



Centralna banka  
BOSNE I HERCEGOVINE

Централна банка  
БОСНЕ И ХЕРЦЕГОВИНЕ

**Annual Report**

**2023**



Centralna banka  
BOSNE I HERCEGOVINE  
Централна банка  
БОСНЕ И ХЕРЦЕГОВИНЕ

# Annual Report 2023

## Content

Introduction by the Governor .....	9
Legal Status .....	11
1. Economic Trends in 2023.....	15
1.1 International Economic Environment.....	15
1.2 Report on the Situation in BH Economy .....	18
1.2.1 Real Sector .....	18
I. Industrial Production and Construction.....	19
II. Prices.....	20
III. Employment and Wages.....	22
1.2.2 Fiscal Sector .....	24
1.2.3 Banking Sector .....	29
1.2.4 External Sector .....	32
I. Balance of Payments.....	32
II. Nominal and Real Effective Exchange Rates.....	34
2. Report on the CBBH Activities in 2023 .....	37
2.1 Monetary Policy .....	38
2.2 Reserve Accounts with the CBBH .....	38
2.3 Foreign Exchange Management.....	42
2.4 Cash Management .....	44
2.5 Maintenance of Payment Systems.....	47
2.6 Role of the Fiscal Agent .....	48
2.7 Compilation of Statistics .....	49
2.8 Monitoring of Systemic Risks in the Financial System .....	50
2.9 Cooperation with International Institutions and Rating Agencies .....	51
2.10 Risk Management .....	53
2.11 Internal Audit.....	54
2.12 Other .....	54
2.12.1 Human Resources Management.....	54
2.12.2 Communication with the Public.....	56
2.12.3 Energy Efficiency Projects, Preservation of National Monuments.....	57
3. Financial Statements and the Independent Auditor's Report.....	63
4. Statistical Tables .....	147
Publications and Web Services .....	190

**LIST OF GRAPHS, TABLES AND TEXT BOXES**

Graph 1.1: Annual Changes of Average Consumer Prices .....	15
Graph 1.2: Prices of Fuels at Global Market.....	16
Graph 1.3: Balance Assets of Euro Area and the Interest Rate on Deposits with the ECB.....	16
Graph 1.4: Annual Change of the Loans Level in Euro Area.....	17
Graph 1.5: Annual Changes of GDP and Industrial Production, the first three quarters.....	19
Graph 1.6: Contribution to the Annual Changes of Industrial Production Volume per Activities .....	19
Graph 1.7: Contribution of Main Activities in the Decline of Manufacturing Industry in 2023 .....	20
Graph 1.8: Annual Changes in the Intensity of Construction Industry.....	20
Graph 1.9: Contributions to the Annual Inflation Rate in BH.....	21
Graph 1.10: Annual Changes of Production Prices in BH, period to period.....	21
Graph 1.11: Annual Changes of Production Prices in BH per Activities, period to period .....	21
Graph 1.12: Annual Changes of Headline and Core Inflation .....	22
Graph 1.13: Contributions of the Prices of Food, Energy Supplies and Services to the Annual Change Rates of Consumer Prices in Euro Area.....	22
Graph 1.14: Accumulated Number of Employees since the beginning of 2011.....	23
Graph 1.15: Contributions to the Annual Change in Number of Employees per Activities .....	23
Graph 1.16: Average Annual Net Wages.....	24
Graph 1.17: Number of Employees and Change in Average Nominal Net Wage by Activities .....	24
Graph 1.18: Indirect Tax Revenues.....	24
Graph 1.19: Inflation Impact on the Growth of VAT Revenues.....	25
Graph 1.20: The Total Public Debt of General Government Sector .....	26
Graph 1.21: Foreign Debt of General Government Sector .....	26
Graph 1.22: General Government Debt with Commercial Banks.....	27
Graph 1.23: Value of Issues per Maturity Segments.....	28
Graph 1.24: Yield to Maturity Rate in the Primary Market of Six Month Treasury Bills of Republika Srpska .....	28
Graph 1.25: Annual Deposit Growth Rate .....	29
Graph 1.26: Household Deposits, Currency Structure .....	29
Graph 1.27: Annual Credit Growth Rate.....	30
Graph 1.28: Interest Rates on New Loans.....	30
Graph 1.29: Interest Rates on the Deposits.....	30
Graph 1.30: Real Interest Rates on Newly Contracted Deposits .....	31
Graph 1.31: Net Foreign Assets.....	31
Graph 1.32: Current and Capital Accounts.....	32
Graph 1.33: BH Exports and Imports, GDP and Industrial Production in the EU.....	32
Graph 1.34: Net Exports by the Main Groups of Products .....	33
Graph 1.35: Account of Services in Balance of Payments .....	33
Graph 1.36: Remunerations to Employees in Foreign Countries, Remittances and Pensions from Foreign Countries.....	34
Graph 1.37: Annual Changes in KM Foreign Exchange Rate, December 2023.....	34
Graph 2.1: The CBBH Foreign Exchange Reserves .....	37
Graph 2.2: Impact of Balance of Payments Items on the Foreign Exchange Reserve Growth.....	37
Graph 2.3: Structure of Net Foreign Borrowing.....	38
Graph 2.4: Coverage of Monetary Liabilities with Net Foreign Exchange Reserves.....	38
Graph 2.5: Required Reserve Policy in Respect of Remuneration Changes.....	39
Graph 2.6: Required Reserve Policy in Respect of Positions in the Latest Calculation Period in 2023 .....	39
Graph 2.7: Annual Changes of Required Reserves and Excess Holdings above Required Reserve.....	39
Graph 2.8: Balance of Reserve Accounts with the CBBH and RR Implicit Rate.....	39
Graph 2.9: Annual Changes in Reserve Money Components.....	40
Graph 2.10: Annual Growth Rates of Monetary Aggregates .....	41
Graph 2.11: Monetary Multiplication.....	41
Graph 2.12: Average Daily Market Yields on the Euro Area Sovereign Bonds, and the ECB Deposit Rates in 2023 .....	43
Graph 2.13: The Structure of the CBBH Foreign Exchange Reserve Investment at Year End .....	44
Graph 2.14: Annual Yield Rates on the CBBH Foreign Exchange Reserves.....	44

Graph 2.15: Cash outside Monetary Authorities and Banks.....	44
Graph 2.16: Positions of Cash in Bank Vaults.....	45
Graph 2.17: Denomination Structure of Banknotes in 2023.....	45
Graph 2.18: Denomination Structure of Coins in 2023.....	45
Graph 2.19: Change in the Number of Banknotes and Coins by Denominations Compared to 2022.....	46
Graph 2.20: Banknotes and Coins Issued in 2023, by Denominations.....	46
Graph 2.21: Cash (KM) Outflows in 2023.....	46
Graph 2.22: Denomination Structure of Counterfeited Banknotes in 2023.....	46
Graph 2.23: Denomination Structure of Counterfeited Coins in 2023.....	47
Graph 2.24: The Total Number of Employees in the CBBH.....	47
Table 1.1: Medium-term Projections of the CBBH from November 2023.....	18
Table 1.2: The Entities' Public Debt Issues in 2023.....	28
Table 1.3: Average Yield to Maturity Rate in the Primary Market of Entities' Public Debt in 2023.....	28
Table 1.4: BH Commodity Foreign Trade, by the Most Significant Trade Partners, in billion KM.....	32
Table 2.1: Liquidity Indicators of BH Banking Sector.....	41
Table 2.2: Weighted Average Annual Net Interest Rate on the CBBH Foreign Exchange Reserves and Average Annual Interest Rates and Market Yields on the Euro Area Sovereign Bonds.....	43
Table 2.3: Payment Transactions via Commercial Banks.....	47
Table 2.4: Survey of ATM and POS Card Transactions.....	48
Table 2.5: Realized Values in Card Transactions Based on Residence Principle.....	48
Table 2.6: Shares of Card Brands.....	48
Table 2.7: The CBBH Management Structure.....	54
Text Box 1: Estimated Core Inflation in BH.....	21
Text Box 2: Entity Government Measures to Combat Inflation.....	27
Text Box 3: Foreign Trade Commodity Deficit in BH in 2023.....	32

