



Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ



CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2022

(unaudited)

in accordance with the requirements of International Accounting Standard 34

Sarajevo, 27 October 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 30 September 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 considers the financial statements and oversees the Central Bank of Bosnia and Herzegovina financial reporting process. In overseeing the financial reporting process, the Governing Board is assisted by the Audit Committee, which is consisted of three independent members. The Audit Committee reviews the condensed interim financial statements, which are then 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 48 are approved by the Governing Board on 27 October 2022.




Senad Softić, Ph.D.

Chairman of the Governing Board
Governor



Vesna Paćuka, MA

Head of Accounting and Finance Department

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Condensed Interim Financial Statements for the period ended 30 September 2022

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

In thousands of KM	Note	30 September 2022	As at 31 December 2021
ASSETS			
Cash in foreign currencies	6	476,131	469,585
Deposits with foreign banks	7	6,019,864	3,945,097
Special Drawing Rights with the IMF	30	1,366	1,881
Debt instruments at fair value through other comprehensive income	8	8,559,307	11,629,592
Monetary gold	9	291,510	301,987
Debt instruments at amortised cost	10	1,170,884	-
Other assets	11	14,795	16,927
Property and equipment		48,955	50,177
Intangible assets		861	983
Other investments		27,813	27,813
TOTAL ASSETS		16,611,486	16,444,042
LIABILITIES AND EQUITY			
LIABILITIES			
Banknotes and coins in circulation	12	7,444,201	6,923,818
Deposits from banks	13	7,271,975	7,219,617
Deposits from the Government and other public institutions	14	1,351,524	1,429,596
Provisions		1,287	1,406
Other liabilities	15	3,771	8,162
Total liabilities		16,072,758	15,582,599
EQUITY			
Initial capital		25,000	25,000
Reserves		510,572	836,443
Net profit for the period		3,156	-
Total equity	26	538,728	861,443
TOTAL LIABILITIES AND EQUITY		16,611,486	16,444,042

The selected notes on pages 9 to 48 are an integral part of these condensed interim financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Condensed Interim Financial Statements for the period ended 30 September 2022

STATEMENT OF PROFIT OR LOSS (UNAUDITED)

In thousands of KM	Note	For the period			
		01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Interest income		14,816	14,762	47,539	40,627
Interest expense		(8,069)	(11,497)	(35,901)	(31,116)
NET INTEREST INCOME	16	6,747	3,265	11,638	9,511
Fee and commission income		5,540	5,497	16,923	15,258
Fee and commission expense		(200)	(203)	(631)	(586)
NET FEE AND COMMISSION INCOME	17	5,340	5,294	16,292	14,672
Net realised (losses) / gains from sale of debt instruments at fair value through other comprehensive income	18	(2,808)	529	(12,967)	2,552
Net realised gains from sale of monetary gold	19	-	-	11,489	-
Net foreign exchange gains / (losses)	20	129	(1,204)	373	(624)
Net impairment on financial assets	21	(265)	(217)	(812)	(187)
Other income / (expenses)	22	8	(32)	795	1,292
OPERATING INCOME		9,151	7,635	26,808	27,216
Personnel expenses	23	(4,678)	(4,869)	(13,738)	(14,323)
Administrative and other operating expenses	24	(1,773)	(1,529)	(4,980)	(4,564)
Costs of production of banknotes and coins	25	(819)	(1,196)	(2,759)	(2,992)
Depreciation and amortisation charge		(728)	(619)	(2,175)	(1,863)
OPERATING EXPENSES		(7,998)	(8,213)	(23,652)	(23,742)
NET PROFIT / (LOSS) FOR THE PERIOD		1,153	(578)	3,156	3,474

The selected notes on pages 9 to 48 are an integral part of these condensed interim financial statements.

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In thousands of KM	Note	For the period			
		01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01-30/09 2021
NET PROFIT / (LOSS) FOR THE PERIOD		1,153	(578)	3,156	3,474
Other comprehensive (loss) / income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Debt instruments at fair value through other comprehensive income					
Net change in fair value during the period	8	(84,253)	(8,553)	(345,356)	(101,556)
Net change in provisions for expected credit losses recognized in profit or loss during the period	5.1.1.	29	65	7	203
Reclassification to profit or loss from sale of debt instruments	18	2,808	(529)	12,967	(2,552)
		(81,416)	(9,017)	(332,382)	(103,905)
Monetary gold					
Net change in fair value during the period	9	(5,178)	4,502	18,000	(6,758)
Reclassification to profit or loss from sale of monetary gold	19	-	-	(11,489)	-
		(5,178)	4,502	6,511	(6,758)
Total other comprehensive (loss)		(86,594)	(4,515)	(325,871)	(110,663)
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		(85,441)	(5,093)	(322,715)	(107,189)

The selected notes on pages 9 to 48 are an integral part of these condensed interim financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

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

The selected notes on pages 9 to 48 are an integral part of these condensed interim financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

In thousands of KM	Initial capital	Fair value reserves for debt and equity instruments	Fair value reserves for monetary gold	Other reserves	General reserves (Retained earnings)	Total reserves	Net profit for the period	Total equity
Balance at 1 January 2021	25,000	293,125	87,703	31,300	545,203	957,331	-	982,331
Total comprehensive (loss) for the period	-	(103,905)	(6,758)	-	-	(110,663)	3,474	(107,189)
Net profit for the period	-	-	-	-	-	-	3,474	3,474
Other comprehensive (loss)	-	(103,905)	(6,758)	-	-	(110,663)	-	(110,663)
<i>Net unrealised negative changes in fair value for debt instruments</i>	-	(101,556)	-	-	-	(101,556)	-	(101,556)
<i>Net increase in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	203	-	-	-	203	-	203
<i>Net realised positive changes in fair value for debt instruments sold transferred to profit or loss</i>	-	(2,552)	-	-	-	(2,552)	-	(2,552)
<i>Net unrealised negative changes in fair value for monetary gold</i>	-	-	(6,758)	-	-	(6,758)	-	(6,758)
Balance at 30 September 2021	25,000	189,220	80,945	31,300	545,203	846,668	3,474	875,142

The selected notes on pages 9 to 48 are an integral part of these condensed interim financial statements.

