



Centralna banka
BOSNE I HERCEGOVINE
Централна банка
БОСНЕ И ХЕРЦЕГОВИНЕ



FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

This version of the financial statements is a translation of the original, which was prepared in the Bosnian/Croatian/Serbian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.



CONTENT

	Page
Financial Reporting Responsibility	1
Independent Auditor's Report	2 - 4
Statement of Financial Position	5
Statement of Profit or Loss	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8 - 9
Statement of Cash Flows	10 - 11
Notes to the Financial Statements	12 - 86
1 General information	
2 Basis of preparation	
3 Significant accounting policy information	
4 Currency board arrangement	
5 Classification and fair value measurement of financial assets and financial liabilities	
6 Financial risk management	
7 Cash in foreign currencies	
8 Deposits with foreign banks	
9 Special Drawing Rights with the IMF	
10 Debt instruments at fair value through other comprehensive income	
11 Monetary gold	
12 Debt instruments at amortised cost	
13 Other assets	
14 Property and equipment	
15 Intangible assets	
16 Other investments	
17 Banknotes and coins in circulation	
18 Deposits from banks	
19 Deposits from the Government and other public institutions	
20 Provisions	
21 Other liabilities	
22 Net interest income	
23 Net fee and commission income	
24 Net realised gains / (losses) from sale of debt instruments at fair value through other comprehensive income	
25 Net foreign exchange (losses) / gains	
26 Net decreases of impairment on financial assets	
27 Other income	
28 Personnel expenses	
29 Administrative and other operating expenses	
30 Costs of production of banknotes and coins	
31 Allocation of the annual net profit	
32 Equity	
33 Cash and cash equivalents	
34 Related party transactions	
35 Off-balance sheet deposits	
36 BH membership with the IMF	
37 Domestic payment and settlement systems	
38 Events after the reporting period	

FINANCIAL REPORTING RESPONSIBILITY

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

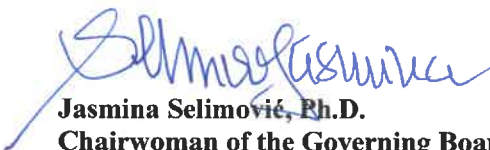
The Management is responsible for the consistent application of selected accounting policies, making judgements and estimates that are reasonable and prudent and for maintaining proper accounting records to enable the preparation of the financial statements at any time. The Management has a general responsibility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

The Governing Board is responsible for selecting suitable accounting policies to conform to applicable International Financial Reporting Standards. The Governing Board considers the financial statements and oversees the Central Bank of Bosnia and Herzegovina financial reporting process.


In overseeing the financial reporting process, the Governing Board is assisted by the Audit Committee, which is consisted of three independent members. The annual financial statements are considered and approved by the Governing Board and submitted to the Parliamentary Assembly of Bosnia and Herzegovina and the Presidency of Bosnia and Herzegovina.

These 2025 financial statements have been audited by the independent auditors of the Central Bank of Bosnia and Herzegovina ERNST & YOUNG d.o.o. Sarajevo and ERNST & YOUNG d.o.o. Beograd and their report is presented on pages 2 to 4. The independent auditors have been provided with full and unrestricted access to all information and communication necessary to perform and discuss its audit procedures.

The accompanying financial statements set out on pages 5 to 86 are approved by the Governing Board on 27 March 2026.


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




Meliha Smajlagić
Head of Accounting and Finance Department



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Independent auditor's report

To the Governing Board of the Central Bank of Bosnia and Herzegovina

Opinion

We have audited the financial statements of Central Bank of Bosnia and Herzegovina (the Central Bank), which comprise the Statement of Financial Position as at 31 December 2025, and the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Central Bank as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Central Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Bosnia and Herzegovina, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Management, the Governing Board and the Audit Committee for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Central Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Central Bank or to cease operations, or has no realistic alternative but to do so.

The Governing Board is responsible for overseeing the Central Bank's financial reporting process. The Audit Committee assists the Governing Board in overseeing the financial reporting process.

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Independent auditor's report (*continued*)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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Independent auditor's report (*continued*)

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

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

Danijela Mirković, procurator

Ernst & Young d.o.o. Sarajevo
Vrbanja 1 (SCC - Sarajevo City Center)
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Sarajevo, 27 March 2026



Tarik Alijagić, licensed auditor

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Sarajevo, 27 March 2026

Nikola Ribar, partner

Ernst & Young d.o.o. Beograd
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11070 Belgrade
Republic of Serbia

Belgrade, 27 March 2026

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STATEMENT OF FINANCIAL POSITION

In thousands of KM	Note	31 December 2025	As at 31 December 2024
ASSETS			
Cash in foreign currencies	7	557,531	525,980
Deposits with foreign banks	8	5,968,038	6,786,228
Special Drawing Rights with the IMF	9, 36	6,346	4,771
Debt instruments at fair value through other comprehensive income	10	9,799,906	8,639,813
Monetary gold	11	804,614	555,157
Debt instruments at amortised cost	12	1,077,111	1,128,901
Other assets	13	19,229	18,461
Property and equipment	14	46,647	48,451
Intangible assets	15	569	912
Other investments	16	27,813	27,813
TOTAL ASSETS		18,307,804	17,736,487
LIABILITIES AND EQUITY			
LIABILITIES			
Banknotes and coins in circulation	17	8,538,481	7,959,215
Deposits from banks	18	7,326,204	7,455,395
Deposits from the Government and other public institutions	19	689,339	860,083
Provisions	20	18,194	13,119
Other liabilities	21	189,622	250,492
Total liabilities		16,761,840	16,538,304
EQUITY			
Initial capital		25,000	25,000
Reserves		1,520,964	1,173,183
Total equity	32	1,545,964	1,198,183
TOTAL LIABILITIES AND EQUITY		18,307,804	17,736,487

The accompanying notes on pages 12 to 86 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

In thousands of KM	Note	For the year ended 31 December	
		2025	2024
Interest income		364,315	461,179
Interest expense		(15,991)	(14,557)
NET INTEREST INCOME	<u>22</u>	348,324	446,622
Fee and commission income		24,740	23,173
Fee and commission expenses		(1,905)	(970)
NET FEE AND COMMISSION INCOME	<u>23</u>	22,835	22,203
Net realised gains / (losses) from sale of debt instruments at fair value through other comprehensive income	<u>24</u>	1,360	(6,019)
Net foreign exchange (losses) / gains	<u>25</u>	(11,492)	6,794
Net decreases of impairment on financial assets	<u>26</u>	(418)	(2,482)
Other income	<u>27</u>	3,494	1,353
OPERATING INCOME		364,103	468,471
Personnel expenses	<u>28</u>	(37,534)	(38,256)
Administrative and other operating expenses	<u>29</u>	(9,558)	(9,724)
Costs of production of banknotes and coins	<u>30</u>	(5,373)	(5,272)
Depreciation and amortisation charge	<u>14, 15</u>	(4,271)	(2,619)
OPERATING EXPENSES		(56,736)	(55,871)
NET PROFIT FOR THE YEAR	<u>31</u>	307,367	412,600

The accompanying notes on pages 12 to 86 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of KM	Note	For the year ended 31 December	
		2025	2024
NET PROFIT FOR THE YEAR		307,367	412,600
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 year	10	(23,533)	44,159
Net change in provisions for expected credit losses recognised in profit or loss during the year	6.1.1. , 26	270	1,647
Reclassification to profit or loss from sale of debt instruments	24	(1,360)	6,019
		(24,623)	51,825
Monetary gold			
Net change in fair value during the year	11	249,457	66,765
		249,457	66,765
Total other comprehensive income		224,834	118,590
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		532,201	531,190

The accompanying notes on pages 12 to 86 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of KM	Initial capital	Fair value reserves for debt and equity instruments	Fair value reserves for monetary gold	Reserves for unrealised foreign exchange differences	Other reserves	General reserves (Retained earnings)	Total reserves	Total equity
Balance at 1 January 2025	25,000	45,354	140,295	4,628	31,300	951,606	1,173,183	1,198,183
Total comprehensive (loss) / income for the year	-	(24,623)	249,457	-	-	307,367	532,201	532,201
Net profit for the year (Note 31)	-	-	-	-	-	307,367	307,367	307,367
Other comprehensive (loss) / income	-	(24,623)	249,457	-	-	-	224,834	224,834
<i>Net decrease in fair value for debt instruments</i>	-	(23,533)	-	-	-	-	(23,533)	(23,533)
<i>Net increases in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	270	-	-	-	-	270	270
<i>Reclassification to profit or loss from sale of debt instruments</i>	-	(1,360)	-	-	-	-	(1,360)	(1,360)
<i>Net increase in fair value for monetary gold</i>	-	-	249,457	-	-	-	249,457	249,457
Transfer of net unrealised foreign exchange gains	-	-	-	-	-	-	-	-
Profit allocation to the budget of Bosnia and Herzegovina (Note 31)	-	-	-	-	-	(184,420)	(184,420)	(184,420)
Balance at 31 December 2025	25,000	20,731	389,752	4,628	31,300	1,074,553	1,520,964	1,545,964

The accompanying notes on pages 12 to 86 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

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

The accompanying notes on pages 12 to 86 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		For the year ended 31 December	
In thousands of KM	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		307,367	412,600
Adjusted for:			
Interest income	22	(364,315)	(461,179)
Interest expense	22	15,991	14,557
Net decreases of impairment on financial assets	26	418	2,482
Net realised (gains) / losses from sale of debt instruments at fair value through other comprehensive income	24	(1,360)	6,019
Net foreign exchange losses / (gains)	25	11,492	(6,794)
Provisions, net increases	20, 28	6,029	11,300
Net losses / (gains) on disposal of property, equipment and intangible assets		15	(40)
Dividend income recognised in profit or loss	27	(920)	(940)
Depreciation and amortisation charge	14, 15	4,271	2,619
Net cash flows used in operating activities before changes in operating assets and liabilities		(21,012)	(19,376)
Changes in operating assets and liabilities			
Decrease of term deposits with foreign banks		628,105	123,704
(Increase) in debt instruments at fair value through other comprehensive income		(1,194,179)	(2,439,362)
Decrease of debt instruments at amortised cost		51,813	51,359
(Increase) in monetary gold		-	(312,933)
(Increase) in other assets		(1,362)	(637)
Increase in banknotes and coins in circulation	17	579,266	394,107
(Decrease) of / increase in deposits from banks		(130,623)	370,874
(Decrease) of / increase in deposits from the Government and other public institutions		(170,744)	107,185
(Decrease) of / increase in other liabilities		(818)	1,766
Payments from provisions	20	(954)	(206)
Interest received		359,300	444,221
Interest paid		(14,559)	(13,271)
Net cash from operating activities		84,233	(1,292,569)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment		-	40
Purchases of property, equipment and intangible assets	14, 15	(2,139)	(3,806)
Dividend received		920	940
Net cash used in investing activities		(1,219)	(2,826)

STATEMENT OF CASH FLOWS (CONTINUED)

In thousands of KM	Note	For the year ended 31 December	
		2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfer of the portion of annual net profit to the BH budget		(244,307)	(64,319)
Net cash from financing activities		(244,307)	(64,319)
Net effects from impairment for expected credit losses on cash and cash equivalents		(366)	(397)
Net effects of foreign exchange rates on cash and cash equivalents		(1,104)	699
Net (decrease) of cash and cash equivalents		(162,763)	(1,359,412)
Cash and cash equivalents at the beginning of the year		5,653,214	7,012,626
Cash and cash equivalents at the end of the year	33	5,490,451	5,653,214

The accompanying notes on pages 12 to 86 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

1. GENERAL INFORMATION (CONTINUED)

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

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

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

During 2024 and 2025, including the period up to the date of issuance of these statements, the key management members of the Central Bank are:

The Governing Board

Jasmina Selimović Ph.D.	Chairwoman (from 3 January 2024)
Radimir Božić Ph.D.	Member
Danijela Martinović Ph.D.	Member
Mirza Kršo Ph.D.	Member (from 3 January 2024)
Darko Tomaš Ph.D.	Member (from 3 January 2024)

The Management

Jasmina Selimović Ph.D.	Governor (from 3 January 2024)
Ernadina Bajrović M.Sc.	Vice Governor (until 31 December 2024)
Emir Kurtić Ph.D.	Vice Governor (from 1 January 2025)
Željko Marić Ph.D.	Vice Governor (until 15 August 2025)
Tomislav Ivanković M.Sc.	Vice Governor (from 1 January 2026)
Marko Vidaković M.Sc.	Vice Governor (until 28 February 2026 and from 20 March 2026)

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

During 2024 and 2025, including the period up to the date of issuance of these statements, the Audit Committee members of the Central Bank are:

The Audit Committee

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

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

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

More information on the environmental conditions under which the Central Bank’s operations have been performed in 2025, significantly affecting the Central Bank’s reported balances of assets, liabilities, income and expenses, is disclosed in [Note 3.13](#).