**ABBREVIATIONS**

APP	Asset Purchase Programme
ATM	Automated teller machine
BHAS	Agency for Statistics of Bosnia and Herzegovina
BH	Bosnia and Herzegovina
BIS	Bank for International Settlements
BLSE	Banja Luka Stock Exchange
bp	basis point
CBBH	Central Bank of Bosnia and Herzegovina
CEFTA	Central European Free Trade Agreement
CNY	Chinese yen
CPI	Consumer price index
CRC	Central registry of credits
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
EFSE DF	European Fund for Southeast Europe Development Facility
EIB	European Investment Bank
EMIS	Energy Management Information Systems
ERP	Economic Reforms Program
ESCB	European System of Central Banks
EU	European Union
EUR	Euro
FBH	Federation of Bosnia and Herzegovina
FED	US Federal Reserves System
FSI	Financial soundness indicators
GFS	Government Finance Statistics
GDP	Gross domestic product
HRK	Croatian Kuna
HUF	Hungarian forint
IDA	International Development Association
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
ITA	Indirect Taxation Authority
KM	Convertible mark
LCR	Liquidity coverage ratio
lh.s	left hand scale
MAD	Macroeconomic Analysis Department of the Governing Board of Indirect Taxation Authority
NEER	Nominal effective exchange rate
NSFR	Net stable funding ratio
OPEC+	Organization of the Petroleum Exporting Countries and other oil exporting countries
PEPP	Pandemic Emergency Purchase Programme Polish zloty

POS	Point of sale
pp	percentage point
QE	Quantitative easing
QM	Quasi money
QT	Quantitative tightening
REER	Real effective exchange rate
rh.s	right hand scale
RR	Required Reserve
RS	Republika Srpska
RSD	Serbian dinar
RTGS	Real Time Gross Settlement
SASE	Sarajevo Stock Exchange
SCFS	Standing Committee for Financial Stability
SDR	Special drawing rights
SIMS	Safety Information Monitoring System
SRBEA	Single Registry of Business Entities'Accounts
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TTF	"Title Transfer Facility" Dutch gas hub
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
USD	US dollar, currency of the USA
VAT	Value added tax
WAnIR	Weighted average net interest rate

### ISO country code

AL	Albania
BA	Bosnia and Herzegovina
EA	euro area
EU	European Union
ME	Montenegro
MK	Republic North Macedonia
RS	Serbia



## INTRODUCTION BY THE GOVERNOR



I have a pleasure to present the Annual Report of the Central Bank of Bosnia and Herzegovina (Central Bank) for the year 2023, adopted at the session of the Governing Board of the Central Bank on March 28, 2024.

This Report addresses the economic trends in 2023, including the international economic environment, the report on the condition of the economy in Bosnia and Herzegovina, and the business operations of the Central Bank in the previous year. In very complex geopolitical and economic challenges, the Central Bank carried out all tasks defined by the Law and maintained the stability of the domestic currency within the framework of the currency board arrangement. The normalization of the monetary policy of the world's leading central banks, and the continuation of the restrictive policy trend, significantly affected the yields of the securities in which the Central Bank invests. By timely restructuring the portfolio of foreign exchange reserves, the Central Bank readily met the growth of yields on international markets and the growth of interest rates in the euro area. Consequently, the foreign exchange reserves that amounted to KM 16.29 billion at the end of 2023 exceeded the monetary liabilities of the Central Bank by KM 886.2 million at the end of 2023. This strengthened the absorption power of the Central Bank's balance sheet for potential shocks on the international financial markets, which is a direct contribution to the stability of the domestic currency.

In 2023, the Central Bank achieved a positive financial result, expressed through a net profit in the amount of KM 278,261,211.49. Based on Article 27 of the Law on the Central Bank and the Decision of the Governing Board of the Central Bank as of March 28, 2024, part of the realized net profit for 2023, in the amount of KM 64,319,561.58, will be paid into the budget of the institutions of Bosnia and Herzegovina.

The Central Bank regularly carried out other tasks within its jurisdiction, including the operations of payment systems for interbank settlements in domestic payment transactions, fiscal agent tasks, statistics, financial stability, cash management operations, macroeconomic projections and others. In cooperation with Entities' Banking Agencies, a Methodology was developed for calculating the reference rate of the average cost of financing banks operating on the territory of BH, and the reference rates are published on the website of the Central Bank. With the beginning of 2024, additional flexibility was introduced in the required reserves policy, which enabled a more efficient calibration of the targeted effects.

The role of the Central Bank in the process of European integration, especially in the context of the opening the negotiations between Bosnia and Herzegovina and the European Union, will be extremely important in the coming period.

The Central Bank will continue to work on strengthening the institution and preserving the stability of the monetary system of Bosnia and Herzegovina as one of the key factors in the process of strengthening the BH economy and upcoming European integration.

The project of including Bosnia and Herzegovina in the Single Euro Payment Area (SEPA), which includes the countries of the Western Balkans, and for which the Central Bank has the support of the EU, is particularly significant. In this process, the Central Bank will continue activities on the preparation and construction of the necessary infrastructure together with other institutions in Bosnia and Herzegovina. We will strive to ensure a great reputation and recognition in domestic and international circles, and proceed in accelerated pace on the further improvement of all our business processes.

As I stated in my initial address from the position of Governor, the activities of the Central Bank will, in the coming period, be focused primarily on preserving the currency board and the stability of the institution and the system of operations. The Central Bank will continue to consistently apply the Law on the Central Bank, ensuring the stability of the domestic currency under the arrangement of the currency board and performing all its tasks defined by the Law, in the best interest of all citizens and the economy of our country. We certainly plan to intensify all activities, within the scope of our mandate, in order to support the country's EU integration process.

I would like to take this opportunity to thank all the members of the Governing Board, the members of the Management and the employees, for their professional approach and contribution in achieving so far results. I am confident that all of us, through joint engagement, will continue to make our selfless contribution to the professional operations and successful results of our institution.

Jasmina Selimović, Ph.D.  
Governor



## LEGAL STATUS

According to the Constitution - Annex 4 of the General Framework Agreement for Peace in Bosnia and Herzegovina, the Central Bank of Bosnia and Herzegovina is an institution of Bosnia and Herzegovina established by the Law on the Central Bank of Bosnia and Herzegovina, adopted by the Parliament of Bosnia and Herzegovina on 20 June 1997<sup>1</sup> and it has commenced its operations on 11 August 1997. The main objectives and tasks of the Central Bank of Bosnia and Herzegovina, as defined by the Law on the Central Bank of Bosnia and Herzegovina, are the following:

- to achieve and maintain the stability of the local currency (convertible mark) by issuing it with the full coverage in free convertible foreign exchange funds, according to the arrangement known as currency board, according to the fixed exchange rate: one convertible mark for one Deutsche Mark. Since 1 January 2002, convertible mark has been pegged to euro at the exchange rate: one convertible mark for 0.511292 euro, i.e. one euro amounts to 1.955830 convertible mark;
- to define and control the implementation of the monetary policy of Bosnia and Herzegovina;
- to hold the official foreign exchange reserves and manage them in a safe and profitable manner;
- to maintain appropriate payment and settlement systems;
- to coordinate the activities of the Entities' Banking Agencies responsible for issuing banking licenses and supervising banks;
- to receive deposits from Bosnia and Herzegovina and commercial banks in order to meet the mandatory reserves requirements. The Central Bank can also hold deposits of Entities and other public institutions, as well as other reserves of commercial banks, in case they want it;
- to issue regulations and guidelines for performing the activities of the Central Bank of Bosnia and Herzegovina within the mandate set by the Law on the Central Bank of Bosnia and Herzegovina;
- to participate in the work of international organizations strengthening the financial and economic stability and to represent Bosnia and Herzegovina in intergovernmental organizations related to monetary policy issues.

The Central Bank of Bosnia and Herzegovina is completely independent from the Federation of Bosnia and Herzegovina, Republika Srpska or any public agency or body, with the purpose of objective implementation of its tasks. The Central Bank of Bosnia and Herzegovina performs its operations through the Governing Board, the Management and the staff.

The Governing Board of the Central Bank of Bosnia and Herzegovina is a body of the Central Bank of Bosnia and Herzegovina in charge of defining monetary policy and control of its implementation, organization and strategy of the Central Bank of Bosnia and Herzegovina, according to its mandate stipulated by the Law on the Central Bank of Bosnia and Herzegovina. The Presidency of Bosnia and Herzegovina appoints the Governing Board of the Central Bank of Bosnia and Herzegovina featuring five members who elect the Governor among themselves, who is at the same time the Chairman of the CBBH Governing Board and of the Management. The Governor is the chief executive officer in charge of daily operations of the Central Bank of Bosnia and Herzegovina. The Management of the CBBH which includes Governor and three Vice Governors (appointed by Governor, with the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina) at the request of the Governor, as the chief executive officer, carries out the activities of the Central Bank of Bosnia and Herzegovina and harmonizes the activities of the organizational units.