STATEMENT OF CASH FLOWS (UNAUDITED)

	Note	For the period	
		01/01 - 30/09 2022	01/01 - 30/09 2021
In thousands of KM			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		3,156	3,474
Adjusted for:			
Interest income	16	(47,539)	(40,627)
Interest expense	16	35,901	31,116
Net impairment on financial assets	21	812	187
Net realised losses / (gains) from sale of debt instruments at fair value through other comprehensive income	18	12,967	(2,552)
Net realised (gains) from sale of monetary gold	19	(11,489)	-
Net foreign exchange (gains) / losses	20	(373)	624
Income from grants		(2)	(2)
Provisions, net increase		30	5
(Gains) on disposal of property and equipment		-	(8)
Dividend income recognized in profit or loss	22	(721)	(1,297)
Depreciation and amortisation charge		2,175	1,863
Net cash flows from operating activities before changes in operating assets and liabilities		(5,083)	(7,217)
Changes in operating assets and liabilities			
(Increase) / decrease in term deposits with foreign banks		(733,145)	538,448
Decrease / (increase) in debt instruments at fair value through other comprehensive income		2,724,929	(1,565,484)
(Increase) in debt instruments at amortised cost		(1,171,108)	-
Decrease in monetary gold		28,477	-
Decrease / (increase) in other assets		2,392	(4,436)
Increase in banknotes and coins in circulation	12	520,383	642,409
Increase in deposits from banks		53,283	447,934
(Decrease) / increase in deposits from the Government and other public institutions		(78,072)	569,069
(Decrease) / increase in other liabilities		(4,548)	435
Payments from provisions		(149)	(98)
Interest received		45,904	38,454
Interest paid		(35,901)	(30,235)
Net cash from operating activities		1,347,362	629,279
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from property and equipment		-	8
Purchases of property, equipment and intangible assets		(831)	(416)
Dividend receivables		721	1,297
Net cash used in investing activities		(110)	889

The selected notes on pages 9 to 48 are an integral part of these condensed interim financial statements.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Condensed Interim Financial Statements for the period ended 30 September 2022

STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)

In thousands of KM	Note	01/01 - 30/09 2022	For the period 01/01 - 30/09 2021
Net effects from impairment for expected credit losses on cash and cash equivalents		(537)	(60)
Net effects of exchange rates on cash and cash equivalents held		531	(587)
Net increase in cash and cash equivalents		1,347,246	629,521
Cash and cash equivalents at the beginning of the period		3,986,726	2,909,688
Cash and cash equivalents at the end of the period	27	5,333,972	3,539,209

The selected notes on pages 9 to 48 are an integral part of these condensed interim financial statements.

**SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 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, organization 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, at any moment, aimed at profit maximization.

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

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

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

Audit Committee

Elvir Čizmić Ph.D.	Chairman (from 1 January 2022)
Dijana Čavar 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 understanding the changes in the financial position and performance of the Central Bank in relation to the latest annual financial statements.

These condensed interim financial statements have been prepared using the going concern assumption. More information on the 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 operations for the reporting period and as at the reporting date presented in these condensed interim financial statements are not necessarily indicative for the results of the Central Bank operations that can be expected for 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:

Item	Basis of measurement
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 IFRSs

At the date of approval of these condensed interim financial statements, certain changes and interpretations of the existing standards are effective from 1 January 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 accordance 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 30 September 2022. Future conditions may differ from those that resulted in the financial information disclosed in these condensed interim financial statements.

2.7. Circumstances for executing the Central Bank's operations

The Central Bank's operations have been exposed to the significantly different circumstances in the current reporting period compared to both the comparative reporting period and the financial information disclosed in the latest annual financial statements. In the current reporting period, circumstances in the international business environment, in which the Central Bank invests foreign currency reserves, have been under abrupt changes i.e., under rapid transition from a multiyear zone of negative interest rates and yields to the zone of positive interest rates and yields. These circumstances have dominantly generated significant changes in the amounts and the structure of the financial position and the financial performance of the Central Bank as at the reporting date, i.e., in the current reporting period. As a consequence of above mentioned circumstances, the amounts presented in these condensed financial statements for the both comparative reporting dates and periods are comparable to the limited extent with the corresponding amounts presented for the period ending 30 September 2022.

2. BASIS OF PREPARATION (CONTINUED)**2.7. Circumstances for executing the Central Bank's operations (continued)**

The circumstances in the international business environment i.e., the Eurozone financial markets where the Central Bank must invest foreign currency reserves in accordance with the Law on the Central Bank due to the fixed official exchange rate of KM to EUR, are primarily influenced by the European Central Bank ("ECB") monetary policy execution. During the reporting period, the ECB raised key interest rates on two occasions with the aim of normalizing monetary policy in response to concerns about inflation, especially high energy and food prices caused by the Russian-Ukrainian war. The ECB's key interest rates were increased in the total amount of 125 basis points at the end of the reporting period, namely by 50 basis points in July 2022 and by 75 basis points in September 2022. These abrupt and significant increases of the ECB's key interest rates have consequently led to the interest rate increases on the Central Bank's foreign currency reserve funds that can be held with the Eurozone foreign banks, as well as significant and accelerating increases in market yields, but with simultaneously sharp falls of the Eurozone securities market prices in which the Central Bank can invest and which Central Bank's holds in its securities portfolio.

The result of the adoption of more aggressive measures of the ECB monetary policy has been manifested on the Eurozone financial markets in the form of strong turbulences, which was particularly evident during the second and third quarter of the reporting period. Consequently, the value of the Central Bank's foreign currency reserves started to change significantly as a result of significant market fluctuations in debt instruments classified at fair value through other comprehensive income. Declines in the fair value of debt instruments due to the sharp rise of market yields were absorbed by the sufficient level of net foreign assets value. The above mentioned circumstance on the financial markets was reflected on the temporary decline in the value of the net foreign assets i.e., the Central Bank's equity as at the reporting date.

During the current reporting period, the Central Bank has undertaken a whole range of activities regarding the foreign currency reserves aimed at adapting to new circumstances within its legally permitted framework. All activities of the Central Bank were managed taking into consideration that the financial instruments of the Central Bank are the instruments for currency board protection which are not held for the profit maximisation purposes, but to protect the coverage of monetary liabilities with the net foreign currency reserves, strictly adhering the requirements of security, liquidity and only then return on investments.

During the current reporting period, a significant restructuring of foreign currency reserves was carried out aimed at adjusting the investments of foreign exchange reserves to abrupt changes and to the transition to the zone of positive interest rates and yields, as follows:

- The modified duration of debt instruments at fair value through other comprehensive income was significantly shortened to reduce the interest rate risk exposure. Certain part of the Central Bank's debt instruments with significant fluctuations in the fair value was released through sales and thereby net loss was realised in the amount of KM 12,967 thousand.
- The Central Bank took advantage of the favourable financial market conditions and sold a smaller quantity of ounces of monetary gold measured at fair value in March 2022. The sale of monetary gold generated a realised gain in the amount of KM 11,489 thousand.
- Cash inflows from performed sales as well as from maturities of debt instruments and sales of monetary gold in the current reporting period were primarily reinvested in deposits with foreign banks with the aim of adjusting to expectations of interest rate growth on the Eurozone financial markets. This led to an increase of foreign currency reserve funds invested in deposits with foreign banks as at the reporting date. Accordingly, the conditions have been created for the fastest possible inclusion of the interest rate increases to the interest income of the Central Bank. As at 30 September 2022, all deposits with foreign banks are invested at positive interest rates.
- During the reporting period, the Central Bank has invested part of the foreign currency reserves in a portfolio classified by amortised cost.

2. BASIS OF PREPARATION (CONTINUED)

2.7. Circumstances for executing the Central Bank's operations (continued)

Under conditions of an unstable investment environment, all activities undertaken regarding the investment of foreign currency reserves were carried out with the aim of stabilizing the value of foreign currency reserves in order to create the conditions for strengthening foreign exchange reserves by the positive returns on investments and to reduce volatility as soon as possible.