2.2. Basis of measurement

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

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

2.3. Functional and presentational currency

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

2.4. Changes in accounting policies and disclosures

2.4.1. The change in accounting policy

The Central Bank has adopted a new accounting policy that provides detailed guidance on the accounting treatment of realised and unrealised components of the financial result in accordance with the Law on the Central Bank. The new accounting policy was adopted with the objective of providing a more relevant and reliable presentation of legally recognised realised and unrealised components of the Central Bank’s financial result and enhancing the transparency of financial reporting, while taking into account the principles of financial stability and the preservation of the Central Bank’s equity.

The change in accounting policy defines the distinction between unrealised and realised foreign exchange differences as follows:

Realised foreign exchange differences are foreign exchange differences arising between the exchange rate at which the transaction was performed (buy, sell or spot foreign exchange rate) and the Central Bank’s middle exchange rate on the transaction date, including foreign exchange differences arising from the conversion of one foreign currency into another.

Unrealised foreign exchange differences are all other foreign exchange differences arising from the translation of monetary positions in foreign currency into KM at the Central Bank’s middle exchange rate as at the reporting date.

The change in accounting policy has been applied from 1 January 2025. The reclassification of the amounts presented for 2024 in [Note 25](#) was not made, as the change in the accounting policy did not have a significant impact on the amounts of unrealised and realised foreign exchange differences in 2024. The change in accounting policy did not affect the total amount of presented foreign exchange differences in 2025 and 2024, nor the financial result for 2025 and 2024, and the amounts are fully comparable between the reporting years.

2. BASIS OF PREPARATION (CONTINUED)

2.4. Changes in accounting policies and disclosures (continued)

2.4.2. Allocation of the Central Bank's annual net profit or annual net loss

With the change in accounting policy, the legal rules for the allocation of annual net profit or the coverage of annual net loss have been further clarified in accordance with provisions of the Law on the Central Bank.

If the Central Bank generates an annual net profit, the following legal rules apply:

- In the case of a net unrealised gain, the Central Bank determines the amount of profit available for distribution, which represents the difference between the annual net profit and the net unrealised gain. The amount of profit available for distribution is distributed in accordance with the order of priority prescribed by the Law on the Central Bank, while the net unrealised gain is allocated to the legally prescribed reserve for net unrealised profit.
- In the case of a net unrealised loss, the amount of the annual net profit is also the amount of profit available for distribution, which is distributed in accordance with the order of priority prescribed by the Law on the Central Bank.

If the Central Bank generates an annual net loss, the following legal rules apply:

- If the annual net loss includes a net unrealised gain, the entire amount of the annual net loss is allocated against the general reserves up to the amount that would not result in a negative balance of the general reserves as a consequence of such allocation.
- If the annual net loss includes a net unrealised loss, it is allocated against the legally prescribed reserve for net unrealised gain, if such a reserve exists, up to the amount that would not result in a negative balance of that reserve. The remaining net loss is allocated against the general reserves, up to the amount that would not result in a negative balance of the general reserves as a consequence of such allocation.

2.4.3. New and amended standards

Except from the above mentioned, the adopted accounting policies are consistent with those of the previous financial year except for the following IFRSs and amendments to the IFRSs which have been adopted by the Central Bank as at 1 January 2025:

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.4. Changes in accounting policies and disclosures (continued)

2.4.4. Standards issued but not yet effective and not early adopted

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. Early adoption of amendments related to the classification of financial assets and the related disclosures is permitted, with the option to apply the other amendments at a later date. The amendments clarify that a financial liability is derecognised on the 'settlement date', when the obligation is paid, cancelled, expired, or otherwise qualifies for derecognition. They introduce an accounting policy option to derecognise liabilities settled via electronic payment systems before the settlement date, subject to specific conditions. They also provide guidance on assessing the contractual cash flow characteristics of financial assets with environmental, social and governance (ESG)-linked features or other similar contingent features. Additionally, they clarify the treatment of non-recourse assets and contractually linked instruments and require additional disclosures under IFRS 7 for financial assets and liabilities with contingent event references (including those ESG-linked) and equity instruments classified at fair value through other comprehensive income. The requirements of this standard are not expected to have a significant impact on the Central Bank's financial statements.

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

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

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

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

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

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

2. BASIS OF PREPARATION (CONTINUED)

2.4. Changes in accounting policies and disclosures (continued)

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

- **IFRS 19 Subsidiaries without Public Accountability: Disclosures (including amendments)**

IFRS 19 permits subsidiaries without public accountability to use reduced disclosure requirements if their parent company (either ultimate or intermediate) prepares publicly available consolidated financial statements in compliance with IFRS accounting standards. These subsidiaries must still apply the recognition, measurement and presentation requirements in other IFRS. Unless otherwise specified, eligible entities that elect to apply IFRS 19 will not need to apply the disclosure requirements in other IFRS. The amendments issued in August 2025 reduce the disclosure requirements of new IFRS accounting standards, which had been included in full when IFRS 19 was first issued. IFRS 19 (including the amendments) is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. The requirements of this standard are not expected to have a significant impact on the Central Bank's financial statements.

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Translation to a Hyperinflationary Presentation Currency (Amendments)**

The amendments are effective for annual reporting periods beginning on or after 1 January 2027, with earlier adoption permitted. The amendments require translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing exchange rate. If an entity's functional currency is the currency of a non-hyperinflationary economy, but its presentation currency is the currency of a hyperinflationary economy, its results and financial position are translated into the presentation currency by translating all amounts (i.e., assets, liabilities, equity items, income and expenses) and all comparative data at the closing exchange rate at the date of the most recent statement of financial position. An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy, restates the comparative amounts of a foreign operation, whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, to the foreign operation's comparative figures. The amendments also introduce certain additional disclosure requirements. The requirements of this standard are not expected to have a significant impact on the Central Bank's financial statements.

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION

Except for the change in accounting policy in [Note 2.4.1](#), significant accounting policies have been applied by the Central Bank consistently to all periods presented in these financial statements.

3.1 Financial assets and financial liabilities

3.1.1. Classification of financial assets and financial liabilities

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

A Financial assets

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

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

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

The classification of financial asset is determined by:

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

Business model

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1. Financial assets and financial liabilities (continued)

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

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

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

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

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

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

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

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

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

B Financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1. Financial assets and financial liabilities (continued)

3.1.2. Initial recognition of financial assets and financial liabilities

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

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

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

3.1.3. Subsequent measurement of financial assets and financial liabilities

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

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

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

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

A Financial assets

Financial assets at amortised cost

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

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

Financial assets at fair value through other comprehensive income

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1. Financial assets and financial liabilities (continued)

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

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

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

Equity instruments

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1. Financial assets and financial liabilities (continued)

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

B Financial liabilities

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

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

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

3.1.4. Derecognition of financial assets and financial liabilities

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

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

3.2. Offsetting

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

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

3.3. Cash and cash equivalents

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

3.4. Monetary gold

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.5. Property, equipment and intangible assets

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

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

Depreciation and amortisation of property, equipment and intangible assets are calculated on all assets, except land and assets in the course of construction, on a straight-line basis at prescribed rate designed to write off the cost of the assets over their estimated useful lives. The Central Bank has revised the depreciation rates for property and equipment in accordance with the new estimates of the assets' economic useful life and their expected usage in the following years. This change impacts the depreciation amounts in the current reporting period and it will impact the depreciation amounts in the subsequent reporting periods. The estimated depreciation and amortisation rates during 2025 and 2024 were as follows:

Property and equipment	From 1 January 2025	Until 31 December 2024
Buildings	3.33% to 4.0%	1.3% to 4.0%
Equipment	11.0% to 33.33%	11.0% to 20.0%
Furniture	10.0% to 12.5%	10.0% to 12.5%
Vehicles	15.5%	15.5%
Intangible assets		
Software	20.0%	20.0%
Other intangible assets	20.0%	20.0%

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

Impairment of non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.6. Banknotes and coins in circulation

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

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

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

3.7. Deposits of banks and depositors

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

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

3.8. Provisions

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

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

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

3.9. Income and expense recognition

Interest income and expenses

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

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.9. Income and expense recognition (continued)

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

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

Fee and commission income and expenses

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

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

Foreign currency transactions and foreign exchange differences

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

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.9. Income and expense recognition (continued)

Middle exchange rates of most relevant currencies are provided below:

Middle exchange rate:	31 December 2025	31 December 2024
	KM	KM
EUR	1.95583	1.95583
CHF	2.104627	2.072952
GBP	2.244984	2.357842
USD	1.663545	1.872683
XDR	2.275491	2.454215

Dividend income

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

Employee benefits

Short-term employee benefits

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

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

Long-term employee benefits

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

Costs of production of banknotes and coins

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

Taxes

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

3.10. Fund management for and on behalf of third parties

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

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

3.12. Significant accounting judgements and estimates

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

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

These financial statements have been prepared based upon conditions existing at 31 December 2025. Future conditions may be different from those that resulted in the financial information disclosed in these financial statements. The Management continuously monitors the increased factors of uncertainty that may significantly impact the financial performances of the Central Bank in the upcoming period.

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

Business model

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

Impairment of financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.12. Significant accounting judgements and estimates (continued)

Fair value of assets and liabilities

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

Depreciation and amortisation charge and rates applied

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

The impact of climate change and sustainable development on the Central Bank's financial reporting

Considering the requirements of IFRS S1: General Requirements for Disclosures of Sustainability-related Financial Information and IFRS S2: Climate-related Disclosures, the Central Bank has recognised the risks associated with sustainable development and climate change as a potential source of uncertainty in the future period. The Central Bank is a member of the Network for Greening the Financial System (NGFS) and the Sustainable Banking and Finance Network (SBFN) which are two internationally recognised networks.

During 2025, the Central Bank continued with activities aimed at creating conditions for integrating environmental, social and governance (ESG) factors into the business processes. The Central Bank's main activities were focused on further strengthening institutional capacities, establishing methodological frameworks for monitoring climate-related risks, as well as promoting sustainable financing, in line with the Central Bank's strategic commitment.

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

3.13. Conditions in the environment for performing the Central Bank's operations in 2025

During 2025, the global economy, including the eurozone economy, recorded stable but moderate growth. Key uncertainty factors were caused by changes in the trade policy of the United States, particularly the increase in import tariffs from other countries, including the European Union countries, leading to heightened tensions and volatility in international markets. Additional geopolitical tensions, particularly in the Middle East region, have increased the overall level of macroeconomic instability.

In 2025, the Governing Council of the European Central Bank ("ECB") lowered its key interest rates on four occasions, by a total of 100 basis points. These decisions of the ECB Governing Council directly affected the conditions in the eurozone financial market, where the Central Bank primarily invests its foreign currency reserves, particularly through movements in market interest rates and yields.

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.13. Conditions in the environment for performing the Central Bank's operations in 2025 (continued)

During 2025, the Central Bank invested and reinvested foreign currency reserves to a greater extent in the portfolio of debt instruments at fair value through other comprehensive income, as well as in deposits with foreign banks. In addition, market prices of monetary gold showed a generally pronounced upward trend leading to a significant increase in its fair value as at reporting date. The Central Bank continuously adjusted its investment and reinvestment activities in foreign currency reserves to changes in market conditions, which was reflected in the Central Bank's key financial indicators and further contributed to the stabilisation of the currency board arrangement.