Governor, with the approval of the Governing Board of the Central Bank of Bosnia and Herzegovina, appoints Chief Audit Executive and Chief Audit Executive Deputies for the risk control in the Central Bank of Bosnia and Herzegovina.

The operations of the Central Bank of Bosnia and Herzegovina are carried out through the Head Office seated in Sarajevo, three Main Units seated in Sarajevo, Mostar and Banja Luka and two Branches seated in Pale and Brčko District.

<sup>1</sup> "Official Gazette of BH", 1/97, 29/02, 13/03, 14/03, 9/05, 76/06 and 32/07.





Centralna banka  
BOSNE I HERCEGOVINE  
Централна банка  
БОСНЕ И ХЕРЦЕГОВИНЕ

# Economic Trends in 2023



## 1. Economic Trends in 2023

### 1.1 International Economic Environment

Global economic activity in 2023 exceeded the expectations from the beginning of the year, due to the strong resilience of several key economies, primarily the USA economy. Taking into account the decline in household purchasing power, and the tightening of the leading central banks' monetary policies aimed at mitigating the inflationary shock, global economic activity proved to be quite resilient in the first half of 2023. Signs of a slowdown in economic activity became more visible in the second half of the year. There are several factors that have marked the global economy in 2023. The first one, particularly present in Europe, was the fear of disruptions in supply chains for energy, especially natural gas, and other raw materials. However, delays in supply did not occur, thanks to the efficient use of raw materials, energy imports from new countries and mild winter that made demand for heat energy low. Another feature of the global economy in 2023 was inflationary pressures weakening, primarily in Europe and the USA, and at a faster rate than expected. In the last months of the year, the recorded inflation rates were close to the average pre-pandemic values of headline and core inflation. On the other hand, new commodity price increases caused by geopolitical developments, and rising costs of insurance for maritime transport of goods, and longer-lasting high core inflation, could keep the monetary policies of leading central banks restrictive in the coming period.

The growth of US economic activity in 2023 (2.5%) resulted from strong final consumption of both goods and services, with strong contributions from low unemployment rates and rising nominal wages. On the other hand, the economic activity in the euro area and the EU recorded very modest growth rates, with the growth of economic activity at the level of entire 2023 estimated at 0.5%<sup>2</sup>, which is partly due to strong geopolitical risks, especially regarding the uncertainties related to the wars in Ukraine and the Middle East. The European Central Bank (ECB)'s restrictive monetary policy, low global demand, and available income continually exposed to inflationary pressures are some of the factors resulting in the EU economy growth slowdown. During 2023, Germany was struggling with the effects of the energy price shock from the previous year, as well as a decline in industrial production, recording a 0.3% decline in economic activity<sup>3</sup> according to preliminary estimates. In 2023, industrial output declined by 2.0% and 2.4% at the level of the EU and the euro area respectively, with positive expectations for 2024<sup>4</sup>. In 2023, manufacturing industry also declined in the EU and the euro area, by 1.6% and 2.2% respectively, while the construction industry recorded negligible growth rates compared to the previous year.

<sup>2</sup> Eurostat Euro indicators, the first annual growth estimate for 2023 based on quarterly, seasonally and calendar adjusted data, February 2024.

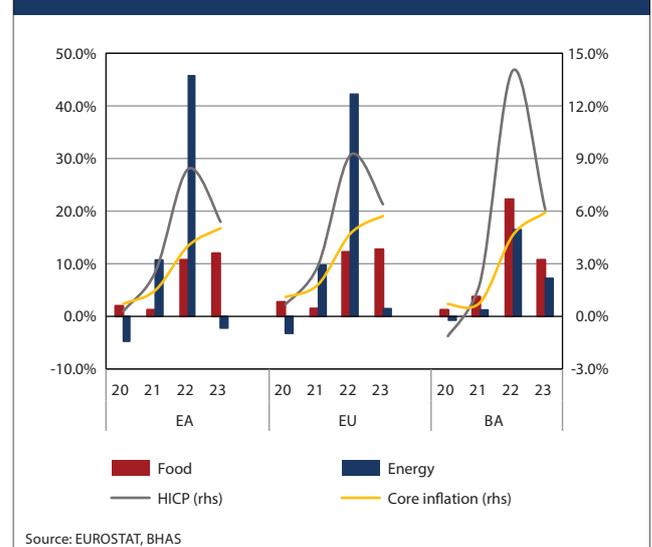
<sup>3</sup> Eurostat database

<sup>4</sup> The ECB Economic Bulletin, Issue 1, February 2024

After a challenging year for the EU economy and very low growth of economic activity in 2023, a modest recovery of economic activity can be expected in 2024. According to the latest, winter projections of the European Commission<sup>5</sup>, the economic activity growth of the euro area and the EU in 2024 was estimated at 0.8% and 0.9%, respectively, having been revised downwards compared to the autumn projection round. In 2025, economic activity is expected to grow by 1.5% in the euro area and by 1.7% in the EU. The economic recovery is expected to be affected by stronger household spending and a weakening effect of price shocks.

The USA recorded an official inflation rate of 3.0% in 2023, lower by 5.7 pp compared to 2022. In the euro area and the EU, there was also a continuous weakening of price pressure (Graph 1.1) in 2023, with registered annual inflation rates of 5.4% and 6.4%, respectively (which is lower by 3.0 pp, i.e. 2.8 pp compared to the previous year). Inflationary pressure on average consumer prices varied greatly comparing domestic and the euro area markets, both in the contributions of individual categories and in the strength of inflationary pressure itself, with a slightly higher increase of domestic prices recorded on average in 2023. Food price inflation in the EU, on average, remained strong, with significant heterogeneity among the member states. Food prices in the euro area were rising at the rate of 11.9% in the reporting year, which is higher by 1.1 pp compared to the previous year's recorded growth rate. Diversification of supply, unexpectedly mild winter, as well as weak demand, resulted in a decrease of energy prices on the global market during 2023. In 2023, the euro area saw an annual decline of the prices of electric energy, gas and other energy sources, amounting to 2.3%.

Graph 1.1: Annual Changes of Average Consumer Prices

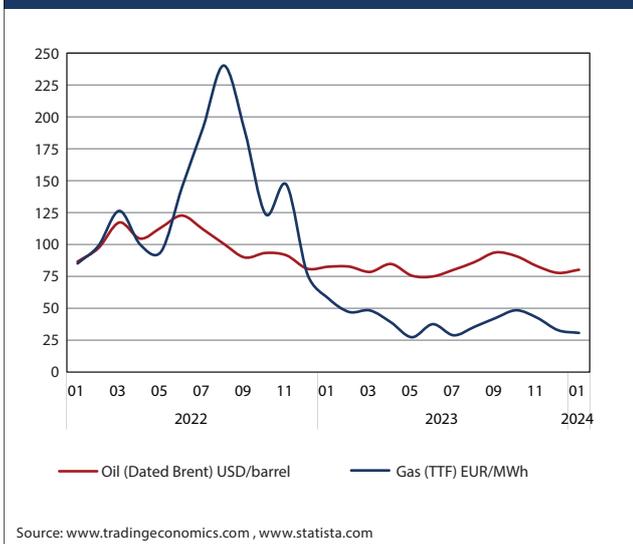


<sup>5</sup> European Commission: Winter 2024 Economic Forecast, February 2024

In 2024, headline and core inflation are expected to slow down further, in about 80% of the world's economies<sup>6</sup>, as a result of weakening of the effects of previous energy shocks and supply disruptions. According to the latest winter projections of the European Commission<sup>7</sup>, inflation measured by the Harmonised Index of Consumer Prices in the EU is expected to fall to 3.0% in 2024 and 2.5% in 2025. According to the same projections, price growth in the euro area is expected to slow down to 2.7% in 2024 and to 2.2% in 2025.

Following a turbulent 2022, energy prices in the international market were relatively stable in 2023, with the exception of short-term shocks caused by conflicts in the Middle East. The global energy market was under a heavy pressure of reduced demand in 2023, mainly linked to a global slowdown in business activity and insufficient demand in China, the largest oil importer. In 2023, oil was traded at the average price of USD 82.5 per barrel, which is lower by 18.2% than a year earlier (Graph 1.2). Brent oil prices remained stable in the international market despite the programme of reduced oil supplies by the leaders of the OPEC+ countries. The fear of a reduction in produced quantities was mainly compensated by the strong growth of US stocks as well as the International Energy Agency's expectations of a surplus in oil production in 2024.