For more information see notes:

Note	Title
3	Currency board arrangement
5	Financial risk management
7	Deposits with foreign banks
8	Debt instruments at fair value through other comprehensive income
9	Monetary gold
10	Debt instruments at amortised cost
16	Net interest income
18	Net realised (losses) / gains from sale of debt instruments at fair value through other comprehensive income
19	Net realised gains from sale of monetary gold
26	Equity
31	Events after the reporting period

Increase of monetary liabilities is predominantly caused by the growth of banknotes and coins in circulation in the current reporting period. The domestic commercial banks' initial significant demands for intensive withdrawal of KM cash and EUR banknotes have been successfully carried out by timely reactions of the Central Bank, resulting in the stopping of abruptly withdrawal of KM cash and in the normalisation and stabilisation of issuance of banknotes and coins in circulation. The guaranteed convertibility of KM was not compromised at any time, and all legal obligations of the Central Bank regarding this matter were carried out without interruptions.

As at the reporting date, Federation BH withdrew the total amount of the transferred funds based on the SDR allocation from the IMF.

In the current reporting period, the Central Bank has continuously monitored the implementation of the previously introduced measures regarding the innovation of the required reserves policy framework, as well as the adequacy of the application of remuneration rates on the deposited funds of domestic commercial banks. The Central Bank has, on several occasions, adjusted the remuneration rates calculated on the deposited funds of domestic commercial banks. The gradual introduction of new measures regarding the required reserves policy represents support to the currency board i.e., it stimulates banks to place significant financial funds to support the BH economic system instead of holding the funds on the reserve accounts with the Central Bank. The decisions of the Central Bank regarding the reserve requirement policy have been made with the aim of stimulating the usage of funds in domestic currency as the financing sources. During the reporting period, funds exceeding the required reserves of domestic commercial banks were continuously higher than the amounts of the average required reserves.

For more information see the Notes:

Note	Title
3	Currency board arrangement
6	Cash in foreign currencies
12	Banknotes and coins in circulation
13	Deposits from banks
16	Net interest income

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2022

2. BASIS OF PREPARATION (CONTINUED)

2.7. Circumstances for executing the Central Bank's operations (continued)

During the reporting period, the Central Bank continued to consistently and accountably manage its expenditures and expenses from administrative operations. The operating expenses of the Central Bank are approximately the same in the current and comparative reporting periods even though the circumstances for performing the administrative operations have been significantly changed in the direction of increased inflationary pressures in the current reporting period.

For more information see Notes:

Note	Title
23	Personnel expenses
24	Administrative and other operating expenses

The Management continuously monitors the increased factors of uncertainty, including Russian-Ukrainian war, global inflation and the risk of another recession in the Eurozone, which may significantly influence the financial performances of the Central Bank in the forthcoming period.

3. CURRENCY BOARD ARRANGEMENT

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

Details of compliance with that rule, calculated in relation to official foreign currency reserves, are as follows:

In thousands of KM	30 September 2022	31 December 2021
Gross foreign currency reserves	16,519,062	16,348,142
Cash in foreign currencies	476,131	469,585
Deposits with foreign banks	6,019,864	3,945,097
Special Drawing Rights with the IMF	1,366	1,881
Debt instruments	9,730,191	11,629,592
Monetary gold	291,510	301,987
Liabilities to non-residents	2,526	2,331
Net foreign currency reserves (Gross foreign currency reserves less liabilities to non-residents)	16,516,536	16,345,811
Monetary liabilities	16,067,700	15,573,031
Banknotes and coins in circulation	7,444,201	6,923,818
Deposits from banks	7,271,975	7,219,617
Deposits from the Government and other public institutions	1,351,524	1,429,596
NET FOREIGN ASSETS (Net foreign currency reserves less monetary liabilities)	448,836	772,780

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3. CURRENCY BOARD ARRANGEMENT (CONTINUED)

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 or any other purposes. The usage of the Central Bank's foreign currency reserves for any other purposes, except for the protection of the stability of domestic currency, is explicitly prohibited by the Law on the Central Bank. As at 30 September 2022, net foreign currency reserves exceed monetary liabilities by KM 448,836 thousand ensuring an adequate level of foreign currency reserves and the full stability of domestic currency (31 December 2021: KM 772,780 thousand). For more information see Note 26.

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 due to the mandatory subsequent measurement of these foreign currency reserve components at their fair value. The abrupt falls of the securities market prices in the Eurozone financial markets led to a decrease of net foreign assets as at the reporting date. More information about changes in these items is disclosed in Notes 8 and 9.

More information about fair value of currency board components is disclosed in Note 4.

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

	30 September 2022	31 December 2021
Financial assets		
<i>Financial assets measured at fair value through other comprehensive income</i>		
Debt instruments	8,559,307	11,629,592
Monetary gold	291,510	301,987
TOTAL	8,850,817	11,931,579

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

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

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

In thousands of KM

	30 September 2022	
	Carrying amount	Fair value
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	476,131	476,131
Deposits with foreign banks	6,019,864	6,013,014
Special Drawing Rights with the IMF	1,366	1,366
Debt instruments at amortised cost	1,170,884	1,042,104
Other financial assets	3,324	3,324
	7,671,569	7,535,939
<i>Financial assets measured at fair value through other comprehensive income-cost choice:</i>		
Other investments	27,813	27,813
	27,813	27,813
Total	7,699,382	7,563,752
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	7,444,201	7,444,201
Deposits from banks	7,271,975	7,279,227
Deposits from the Government and other public institutions	1,351,524	1,352,872
Other financial liabilities	3,510	3,510
Total	16,071,210	16,079,810

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Selected Notes to the Condensed Interim Financial Statements for the period ended 30 September 2022

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

	Carrying amount	31 December 2021 Fair value
Financial assets		
<i>Financial assets measured at amortised 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
Total	4,447,725	4,438,779
Financial liabilities		
<i>Financial liabilities measured at amortised 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
Total	15,581,054	15,561,634

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, except for the debt instruments at amortised cost which belong to Level 1.

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.

Credit risk management is achieved through the selection of the counterparties with the investible credit rating level, by limiting terms and controlling the volume and dynamics of investments. Credit ratings are continuously monitored on a daily basis, ensuring that the collection of contractual cash flows is never disputed.

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 29 and 30).