The Central Bank's key financial indicators and results as at and for the year ended 31 December 2025 are as follows:

The Central Bank's net foreign assets amount to KM 1,657,316 thousand as at 31 December 2025,

The Central Bank's net profit amounts to KM 307,367 thousand for 2025,

The amount of annual net profit to be transferred to the BH budget equals KM 184,420 thousand and represents the Central Bank's liability as at 31 December 2025, and

The Central Bank's equity, after the allocation of the annual net profit, amounts to KM 1,545,964 thousand as at 31 December 2025.

In 2025, the net profit was generated primarily from interest income arising from the interest-bearing components of the Central Bank's foreign currency reserves, with the largest share attributable to interest income from the portfolio of debt instruments at fair value through other comprehensive income and deposits with foreign banks. The resulting structure of foreign currency interest income reflects the investment strategy particularly focused on preserving the safety and liquidity, and achieving targeted returns on the Central Bank's foreign currency reserves, in line with the prevailing conditions in the eurozone financial market.

As at 31 December 2025 the amount of total equity and reserves of the Central Bank were primarily increased by the net financial effects of changes in the market values of the components of foreign currency reserves that are subsequently measured at fair value, as well as by an increase in general reserves (retained earnings) resulting from net profit allocation for 2025. The net effect of changes in the fair value of monetary gold and debt instruments at fair value through other comprehensive income, presented through other comprehensive income, amount to KM 224,834 thousand for 2025. The portion of the annual net profit for 2025 allocated to the general reserves (retained earnings) of the Central Bank amounts to KM 122,947 thousand.

In 2025, the Central Bank continued its cooperation with the World Bank, within the Reserve Advisory & Management Partnership (RAMP), which commenced on 1 October 2024. Under this arrangement, a portion of the Central Bank's foreign currency reserves was entrusted to an external portfolio manager for management, with the majority of these funds being invested in debt instruments denominated in EUR and USD currency.

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

Note	Title
4	Currency board arrangement
8	Deposits with foreign banks
10	Debt instruments at fair value through other comprehensive income
11	Monetary gold
22	Net interest income
32	Equity

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION (CONTINUED)

3.13. Conditions in the environment for performing the Central Bank's operations in 2025 (continued)

The cumulative net increase in monetary liabilities in 2025 was primarily driven by net financial effects arising from KM purchase and sale transactions with resident banks and on behalf of the Central Bank's depositors, as well as by the transfer of a portion of net profit for 2024, while a net cash outflow was recorded from the resident banks' euro-denominated reserve accounts. In addition, resident banks have been withdrawing and returning KM banknotes and coins through the Central Bank's dislocated vaults with a non-cyclical intensity, which resulted in a cumulative net increase in KM banknotes and coins in circulation compared to 31 December 2024, with simultaneous net decrease in resident bank's reserve accounts on this basis.

All resident banks have regularly fulfilled the required reserve in accordance with the Central Bank's legal regulations. The Central Bank did not change remuneration rates during 2025 and 2024.

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

Note	Title
17	Banknotes and coins in circulation
18	Deposits from banks
19	Deposits from the Government and other public institutions
22	Net interest income

During the current reporting period, enforcement proceedings were initiated against the Central Bank's assets based on the decision of the Arbitration Council in Washington, which obliged BH to pay damage compensation to the company Viaduct d.o.o. Portorož, including related interest and legal fees. Accordingly, non-final enforcement decisions were also issued against the Central Bank's properties in Mostar and Banja Luka, against which the Central Bank, through the Office of Attorney General of BH, filed appeals to the competent authorities, considering that there are no legal grounds for enforcement against its property.

By adopting the Decision enacting the Law on Amendments to the Law on Financing of the Institutions of Bosnia and Herzegovina aimed at providing a legal and financial framework for the enforcement of international arbitration decisions against BH, the issue of settling obligations arising from the arbitration case Viaduct d.o.o. Portorož was resolved. This enabled the competent authorities to take measures to suspend enforcement proceedings against BH and its institutions, including the suspension of enforcement proceedings against the Central Bank.

In accordance with the aforementioned Law, and at the request of the Ministry of Finance and Treasury of BH, the Central Bank opened an account and transferred funds for the purpose of settling the debt to the company Viaduct d.o.o. Portorož, in accordance with the instructions of the Ministry of Finance and Treasury of BH.

In 2025, all enforcement proceedings against the Central Bank's assets in this matter were suspended.

4. CURRENCY BOARD ARRANGEMENT

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

Details of compliance with that rule are as follows:

In thousands of KM	31 December 2025	31 December 2024
Official foreign currency reserves		
Cash in foreign currencies	557,531	525,980
Deposits with foreign banks	5,968,038	6,786,228
Special Drawing Rights with the IMF	6,346	4,771
Debt instruments	10,877,017	9,768,714
Monetary gold	804,614	555,157
TOTAL	18,213,546	17,640,850
Liabilities to non-residents	2,206	2,462
Net foreign currency reserves (Official foreign currency reserves less liabilities to non-residents)	18,211,340	17,638,388
Monetary liabilities		
Banknotes and coins in circulation	8,538,481	7,959,215
Deposits from banks	7,326,204	7,455,395
Deposits from the Government and other public institutions	689,339	860,083
TOTAL	16,554,024	16,274,693
NET FOREIGN ASSETS (Net foreign currency reserves less monetary liabilities)	1,657,316	1,363,695

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

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

Net foreign assets are the amounts that guarantee the stability of domestic currency, respectively monetary stability and absorb potential financial risks arising from official foreign currency reserves management. As at 31 December 2025, the financial balance of net foreign assets amounts to KM 1,657,316 thousand and the stability of domestic currency is completely provided (31 December 2024: KM 1,363,695 thousand).

4. CURRENCY BOARD ARRANGEMENT (CONTINUED)

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

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

5. CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

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

5.1. Financial assets measured at fair value

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

In thousands of KM

31 December 2025

	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	9,799,906	-	-	9,799,906
Monetary gold	804,614	-	-	804,614
TOTAL	10,604,520	-	-	10,604,520

In thousands of KM

31 December 2024

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

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

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

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

In thousands of KM

	31 December 2025	
	Carrying amount	Fair value
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	557,531	557,531
Deposits with foreign banks	5,968,038	5,968,038
Special Drawing Rights with the IMF	6,346	6,346
Debt instruments at amortised cost	1,077,111	1,001,666
Other financial assets	3,739	3,739
	7,612,765	7,537,320
<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	7,640,578	7,565,133
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	8,538,481	8,538,481
Deposits from banks	7,326,204	7,326,204
Deposits from the Government and other public institutions	689,339	689,339
Other financial liabilities	189,409	189,409
	16,743,433	16,743,433
Total	16,743,433	16,743,433

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

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

In thousands of KM

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

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

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

6. FINANCIAL RISK MANAGEMENT

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

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

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

All three key ECB interest rates were reduced in February, March, April and June 2025, each time by 25 basis points. By the end of 2025, deposit facility rate which primarily determines conditions in the euro area financial market, was reduced by a total of 100 basis points, to 2.00% from 3.00% at the beginning of the year. The primary determinant of the ECB's monetary policy remains the eurozone inflation level, with an aim of achieving medium-term inflation target of 2.00%. The ECB Governing Council emphasizes that, when determining monetary policy, it does not decide on certain changes in interest rates dynamics in advance, but it applies an approach based on the most recent available data. The ECB Governing Council decisions on interest rates, as they stated, will depend on the assessment of future inflation movements based on the most recent macroeconomic and financial data, as well as the dynamics of core inflation and strength of monetary policy transmission.

The reduction in key interest rates in the eurozone in the first half of 2025, as in previous years, has reflected on the decrease of market interest rates (Euribor) and market yields on euro-denominated bonds in that period. After the ECB stopped reducing the key interest rates in June 2025 and maintained them at the same level until the end of 2025, market interest rates and market yields generally stagnated, with a tendency toward a slight increase of yields, which is more pronounced for long-term bonds. The increase in yields of long-term bonds, combined with yield stagnation of short-term bonds, led the government bonds yield curve in the eurozone financial market to gradually return to a normal shape, following many years of more or less pronounced inversion.

Unlike in previous years, the expectations regarding the future monetary policy of the US Federal Reserve System (Fed) had a smaller impact on movements in yields and interest rates in the eurozone. In the first half of 2025, interest rates and market yields in the eurozone declined although the Fed did not change its referent interest rate. In the second half of 2025, interest rates and market yields in the eurozone stagnated or increased slightly for the long-term bonds, despite the fact that the Fed decreased its targeted range for reference interest rate in September, October and December 2025, each time by 25 basis points, i.e., by a total of 75 basis points, from the targeted range of 4.25 - 4.50%, which had been in effect from 18 December 2024 till 16 September 2025, to the targeted range of 3.50 - 3.75%, which has been in effect from 10 December 2025.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk

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

The management of credit risk is performed through:

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

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

Expected credit loss measurement

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

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

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

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

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

Definition of default

Default criteria are objective evidences of impairment, especially:

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

Expected credit loss calculation

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

- **Probability of Default (PD)** is an estimate of the probability that another counterparty will not be able to meet its debt obligations. In the reporting periods, the same PD calculation method was used, in accordance with the Central Bank's methodology for expected credit losses calculation which was introduced on 1 January 2019. During 2024, the parameters for calculating the probability of default for exposures to foreign banks and exposures to foreign debt instruments were updated, in light of the perceived increase in credit risk due to the intensification of geopolitical tensions and their impact on the global economy. For the impairment calculation, in accordance with best practices in other central banks in region and European Union, which are obliged to comply with IFRS, the Central Bank, as a parameter of the probability of default, uses the estimates based on data from transition matrices which are published by credit rating agencies and expert judgement in the form of fixed percentages of probability of default.

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

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

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

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

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

Forward-looking information incorporation

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

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

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

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

The Central Bank uses individual and collective approach for impairment.

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

6.1.1. Credit risk exposure

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.1. Credit risk exposure (continued)

In thousands of KM

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1. Deposits with foreign banks								
As at 1 January	2,331	-	-	2,331	1,657	-	-	1,657
Increases in expected credit losses	23,073	-	-	23,073	10,472	-	-	10,472
Releases of expected credit losses	(304)	-	-	(304)	(183)	-	-	(183)
Releases due to derecognition of term deposits	(22,598)	-	-	(22,598)	(9,615)	-	-	(9,615)
As at 31 December	2,502	-	-	2,502	2,331	-	-	2,331
2. Special Drawing Rights with the IMF								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	-	-	-	-	-	-	-	-
Releases of expected credit losses	-	-	-	-	-	-	-	-
As at 31 December	-	-	-	-	-	-	-	-
3. Debt instruments at fair value through other comprehensive income								
As at 1 January	2,514	-	-	2,514	904	-	-	904
Increases in expected credit losses	2,086	-	-	2,086	2,299	-	-	2,299
Releases of expected credit losses	(237)	-	-	(237)	(46)	-	-	(46)
Releases due to debt instruments matured	(1,579)	-	-	(1,579)	(606)	-	-	(606)
<i>Net increases during the year</i>	<i>270</i>	-	-	<i>270</i>	<i>1,647</i>	-	-	<i>1,647</i>
Net releases due to debt instruments sold	(149)	-	-	(149)	(37)	-	-	(37)
As at 31 December	2,635	-	-	2,635	2,514	-	-	2,514

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.1. Credit risk exposure (continued)

In thousands of KM

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
4. Debt instruments at amortised cost								
As at 1 January	380	-	-	380	219	-	-	219
Increases in expected credit losses	25	-	-	25	199	-	-	199
Releases of expected credit losses	(40)	-	-	(40)	(12)	-	-	(12)
Releases due to debt instruments matured	(8)	-	-	(8)	(26)	-	-	(26)
As at 31 December	357	-	-	357	380	-	-	380
5. Other financial assets								
As at 1 January	6	-	601	607	6	-	601	607
Increases in expected credit losses	7	-	-	7	6	-	-	6
Releases of expected credit losses	(7)	-	-	(7)	(6)	-	-	(6)
As at 31 December	6	-	601	607	6	-	601	607
Total opening balance at 1 January	5,231	-	601	5,832	2,786	-	601	3,387
Total net increases in expected credit losses during the year	269	-	-	269	2,445	-	-	2,445
Total closing balance at 31 December	5,500	-	601	6,101	5,231	-	601	5,832