Graph 1.2: Prices of Fuels at Global Market



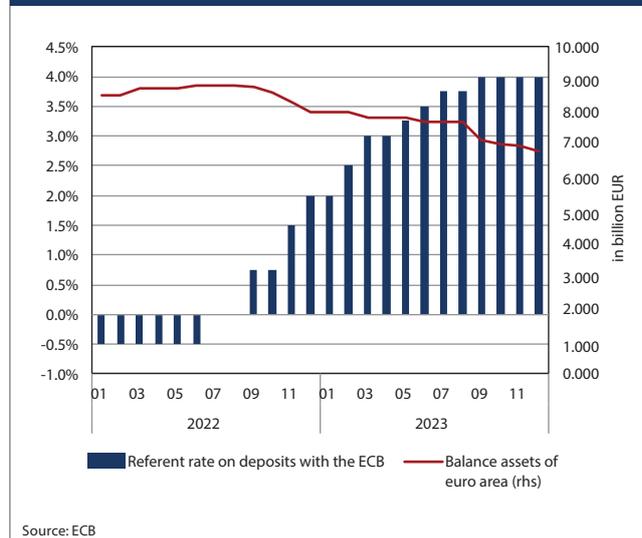
After a significant increase of the natural gas price in 2022, the EU countries managed to stabilize its price by diversifying the supply sources. Europe's natural gas consumption fell by 7.0% in 2023<sup>8</sup>, reaching its lowest level since 1995. The price decline was intensified both by the rapid expansion of renewable energy sources, as well as the increased availability of nuclear energy.

At the end of 2023, natural gas was traded at the Dutch TTF hub at the price of 32.4 euros per megawatt hour, which is more than twice cheaper compared to the same period last year. The sharp decline in natural gas prices in the last quarter of 2023 was due to an unusually mild winter as well as the high level of the European natural gas storage facilities filling.

Despite relatively stable prices throughout 2023, potential risk for the price level of not only oil, but also other stock exchange goods (grains and industrial products) occurred at the end of the year with attacks on cargo ships passing via the Red Sea on their way from Asia to Western Europe. Such circumstances forced the world's leading transport companies to divert their cargo ships to a new route around Africa, bearing additional costs both of transport and cargo insurance and significantly extending the travelling time. The situation could again disrupt distribution chains and bring inflationary pressure on the price levels in the EU.

Responding to high inflation rates, the ECB was raising its key interest rates significantly throughout 2023, bringing conventional monetary policy instruments back into focus. Net purchases of securities under monetary policy were fully completed, the reinvestment of maturing assets was largely halted, while the volume of loans with significantly lower interest rates granted to banks during the pandemic declined rapidly. With inflationary pressures in the euro area proving stronger and more persistent than predicted, the ECB's Governing Council has raised the key interest rates by the total of 4.50 percentage points since July 2022. The ECB benchmark rate (deposit facility rate) was 4.00% after the latest growth of 25 basis points in September. In this way, the ECB's key interest rates have reached their maximum since the establishment of the euro area, with the current series of interest rate increases at ten consecutive monetary policy meetings has been extremely fast and strong.

Graph 1.3: Balance Assets of Euro Area and the Interest Rate on Deposits with the ECB



<sup>6</sup> IMF World Economic Outlook update, January 2024  
<sup>7</sup> European Commission: Winter 2024 Economic Forecast, February 2024  
<sup>8</sup> International Energy Agency, "Gas Market Report, Q1-2024", January 2024

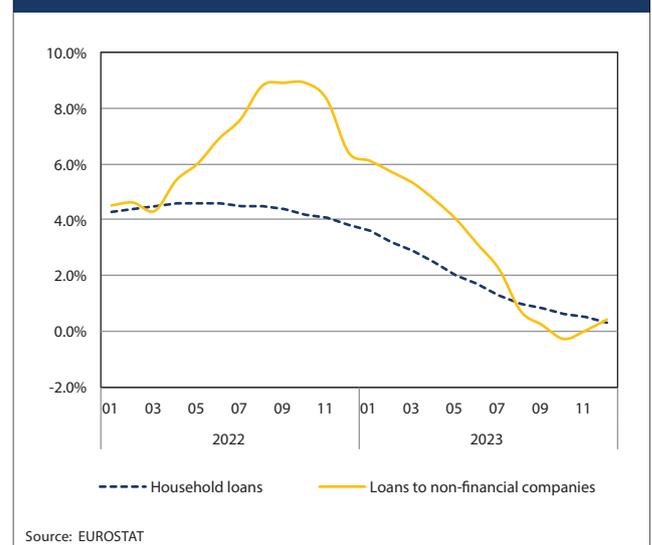
The Asset Purchase Programme (APP) has been declining passively at the expected intensity (without reinvestment of maturing bonds) since July 2023. In December 2023, the ECB announced a similar but more gradual exit from the Pandemic Emergency Purchase Programme (PEPP). The full reinvestment of the PEPP shares will be continued during the first half of 2024, partial reinvestment will be carried out during the second half of 2024, and there will be no reinvestment from 2025. In the current circumstances, it is unlikely that there will be changes of the currently agreed pace of the balance sheet asset decreasing. The declining trend of the ECB balance sheet assets slowed down at the end of 2023. The total cumulative decrease of balance sheet assets for these three monetary policy instruments in 2023 amounted to 1.13 billion euros. In 2024, the balance sheet assets decrease will amount to 778 billion euros, and to 520 billion euros in 2025.

It is still not realistic to expect the beginning of monetary policy normalisation, in terms of key interest rate decreases, during the first quarter of 2024, in the current circumstances and with regard to the latest ECB announcements. In this regard, expectations regarding key interest rate decreases have also changed significantly from earlier forecasts in 2023. Continuing geopolitical risks that could affect the return of inflation should not be neglected, and, with the energy crisis in the euro area weakening, it is certain that governments will be revoking the relevant support measures. The ECB's cautious stance, as well as decisions taken solely on the basis of official data, will potentially lead to a gradual decrease of the key ECB interest rates, but according to the latest official announcements of the ECB, it will not take place in the first half of 2024.

The banking shock in the USA at the beginning of the year, caused by a combination of the FED reference interest rates increase and poor management of liquidity risk and market risk in some banks, resulted in turmoil in world financial markets. The shock was overcome by increasing the banking system liquidity, raising the insured deposits amount, and several banks exiting the market. At the beginning of the year, some systemically important banks in Europe also had problems in operations (Credit Suisse). Due to the connections of European banks with Swiss banks, investor confidence decreased and consequently the value of their shares decreased as well. Due to the rapid and efficient reaction of regulators, these shocks were mitigated, resulting in normalization in the financial markets. The stock market of European banks began to recover as early as the end of March. Judging by the movement of stock exchange indices, the US and to a lower extent the European economy (with the exception of the British one) adjusted to a higher level of interest rates. The high growth of the US stock market is also a consequence of the base effect. The leading stock indices in the European Union, after last year's decline, also saw a high growth.

The ECB's restrictive monetary policy was transmitted strongly to the euro area terms of financing throughout the year and particularly during the last two quarters of 2023. Higher bank interest rates, decreased demand for loans and decreased loan supply significantly weakened the euro area's lending dynamics further. According to the latest official data, a much slower interest rates growth will continue in the first part of 2024. The growth of lending interest rates was also reflected in the decreased loan demand (Graph 1.4) with implications on the aggregate demand level and inflation decrease. The increase of the ECB's reference rate (by 200 bp) induced approximately the same growth of bank lending and deposit interest rates. The trend of credit growth slowdown, having started in the household loan market in July 2022, continued throughout 2023. The slowdown of growth in the market of loans to non-financial companies began later (November 2022), but with stronger tightening of financial conditions compared to the household loan market. The annual growth rate of these loans decreased from 6.4% at the end of 2022 to 0.4% in December 2023<sup>9</sup>.

Graph 1.4: Annual Change of the Loans Level in Euro Area



After the yields rates had increased last year under the impact of the ECB's restrictive monetary policy, the EU countries' public debt market was again, for much of 2023, under pressure from rising budget financing costs. According to data for the third quarter of 2023, at the annual level, the largest part of the EU countries slightly reduced their public debt to GDP levels. In some countries, public debt to GDP remained almost unchanged, while only a few countries saw their public debt increase slightly. Most EU countries since the global financial crisis (some even before that) have recorded budget deficits, their absolute public debt values rising on that basis. The expected interest rate decrease will not significantly affect the fiscal positions of the euro area countries in 2024. At the end of 2023, three of the four Europe's largest economies have public debts higher than their nominal GDP levels (Spain, France and Italy).

<sup>9</sup> The highest credit growth rate in the market of non-financial companies of the euro area during the latest credit expansion period in the euro area was seen in October 2023, amounting to 8.5%.