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
1. Deposits with foreign banks								
As at 1 January	913	-	-	913	807	-	-	807
Increases in expected credit losses	7,105	-	-	7,105	3,207	-	-	3,207
Releases of expected credit losses	(330)	-	-	(330)	(126)	-	-	(126)
Releases due to derecognition of term deposits	(6,193)	-	-	(6,193)	(3,086)	-	-	(3,086)
As at 30 September	1,495	-	-	1,495	802	-	-	802
2. Special Drawing Rights with the IMF								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	-	-	-	-	-	-	-	-
Releases of expected credit losses	-	-	-	-	-	-	-	-
As at 30 September	-	-	-	-	-	-	-	-
3. Debt instruments at fair value through other comprehensive income								
As at 1 January	1,786	-	-	1,786	1,598	-	-	1,598
Increases in expected credit losses	681	-	-	681	681	-	-	681
Releases of expected credit losses	(112)	-	-	(112)	(62)	-	-	(62)
Releases due to debt instruments matured	(562)	-	-	(562)	(416)	-	-	(416)
<i>Net increase during the period</i>	7	-	-	7	203	-	-	203
Releases due to debt instruments sold	(493)	-	-	(493)	(69)	-	-	(69)
As at 30 September	1,300	-	-	1,300	1,732	-	-	1,732

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.1. Credit risk exposure (continued)

In thousands of KM

	2022				2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
4. Debt instruments at amortised cost								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	233	-	-	233	-	-	-	-
Releases of expected credit losses	(9)	-	-	(9)	-	-	-	-
As at 30 September	224	-	-	224	-	-	-	-
5. Other financial assets								
As at 1 January	6	-	602	608	5	-	613	618
Increases in expected credit losses	7	-	-	7	6	-	1	7
Releases of expected credit losses	(8)	-	-	(8)	(5)	-	(13)	(18)
As at 30 September	5	-	602	607	6	-	601	607
Total opening balance at 1 January	2,705	-	602	3,307	2,410	-	613	3,023
Total net increase / (release) in expected credit losses	319	-	-	319	130	-	(12)	118
Total closing balance at 30 September	3,024	-	602	3,626	2,540	-	601	3,141

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	30 September 2022				31 December 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash in foreign currencies								
Gross carrying amount	476,131	-	-	476,131	469,585	-	-	469,585
Impairment	-	-	-	-	-	-	-	-
Carrying amount	476,131	-	-	476,131	469,585	-	-	469,585
Deposits with foreign banks								
Gross carrying amount	6,021,359	-	-	6,021,359	3,946,010	-	-	3,946,010
Impairment	(1,495)	-	-	(1,495)	(913)	-	-	(913)
Carrying amount	6,019,864	-	-	6,019,864	3,945,097	-	-	3,945,097
Special Drawing Rights with the IMF								
Gross carrying amount	1,366	-	-	1,366	1,881	-	-	1,881
Impairment	-	-	-	-	-	-	-	-
Carrying amount	1,366	-	-	1,366	1,881	-	-	1,881
Debt instruments at fair value through other comprehensive income								
Gross carrying amount	8,559,307	-	-	8,559,307	11,629,592	-	-	11,629,592
Provisions for expected credit losses (recognized in other comprehensive income)	1,300	-	-	1,300	1,786	-	-	1,786
Gross carrying amount	8,559,307	-	-	8,559,307	11,629,592	-	-	11,629,592

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Credit risk concentration (continued)

In thousands of KM	30 September 2022				31 December 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Classes of financial instruments								
Debt instruments at amortised cost								
Gross carrying amount	1,171,108	-	-	1,171,108	-	-	-	-
Impairment	(224)	-	-	(224)	-	-	-	-
Carrying amount	1,170,884	-	-	1,170,884	-	-	-	-
Other financial assets								
Gross carrying amount	3,329	-	602	3,931	3,355	-	602	3,957
Impairment	(5)	-	(602)	(607)	(6)	-	(602)	(608)
Carrying amount	3,324	-	-	3,324	3,349	-	-	3,349

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Credit risk concentration (continued)

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

In thousands of KM	30 September 2022	31 December 2021
Carrying amount		
Monetary gold	291,510	301,987
Other investments	27,813	27,813
TOTAL	319,323	329,800

Concentration per credit rating

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

Deposits with foreign banks

In thousands of KM

Credit rating	30 September 2022	31 December 2021
AAA	2,371,605	1,622,277
AA+	-	-
AA	645,876	78,200
AA-	-	-
A+	1,605,778	488,958
A	1,387,833	1,653,649
A-	4,915	102,166
II ¹	5,352	760
BBB+	-	-
BBB	-	-
BBB-	-	-
Total	6,021,359	3,946,010
Impairment	(1,495)	(913)
TOTAL	6,019,864	3,945,097

¹ International institutions

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5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Credit risk concentration (continued)

Debt instruments at fair value through other comprehensive income

In thousands of KM

Credit rating	30 September 2022	31 December 2021
AAA	2,778,317	2,523,051
AA+	907,735	1,349,129
AA	2,363,945	3,986,839
AA-	759,947	1,672,536
A+	-	-
A	-	-
A-	1,124,662	1,428,865
BBB+	-	-
BBB	624,701	669,172
BBB-	-	-
TOTAL	8,559,307	11,629,592

Debt instruments at amortised cost

In thousands of KM

Credit rating	30 September 2022	31 December 2021
AAA	140,664	-
AA+	281,360	-
AA	219,400	-
AA-	145,239	-
A+	-	-
A	41,677	-
A-	190,555	-
BBB+	-	-
BBB	152,213	-
BBB-	-	-
Total	1,171,108	-
Impairment	(224)	-
TOTAL	1,170,884	-

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 30 September 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 77,492 thousand (31 December 2021: KM 65,070 thousand), which represents 0.47% of the total financial assets (31 December 2021: 0.40% of the total financial assets).

Value at risk has been increased primarily due to significant changes in interest rates, i.e., in the yields on debt instruments of the Central bank's foreign currency reserve portfolio as well as due to market price changes of monetary gold.

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

In thousands of KM	30 September 2022	31 December 2021
Interest rate risk	62,507	51,622
Risk of change in EUR price of monetary gold	14,934	13,138
Foreign exchange risk	51	310
Total VaR	77,492	65,070

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 debt 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 1.09 as at 30 September 2022 (31 December 2021: 2.19 years), with the aim of reducing interest rate risk and further improving the stability of the currency board.

The Eurozone bond yields were increased significantly in the current reporting period, primarily due to inflationary expectations and a consequential activity of the ECB on the increasing of the key interest rates. Additional factors affecting the volatility of the Eurozone bond yields in the current reporting period are announcements related to further developments in geopolitical tensions at the global level.

The ECB activities related to the increase of the key interest rates and market expectations about that as well as increase of the key interest rates both from the FED (The Federal Reserve System) and the Bank of England led to the significant stimulus of the yield increase. In accordance with the effort to return inflation to the target level (2% in the medium term), the ECB has increased all three key interest rates (interest rate on the main refinancing operations at the ECB, interest rate on the marginal lending facility and interest rate on the deposit facility at the ECB) twice in the reporting period. All three ECB's key interest rates were increased by 50 basis points in July and additionally by 75 basis points in September. The ECB announced a further rate increase with the aim of restraining the inflation. Nevertheless, the ECB, in parallel with the key interest rates increase, intends to continue with a complete reinvestment of the matured securities principals purchased within the Asset Purchase Program. According to the ECB announcements, the Asset Purchase Program will last as long as it is necessary to provide the extensive liquidity conditions and the adequate monetary policy.