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration

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

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

In thousands of KM Classes of financial instruments	31 December 2025				31 December 2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash in foreign currencies								
Gross carrying amount	557,531	-	-	557,531	525,980	-	-	525,980
Impairment	-	-	-	-	-	-	-	-
Carrying amount	557,531	-	-	557,531	525,980	-	-	525,980
Deposits with foreign banks								
Gross carrying amount	5,970,540	-	-	5,970,540	6,788,559	-	-	6,788,559
Impairment	(2,502)	-	-	(2,502)	(2,331)	-	-	(2,331)
Carrying amount	5,968,038	-	-	5,968,038	6,786,228	-	-	6,786,228
Special Drawing Rights with the IMF								
Gross carrying amount	6,346	-	-	6,346	4,771	-	-	4,771
Impairment	-	-	-	-	-	-	-	-
Carrying amount	6,346	-	-	6,346	4,771	-	-	4,771
Debt instruments at fair value through other comprehensive income								
Gross carrying amount	9,799,906	-	-	9,799,906	8,639,813	-	-	8,639,813
Provisions for expected credit losses (recognised in other comprehensive income)	2,635	-	-	2,635	2,514	-	-	2,514
Gross carrying amount	9,799,906	-	-	9,799,906	8,639,813	-	-	8,639,813

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

In thousands of KM	31 December 2025				31 December 2024			
Classes of financial instruments	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt instruments at amortised cost								
Gross carrying amount	1,077,468	-	-	1,077,468	1,129,281	-	-	1,129,281
Impairment	(357)	-	-	(357)	(380)	-	-	(380)
Carrying amount	1,077,111	-	-	1,077,111	1,128,901	-	-	1,128,901
Other financial assets								
Gross carrying amount	3,745	-	601	4,346	4,127	-	601	4,728
Impairment	(6)	-	(601)	(607)	(6)	-	(601)	(607)
Carrying amount	3,739	-	-	3,739	4,121	-	-	4,121

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

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

In thousands of KM	31 December 2025	31 December 2024
Carrying amounts		
Monetary gold	804,614	555,157
Other investments	27,813	27,813
TOTAL	832,427	582,970

The Central Bank does not hold any collateral or other credit enhancements for the credit risk coverage. As at 31 December 2025 the Central Bank does not have any assets that are past due but unpaid, and has impaired assets in the amount of KM 601 thousand (As at 31 December 2024: The Central Bank did not have any assets that are past due but unpaid, and had impaired assets in the amount of KM 601 thousand).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

Concentration per credit rating

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

In thousands of KM

31 December 2025

Credit rating	Cash in foreign currencies	Deposits with foreign banks	Special Drawing Rights with the IMF	Debt instruments at fair value through other comprehensive income	Monetary instruments at gold	Debt instruments at amortised cost	Other financial assets	Other investments	Total
AAA	-	2,343,365	-	2,844,188	-	84,698	-	-	5,272,251
AA+	-	158,240	-	2,536,213	-	286,435	-	-	2,980,888
AA	-	7,331	-	56,745	-	55,870	-	-	119,946
AA-	-	964,627	-	1,434,952	-	93,306	-	-	2,492,885
A+	-	1,395,071	-	1,454,919	-	225,471	-	-	3,075,461
A	-	557,228	-	729,265	-	234,464	-	-	1,520,957
A-	-	-	-	-	-	-	-	-	-
II ¹	-	544,678	6,346	-	804,614	-	-	27,813	1,383,451
BBB+	-	-	-	743,624	-	97,224	-	-	840,848
BBB	-	-	-	-	-	-	-	-	-
BBB-	-	-	-	-	-	-	-	-	-
Unrated	557,531	-	-	-	-	-	4,346	-	561,877
Total	557,531	5,970,540	6,346	9,799,906	804,614	1,077,468	4,346	27,813	18,248,564
Impairment	-	(2,502)	-	-	-	(357)	(607)	-	(3,466)
TOTAL	557,531	5,968,038	6,346	9,799,906²	804,614	1,077,111	3,739	27,813	18,245,098

¹ International institutions

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

In thousands of KM

31 December 2024

Credit rating	Cash in foreign currencies	Deposits with foreign banks	Special Drawing Rights with the IMF	Debt instruments at fair value through other comprehensive income	Monetary gold	Debt instruments at amortised cost	Other financial assets	Other investments	Total
AAA	-	3,590,164	-	2,413,995	-	142,730	-	-	6,146,889
AA+	-	601	-	1,830,820	-	285,063	-	-	2,116,484
AA	-	8,625	-	61,464	-	55,400	-	-	125,489
AA-	-	1,406,504	-	2,778,154	-	316,143	-	-	4,500,801
A+	-	877,999	-	-	-	-	-	-	877,999
A	-	472,428	-	131,506	-	41,279	-	-	645,213
A-	-	-	-	781,479	-	192,408	-	-	973,887
II ³	-	432,238	4,771	-	555,157	-	-	27,813	1,019,979
BBB+	-	-	-	-	-	-	-	-	-
BBB	-	-	-	642,395	-	96,258	-	-	738,653
BBB-	-	-	-	-	-	-	-	-	-
Unrated	525,980	-	-	-	-	-	4,728	-	530,708
Total	525,980	6,788,559	4,771	8,639,813	555,157	1,129,281	4,728	27,813	17,676,102
Impairment	-	(2,331)	-	-	-	(380)	(607)	-	(3,318)
TOTAL	525,980	6,786,228	4,771	8,639,813⁴	555,157	1,128,901	4,121	27,813	17,672,784

³ International institutions

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1. Credit risk (continued)

6.1.2. Credit risk concentration (continued)

Geographical concentration of risks of financial assets with credit risk exposure

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

31 December 2025

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Cash in foreign currencies	-	-	557,531	557,531
Deposits with foreign banks	3,082,755	2,887,785	-	5,970,540
Special Drawing Rights with the IMF	-	6,346	-	6,346
Debt instruments at fair value through other comprehensive income	9,718,233	81,673	-	9,799,906
Monetary gold	-	804,614	-	804,614
Debt instruments at amortised cost	1,077,468	-	-	1,077,468
Other financial assets	-	-	4,346	4,346
Other investments	10	27,803	-	27,813
Total	13,878,466	3,808,221	561,877	18,248,564
			Impairment	(3,466)
			TOTAL	18,245,098

31 December 2024

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Cash in foreign currencies	-	-	525,980	525,980
Deposits with foreign banks	3,834,333	2,954,226	-	6,788,559
Special Drawing Rights with the IMF	-	4,771	-	4,771
Debt instruments at fair value through other comprehensive income	8,553,500	86,313	-	8,639,813
Monetary gold	-	555,157	-	555,157
Debt instruments at amortised cost	1,129,281	-	-	1,129,281
Other financial assets	-	-	4,728	4,728
Other investments	10	27,803	-	27,813
Total	13,517,124	3,628,270	530,708	17,676,102
			Impairment	(3,318)
			TOTAL	17,672,784

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk

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

For the purpose of quantifying the market risk effects on the foreign currency reserves value, the Central Bank applies the Value at Risk (VaR) concept. VaR represents a statistical measure which shows the maximum loss that can occur in foreign currency reserves portfolio due to the changes in the financial instruments prices and the foreign exchange rates, given a certain level of confidence and a particular time horizon. VaR value for market risk is calculated by analytical (parametric) method, based on the mean value of gain/loss or yield rate of observed portfolio and standard deviation of observed data. The Central Bank, when calculating VaR, applies a level of confidence of 99% for a 10-day horizon.

For the calculation of VaR of the Central Bank's foreign currency reserves portfolio, all positions which are exposed to market risks, i.e., gold price risk, interest rate risk and foreign exchange risk in foreign currency reserves portfolio are considered. As at 31 December 2025, the exposure of the Central Bank's foreign currency reserves to market risks (VaR at a level of confidence of 99% for a 10-day horizon), including fluctuations of the gold EUR prices, fluctuations of the prices of financial instruments and foreign exchange rates against the KM, equals to KM 108,829 thousand (2024: KM 73,590 thousand), which represents the equivalent of 0.60% of the total financial assets (2024: 0.42% of the total financial assets).

The Value at Risk, in relation to 2024, increased by 47.88%, primarily due to the increased risk of the price of monetary gold (contribution to increase in VaR is 119.72%) while the interest rate risk of the Central bank's foreign currency reserve portfolio decreased ("negative contribution" to increase in VaR is 18.24%). Unlike in previous years, when the interest rate risk contributed the most to the VaR value, the gold price risk accounts for 71.21% of the VaR as at 31 December 2025 (2024: 47.99%). The share of foreign exchange risk in the VaR value remains very low.

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

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

In thousands of KM	31 December 2025	31 December 2024
Gold price risk	77,500	35,314
Interest rate risk	31,099	37,528
Foreign exchange risk	230	748
Total VaR	108,829	73,590

6.2.1. Foreign exchange risk

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.1. Foreign exchange risk (continued)

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

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

The following table shows foreign currency position as at 31 December 2025 and 31 December 2024:

31 December 2025

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Cash in foreign currencies	557,531	-	-	-	557,531
Deposits with foreign banks	5,957,150	7,164	3,724	-	5,968,038
Special Drawing Rights with the IMF	-	-	6,346	-	6,346
Debt instruments at fair value through other comprehensive income	9,718,233	81,673	-	-	9,799,906
Monetary gold	804,614	-	-	-	804,614
Debt instruments at amortised cost	1,077,111	-	-	-	1,077,111
Other financial assets	33	51	1	3,654	3,739
Other investments	10	-	-	27,803	27,813
Total financial assets	18,114,682	88,888	10,071	31,457	18,245,098
Banknotes and coins in circulation	-	-	-	8,538,481	8,538,481
Deposits from banks	140,447	-	-	7,185,757	7,326,204
Deposits from the Government and other public institutions	-	-	-	689,339	689,339
Other financial liabilities	845	251	11	188,302	189,409
Total financial liabilities	141,292	251	11	16,601,879	16,743,433
NET FOREIGN EXCHANGE POSITION	17,973,390	88,637	10,060	(16,570,422)	1,501,665

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.1. Foreign exchange risk (continued)

31 December 2024

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

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

6.2.2. Interest rate risk

Interest rate risk is the risk of changes in market value of the financial assets due to the unfavourable movements of interest rates.

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2. Interest rate risk (continued)

According to the regulations valid at the reporting dates, the target modified duration of the total portfolio of foreign currency reserves managed by the Central Bank amounts to 1.10 years, with permitted deviations of +/- 0.40 years.

For the portfolio of debt instruments at fair value through other comprehensive income with the remaining maturity of more than one year, managed by the Central Bank, the permitted deviation of the modified duration is +/- 0.30 years from the determined benchmark.

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

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

During 2025, the modified duration of debt instruments at fair value through other comprehensive income, including foreign currency reserve funds entrusted to an external portfolio manager for management, was extended and amounts to 1.78 years as at 31 December 2025 (2024: 1.35 years), reflecting improved stability of the currency board arrangement.