## 1.2 Report on the Situation in BH Economy

### 1.2.1 Real Sector

In 2023, a modest growth of real economic activity is expected, which is caused by a decline in foreign demand and the resulting significant decline of domestic exports, while on the other hand, investment and personal spending have positive contributions to growth. According to the autumn round of medium-term macroeconomic projections from November 2023, the CBBH<sup>10</sup> projects real GDP growth in 2023 at the level of 1.6%. According to the currently available information, economic activity is expected to recover in medium term as inflationary pressures are expected to weaken additionally (Table 1.1 below). In 2024, a modest growth of economic activity is expected, primarily due to long-lasting and strong inflationary pressures, and weak trade opportunities for domestic industrial production and exports that marked the entire 2023 due to the decline of foreign demand. The decrease of foreign demand was seen after deterioration of monetary conditions, due to high inflationary pressures. The key assumptions for domestic GDP growth in 2023 include the growth of investment spending (personal and government), accompanied by nominal wages and employment growth. The growth of private sector investment is impacted by the still lower domestic interest rates than interest rates in the euro area and the retained financial earnings of the previous year, in which many companies had reached record high net profits. The investment spending by the government is brought about by works on large infrastructure projects, which can be expected particularly in 2024 due to local elections. In 2024, a projected GDP growth rate is 2.1%, assuming weakening of inflationary shocks. Inflation in 2024 is expected to be 2.9% where core inflation and food prices will again have the largest contributions in the growth structure.

In 2024, adverse risks for economic activity prevail, which is particularly related to the deepening of negative net exports, taking into account the modest expected export growth, continuing also in January 2024 when commodity exports decreased by 16.6%. On the other hand, inflation growth is increasingly affected by core inflation (see Text Box 1), deglobalisation and climate change. The positive effects on inflation suppressing are reflected in limiting the prices of the main consumer products, the effects of which should be visible as early as in the beginning of 2024. The next round of medium-term macroeconomic projections, for the period 2024-2026, will be published by the CBBH in May 2024.

**Table 1.1: Medium-term Projections of the CBBH from November 2023**

	2019	2020	2021	2022	2023*	2024*	2025*
	changes on annual level						
Real GDP	2.8%	-2.9%	7.3%	3.8%	1.6%	2.1%	3.5%
Inflation (consumer prices)**	0.6%	-1.1%	2.0%	14.0%	6.1%	2.9%	2.3%
	share in GDP (expenditure approach)						
Individual spending	71.3%	70.9%	68.8%	67.5%	68.5%	68.2%	67.5%
Government spending	18.9%	19.8%	18.9%	18.5%	18.6%	18.5%	18.1%
Investments	25.0%	23.6%	27.0%	26.6%	27.5%	28.2%	28.5%
Net exports	-15.2%	-14.1%	-14.6%	-12.8%	-14.7%	-15.0%	-14.1%

Source: BHAS

Note: official data on GDP for the period 2019- 2022 at the moment of preparing the projections. The period of the CBBH projections is marked with \*. Inflation for 2023 is based on the latest published official data from the beginning of 2024, differing slightly from the November projections (6.3%) \*\*.

At the moment of preparation of the CBBH Annual Report, official statistics on the structure and level of GDP according to production and expenditure approach were available, ending with the third quarter of 2023. In the first nine months of 2023, there was a modest annual growth of real GDP of 1.7%, which is in line with real economic activity developments in the region. In the observed period, there was a significant decrease of the annual growth rate of nominal GDP (up to the level of 8.5%), due to the stabilisation of inflation (GDP deflator for the first nine months of 2023 was 6.7%, according to the production approach<sup>11</sup>). The contraction of domestic economic activity was largely determined by the industrial production decline (see the Section Industrial Production and Construction), which was 3.2% for the first three quarters of 2023, compared to the same period of the previous year. The graph below shows annual changes of the nominal and real GDP, according to production approach<sup>12</sup>, and the rate of industrial output change, for the first three quarters, compared to the same period of the previous year<sup>13</sup>.

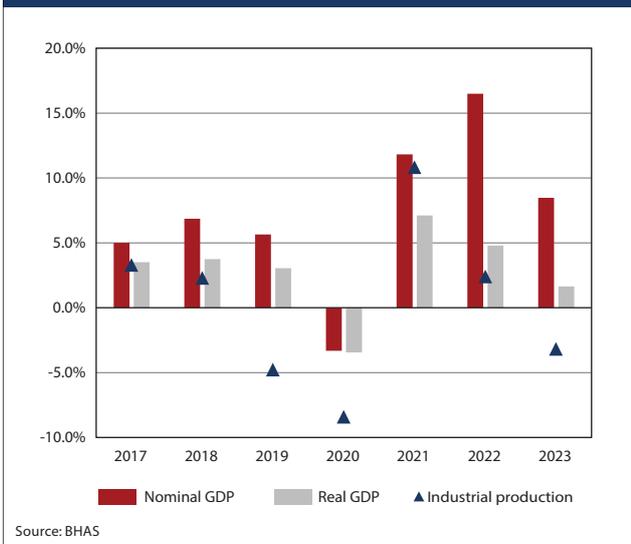
<sup>11</sup> The value for the first three quarters of 2022 was 11.2%.

<sup>12</sup> Agency for Statistics of BH, Press release Gross domestic product, production approach, quarterly data (29 December 2023).

<sup>13</sup> The share of industrial production in gross value added for the first three quarters of 2023 was 18.9%. According to the latest data from the BHAS Structural Business Statistics, 15.6% of enterprises and entrepreneurs are in the field of industrial activities, while 41.7% of employees are engaged in industrial activities.

<sup>10</sup> The announcement is available on the CBBH website, [https://cbbh.ba/data/dokumenti/pdf/Jesenji\\_krug\\_srednjoro%C4%8Dnih\\_makroekonomskih\\_projekcija\\_CBBiH\\_hr.pdf](https://cbbh.ba/data/dokumenti/pdf/Jesenji_krug_srednjoro%C4%8Dnih_makroekonomskih_projekcija_CBBiH_hr.pdf).

Graph 1.5: Annual Changes of GDP and Industrial Production, the first three quarters



By the areas of classification of activities, although modest, the growth of real GVA (gross value added) resulted from the growth of service activities, while production activities recorded either annual decreases or negligible growth rates. The strongest growth of real economic activity at the annual level, for the first three quarters, was seen in the activities of the hotel and catering industry, and wholesale and retail trade (which had the largest share in the total annual increase of GVA, of 19.1%). Manufacturing industry, which is also a significant component of GVA<sup>14</sup>, recorded a significant rate of decline (4.7%) in the observed period.

Observing the GDP structure by expenditure approach, the exports of goods and services are the component that has recorded the largest positive contribution to real GDP growth in recent years, but in the first three quarters of 2023, a decline was recorded. Exports of goods and services (whose share in the consumption structure in the first three quarters was 39.3%), recorded a rate of decline of 6.3% for the first three quarters (for more detailed information see Chapter 1.2.4. The External Sector).

## I Industrial Production and Construction

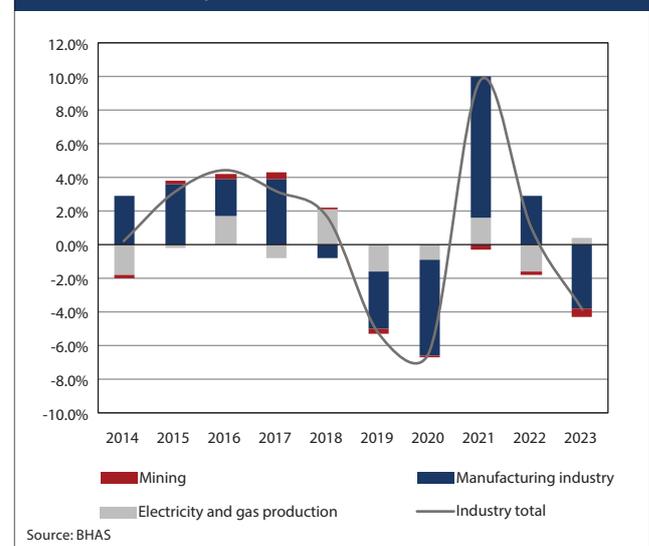
The slowdown of economic activity in the EU, as well as global geopolitical tensions, impacted a decrease of demand in the markets of BH main trading partners (see Chapter 1.2.4 External Sector), resulting in a decreased industrial output in 2023. Industrial production declined in 2023 for the first time since the pandemic year, by 3.9% compared to 2022. In the groups of activities comprising industrial production (see Graph 1.6), the trend from the previous two years was interrupted by the registered decline in manufacturing industry<sup>15</sup>.