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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:

30 September 2022	Up to 3	From 3	From 1	Over 3	Non-	Total
In thousands of KM	months	to 12	to 3	years	interest	
		months	years	years	bearing	
Cash in foreign currencies	-	-	-	-	476,131	476,131
Deposits with foreign banks	5,451,117	567,134	-	-	1,613	6,019,864
Special Drawing Rights with the IMF	1,362	-	-	-	4	1,366
Debt instruments at fair value through other comprehensive income	2,857,906	5,671,418	-	-	29,983	8,559,307
Monetary gold	-	-	-	-	291,510	291,510
Debt instruments at amortised cost	-	-	116,404	1,052,219	2,261	1,170,884
Other financial assets	-	-	-	-	3,324	3,324
Other investments	-	-	-	-	27,813	27,813
Total financial assets	8,310,385	6,238,552	116,404	1,052,219	832,639	16,550,199
Banknotes and coins in circulation	-	-	-	-	7,444,201	7,444,201
Deposits from banks	5,432,388	-	-	-	1,839,587	7,271,975
Deposits from the Government and other public institutions	-	-	-	-	1,351,524	1,351,524
Other financial liabilities	-	-	-	-	3,510	3,510
Total financial liabilities	5,432,388	-	-	-	10,638,822	16,071,210
INTEREST RATE GAP	2,877,997	6,238,552	116,404	1,052,219	(9,806,183)	478,989

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5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.2. Interest rate risk (continued)

31 December 2021						
In thousands of KM	Up to 3	From 3	From 1	Over 3	Non-	Total
	months	to 12	to 3	years	interest	
		months	years		bearing	
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
Total financial assets	6,305,605	9,202,382	-	-	871,317	16,379,304
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
Total financial liabilities	5,551,424	-	-	-	10,029,630	15,581,054
INTEREST RATE GAP	754,181	9,202,382	-	-	(9,158,313)	798,250

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 unfavorable and also when there is an unfavorable price movements.

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

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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:

30 September 2022						
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without specified maturity	Total
Banknotes and coins in circulation	7,444,201	-	-	-	-	7,444,201
Deposits from banks	7,271,975	-	-	-	-	7,271,975
Deposits from the Government and other public institutions	1,351,524	-	-	-	-	1,351,524
Other financial liabilities	3,510	-	-	-	-	3,510
TOTAL FINANCIAL LIABILITIES	16,071,210	-	-	-	-	16,071,210

31 December 2021						
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without specified maturity	Total
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
TOTAL FINANCIAL LIABILITIES	15,581,054	-	-	-	-	15,581,054

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6. CASH IN FOREIGN CURRENCIES

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

In thousands of KM	30 September 2022	31 December 2021
Cash in foreign currencies in vaults		
EUR	476,092	469,548
USD	23	20
GBP	16	17
TOTAL	476,131	469,585

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 fulfil 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 the balances of term and demand deposits, with an analytical presentation by the type of currency:

In thousands of KM	30 September 2022	31 December 2021
Term deposits:		
EUR	5,108,363	2,592,738
Impairment	(1,427)	(764)
Total	5,106,936	2,591,974
Demand deposits:		
EUR	905,016	1,349,790
USD	3,594	1,171
CHF	2,357	109
GBP	2,029	2,202
	912,996	1,353,272
Impairment	(68)	(149)
Total	912,928	1,353,123
TOTAL	6,019,864	3,945,097

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7. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

Deposits with foreign banks include net positive accrued interest in the amount of KM 1,613 thousand as at 30 September 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:

In thousands of KM	30 September 2022	31 December 2021
Up to one month	2,192,476	1,055,372
From one to two months	1,007,957	457,180
From two to three months	1,340,218	698,391
From three to four months	97,845	95,591
From four to twelve months	469,867	286,204
Total	5,108,363	2,592,738
Impairment	(1,427)	(764)
TOTAL	5,106,936	2,591,974

Overnight deposits with foreign banks are presented within the term deposits with the remaining contractual maturity up to one month. As at 30 September 2022, overnight deposits with foreign banks amount to KM 1,507,945 thousand (31 December 2021: KM 488,958 thousand).

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

In thousands of KM	30 September 2022	31 December 2021
Foreign commercial banks	3,381,607	1,477,588
Foreign central banks	2,634,400	2,467,662
International financial institutions	5,352	760
Total	6,021,359	3,946,010
Impairment (Note 5.1.1)	(1,495)	(913)
TOTAL	6,019,864	3,945,097

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 30 September 2022

7. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

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

In thousands of KM	30 September 2022	31 December 2021
Luxembourg	1,537,974	368,861
France	1,457,587	567,158
Great Britain	1,387,833	504,668
Switzerland	1,182,499	382,555
Germany	396,183	914,686
Netherlands	58,678	58,650
USA	605	452
Slovakia	-	1,148,980
Total	6,021,359	3,946,010
Impairment	(1,495)	(913)
TOTAL	6,019,864	3,945,097

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 the Eurozone countries. This 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:

In thousands of KM	30 September 2022	31 December 2021
Coupon debt instruments	6,074,757	7,931,557
Accrued interest on coupon debt instruments	45,415	57,320
Total	6,120,172	7,988,877
Discount debt instruments	2,454,567	3,628,065
Accrued (discount) / premium on discount debt instruments	(15,432)	12,650
Total	2,439,135	3,640,715
TOTAL	8,559,307	11,629,592

As at 30 September 2022, provisions for expected credit losses for debt instruments, recognized in other comprehensive income, amount to KM 1,300 thousand (31 December 2021: KM 1,786 thousand). During the reporting period, net increase of provisions for expected credit losses recognized in profit or loss, amounts to KM 7 thousand (01/01-30/09/2021: net increase amounted to KM 203 thousand). For more information about these changes in the reporting periods see Notes 5.1.1. and 21.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

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

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

	30 September 2022		31 December 2021	
	In thousands of KM	%	In thousands of KM	%
France	2,363,945	27.62	3,986,839	34.28
Germany	2,232,292	26.08	1,799,664	15.47
Spain	1,124,662	13.14	1,428,865	12.29
Belgium	719,268	8.40	1,672,536	14.38
Italy	624,701	7.30	669,171	5.75
Austria	580,910	6.79	902,759	7.76
Netherlands	546,024	6.38	723,387	6.22
Finland	326,825	3.82	446,371	3.85
Ireland	40,680	0.47	-	-
TOTAL	8,559,307	100.00	11,629,592	100.00

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	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
As at	9,512,807	10,534,450	11,629,592	9,601,315
Purchases during the period	1,840,546	2,206,036	4,706,082	4,755,723
Sales during the period	(1,310,629)	(330,961)	(3,570,275)	(615,902)
Interest income recognised during the period (Note 16)	4,772	8,396	17,118	25,576
Effects of negative interest rates recognised during the period (Note 16)	(6,385)	(6,612)	(23,755)	(17,173)
Maturities of debt instruments	(1,383,554)	(1,317,679)	(3,794,975)	(2,506,829)
Maturities of coupons	(13,999)	(19,836)	(59,130)	(75,918)
Net unrealised change in fair value during the period	(84,253)	(8,553)	(345,356)	(101,556)
Transaction costs	2	2	6	7
As at 30 September	8,559,307	11,065,243	8,559,307	11,065,243

In the current reporting period, significant decrease of fair value of debt instruments at fair value through other comprehensive income has occurred due to market price falls of debt instruments. The circumstances in which the foreign currency reserves have been invested are disclosed in Note 2.7.