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2. Interest rate risk (continued)

31 December 2025	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	-	-	-	-	557,531	557,531
Deposits with foreign banks	5,129,190	830,433	-	-	8,415	5,968,038
Special Drawing Rights with the IMF	6,317	-	-	-	29	6,346
Debt instruments at fair value through other comprehensive income	2,466,873	7,267,447	-	-	65,586	9,799,906
Monetary gold	-	-	-	-	804,614	804,614
Debt instruments at amortised cost	-	97,154	135,873	841,837	2,247	1,077,111
Other financial assets	-	-	-	-	3,739	3,739
Other investments	-	-	-	-	27,813	27,813
Total financial assets	7,602,380	8,195,034	135,873	841,837	1,469,974	18,245,098
Banknotes and coins in circulation	-	-	-	-	8,538,481	8,538,481
Deposits from banks	7,325,543	-	-	-	661	7,326,204
Deposits from the Government and other public institutions	-	-	-	-	689,339	689,339
Other financial liabilities	-	-	-	-	189,409	189,409
Total financial liabilities	7,325,543	-	-	-	9,417,890	16,743,433
INTEREST RATE GAP	276,837	8,195,034	135,873	841,837	(7,947,916)	1,501,665

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.2. Interest rate risk (continued)

31 December 2024						
In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Non- interest bearing	Total
Cash in foreign currencies	-	-	-	-	525,980	525,980
Deposits with foreign banks	6,193,032	571,034	-	-	22,162	6,786,228
Special Drawing Rights with the IMF	4,742	-	-	-	29	4,771
Debt instruments at fair value through other comprehensive income	2,986,605	5,602,376	-	-	50,832	8,639,813
Monetary gold	-	-	-	-	555,157	555,157
Debt instruments at amortised cost	-	58,664	231,159	836,608	2,470	1,128,901
Other financial assets	-	-	-	-	4,121	4,121
Other investments	-	-	-	-	27,813	27,813
Total financial assets	9,184,379	6,232,074	231,159	836,608	1,188,564	17,672,784
Banknotes and coins in circulation	-	-	-	-	7,959,215	7,959,215
Deposits from banks	7,454,281	-	-	-	1,114	7,455,395
Deposits from the Government and other public institutions	-	-	-	-	860,083	860,083
Other financial liabilities	-	-	-	-	250,245	250,245
Total financial liabilities	7,454,281	-	-	-	9,070,657	16,524,938
INTEREST RATE GAP	1,730,098	6,232,074	231,159	836,608	(7,882,093)	1,147,846

Sensitivity analysis based on scenarios of predefined changes in market yields

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.2. Interest rate risk (continued)

Sensitivity analysis - scenarios of assumed changes in market yields as at 31 December 2025

Change in market yields	+/- 1 bp	+/- 50 bp	+/- 100 bp	+/- 200 bp
Change of the financial assets				
(In thousands of KM)	(1,745)/1,745	(87,240)/87,240	(174,480)/174,480	(348,960)/348,960

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

Change in market yields	+/- 1 bp	+/- 50 bp	+/- 100 bp	+/- 200 bp
Change of the financial assets				
(In thousands of KM)	(1,168)/1,168	(58,410)/58,410	(116,819)/116,819	(233,638)/233,638

In the case of the scenario of an upward shift of the yield curve on euro bonds by 1 bp (0.01%), the financial assets of the Central Bank would be decreased by KM 1,745 thousand as at 31 December 2025 (As at 31 December 2024: KM 1,168 thousand).

In the case of the scenario of a downward shift of the yield curve on euro bonds by 1 bp (0.01%), the financial assets of the Central Bank would be higher by KM 1,745 thousand as at 31 December 2025 (As at 31 December 2024: KM 1,168 thousand).

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

6.2.3. Gold price risk

Monetary gold, as part of the Central Bank's foreign currency reserves, is exposed to gold price risk. Gold price risk is defined as the risk of changes in the value of financial assets resulting from changes in the gold price in financial markets. The gold price in financial markets is expressed in EUR per fine ounce (EUR/oz), while for financial reporting purposes, the market price of monetary gold in the Central Bank's foreign currency reserves portfolio is expressed in KM equivalents per fine ounce (KM/oz).

Gold price risk is managed by setting a maximum quantity of monetary gold in the Central Bank's foreign currency reserves portfolio, in order to ensure that fluctuations in the gold price do not have an excessive impact on the coverage of the Central Bank's monetary liabilities by net foreign currency reserves.

As at 31 December 2025, the total quantity of monetary gold in the Central Bank's assets amounts to 112,000 fine ounces (31 December 2024: 112,000 fine ounces). During 2025, due to a combination of geopolitical instability, depreciation of USD, stimulative monetary policies of the leading world central banks, increased gold purchases by central banks and rising investor demand, the market gold price increased by 44.93%, reaching the level of 7,184.05 KM/oz as at 31 December 2025, compared to 4,956.76 KM/oz as at 31 December 2024.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Market risk (continued)

6.2.3. Gold price risk (continued)

Sensitivity analysis based on the scenarios of predefined changes in market gold price

In order to quantify the effects of exposure of foreign currency reserves to gold price risk, in addition to the VaR analysis, a stress test (sensitivity analysis) is used, which estimates the possible impact of changes in market gold price on the financial assets of the Central Bank.

For the Central Bank, the most important scenario is a possible unexpected decline in gold price so the impact and therefore financial assets is calculated in the event of a decrease in gold price according to the assumed scenario (predefined percentage decreases of market gold price expressed in KM equivalents/oz).

Gold price sensitivity analysis based on scenarios of predefined changes in market gold price in KM/oz, expressed in percentages (%) shows the effects of changes in the level of the gold price on the value of the Central Bank's financial assets as at reporting dates.

The effects of changes in the level of the gold price represent a decrease in fair value of monetary gold in the assets of the Central Bank for predefined decreases in market gold price by 1, 10, 20 or 50 percentages. This analysis assumes that the gold quantity in the assets of the Central Bank and all other variables are unchanged at observed reporting dates.

Sensitivity analysis - scenarios of assumed percentage changes in market gold price as at 31 December 2025

Change in market gold price (In KM/oz)	+/- 1%	+/- 10%	+/- 20%	+/- 50%
Change of the financial assets (In thousands of KM)	8,046/(8,046)	80,461/(80,461)	160,923/(160,923)	402,307/(402,307)

Sensitivity analysis - scenarios of assumed percentage changes in market gold price as at 31 December 2024

Change in market gold price (In KM/oz)	+/- 1%	+/- 10%	+/- 20%	+/- 50%
Change of the financial assets (In thousands of KM)	5,552/(5,552)	55,516/(55,516)	111,031/(111,031)	277,578/(277,578)

In the case of the scenario of an increase of the market gold price expressed in KM equivalents per fine ounce (KM/oz) by 1%, the financial assets of the Central Bank would be increased by KM 8,046 thousand as at 31 December 2025 (As at 31 December 2024: KM 5,552 thousand).

In the case of the scenario of a decrease of the market gold price expressed in KM equivalents per fine ounce (KM/oz) by 1%, the financial assets of the Central Bank would be decreased by KM 8,046 thousand as at 31 December 2025 (As at 31 December 2024: KM 5,552 thousand).

The effects on the value of financial assets in the case of a scenario of larger changes of the gold price (+/- 10%, +/- 20%, or +/- 50%), would be proportional to the effects of the change in the value of financial assets caused by the mentioned changes in the market gold price expressed in KM equivalents per fine ounce (KM/oz) for +/- 1%.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk

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

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

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

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

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

Maturity analysis

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

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

31 December 2025						
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	8,538,481	-	-	-	-	8,538,481
Deposits from banks	7,326,204	-	-	-	-	7,326,204
Deposits from the Government and other public institutions	689,339	-	-	-	-	689,339
Other financial liabilities	4,989	184,420	-	-	-	189,409
TOTAL FINANCIAL LIABILITIES	16,559,013	184,420	-	-	-	16,743,433
31 December 2024						
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	7,959,215	-	-	-	-	7,959,215
Deposits from banks	7,455,395	-	-	-	-	7,455,395
Deposits from the Government and other public institutions	860,083	-	-	-	-	860,083
Other financial liabilities	5,938	244,307	-	-	-	250,245
TOTAL FINANCIAL LIABILITIES	16,280,631	244,307	-	-	-	16,524,938

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

7. CASH IN FOREIGN CURRENCIES

Cash in foreign currencies represents foreign currency reserve funds held in the Central Bank's vaults. As at reporting dates, the total amount of cash in foreign currencies is denominated in EUR currency and amounts to KM 557,531 thousand (31 December 2024: KM 525,980 thousand).

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

8. DEPOSITS WITH FOREIGN BANKS

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

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

In thousands of KM	31 December 2025	31 December 2024
Demand deposits	544,809	1,547,796
Term deposits with maturity up to three months or less from the date of acquisition	4,383,527	3,575,469
Total	4,928,336	5,123,265
Impairment	(2,249)	(1,884)
Included in cash and cash equivalents (Note 33)	4,926,087	5,121,381
Term deposits with maturity over three months from the date of acquisition	1,042,204	1,665,294
Impairment	(253)	(447)
Total	1,041,951	1,664,847
TOTAL	5,968,038	6,786,228

8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

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

In thousands of KM	31 December 2025	31 December 2024
Term deposits:		
EUR	5,425,731	5,240,763
Impairment	(2,421)	(2,117)
Total	5,423,310	5,238,646
Demand deposits:		
EUR	533,917	1,522,704
USD	7,166	17,087
GBP	1,957	2,112
CHF	1,769	5,893
	544,809	1,547,796
Impairment	(81)	(214)
Total	544,728	1,547,582
TOTAL	5,968,038	6,786,228

The average interest rates on term deposits denominated in EUR currency range from 1.92% to 3.03% p.a. in 2025 (2024: The average interest rates on term deposits denominated in EUR currency ranged from 2.21% to 4.03% p.a.).

The average interest rates on demand deposits denominated in EUR currency range from 0.00% to 2.72% p.a. in 2025 (2024: The average interest rates on demand deposits denominated in EUR currency ranged from 0.00% to 4.00% p.a.).

Deposits with foreign banks include net accrued interest in the amount of KM 8,415 thousand as at 31 December 2025 (31 December 2024: Included net accrued interest in the amount of KM 22,162 thousand).

The average effective yield rate on deposits with foreign banks amounts to 2.29% for 2025 (2024: The average effective yield rate amounted to 3.73%).

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

In thousands of KM	31 December 2025	31 December 2024
Up to one month	3,357,805	3,625,697
From one to two months	775,787	514,532
From two to three months	458,825	526,785
From three to four months	463,492	267,875
From four to twelve months	369,822	305,874
Total	5,425,731	5,240,763
Impairment	(2,421)	(2,117)
TOTAL	5,423,310	5,238,646

8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

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

In thousands of KM	31 December 2025	31 December 2024
Foreign commercial banks		
Term deposits	2,637,177	1,906,111
Overnight deposits	1,389,617	1,493,276
Demand deposits	17,162	14,213
	4,043,956	3,413,600
Foreign central banks		
Term deposits	859,952	1,423,857
Overnight deposits	-	-
Demand deposits	521,954	1,518,864
	1,381,906	2,942,721
International financial institutions		
Term deposits	538,985	417,519
Overnight deposits	-	-
Demand deposits	5,693	14,719
	544,678	432,238
Total	5,970,540	6,788,559
Impairment (Note 6.1.1.)	(2,502)	(2,331)
TOTAL	5,968,038	6,786,228

More information about the Central Bank's composite credit rating range and credit risk concentration for deposits with foreign banks as at reporting dates is disclosed in [Note 6.1.2.](#)

8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

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

In thousands of KM	31 December 2025	31 December 2024
<i>Switzerland</i>		
Term deposits	2,801,599	2,472,067
Demand deposits	5,693	14,719
	2,807,292	2,486,786
<i>France</i>		
Term deposits	1,388,019	1,405,081
Demand deposits	339	2,180
	1,388,358	1,407,261
<i>Luxembourg</i>		
Term deposits	623,321	779,388
Demand deposits	200	2,940
	623,521	782,328
<i>Germany</i>		
Term deposits	58,681	117,388
Demand deposits	528,354	1,516,489
	587,035	1,633,877
<i>Netherlands</i>		
Term deposits	474,223	-
Demand deposits	2,287	2,242
	476,510	2,242
<i>Great Britain</i>		
Term deposits	79,888	466,839
Demand deposits	-	-
	79,888	466,839
<i>Belgium</i>		
Term deposits	-	-
Demand deposits	7,331	8,625
	7,331	8,625
<i>USA</i>		
Term deposits	-	-
Demand deposits	605	601
	605	601
Total term deposits	5,425,731	5,240,763
Total demand deposits	544,809	1,547,796
Impairment	(2,502)	(2,331)
TOTAL	5,968,038	6,786,228

9. SPECIAL DRAWING RIGHTS WITH THE IMF

In thousands of KM	31 December 2025	31 December 2024
Special Drawing Rights account with the IMF	6,317	4,742
Accrued interest	29	29
Total	6,346	4,771
Impairment	-	-
TOTAL	6,346	4,771

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

In thousands of KM	2025	2024
As at 1 January	4,771	2,073
Cash inflows on Special Drawing Rights account	38,168	68,282
Cash outflows	(36,194)	(65,830)
Interest income on Special Drawing Rights account	213	240
Collection of accrued interest	(212)	(232)
Net foreign exchange (losses) / gains	(400)	238
As at 31 December	6,346	4,771

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

10. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

As at reporting dates, debt instruments at fair value through other comprehensive income are denominated in EUR and USD 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	31 December 2025	31 December 2024
Coupon debt instruments	8,427,578	6,781,033
Accrued interest on coupon debt instruments	78,554	64,195
	8,506,132	6,845,228
Discount debt instruments	1,306,742	1,807,948
Accrued (discount) on discount debt instruments	(12,968)	(13,363)
	1,293,774	1,794,585
TOTAL	9,799,906	8,639,813

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

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

In thousands of KM	31 December 2025	31 December 2024
Debt instruments managed by the Central Bank	9,218,955	8,062,986
Debt instruments entrusted to an external portfolio manager for management	580,951	576,827
TOTAL	9,799,906	8,639,813

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

In thousands of KM	31 December 2025	31 December 2024
Debt instruments at fair value through other comprehensive income		
EUR	9,718,233	8,553,500
USD	81,673	86,313
TOTAL	9,799,906	8,639,813

As at reporting date, debt instruments at fair value through other comprehensive income managed by the external portfolio manager amount to KM 580,951 thousand, out of which KM 499,278 thousand are held in EUR currency and KM 81,673 thousand in USD currency (31 December 2024: Debt instruments at fair value through other comprehensive income entrusted to the external portfolio manager for management amounted to KM 576,827 thousand, out of which KM 490,514 thousand were held in EUR currency and KM 86,313 thousand in USD currency).