<sup>14</sup> The share of manufacturing industry in the total gross value added amounted to 13.5%.

<sup>15</sup> The weight of manufacturing industry in the industrial production index (March 2023) was 74%.

This decline in manufacturing production had the strongest effect on the annual decline of industrial production volume. Mining<sup>16</sup> has been on a downward production trend for years, with strong cyclicity within the year. Mining recorded a decline in 2023, for the fifth successive year, in the amount of 6.9% compared to 2022. On the other hand, the activity of production and supply of electricity and gas<sup>17</sup> recorded a growth of 2%, which mitigated the overall decline of industrial production. Observing the main industrial groups, intermediate products made the strongest contribution to the 2023 industrial production decline, due to the large share in the overall industrial output index (38.4%) and also due to the output decline.

Graph 1.6: Contribution to the Annual Changes of Industrial Production Volume per Activities



The graph below shows the manufacturing industry activities that contributed most to the 2023 industrial production decline, with the activity of base metal production certainly standing out. Base metal production recorded an annual decline of 29.4% compared to the previous year, partly a direct result of a delay in the operations of one of the largest iron production<sup>18</sup> facilities. This annual decline directly affected this product group export value (see Chapter 1.2.4 The External Sector). Also, the negative impact on this activity volume of production, as well as the export value came from a global decline of demand for steel, which was estimated at 6.3% for 2023.<sup>19</sup> Weak foreign demand also affected the annual decline of other major branches of manufacturing industry. Some of the industrial production activities (such as repair and installation of machines and equipment) recorded significant growth in 2023, but with their weight in industrial production being low, their impact on the overall volume was weak.

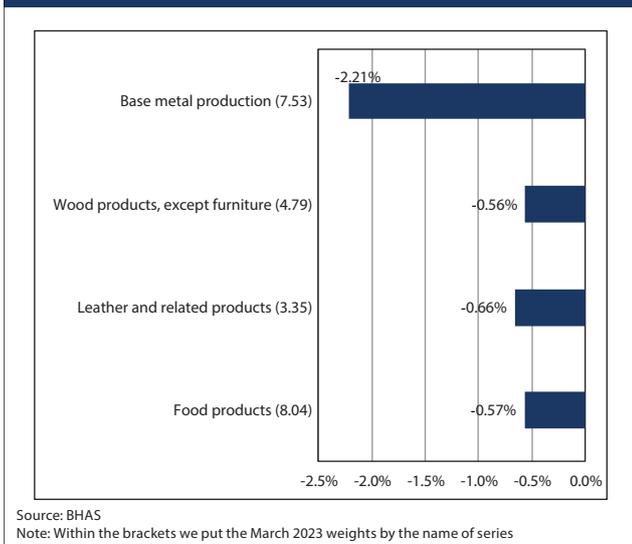
<sup>16</sup> The weight of mining in the index of industrial production (March 2023) was 7.2%.

<sup>17</sup> The weight of the electricity and gas production and supply in the industrial production index (March 2023) was 18.8%.

<sup>18</sup> The share of base metal production in the index of industrial production is 7.5%, and the share of enterprises included in the production of base metals is only 0.07%, according to the latest data of the BHAS Structural Business Statistics.

<sup>19</sup> Economic and Steel Market Outlook, February 2024

Graph 1.7: Contribution of Main Activities in the Decline of Manufacturing Industry in 2023



The construction industry in BH recorded a decline in 2023 (Graph 1.8), for the second successive year. The decline in the volume of works was recorded both in the segment of building construction and that of civil engineering. According to the BHAS data, both the number of completed works and surface in residential construction<sup>20</sup> were higher compared to 2022. This information suggests that such growth was achieved with fewer man-hours in construction<sup>21</sup>, which may be due to either a higher employee productivity, or the completion of a higher number of previously started works on new buildings. The structure of the index, in which architectural and construction works requiring less physical labour than other types of jobs in building construction, have the largest share, should also be taken into account.

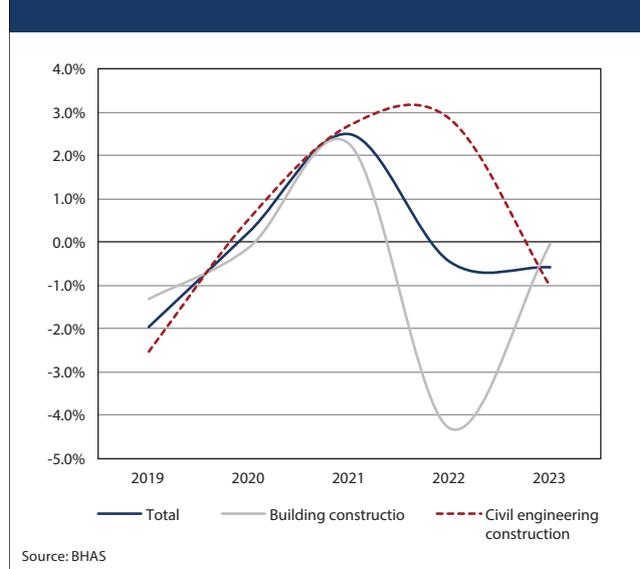
The producer price index in construction (residential construction) recorded growth in 2023 (+2.3% in the fourth quarter for the total index), in all types of works<sup>22</sup>. In the construction segment related to civil engineering, there was a 1.0% decrease in production output in 2023, compared to 2022. The same as in the case of residential construction, the prices of contractors' works in civil engineering increased compared to 2022 (8.5% for the total index, and growth was recorded for all types of constructions: main roads, highways, bridges, tunnels).

<sup>20</sup> Only new apartments built by construction companies covered by the quarterly reports are included.

<sup>21</sup> According to metadata for the BHAS construction production index, the construction work volume indices are based on man-hours on construction sites.

<sup>22</sup> Architectural and construction works (+2.3% in Q4 2023 compared to the same quarter of the previous year; weight in the total index 80.6%), plumbing and sewage works (+1.8% in Q4 2023, compared to the same quarter of the previous year), electrical installation works (+2.4% in Q4 2023, compared to the same quarter of the previous year), and mechanical installation works (+1.2% in Q4 2023, compared to the same quarter of the previous year).

Graph 1.8: Annual Changes in the Intensity of Construction Industry

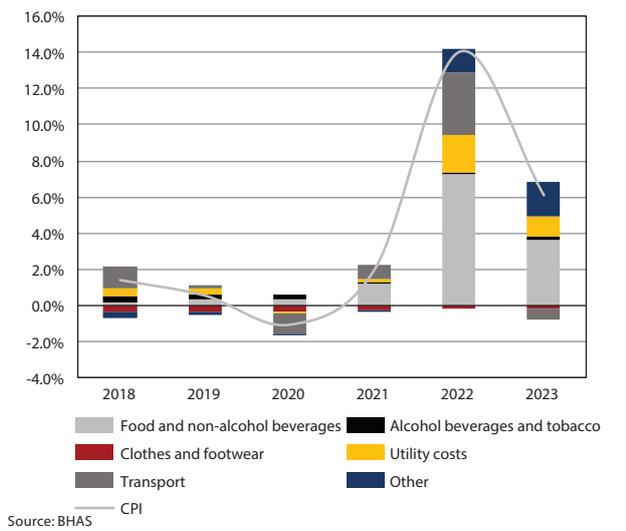


## II Prices

After the 2022 exceptionally strong inflation shock, the growth of average consumer prices, the same as in the region, slowed down in 2023. According to currently available information, further weakening of inflationary pressures is expected in medium term. In 2023, inflation of 6.1% was registered in BH, which is by even 7.9 pp lower compared to the price growth rate from the previous year. Inflationary pressure in 2023 was not only a consequence of the growth of exogenous prices, but also increasing pressure on domestic prices (see Text Box 1).