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.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

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

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

In thousands of KM	30 September 2022	31 December 2021
Up to 3 months	1,568,610	1,114,409
From 3 to 12 months	2,775,602	4,093,847
From 1 to 3 years	3,938,640	2,958,887
Over 3 years	276,455	3,462,449
TOTAL	8,559,307	11,629,592

9. MONETARY GOLD

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

In thousands KM

As at	Quantity of ounces	Price per ounce in KM	Fair value of monetary gold as at
30 September 2022	88,000	3,313	291,510
31 December 2021	96,000	3,146	301,987
30 September 2021	96,000	2,967	284,803

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

In thousands of KM	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	For the period 01/01 - 30/09 2021
As at	296,688	280,301	301,987	291,561
Inflows from sale of monetary gold	-	-	(28,477)	-
Net unrealized change in fair value during the period	(5,178)	4,502	18,000	(6,758)
As at 30 September	291,510	284,803	291,510	284,803

During March 2022, the Central Bank sold a smaller quantity of ounces of monetary gold and realised the net gain in the amount of KM 11,489 thousand. For more information see Note 19.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

10. 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 the reporting date, this portfolio consists of long-term coupon government bonds with a fixed interest rate. Debt instruments at amortised cost are denominated in EUR currency.

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

In thousands of KM	30 September 2022	31 December 2021
Coupon debt instruments	1,168,847	-
Accrued interest on coupon debt instruments	2,261	-
Total	1,171,108	-
Impairment	(224)	-
TOTAL	1,170,884	-

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

	30 September 2022		31 December 2021	
	In thousands of KM	%	In thousands of KM	%
France	219,400	18.73	-	-
Spain	190,555	16.27	-	-
Austria	189,107	16.15	-	-
Italy	152,213	13.00	-	-
Finland	92,252	7.88	-	-
Belgium	90,885	7.76	-	-
Germany	58,734	5.02	-	-
Netherlands	55,000	4.70	-	-
Ireland	54,355	4.64	-	-
Slovakia	41,677	3.56	-	-
Luxembourg	26,930	2.29	-	-
Total	1,171,108	100.00	-	-
Impairment	(224)		-	
TOTAL	1,170,884		-	

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

10. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

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

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
As at	1,168,614	-	-	-
Purchases during the period	-	-	1,166,137	-
Interest income recognised during the period (Note 16)	2,987	-	5,678	-
Maturities of coupons	(709)	-	(709)	-
Net impairment during the period	(8)	-	(224)	-
Transaction costs	-	-	2	-
As at 30 September	1,170,884	-	1,170,884	-

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

In thousands of KM	30 September 2022	31 December 2021
Up to 3 months	-	-
From 3 to 12 months	-	-
From 1 to 3 years	116,831	-
Over 3 years	1,054,277	-
Total	1,171,108	-
Impairment	(224)	-
TOTAL	1,170,884	-

11. OTHER ASSETS

In thousands of KM	30 September 2022	31 December 2021
Receivables from domestic banks	2,073	2,203
Giro accounts	940	682
Receivables from employee based on domestic currency deficit	600	600
Other miscellaneous financial assets	318	472
Total	3,931	3,957
Impairment	(607)	(608)
Total other financial assets	3,324	3,349
Prepaid expenses for banknotes and coins production	9,581	11,164
Numismatic collections	1,146	981
Prepaid expenses for administrative operations	488	1,194
Other miscellaneous nonfinancial assets	256	239
Total other nonfinancial assets	11,471	13,578
TOTAL	14,795	16,927

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

12. BANKNOTES AND COINS IN CIRCULATION

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

	30 September 2022		31 December 2021	
	Pieces	Amount in thousands of KM	Pieces	Amount in thousands of KM
Coins	471,504,257	242,361	441,410,004	224,524
Banknotes	104,497,214	7,201,840	97,106,642	6,699,294
UKUPNO	576,001,471	7,444,201	538,516,646	6,923,818

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

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Banknotes and coins in circulation as at	7,221,991	6,441,286	6,923,818	6,172,457
Increase in value of banknotes and coins in circulations	222,210	373,580	520,383	642,409
Banknotes and coins in circulation as at	7,444,201	6,814,866	7,444,201	6,814,866

13. DEPOSITS FROM BANKS

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

In thousands of KM	30 September 2022	31 December 2021
Deposits of domestic commercial banks	7,271,002	7,218,902
Reserve accounts of the Central Bank organizational units	940	682
Special deposits of domestic commercial banks - blocked funds	33	33
TOTAL	7,271,975	7,219,617

Deposits from domestic commercial banks include negative accrued remuneration on the basis of required reserve policy in the amount of KM 925 thousand as at 30 September 2022 (31 December 2021: KM 2,498 thousand).

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

In thousands of KM	21/09 - 30/09/2022	21/12 - 31/12/2021
Average required reserve	3,075,915	2,989,873
Amounts exceeding the required reserve	3,919,045	4,097,112
TOTAL	6,994,960	7,086,985

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Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

14. DEPOSITS FROM THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

In thousands of KM	30 September 2022	31 December 2021
Budgetary deposits of BH institutions	821,982	693,533
Deposits of other public institutions	296,517	304,875
Deposits of other local governments and government institutions	233,001	279,323
Deposit account under the IMF transactions	24	151,711
Deposits – BH external debt	-	154
TOTAL	1,351,524	1,429,596

15. OTHER LIABILITIES

In thousands of KM	30 September 2022	31 December 2021
IMF Accounts No. 1 and 2 (Note 30)	2,400	2,242
Accrued, but non-invoiced liabilities	701	4,114
Suppliers	272	1,560
World Bank deposits	126	89
Other financial liabilities	11	18
Total other financial liabilities	3,510	8,023
Non-financial liabilities on various bases	232	87
Collected and deferred income	29	52
Total other nonfinancial liabilities	261	139
TOTAL	3,771	8,162

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Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

16. NET INTEREST INCOME

In thousands of KM	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	For the period 01/01 - 30/09 2021
Interest income arising from:				
Effects of negative deposit interest rates on deposits from domestic commercial banks	4,870	6,362	22,514	15,047
Debt instruments at fair value through other comprehensive income (Note 8)	4,772	8,396	17,118	25,576
Debt instruments at amortised cost (Note 10)	2,987	-	5,678	-
Deposits with foreign banks (Note 7)	2,178	-	2,216	-
Special Drawing Rights with the IMF	9	4	13	4
Total	14,816	14,762	47,539	40,627
Interest expense arising from:				
Effects of negative interest rates from debt instruments at fair value through other comprehensive income (Note 8)	(6,385)	(6,612)	(23,755)	(17,173)
Effects of negative interest rates from deposits with foreign banks	(1,684)	(4,885)	(12,146)	(13,943)
Total	(8,069)	(11,497)	(35,901)	(31,116)
Net interest income	6,747	3,265	11,638	9,511

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

16. 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 period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
1. Financial assets at amortised cost				
Interest income arising from:				
Debt instruments at amortised cost	2,987	-	5,678	-
Deposits with foreign banks	2,178	-	2,216	-
Special Drawing Rights with the IMF	9	4	13	4
	5,174	4	7,907	4
Interest expense arising from:				
Effects of negative interest rates from deposits with foreign banks	(1,684)	(4,885)	(12,146)	(13,943)
	(1,684)	(4,885)	(12,146)	(13,943)
Total	3,490	(4,881)	(4,239)	(13,939)
2. Financial assets at fair value through other comprehensive income				
Interest income arising from:				
Debt instruments at fair value through other comprehensive income	4,772	8,396	17,118	25,576
Interest expense arising from:				
Effects of negative interest rates from debt instruments at fair value through other comprehensive income	(6,385)	(6,612)	(23,755)	(17,173)
Total	(1,613)	1,784	(6,637)	8,403
3. Financial liabilities at amortised cost				
Interest income arising from:				
Effects of negative deposit interest rates on deposits from domestic commercial banks	4,870	6,362	22,514	15,047
Interest expenses	-	-	-	-
Total	4,870	6,362	22,514	15,047
Net interest income	6,747	3,265	11,638	9,511

The base for calculation of interest expense, i.e., the effects of negative deposit interest rates on deposits from 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 rate applied by the Central Bank on the required reserve base, equally applied for all domestic commercial banks, amounts to 10%.