As at 31 December 2025, provisions for expected credit losses for debt instruments, recognised in other comprehensive income, amount to KM 2,635 thousand (31 December 2024: KM 2,514 thousand). During 2025, the net increases in provisions for expected credit losses recognised in profit or loss, amount to KM 270 thousand (2024: Net increases of KM 1,647 thousand). For more information see [Notes 6.1.1.](#) and [26.](#)

The average effective yield rate on debt instruments at fair value through other comprehensive income amounts to 2.60% for 2025 (2024: The average effective yield rate amounted to 2.79%).

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

	31 December 2025		31 December 2024	
	In thousands of KM	%	In thousands of KM	%
<i>Germany</i>	1,591,954	16.24	1,422,155	16.46
<i>France</i>	1,454,919	14.85	1,977,683	22.89
<i>Belgium</i>	1,434,952	14.64	800,471	9.26
<i>Austria</i>	1,321,186	13.48	916,221	10.60
<i>Netherlands</i>	1,194,141	12.19	905,753	10.48
<i>Finland</i>	1,133,353	11.56	828,286	9.59
<i>Italy</i>	743,624	7.59	642,395	7.44
<i>Spain</i>	615,407	6.28	781,479	9.05
<i>Slovakia</i>	113,858	1.16	131,506	1.52
<i>USA</i>	81,674	0.83	86,313	1.00
<i>Luxemburg</i>	58,093	0.60	86,087	1.00
<i>Ireland</i>	56,745	0.58	61,464	0.71
TOTAL	9,799,906	100.00	8,639,813	100.00

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

More information about the Central Bank's composite credit rating range and credit risk concentration for debt instruments at fair value through other comprehensive income as at reporting dates is disclosed in [Note 6.1.2.](#)

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

In thousands of KM	2025	2024
As at 1 January	8,639,813	6,150,130
Purchases during the year	7,706,675	7,004,418
Sales during the year	(558,015)	(290,228)
Interest income recognised during the year (Note 22)	238,506	221,908
Maturities of debt instruments	(6,054,903)	(4,417,956)
Maturities of coupon	(138,093)	(78,788)
Net unrealised change in fair value during the year	(23,533)	44,159
Net foreign exchange (losses) / gains	(10,553)	6,162
Transaction costs	9	8
As at 31 December	9,799,906	8,639,813

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

In thousands of KM	31 December 2025	31 December 2024
Up to three months	775,304	1,604,277
From three to twelve months	2,809,481	2,595,687
From one to three years	4,063,454	3,111,784
Over three years	2,151,667	1,328,065
TOTAL	9,799,906	8,639,813

11. MONETARY GOLD

Monetary gold is denominated in EUR currency. As at reporting dates, the values of the input data for calculating the fair value of monetary gold are provided in the following table:

As at	Quantity of fine ounces	Price per fine ounce in KM equivalent (KM/oz)	Fair value of monetary gold as at date in thousands of KM
31 December 2025	112,000	7,184.05	804,614
31 December 2024	112,000	4,956.76	555,157

11. MONETARY GOLD (CONTINUED)

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

In thousands of KM	2025	2024
As at 1 January	555,157	175,459
Net unrealised change in fair value during the year	249,457	66,765
Purchases during the year	-	312,933
As at 31 December	804,614	555,157

12. DEBT INSTRUMENTS AT AMORTISED COST

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

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

In thousands of KM	31 December 2025	31 December 2024
Coupon debt instruments	1,075,221	1,126,811
Accrued interest on coupon debt instruments	2,247	2,470
Total	1,077,468	1,129,281
Impairment	(357)	(380)
TOTAL	1,077,111	1,128,901

The average effective yield rate on debt instruments at amortised cost amounts to 0.95% for 2025 (2024: 1.01%).

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

	31 December 2025		31 December 2024	
	In thousands of KM	%	In thousands of KM	%
<i>France</i>	225,471	20.92	223,587	19.80
<i>Spain</i>	193,437	17.95	192,408	17.04
<i>Austria</i>	192,183	17.84	191,421	16.95
<i>Italy</i>	97,224	9.02	96,258	8.52
<i>Finland</i>	94,252	8.75	93,642	8.29
<i>Belgium</i>	93,306	8.66	92,556	8.20
<i>Netherlands</i>	56,869	5.28	56,288	4.98
<i>Ireland</i>	55,870	5.19	55,400	4.91
<i>Slovakia</i>	41,027	3.81	41,279	3.66
<i>Luxembourg</i>	27,829	2.58	27,549	2.43
<i>Germany</i>	-	-	58,893	5.22
Total	1,077,468	100.00	1,129,281	100.00
Impairment	(357)		(380)	
TOTAL	1,077,111		1,128,901	

12. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

More information about the Central Bank's composite credit rating range and credit risk concentration for debt instruments at amortised cost as at reporting dates is disclosed in [Note 6.1.2.](#)

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

In thousands of KM	2025	2024
As at 1 January	1,128,901	1,180,421
Interest income recognised during the year (Note 22)	10,552	11,858
Maturities of debt instruments	(59,261)	(59,100)
Maturities of coupons	(3,104)	(4,117)
Net increases in / decreases of impairment during the year	23	(161)
As at 31 December	1,077,111	1,128,901

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

In thousands of KM	31 December 2025	31 December 2024
Up to three months	-	-
From three to twelve months	97,224	58,893
From one to three years	135,930	231,308
Over three years	844,314	839,080
Total	1,077,468	1,129,281
Impairment	(357)	(380)
TOTAL	1,077,111	1,128,901

13. OTHER ASSETS

In thousands of KM	31 December 2025	31 December 2024
Receivables from resident banks	2,833	2,596
Receivables from employee based on domestic currency deficit	601	601
Giro accounts (Note 33)	487	1,081
Other miscellaneous financial assets	425	450
Total	4,346	4,728
Impairment	(607)	(607)
Total other financial assets	3,739	4,121
Prepaid expenses for banknotes and coins production	11,774	10,902
Numismatic collections	2,325	1,468
Prepaid expenses for business administration	1,168	1,742
Other miscellaneous nonfinancial assets	223	228
Total other nonfinancial assets	15,490	14,340
TOTAL	19,229	18,461

13. OTHER ASSETS (CONTINUED)

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

14. PROPERTY AND EQUIPMENT

In thousands of KM	Land and buildings	Equipment and furniture	Vehicles	Other	Assets under construction	Property and equipment total
Cost						
As at 1 January 2024	49,674	26,844	1,224	1,072	149	78,963
Additions	-	-	-	-	3,417	3,417
Transferred to use	-	3,049	265	115	(3,429)	-
Returned to use	-	7	-	-	-	7
Write offs and disposals	-	(1,160)	-	(1)	-	(1,161)
As at 31 December 2024	49,674	28,740	1,489	1,186	137	81,226
Additions	-	-	-	-	2,126	2,126
Transferred to use	-	1,080	304	45	(1,429)	-
Write offs and disposals	-	(1,323)	(58)	(39)	-	(1,420)
As at 31 December 2025	49,674	28,497	1,735	1,192	834	81,932
Accumulated depreciation						
As at 1 January 2024	8,293	21,203	1,221	936	-	31,653
Charge for the year	580	1,668	6	24	-	2,278
Returned to use	-	4	-	-	-	4
Write offs and disposals	-	(1,159)	-	(1)	-	(1,160)
As at 31 December 2024	8,873	21,716	1,227	959	-	32,775
Charge for the year	1,394	2,393	64	64	-	3,915
Write offs and disposals	-	(1,308)	(58)	(39)	-	(1,405)
As at 31 December 2025	10,267	22,801	1,233	984	-	35,285
Net carrying amount						
As at 1 January 2025	40,801	7,024	262	227	137	48,451
As at 31 December 2025	39,407	5,696	502	208	834	46,647

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

As at reporting date, the Central Bank is involved in one court proceeding regarding the termination of the land purchase contract with the Municipality Centar and the damage compensation (31. December 2024: Two court proceedings, one of which concerns the termination of the land purchase contract with the Municipality Centar and the damage compensation, while the other relates to the annulment of the decision of the relevant cantonal Ministry). During 2025, in court proceeding relating to the annulment of the decision of the relevant cantonal Ministry regarding the issuance of an urban planning permit, the Cantonal Court in Sarajevo ruled in favour of the Central Bank's appeal. This judgment annulled both the first-instance and second-instance decisions and remitted the case to the Municipality Centar for reconsideration. The Central Bank is the legal owner of the land and has no outstanding contractual obligations towards the Municipality Centar as the seller of the land.

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

15. INTANGIBLE ASSETS

In thousands of KM	Software and other intangible assets	Intangible assets under construction	Intangible assets total
Cost			
As at 1 January 2024	16,053	-	16,053
Additions	-	389	389
Transferred to use	307	(307)	-
As at 31 December 2024	16,360	82	16,442
Additions	-	13	13
Transferred to use	94	(94)	-
As at 31 December 2025	16,454	1	16,455
Accumulated amortisation			
As at 1 January 2024	15,189	-	15,189
Charge for the year	341	-	341
As at 31 December 2024	15,530	-	15,530
Charge for the year	356	-	356
As at 31 December 2025	15,886	-	15,886
Net carrying amount			
As at 1 January 2025	830	82	912
As at 31 December 2025	568	1	569

16. OTHER INVESTMENTS

The structure of other investments is as follows:

In thousands of KM	31 December 2025	31 December 2024
<i>Equity instruments:</i>		
Shares in BIS	27,803	27,803
Shares in SWIFT	10	10
TOTAL	27,813	27,813

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

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

BIS and SWIFT shares are not tradable.

16. OTHER INVESTMENTS (CONTINUED)

The Central Bank owns 1,060 ordinary BIS shares with a nominal value of SDR 5,000 per share, paid up at 25% of their nominal value by former Yugoslavia. In accordance with the Statues of BIS, remaining 75% of the share's nominal value is payable by the Central Bank upon call for payment from BIS. The Central Bank has a dividend right arising from these shares ([Note 27](#)).