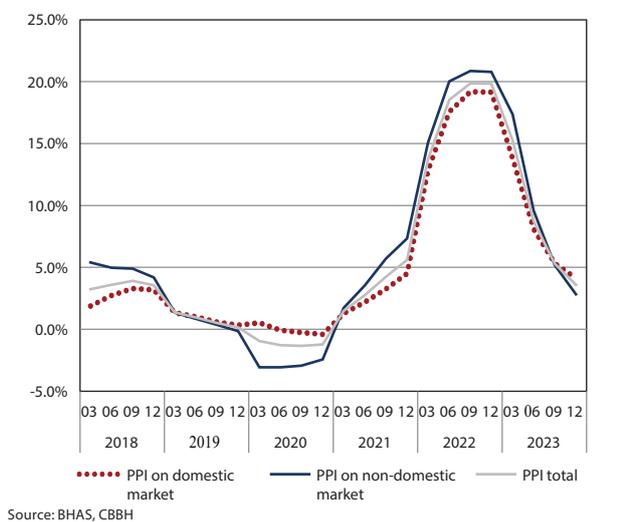
Observing the growth of average consumer prices by categories (Graph 1.9), the price category of food and non-alcohol beverages recorded the highest annual price increase in 2023 (10.6%). In addition, significant annual price growth was also recorded by the categories of other products and services (9.5%) and furniture (9.3%). Electricity prices, as the most important sub-category of total utility costs, had a large contribution to the inflation growth in 2023, with the recorded annual growth of 6%. The stabilization of inflation in 2023 was partly influenced by the fall in prices recorded for the category of transport. This category, with the categories of food and non-alcohol drinks and utility costs, together accounted for 62% of the total household consumption. Unlike the previous year, when the price growth rates for the category of transport were very high, in 2023, this category recorded a decrease of prices, which affected the relaxation of the overall price pressure. In the observed year, the trend of negative contribution of the category of clothes and footwear continued, which had a deflation effect on the average prices. The largest contribution to the overall price growth in 2023 came from the category of food and non-alcohol drinks, with the contribution of this category almost twice lower compared to the previous year. Also, the category of other costs had a significant contribution to the overall price growth in 2023, exceeding the average level recorded for the previous year.

Graph 1.9: Contributions to the Annual Inflation Rate in BH



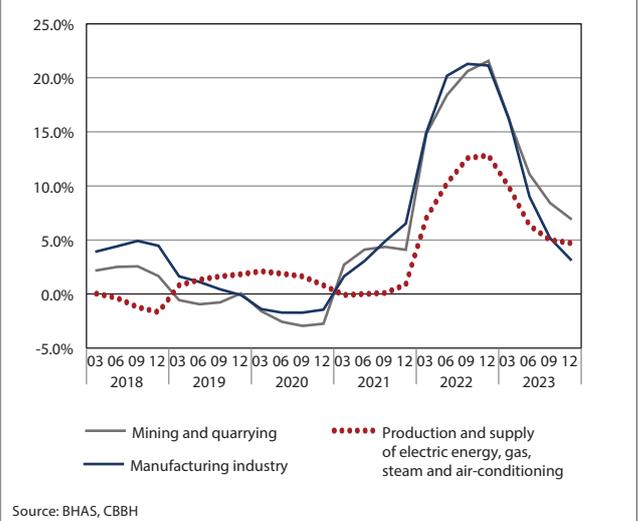
Industrial producer prices in BH also recorded a slowdown of growth in 2023. Producer prices for domestic and non-domestic markets had similar trends in 2023 (Graph 1.10). On the basis of the development of producer prices for the domestic and non-domestic markets, it can be concluded that there are common factors in the production inputs, which affect the product price trends, regardless of the target market. The increase of industrial producer prices for the domestic market in 2023 was 4.1%, and that for non-domestic market was 2.8%. According to the official BHAS data, the prices of goods and services produced in the country (all, not only industrial producers), for the first three quarters of 2023, increased by 6.7%. Inflation measured by producer prices for the domestic market (5.3%, period per period), for the first nine months, was lower than the GDP deflator for the same period, indicating also an increase of prices of other categories, not only those classified in mining, manufacturing industry and electricity production and supply.

Graph 1.10: Annual Changes of Production Prices in BH, period to period



According to the official BHAS data, in activities B, C and D<sup>23</sup>, the average producer prices, in 2023, increased by 7.0%, 3.2% and 4.7%, respectively (Graph 1.11). In mining and quarrying and production and supply of electricity and gas, the average producer prices for the domestic market, in 2023, increased by 4.7% and 4.6%, respectively. On the other hand, manufacturing industry saw a 1.0% decline of the average producer prices for the domestic market, indicating that many companies absorb inflationary pressures by reducing margins in order to maintain their positions.

Graph 1.11: Annual Changes of Production Prices in BH per Activities, period to period



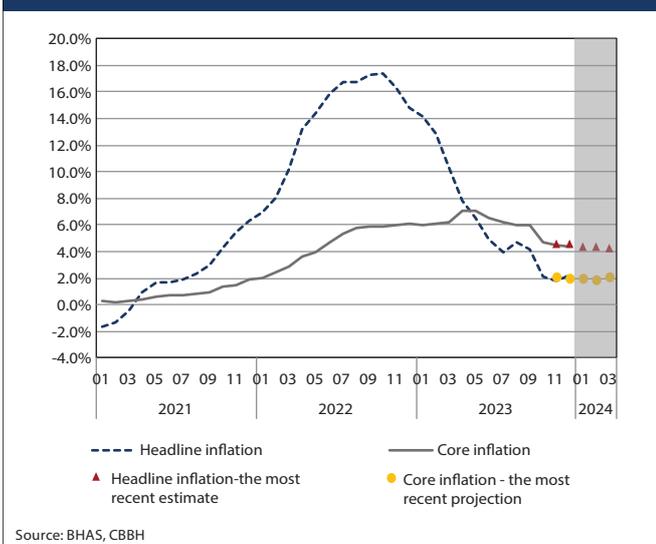
**Text Box 1: Estimated Core Inflation in BH**

Core inflation and headline inflation in Bosnia and Herzegovina at the end of 2023 were slightly higher (5.9% and 6.1%, respectively) than in the euro area (5.0% and 5.5%), showing that inflationary pressure in 2023 is not only affected by rising exogenous prices but also by increasing pressure from domestic prices. The calculation of domestic core inflation takes into account the CBBH methodology, which has been established in the spring of 2023, excluding the prices of food and non-alcohol beverages; energy sources, including sub-indices: gas, liquid fuels, solid fuels and heat energy; and fuels and lubricants for passenger cars. On the other hand, the core inflation calculation in the euro area according to the EUROSTAT methodology in relation to the domestic methodology additionally excludes the category of alcohol beverages and tobacco and excludes electricity prices within energy sources. As domestic prices for these categories have been formed administratively and are not so dependent on exogenous prices, the calculation of domestic core inflation differs on this basis, which is a very frequent practice in individual central banks that create their methodologies based on the countries' specific economic features.

<sup>23</sup> B – mining and quarrying, C – manufacturing industry, D – production and supply of electricity and gas

Despite a very significant slowdown of the average consumer prices in recent months, the core inflation in the domestic market according to the latest data from December was twice higher than the headline inflation, with a recorded growth of 4.4% vs. 2.2%, respectively. Although they have been stagnating in recent months, electricity prices, as the most important sub-category of the total utility costs, have made a large contribution to the inflation growth in 2023, with the recorded annual growth of 6.0%. According to announcements, electricity prices for companies will rise significantly in 2024, so this utility cost sub-category is expected to bring about further inflationary pressure on the core prices. Consequently, the growth rate of estimated core inflation in the first quarter (Graph 1.12) is expected to be significantly higher than the headline inflation growth rate (4.4% vs. 2.0%). Taking into account our previous estimates of short-term core inflation, in the previous two quarterly reports, which included data on the average prices from July and October, core inflation in 2023 was forecast at 6.1% and 5.9%, equivalent to the published data in early 2024. The low forecast error indicates the consistency of the core inflation short-term forecasting model despite the very high volatility of domestic prices due to high union pressure to adjust real income and increase of profit margins by entrepreneurs.

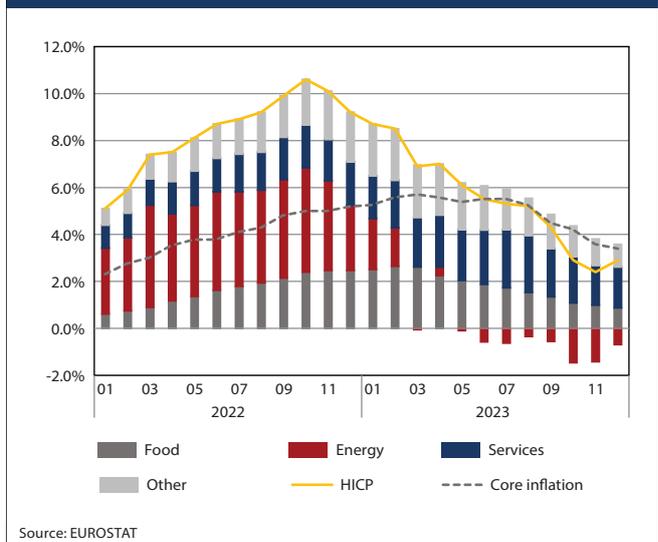
Graph 1.12: Annual Changes of Headline and Core Inflation



Taking into account the dynamics of the euro area price developments, it has been observed that at the beginning of 2023, headline inflation continued to record higher growth rates than core inflation (by 3.4 pp). The category of food made a significant contribution to the price growth in the euro area, following the energy price shocks, with the growth of basic or core prices becoming faster and more persistent than the headline inflation growth in the second half of the year. The decreasing external shocks effect and the strengthening of domestic price pressures resulted in an equalization of the euro area's headline and core inflation rates, at 5.5% in June. By the end of the year, both headline and core inflation continued to fall, and the annual growth rate of core inflation in December exceeded the headline inflation by 0.5 pp.