The Central Bank does not calculate a remuneration on the required reserves amounts generated from domestic currency base. From 1 June 2021 the Central Bank's remuneration is calculated on the required reserves amounts generated from the foreign currency base and the domestic currency with a currency clause. The remuneration is also calculated on the amounts exceeding the required reserves in both reporting periods.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

16. NET INTEREST INCOME (CONTINUED)

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

In the period 01/01 - 31/05/2021 the Central Bank applied remuneration rate only on the amounts exceeding the required reserves which was equal to the ECB deposit facility rate. In the period 01/06 – 30/09/2021 the Central Bank started to calculate the remuneration rate on the required reserves amounts reduced by 10 basis points, while the remuneration rate on the amounts exceeding the required reserves remained unchanged.

The ECB negative deposit facility rate amounted to 0.50% until 26 July 2022. From 27 July 2022 deposit facility rate amounted to 0.00%, and, starting from 14 September is positive and amounts to 0.75%.

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

Base for calculation of remuneration	The Central Bank remuneration rate for the period	
2022		
Required reserves amounts	01/01 - 31/07	01/08 - 30/09
<i>Domestic currency base</i>	0.00 %	0.00 %
<i>Foreign currency base</i>	(0.60) %	(0.10) %
<i>Domestic currency with currency clause base</i>	(0.60) %	(0.10) %
Amounts exceeding the required reserves	(0.75) %	(0.25) %
Required reserves amounts		
	01/01 - 31/05	01/06 - 30/09
<i>Domestic currency base</i>	0.00 %	0.00 %
<i>Foreign currency base</i>	0.00 %	(0.60) %
<i>Domestic currency with currency clause base</i>	0.00 %	(0.60) %
Amounts exceeding the required reserves	(0.50) %	(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 remuneration rates on deposits with domestic commercial banks, depending on the calculation base, are presented in the following table:

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Required reserve funds	895	2,060	4,882	2,734
Amounts exceeding the required reserve funds	3,975	4,302	17,632	12,313
TOTAL	4,870	6,362	22,514	15,047

As disclosed in Notes 2.7 and 13, domestic commercial banks have been holding significant amounts exceeding the required reserves on the accounts with the Central Bank voluntarily, forming the most significant part of effects of negative deposit interest rates in total amount of these income.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

16. NET INTEREST INCOME (CONTINUED)

The negative interest rates from interest bearing financial assets are the result of negative interest rates and yields calculated on deposits with foreign banks and debt instruments at fair value through other comprehensive income arising from market conditions that were in effect during the comparative reporting period and could not be avoided. During the current reporting period, all deposits with foreign banks have been reinvested under positive interest rates and no longer generate expenses based on the effects of negative interest rates.

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

In thousands of KM	01/07 - 30/09	01/07 - 30/09	01/01 - 30/09	For the period
	2022	2021	2022	01/01 - 30/09 2021
Term deposits	(1,339)	(4,076)	(10,147)	(11,116)
Demand deposits	(345)	(809)	(1,999)	(2,827)
TOTAL	(1,684)	(4,885)	(12,146)	(13,943)

The average negative effective yield rate on deposits with foreign banks amounts to 0.29% in the period 01/01 - 30/09/2022 (In the period 01/01 - 30/09/2021 the average negative effective interest rate amounted to 0.54%).

The average negative effective yield rate on debt instruments at fair value through other comprehensive income amounts to 0.29% in the period 01/01 - 30/09/2022 (In the period 01/01 - 30/09/2021 the average effective yield rate amounted to 0.14%).

The average effective yield rate on debt instruments at amortised cost amounts to 0.93% in the period 01/01 - 30/09/2022 (In the period 01/01 - 30/09/2021 the Central Bank did not hold debt instruments at amortised cost).

17. NET FEE AND COMMISSION INCOME

In thousands KM	01/07 - 30/09	01/07 - 30/09	01/01 - 30/09	For the period
	2022	2021	2022	01/01 - 30/09 2021
Fee and commission income arising from:				
Services for domestic banks	5,119	4,910	15,626	13,849
Services for the Government and other non-banking clients	421	587	1,297	1,409
Total	5,540	5,497	16,923	15,258
Fee and commission expenses arising from:				
Custody and other expenses for debt instruments	(189)	(194)	(601)	(558)
Transactions with foreign banks	(10)	(7)	(26)	(23)
Other fee and commission expenses	(1)	(2)	(4)	(5)
Total	(200)	(203)	(631)	(586)
Net fee and commission income	5,340	5,294	16,292	14,672

As disclosed in the latest annual financial statements, the Central Bank has changed tariffs for its services, starting from 1 May 2021.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

18. NET REALISED (LOSSES) / GAINS FROM SALE OF DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Realised gains	5,868	529	20,145	2,552
Realised losses	(8,676)	-	(33,112)	-
TOTAL	(2,808)	529	(12,967)	2,552

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

19. NET REALISED GAINS FROM SALE OF MONETARY GOLD

Gains arising from fair value changes of monetary gold recognised in other comprehensive income, within fair value reserves for monetary gold, are recognised as realized gains in profit or loss account at the sale date. Net realised gains from the sale of 8,000 ounces of monetary gold carried out in March 2022 amount to KM 11,489 thousand.

20. NET FOREIGN EXCHANGE GAINS / (LOSSES)

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Net unrealised foreign exchange gains /(losses)	124	(1,210)	268	(797)
Net realised foreign exchange gains	5	6	105	173
TOTAL	129	(1,204)	373	(624)

21. NET IMPAIRMENT ON FINANCIAL ASSETS

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Net (increase) in / release of impairment for deposits with foreign banks	(229)	(151)	(582)	5
Net (increase) in provisions for expected credit losses for debt instruments at fair value through other comprehensive income	(29)	(65)	(7)	(203)
Net (increase) in impairment for debt instruments at amortised cost	(8)	-	(224)	-
Net release of /(increase) in impairment for other financial assets	1	(1)	1	11
TOTAL	(265)	(217)	(812)	(187)

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Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

22. OTHER INCOME / (EXPENSES)

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Dividend income	-	-	721	1,297
Other income / (expenses)	8	(32)	74	(5)
TOTAL	8	(32)	795	1,292

During the reporting period, the Central Bank received a dividend from BIS shares amounting to KM 721 thousand (01/01-30/09/2021: KM 1,297 thousand).