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

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

17. BANKNOTES AND COINS IN CIRCULATION

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

In thousands of KM	2025	2024
As at 1 January	7,959,215	7,565,108
Net increase in value of banknotes and coins in circulation during the year	579,266	394,107
As at 31 December	8,538,481	7,959,215

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

	31 December 2025			31 December 2024		
	Denomination	Pieces	Value in thousands of KM	Pieces	Value in thousands of KM	
Coins	0.05	115,395,314	5,770	109,898,527	5,495	
Coins	0.10	158,996,561	15,900	149,895,239	14,990	
Coins	0.20	117,827,165	23,565	109,885,948	21,977	
Coins	0.50	57,624,981	28,812	53,734,646	26,867	
Coins	1	84,406,234	84,406	79,209,267	79,209	
Coins	2	26,012,572	52,025	23,915,604	47,831	
Coins	5	19,377,073	96,885	17,972,643	89,863	
Total coins			307,363		286,232	
Banknotes	10	17,460,266	174,603	16,767,446	167,674	
Banknotes	20	14,273,617	285,472	13,284,351	265,687	
Banknotes	50	28,345,479	1,417,274	27,517,579	1,375,879	
Banknotes	100	54,732,599	5,473,260	49,493,662	4,949,366	
Banknotes	200	4,402,539	880,509	4,571,881	914,377	
Total banknotes			8,231,118		7,672,983	
TOTAL			8,538,481		7,959,215	

18. DEPOSITS FROM BANKS

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

In thousands of KM	31 December 2025	31 December 2024
Deposits from resident banks		
<i>KM</i>	7,185,096	6,830,771
<i>EUR</i>	140,447	623,510
	7,325,543	7,454,281
Reserve accounts of the Central Bank organizational units	487	1,081
Special deposit of resident banks – blocked funds	174	33
TOTAL	7,326,204	7,455,395

Deposits from resident banks are placed in accordance with required reserve policy of the Central Bank, to meet obligations for settling payment transactions between resident banks mutually as well as for transactions with the Central Bank. As at 31 December 2025 the total amount of resident banks' deposits is KM 7,325,543 thousand representing deposits of 22 resident banks (31 December 2024: The amount of KM 7,454,281 thousand represented deposits of 22 resident banks).

Deposits from resident banks, on the basis of required reserve policy, include accrued remuneration in the amount of KM 1,432 thousand as at 31 December 2025 (31 December 2024: Included accrued remuneration in the amount of KM 1,286 thousand).

The resident banks allocate and maintain required reserve in KM and EUR currency on KM and EUR reserve accounts. Required reserve is calculated as KM required reserve on the domestic currency base and EUR required reserve on the foreign currency base, applying unique 10% rate on all bases. The EUR currency required reserve is maintained by allocating 5% of the amount of calculated EUR required reserve on EUR reserve account and by allocating and maintaining the 95% of the amount of calculated EUR required reserve in KM equivalent on KM reserve account.

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

19. DEPOSITS FROM THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

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

In thousands of KM	31 December 2025	31 December 2024
Budgetary deposits from BH institutions	603,210	756,999
Deposits from other local governments and government institutions	65,589	87,770
Deposits from other public institutions	20,521	15,295
Deposit account under the IMF transactions	19	19
TOTAL	689,339	860,083

20. PROVISIONS

Changes in provisions are presented in the following tables:

In thousands of KM						2025
	Litigations	Life insurance	Severance payments	Jubilee awards	Unused annual leave	Total
As at 1 January	1,654	8,060	1,949	802	654	13,119
Releases of provisions	(1,615)	-	(19)	-	-	(1,634)
Net increases in provisions	-	6,210	168	559	726	7,663
Total recognised in profit or loss	(1,615)	6,210	149	559	726	6,029
Amounts paid	-	-	(206)	(94)	(654)	(954)
As at 31 December	39	14,270	1,892	1,267	726	18,194

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

Provisions for employee benefits

The actuarial calculations for formation of provisions based on employee benefits were performed by a certified actuary and include provisions for life insurance, severance payments, jubilee awards and unused annual leave. In accordance with IAS 19, a discount rate of 3% was used for the measurement of provisions in 2025 (2024: 3%).

Litigations

The Central Bank is a defendant in several court proceedings arising from its operations. The Central Bank released provisions of KM 1,615 thousand related to court proceedings settled in its favour in 2025 (2024: The Central Bank increased provisions in the amount of KM 1,400 thousand).

Commitments

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

21. OTHER LIABILITIES

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

In thousands of KM	31 December 2025	31 December 2024
Liabilities for allocation a portion of the profit to the BH budget (Note 31)	184,420	244,307
IMF Accounts No. 1 and 2 (Note 36)	2,106	2,271
Suppliers	1,502	2,471
Accrued, but non-invoiced liabilities	1,199	937
The World Bank deposits	100	191
Other financial liabilities	82	68
Total other financial liabilities	189,409	250,245
Non-financial liabilities on various bases	173	205
Collected and deferred income	40	42
Total other nonfinancial liabilities	213	247
TOTAL	189,622	250,492

In 2025, the Central Bank transferred a portion of net profit for 2024 in the amount of KM 244,307 thousand to the account of the institution responsible for the budget of Bosnia and Herzegovina.

22. NET INTEREST INCOME

In thousands of KM	For the year ended 31 December	
	2025	2024
Interest income arising from:		
Debt instruments at fair value through other comprehensive income (Note 10)	238,506	221,908
Deposits with foreign banks (Note 8)	115,044	227,173
Debt instruments at amortised cost (Note 12)	10,552	11,858
Special Drawing Rights with the IMF	213	240
Total	364,315	461,179
Interest expense arising from:		
Deposits from resident banks	(15,983)	(14,557)
Effects of negative interest rates from deposits with foreign banks	(8)	-
Total	(15,991)	(14,557)
Net interest income	348,324	446,622

22. NET INTEREST INCOME (CONTINUED)

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

In thousands of KM	For the year ended 31 December	
	2025	2024
1. Financial assets at amortised cost		
<i>Interest income arising from:</i>		
Deposits with foreign banks	115,044	227,173
Debt instruments at amortised cost	10,552	11,858
Special Drawing Rights with the IMF	213	240
	125,809	239,271
<i>Interest expenses arising from:</i>		
Effects of negative interest rates from deposits with foreign banks	(8)	-
	(8)	-
Total	125,801	239,271
2. Debt instruments at fair value through other comprehensive income		
Interest income	238,506	221,908
Total	238,506	221,908
3. Financial liabilities at amortised cost		
Interest expense arising from deposits from resident banks	(15,983)	(14,557)
Total	(15,983)	(14,557)
Net interest income	348,324	446,622

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

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

The remuneration rates applied by the Central Bank during reporting periods are as follows:

Base for calculation of remuneration	The Central Bank remuneration rate
Required reserves amounts	
<i>KM required reserve on domestic currency base</i>	0.50%
<i>EUR required reserve on foreign currency base</i>	0.30%
Amounts exceeding the required reserves	0.00%

22. NET INTEREST INCOME (CONTINUED)

Interest expenses arising from deposits from resident banks include expenses arising from the required reserve funds in the amount of KM 15,983 thousand in 2025 (2024: The interest expenses arising from deposits from resident banks included expenses arising from required reserves funds in the amount of KM 14,557 thousand).

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

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

In thousands of KM	For the year ended 31 December	
	2025	2024
Interest income		
Term deposits	112,546	189,430
Demand deposits	2,498	37,743
Total	115,044	227,173

23. NET FEE AND COMMISSION INCOME

In thousands of KM	For the year ended 31 December	
	2025	2024
Fee and commission income arising from:		
Services for resident banks	23,167	21,589
Services for the Government and other non-banking clients	1,573	1,584
Total	24,740	23,173
Fee and commission expenses arising from:		
Custodian and other expenses for debt instruments	(1,850)	(935)
Transactions with foreign banks	(38)	(31)
Other fee and commission expenses	(17)	(4)
Total	(1,905)	(970)
Net fee and commission income	22,835	22,203

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

Fee and commission expenses also include costs arising from the Central Bank's cooperation with the World Bank under the RAMP programme, in the amount of KM 1,091 thousand for 2025 (2024: KM 267 thousand).

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

	For the year ended 31 December	
In thousands of KM	2025	2024
Realised gains	1,670	37
Realised losses	(310)	(6,056)
TOTAL	1,360	(6,019)

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

25. NET FOREIGN EXCHANGE (LOSSES) / GAINS

	For the year ended 31 December	
In thousands of KM	2025	2024
Foreign exchange gains	4,790	8,754
Foreign exchange losses	(16,282)	(1,960)
TOTAL	(11,492)	6,794

In the current reporting periods, the presented amounts of foreign exchange differences mainly resulted from changes in the foreign exchange rates of the Central Bank's foreign currency reserve funds denominated in USD currency, which have largely been entrusted to an external portfolio manager for management. In 2025, the USD currency predominantly depreciated against KM (2024: the USD currency predominantly appreciated against KM).

The following table presents an analytical presentation of foreign exchange differences for the purpose of allocating the Central Bank's annual net profit:

	For the year ended 31 December	
In thousands of KM	2025	2024
Unrealised foreign exchange gains	4,435	6,378
Unrealised foreign exchange (losses)	(16,247)	(1,750)
Net unrealised foreign exchange (losses) / gains	(11,812)	4,628
Realised foreign exchange gains	355	2,376
Realised foreign exchange (losses)	(35)	(210)
Net realised foreign exchange gains	320	2,166
TOTAL	(11,492)	6,794

More information on the determination of this presentation is disclosed in [Notes 2.4.1.](#), [2.4.2.](#) and [31.](#)

26. NET DECREASES OF IMPAIRMENT ON FINANCIAL ASSETS

	For the year ended 31 December	
In thousands of KM	2025	2024
Net (increases) in impairment for deposits with foreign banks	(171)	(674)
Net (increases) in / releases of impairment for Special Drawing Rights with the IMF	-	-
Net (increases) in provisions for expected credit losses for debt instruments at fair value through other comprehensive income	(270)	(1,647)
Net releases of / (increases) in provisions for impairment for debt instruments at amortised cost	23	(161)
Net (increases) in / releases of impairment for other financial assets	-	-
TOTAL	(418)	(2,482)

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

27. OTHER INCOME

	For the year ended 31 December	
In thousands of KM	2025	2024
Income from released provisions based on the won court proceedings (Note 20)	1,615	-
Dividend income from BIS shares (Note 16)	920	940
Net effects of numismatic collections value adjustments	885	289
Other miscellaneous income	74	124
TOTAL	3,494	1,353

During 2025, the Central Bank received a dividend from BIS shares in the amount of KM 920 thousand (2024: KM 940 thousand).

28. PERSONNEL EXPENSES

	For the year ended 31 December	
In thousands of KM	2025	2024
Salaries	15,856	15,666
Contributions and other fees on salaries	8,676	8,729
Other employee benefits	4,219	3,229
Contributions and other fees on other employee benefits	1,139	732
Total	29,890	28,356
Net increases in provisions under IAS 19 (Note 20)	7,644	9,900
TOTAL	37,534	38,256

28. PERSONNEL EXPENSES (CONTINUED)

Personnel expenses include KM 5,544 thousand (2024: KM 5,378 thousand) of defined pension contributions paid to the public pension funds in BH. Contributions are calculated as percentage of the gross salary.

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

The average number of employees amounts to 361 for 2025 (2024: 357).

More information on the assumptions used in the calculation of provisions in accordance with IAS 19 is disclosed in [Note 20](#).

29. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of KM	For the year ended 31 December	
	2025	2024
Payment systems maintenance expenses	1,889	1,825
Overhead expenses	1,282	1,017
IT infrastructure expenses	1,260	1,078
Access to official services expenses	1,009	831
Fixed assets maintenance expenses	667	601
Other administrative and operating expenses	3,451	4,372
TOTAL	9,558	9,724

30. COSTS OF PRODUCTION OF BANKNOTES AND COINS

In thousands of KM	For the year ended 31 December	
	2025	2024
Costs of production and design of banknotes	2,808	2,764
Costs of production and design of coins	2,565	2,508
TOTAL	5,373	5,272

31. ALLOCATION OF THE ANNUAL NET PROFIT

Allocation of the annual net profit is carried out in accordance with the Law on the Central Bank, under which the Central Bank applies the legal rules for allocation of the annual net profit, as disclosed in [Note 2.4.2](#).

