b>
<b>LIABILITIES</b>				
Deposits from depositors	919,099	301,981	172,652	1,393,732
<b>TOTAL</b>	<b>919,099</b>	<b>301,981</b>	<b>172,652</b>	<b>1,393,732</b>

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**26. RELATED PARTIES TRANSACTIONS (CONTINUED)**

In thousands of KM

As at 31 December 2021	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
<b>ASSETS</b>				
Other assets	62	31	23	116
<b>TOTAL</b>	<b>62</b>	<b>31</b>	<b>23</b>	<b>116</b>
<b>LIABILITIES</b>				
Deposits from depositors	917,836	287,313	163,300	1,368,449
Other liabilities	-	-	1	1
<b>TOTAL</b>	<b>917,836</b>	<b>287,313</b>	<b>163,301</b>	<b>1,368,450</b>

Income generated with the State and state institutions is presented in the following table:

In thousands of KM

	01/01 – 31/03 2022	01/01 – 31/03 2021
<b>Fee and commission income</b>		
BH Ministry of Finance and Treasury	30	4
BH Deposit Insurance Agency	12	3
BH Indirect Taxation Authority	20	1
<b>TOTAL</b>	<b>62</b>	<b>8</b>

In executing its functions of the banker, the depository and the fiscal agent prescribed by the Law on the Central Bank, the Central Bank also maintains certain bookkeeping and executes transactions for the State and state institutions that are recorded off-balance. More information about these off-balance records is disclosed in the Notes 27 and 28.

**Remuneration of key management members**

The Central Bank considers that it has an immediate related party relationship with its 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.

The total remuneration of the key management members, in the period 01/01 – 31/03/2022, amounts to KM 220 thousand, out of which KM 138 thousand is related to salaries and other remuneration and KM 82 thousand is related to taxes and contributions (In the period 01/01 – 31/03/2021, out of the total amount of KM 224 thousand, the amount of KM 140 thousand was related to salaries and other remunerations and KM 84 thousand was related to taxes and contribution).

**27. OFF-BALANCE SHEET DEPOSITS**

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

Off-balance sheet deposits also include foreign currency accounts of the state institutions and agencies, as well as at commercial banks, for which the Central Bank acts as an agent.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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**27. OFF-BALANCE SHEET DEPOSITS (CONTINUED)**

Off-balance sheet deposits consist of:

<b>In thousands of KM</b>	<b>31 March 2022</b>	<b>31 December 2021</b>
Deposits of the Council of Ministers of BH:	14,980	8,805
<i>Deposits of the Council of Ministers of BH on the basis of succession</i>	45	44
<i>Deposits of the Council of Ministers of BH regarding the servicing of foreign debt</i>	13,077	6,923
<i>Deposits of the Council of Ministers of BH regarding the Budget of BH institutions</i>	1,582	1,567
<i>Other deposits of the Council of Ministers of BH</i>	276	271
Deposits of other residents:	4,509	7,700
<i>Deposits - Retirement allowance from Germany</i>	217	72
<i>Deposit accounts of banks</i>	4,292	7,628
<b>Deposits of residents</b>	<b>19,489</b>	<b>16,505</b>
Cash account – Deposit Insurance Agency of BH	29,618	40,910
<b>Total – State public institutions</b>	<b>29,618</b>	<b>40,910</b>
<b>TOTAL</b>	<b>49,107</b>	<b>57,415</b>

BH Ministry of Finance and Treasury is the institution that acts on behalf of Council of Ministers of BH and state in deposit management and coordination as presented in the table. As at 31 March 2022 the total of these funds amount to KM 14,980 thousand (31 December 2021: KM 8,805 thousand).

**28. BOSNIA AND HERZEGOVINA MEMBERSHIP WITH THE INTERNATIONAL MONETARY FUND**

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**

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

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

**In thousands of KM**

	<b>31 March 2022</b>	<b>31 December 2021</b>
Quota	644,794	641,864
Special Drawing Rights with the IMF	2,146	1,881
<b>TOTAL ASSETS</b>	<b>646,940</b>	<b>643,745</b>
IMF account No.1	1,612	1,605
IMF account No.2	640	637
Securities	1,556,903	1,562,617
SDR allocation	1,009,177	1,004,591
Accrued interest on SDR allocation	332	92
Accounts of payable charges	1,794	1,627
<b>TOTAL LIABILITIES</b>	<b>2,570,458</b>	<b>2,571,169</b>
<b>BH NET POSITION WITH THE IMF</b>	<b>1,923,518</b>	<b>1,927,424</b>

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

**29. EVENTS AFTER THE REPORTING PERIOD**

There were no events in the period between 31 March 2022 and the date of approval of these condensed interim financial statements that would require adjustment or are material but do not require adjustment.