23. PERSONNEL EXPENSES

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Salaries	2,729	2,809	7,470	7,703
Contributions and other fees on salaries	1,523	1,604	4,173	4,392
Other employee benefits	339	365	1,606	1,683
Contributions and other fees on other employees' benefits	70	90	459	540
Provisions for severance payments and jubilee awards, net increase	17	1	30	5
TOTAL	4,678	4,869	13,738	14,323

Personnel expenses include KM 2,623 thousand of defined pension contributions paid to the public pension funds in BH (01/01 – 30/09/2021: KM 2,749 thousand).

The average number of employees in the reporting period amounts to 353 (01/01 – 30/09/2021: 370 employees).

24. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Payment systems maintenance expenses	394	439	1,265	1,269
Overhead expenses	222	224	652	679
IT infrastructure expenses	239	235	639	642
Access to official services expenses	215	171	545	492
Fixed assets maintenance expenses	101	119	323	314
Other administrative and operating expenses	602	341	1,556	1,168
TOTAL	1,773	1,529	4,980	4,564

25. COSTS OF PRODUCTION OF BANKNOTES AND COINS

In thousands of KM	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Costs of production and design of banknotes	487	780	1,641	2,033
Costs of production and design of coins	332	416	1,118	959
TOTAL	819	1,196	2,759	2,992

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26. EQUITY

The structure of equity is presented in the following table:

In thousands of KM	30 September 2022	31 December 2021
Initial capital	25,000	25,000
Fair value reserves for debt and equity instruments	(173,468)	158,914
Fair value reserves for monetary gold	104,640	98,129
Other reserves	31,300	31,300
General reserves (Retained earnings)	548,100	548,100
Net profit for the period	3,156	-
TOTAL	538,728	861,443

As at the reporting date, the equity of the Central Bank has decreased compared to its balance at 31 December 2021 as the result of the abrupt market yield increase of the debt instruments on financial markets which the Central Bank holds, affecting the cumulative balance of fair value reserves for debt instruments. The decline in the fair value reserves is the reflection of the Central Bank's debt instruments market price changes and does not withdraw any actual loss for the Central Bank nor threatens the collection of contractual cash flows from debt instruments during their holdings. As at the reporting date, the capitalisation level of the Central Bank is sufficiently high to absorb temporary increases of market yields and/or decreases of the gold market prices in the foreign currency reserves portfolio. More information about the Central Bank's credit risk management is disclosed in Note 5.1.2.

27. CASH AND CASH EQUIVALENTS

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

In thousands of KM	30 September 2022	30 September 2021
Foreign currency deposits with maturity up to three months or less from the date of acquisition	3,943,934	2,430,521
Foreign currency demand deposits	912,996	660,666
Cash in foreign currencies	476,131	443,640
Special Drawing Rights with the IMF	1,366	4,355
Giro accounts	940	761
Total	5,335,367	3,539,943
Impairment	(1,395)	(734)
TOTAL	5,333,972	3,539,209

28. 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.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

28. RELATED PARTIES TRANSACTIONS (CONTINUED)

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

In thousands of KM

As at 30 September 2022	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
ASSETS				
Other assets	8	3	9	20
TOTAL	8	3	9	20
LIABILITIES				
Deposits from depositors	801,612	255,276	192,636	1,249,524
Other liabilities	-	-	8	8
TOTAL	801,612	255,276	192,644	1,249,532

In thousands of KM

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

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

In thousands of KM

	For the period			
	01/07 - 30/09 2022	01/07 - 30/09 2021	01/01 - 30/09 2022	01/01 - 30/09 2021
Fee and commission income				
BH Ministry of Finance and Treasury	24	103	85	120
BH Deposit Insurance Agency	9	65	46	92
BH Indirect Taxation Authority	38	49	90	76
TOTAL	71	217	221	288

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 Notes 29 and 30.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

28. RELATED PARTIES TRANSACTIONS (CONTINUED)

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 - 30/09/2022, amounts to KM 714 thousand, out of which KM 448 thousand is related to salaries and other remuneration and KM 266 thousand is related to taxes and contributions (In the period 01/01 - 30/09/2021, out of the total amount of KM 686 thousand, the amount of KM 430 thousand was related to salaries and other remunerations and KM 256 thousand was related to taxes and contribution).

29. 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.

Off-balance sheet deposits consist of:

In thousands of KM	30 September 2022	31 December 2021
Deposits of the Council of Ministers of BH:	29,181	8,805
<i>Deposits of the Council of Ministers of BH on the basis of succession</i>	51	44
<i>Deposits of the Council of Ministers of BH regarding the servicing of foreign debt</i>	26,676	6,923
<i>Deposits of the Council of Ministers of BH regarding the Budget of BH institutions</i>	2,136	1,567
<i>Other deposits of the Council of Ministers of BH</i>	318	271
Deposits of other residents:	10,012	7,700
<i>Deposits - Retirement allowance from Germany</i>	189	72
<i>Deposit accounts of banks</i>	9,823	7,628
Deposits of residents	39,193	16,505
Cash account – Deposit Insurance Agency of BH	22,374	40,910
Total – State public institutions	22,374	40,910
TOTAL	61,567	57,415

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 30 September 2022 the total of these funds amount to KM 29,181 thousand (31 December 2021: KM 8,805 thousand).

30. 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.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

Selected Notes to the Condensed interim financial statements for the period ended 30 September 2022

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

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.

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

	30 September 2022	31 December 2021
Quota	686,984	641,864
Special Drawing Rights with the IMF	1,366	1,881
TOTAL ASSETS	688,350	643,745
IMF account No.1	1,717	1,605
IMF account No.2	682	637
Securities	1,631,396	1,562,617
SDR allocation	1,075,209	1,004,591
Accrued interest on SDR allocation	2,956	92
Accounts of payable charges	4,233	1,627
TOTAL LIABILITIES	2,716,193	2,571,169
BH NET POSITION WITH THE IMF	2,027,843	1,927,424

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

31. EVENTS AFTER THE REPORTING PERIOD

During October 2022, the Central Bank has continued to additionally decrease the foreign currency reserves risk exposure to future sharp declines in fair value through releasing the part of debt instruments at fair value through other comprehensive income. Nevertheless, the Central Bank sold a certain quantity of ounces of monetary gold with the aim of reducing the potential negative impact of fair value decrease of monetary gold on the net foreign assets and equity in the future period. Monetary gold can fluctuate significantly in the current circumstances making it riskier for the stability of the Central Bank's currency board. Total cash inflows both from debt instruments and monetary gold sales are reinvested in deposits with foreign banks at positive interest rates which are not subject to the market oscillations due to their contractual characteristics. Above mentioned transactions are directed exclusively to the foreign currency reserves stabilization meaning the restructuring of foreign currency reserves in order to adjust to the circumstances of positive returns on invested funds. The undertaken activities are part of the comprehensive and continuous adjustment process of the Central Bank's business operations to the abrupt and drastically changed circumstances for the execution of operations.

With the exception of the above, there were no events in the period between 30 September 2022 and the date of approval of these condensed interim financial statements that would require adjustment or are material but do not require adjustment.