The following table presents the amounts of net profit for distribution, to which the legal rules for allocation to general reserves or to the BH budget apply:

In thousands of KM	For the year ended 31 December	
	2025	2024
Net profit for the year	307,367	412,600
Net unrealised foreign exchange gains (-)	-	(4,628)
NET PROFIT FOR DISTRIBUTION	307,367	407,972

31. ALLOCATION OF THE ANNUAL NET PROFIT (CONTINUED)

As disclosed in [Note 25](#), the Central Bank incurred net unrealised foreign exchange losses in the amount of KM 11,812 thousand in 2025 (2024: Net unrealised foreign exchange gains in the amount of KM 4,628 thousand). The net profit for 2025 in the amount of KM 307,367 thousand also represents the amount of net profit available for distribution (2024: The net profit available for distribution amounted to KM 407,972 thousand, after deducting net unrealised foreign exchange gains from the total annual net profit and transferring them to the legally prescribed reserve).

The provisions of the Law on the Central Bank define the criteria for the net profit allocation determined in this manner, according to which the Central Bank allocates 60% of the net profit available for distribution to the account of the institution responsible for the BH budget, and 40% of the net profit to Central Bank's general reserves (retained earnings), if the criterion that the amount of the initial capital and general reserves (retained earnings) is equal to 5.000% of the total monetary liabilities is met.

The compliance with this criterion prior to net profit allocation is presented in the following table:

In thousands of KM	31 December 2025	31 December 2024
Monetary liabilities	16,554,024	16,274,693
Initial capital and general reserves (retained earnings)	976,606	812,941
RATIO BEFORE ALLOCATION	5.900%	4.995%

In 2025, the ratio of initial capital and general reserves (retained earnings) to monetary liabilities before net profit allocation amounts to 5.900%, thereby meeting the legally prescribed criterion for allocation (2024: 4.995%). In 2024, the Central Bank first allocated a portion of the net profit to general reserves (retained earnings) in order to meet the legally prescribed criterion as presented in the following table:

In thousands of KM	For the year ended 31 December	
	2025	2024
First allocation of profit to general reserves (retained earnings)	-	794
Initial capital and general reserves (retained earnings) after first allocation	976,606	813,735
RATIO BEFORE ALLOCATION / AFTER FIRST ALLOCATION	5.900%	5.000%

Allocation of net profit, after meeting the legally prescribed criterion is presented in following table:

In thousands of KM	For the year ended 31 December	
	2025	2024
Allocation of profit to the BH budget 60%	184,420	244,307
Allocation of profit to general reserves 40%	122,947	162,871
TOTAL	307,367	407,178

31. ALLOCATION OF THE ANNUAL NET PROFIT (CONTINUED)

Total allocation of net profit is presented in following table:

	For the year ended 31 December	
In thousands of KM	2025	2024
Allocation of profit to the BH budget	184,420	244,307
Allocation of profit to general reserves (retained earnings)	122,947	163,665
Transfer of net unrealised gains to reserves for unrealised foreign exchange differences	-	4,628
TOTAL	307,367	412,600

The compliance with the legally prescribed criterion after annual net profit allocation is presented in following table:

	31 December 2025	31 December 2024
In thousands of KM		
Monetary liabilities	16,554,024	16,274,693
Initial capital and general reserves (retained earnings)	1,099,553	976,606
RATIO AFTER ALLOCATION	6.642%	6.001%

32. EQUITY

The structure of equity is presented in the following table:

	31 December 2025	31 December 2024
In thousands of KM		
Initial capital	25,000	25,000
Fair value reserves for debt and equity instruments	20,731	45,354
Fair value reserves for monetary gold	389,752	140,295
Reserves for unrealised foreign exchange differences	4,628	4,628
Other reserves	31,300	31,300
General reserves (retained earnings)	1,074,553	951,606
Total reserves	1,520,964	1,173,183
TOTAL	1,545,964	1,198,183

Initial capital

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

Fair value reserves

Fair value reserves relate to:

- Fair value reserves for debt instruments measured at fair value through other comprehensive income and represent cumulative unrealised gains and losses arising from changes in the market value of these financial instruments during their holding period. Fair value reserves also include provisions for expected credit losses for debt instruments measured at fair value through other comprehensive income. More information on the amounts and changes in these provisions is disclosed in [Note 6.1.1.](#)

32. EQUITY (CONTINUED)

- Fair value reserves for monetary gold and represent cumulative unrealised gains and losses arising from changes in market value of monetary gold during its holding period.

Reserves for unrealised foreign exchange differences

Reserves for unrealised foreign exchange differences relate to net unrealised gains arising from foreign exchange differences, established in accordance with the Law on the Central Bank. The use of these reserves is permitted solely in circumstances prescribed by the Law on the Central Bank, as disclosed in [Note 2.4.2](#).

Other reserves

Other reserves relate to:

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

General reserves (Retained earnings)

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

As at 31 December 2025, the equity of the Central Bank increased compared to 31 December 2024. The increase of the equity was primary driven by the portion of annual net profit which is allocated in accordance with the Law on the Central Bank, as well as positive net changes in fair value of monetary gold.

33. CASH AND CASH EQUIVALENTS

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

In thousands of KM	31 December 2025	31 December 2024
Deposits in foreign currency with maturity up to three months or less from the date of acquisition (Note 8)	4,383,527	3,575,469
Demand deposits in foreign currency (Note 8)	544,809	1,547,796
Cash in foreign currencies (Note 7)	557,531	525,980
Special Drawing Rights with the IMF (Note 9)	6,346	4,771
Giro accounts (Note 13)	487	1,081
Total	5,492,700	5,655,097
Impairment	(2,249)	(1,883)
TOTAL	5,490,451	5,653,214

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

In thousands of KM	2025	2024
As at 1 January	1,883	1,486
Deposits in foreign currency with maturity up to three months or less from the date of acquisition	499	320
Demand deposits in foreign currency	(133)	77
As at 31 December	2,249	1,883

34. RELATED PARTY TRANSACTIONS

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

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

In thousands of KM

As at

31 December 2025

	BH Ministry of Finance and Treasury	BH Indirect Taxation Authority	BH Deposit Insurance Agency	Total
ASSETS				
Other assets	41	2	-	43
TOTAL	41	2	-	43
LIABILITIES				
Deposits from depositors	517,295	97,412	37	614,744
Liabilities for allocation a portion of the profit to the BH budget	184,420	-	-	184,420
Other liabilities	-	-	-	-
TOTAL	701,715	97,412	37	799,164

In thousands of KM

As at

31 December 2024

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

34. RELATED PARTY TRANSACTIONS (CONTINUED)

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

In thousands of KM	For the year ended 31 December	
	2025	2024
Fee and commission income		
BH Ministry of Finance and Treasury	100	98
BH Indirect Taxation Authority	29	43
BH Deposit Insurance Agency	3	3
TOTAL	132	144

By performing its functions of the banker, the depository and the fiscal agent prescribed by the Law on the Central Bank, the Central Bank also maintains certain records and executes transactions for the State and BH institutions that are recorded off-balance. More information about these off-balance records is disclosed in [Notes 35](#) and [36](#).

Remuneration of key management members

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

The total remuneration of the members of the key management personnel in 2025 amounts to KM 1,449 thousand, out of which KM 925 thousand is related to salaries and other remuneration and KM 524 thousand to taxes and contributions (In 2024 out of total amount of KM 1,504 thousand, the amount of KM 940 thousand related to salaries and other remuneration and KM 564 thousand related to taxes and contributions).

35. OFF-BALANCE SHEET DEPOSITS

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

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

Off-balance sheet deposits consist of:

In thousands of KM	31 December 2025	31 December 2024
Deposits of the Council of Ministers of BH for the budget of BH institutions	323,021	316,379
Deposits of the Council of Ministers of BH for the servicing of foreign debt	9,612	10,462
Other deposits of the Council of Ministers of BH	307	392
Deposits of the Council of Ministers of BH on the basis of succession	49	53
Total	332,989	327,286
Funds of the BH Deposit Insurance Agency	1,720	2,042
Total	1,720	2,042
Budget deposits of entity governments - Federation BH	-	1
Total	-	1
Deposit accounts of resident banks	92,722	19,315
Total	92,722	19,315
TOTAL	427,431	348,644

BH Ministry of Finance and Treasury is the institution that acts on behalf of the Council of Ministers of BH and the State in deposit management and coordination as presented in the table. As at 31 December 2025 the total of these funds amount to KM 332,989 thousand (2024: KM 327,286 thousand).

Residents' investments related to securities

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

36. BH MEMBERSHIP WITH THE IMF

According to arrangements concluded between BH and the IMF, the Central Bank is designated as a fiscal agent and depository for BH membership with the IMF. The Central Bank's role as the fiscal agent is specific due to currency board arrangement. By performing the function of fiscal agent defined by the Law on the Central Bank and by the Law on the borrowing, debt and guarantees of Bosnia and Herzegovina, the Central Bank is not obliged in any way to pay any debt of BH nor can be attributed to pay such debt nor its foreign currency reserves can in no way be considered as a guarantee for the payment of such debt. The Central Bank acts on behalf of the BH in dealing with the IMF but does not have any responsibility for assets and liabilities related to the membership.

36. BH MEMBERSHIP WITH THE IMF (CONTINUED)

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

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

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

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

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

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

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

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

In thousands of KM

	31 December 2025	31 December 2024
Quota	603,460	650,858
Special Drawing Rights with the IMF	6,346	4,771
TOTAL ASSETS	609,806	655,629
IMF account No.1	1,509	1,627
IMF account No.2	597	644
Securities	685,295	953,711
SDR allocation	944,485	1,018,667
Accrued interest on SDR allocation	4,304	5,663
Accounts of payable charges	467	2,004
TOTAL LIABILITIES	1,636,657	1,982,316
 BH NET POSITION WITH THE IMF	 1,026,851	 1,326,687

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

37. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS

In accordance with the Law on the Central Bank, the Central Bank has established the systems by which interbank payments in KM in BH are performed.

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

RTGS is a system through which real-time payment orders are settled through settlement accounts that participants have opened with the Central Bank. All the banks licenced to perform payment operations are participants, as well as the Central Bank. Settlement is final and irrevocable at the moment that settlement account of ordering bank is debited with the same amount that beneficiary's bank settlement account is credited in RTGS. Transactions processed through system are above KM 10 thousand, and its use for lower amounts is optional. During 2025, the process of migrating the system from the MT FIN to the MX message format was initiated, as part of the comprehensive modernisation of the payment infrastructure through which interbank payments are processed in BH.

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

During 2025, activities for the implementation of the TIPS Clone system for instant payments were initiated. TIPS Clone is an instant payment system on which the Central Bank, in collaboration with the Central Bank of Italy, is actively working. The objective is to establish the principle 24/7/365 payment processing as standard practice. The TIPS Clone platform is technically aligned with the TIPS platform used in the European Union, thereby creating the technical prerequisites for potential future integration of BH payment infrastructure with the payment systems of the European Union.

These payment infrastructure modernisation activities aim to further strengthen the resilience of the Central Bank's payment systems and to continue the alignment with international standards.

Credit risk

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

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

Operational risk

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

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

37. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS (CONTUNUED)

The Central Bank has defined the following Contingency Settlement Procedures:

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

Oversight and development of payment systems

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

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

38. EVENTS AFTER THE REPORTING PERIOD

The Governor of the Central Bank, with the prior approval of the Governing Board, appointed Tomislav Ivanković, M.Sc., as Vice Governor of the Central Bank for a four-year term, effective from 1 January 2026.

The Governor of the Central Bank, with the prior approval of the Governing Board, appointed Marko Vidaković, M.Sc., as Vice Governor of the Central Bank for a four-year term, effective from 20 March 2026.

Following the expiry of the deadline for the submission of out-of-circulation banknotes by resident banks, i.e., as at 20 January 2026, the Central Bank accounted for unwithdrawn out-of-circulation banknotes in denominations of 10, 20, 50 and 100 Convertible Marks, which were issued into circulation between 1998 and 2009 and ceased to be legal tender as at 1 January 2025. On this basis, income from seigniorage was recognized in the amount of KM 85,233 thousand. Out-of-circulation banknotes submitted after this deadline are recognized as an expense arising from the adjustment to the Central Bank's seigniorage income.

Except from the above mentioned, no adjusting or non-adjusting events have occurred between 31 December 2025 and the date of authorization of these financial statements.