The euro area core inflation was on its record high level of 5.7% in March 2023, while the average annual core inflation rate was 5.0%, being lower by only 0.4 pp than the average consumer price growth rate for 2023 (Graph 1.13). The largest contribution to the core inflation growth was that of the prices of services, with their 4.0% annual growth rate in December 2023 exceeding the headline and core inflation. Towards the end of the year, a gradual disinflation was seen for some categories of price indices included in the core inflation calculation, which was to a significant extent impacted by the fall of prices of primary commodities in the international market (decline of natural gas and oil prices).

Graph 1.13: Contributions of the Prices of Food, Energy Supplies and Services to the Annual Change Rates of Consumer Prices in Euro Area



Inflation persistently higher than the target and a high level of interest rates have remained a key challenge for the euro area monetary policy makers. Bearing in mind that the ECB's policy rather explicitly links the future trend of the benchmark interest rate with the core inflation trend, the continuation of restrictive monetary policy is expected, which includes not only conventional but also unconventional measures having recorded expansionary growth until 2022, due to a long period of the zero bottom interest rate limit and modest economic activity.

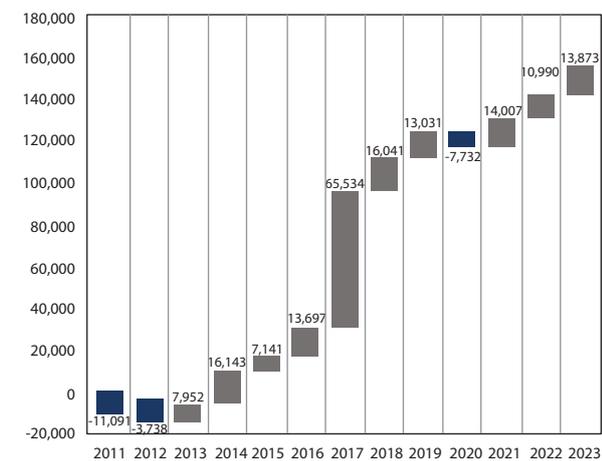
### III Employment and Wages

Despite the slowdown of economic growth and the modest volume of economic activity in 2023, official data recorded positive developments in the labour market (decrease of unemployment, increase of the number of employees and the activity rates of the working age population).<sup>24</sup> Since July 2023, there has been a continuous decline of unemployment, and at the end of December, also the lowest number of unemployed persons (343.5 thousand) in the last five years.

<sup>24</sup> Bearing in mind the negative demographic trends and the continuous outflow of labour, due to the migration of skilled workers, available administrative data should be carefully interpreted.

The unemployment rate in the third quarter of 2023 was 13.6%, according to the Labour Survey,<sup>25</sup> as the only internationally comparable indicator of unemployment in BH, which is lower by 1.8 pp than the rate recorded for 2022. Although there has been a slowdown of employment growth since the second half of 2023, in December there was an increase of the number of employees on cumulative basis, i.e. 13,873 new employees (Graph 1.14).<sup>26</sup>

Graph 1.14: Accumulated Number of Employees since the beginning of 2011



Source: BHAS

Note: In 2017, the Methodology for calculating the number of employees per activities was changed

Despite the initial signs of resilience, the basic features of the labour market remained relatively unchanged in 2023.<sup>27</sup> The features of the labour market still included the accumulation of structural problems, such as lack and mismatch of workers' skills, with the highest participation of people with high school education and specialization in the labour structure (69.3% in the third quarter of 2023), and high rates of youth unemployment and long-term unemployment. People with high school education and specialization have difficulties in integrating into the labour market, accounting for even 45.6% of inactive population (predominantly structural unemployment due to the mismatch of knowledge and skills with the actual labour market needs). According to the Labour Survey for the third quarter of 2023, 71.4% of the unemployed have been looking for jobs for more than a year, while the youth unemployment (age group 15-24) reached the level of 32%, which is twice higher than the overall unemployment rate in the country.

<sup>25</sup> Labour Survey, 3rd quarter 2023, BHAS, 11 December 2023.

<sup>26</sup> Press release no. 12: "Employees by activities, December 2023", BHAS, 20 February 2024. At the beginning of December 2023, a correction of published data on employed persons was made, and the data from March to September 2023 are final, while those for the other months of 2023 are temporary.

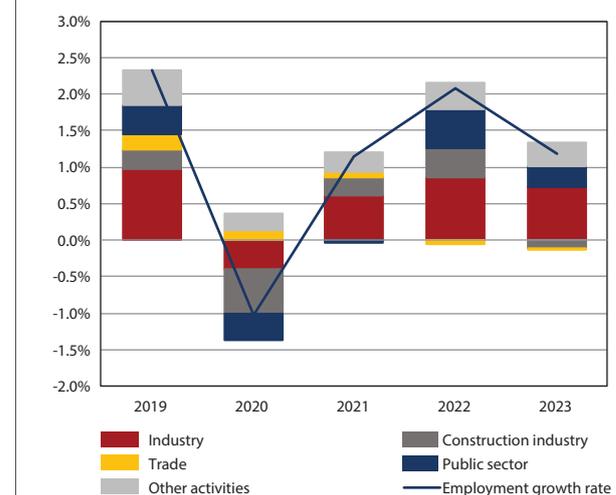
<sup>27</sup> There is no progress in improving labour market statistics and social statistics and preparing regulations that are a precondition for the next census. It is necessary to improve administrative data that do not provide a comprehensive overview of labour market dynamics. At the same time, methodological changes in the preparation of the Labour Survey, conducted on a quarterly and annual basis by the BHAS, make it difficult to compare historical series of the survey data.

At the same time, a significant gender gap in the men and women activity and employment rates was recorded. According to administrative data for the end of the third quarter of 2023, the share of employed women in the total active population was 30.7%, and the unemployment rate of women was 16.7% (90 thousand registered unemployed female persons, of which over 70% from the age group of 25 to 49 years).

Although the official data recorded increase in the activity rate of the working age population compared to 2022, it stayed below 50% in 2023 (48.3% in the third quarter of 2023). The age group 25-49 years of age accounted for 77.8% of active population, although a significant part of the total number of the unemployed (64%) belongs to this age group. Official data also indicated a decrease in the number of people outside labour (1.48 million registered people outside labour at the end of the third quarter of 2023), with over 50% of inactive population in the age group above 50 years of age.

The largest share in the total number of employed persons in December 2023 (over 60%) refers to employees in industry, trade and public sector (Graph 1.15), with the largest cumulative growth of the number of employees, compared to the same month of the previous year, was seen in wholesale and retail trade, repair of motor vehicles and motorcycles (5,725 new employees). A notable increase in the number of employees was also achieved in the activities of hotel and catering (2,686 new employees), and other service activities.

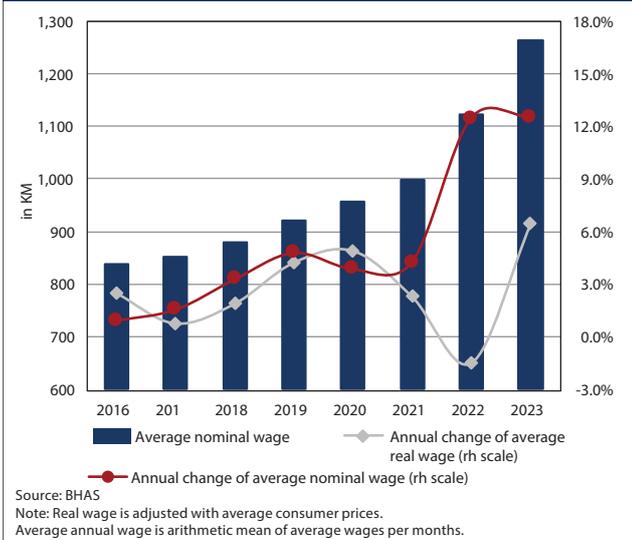
Graph 1.15: Contributions to the Annual Change in Number of Employees per Activities



Source: BHAS

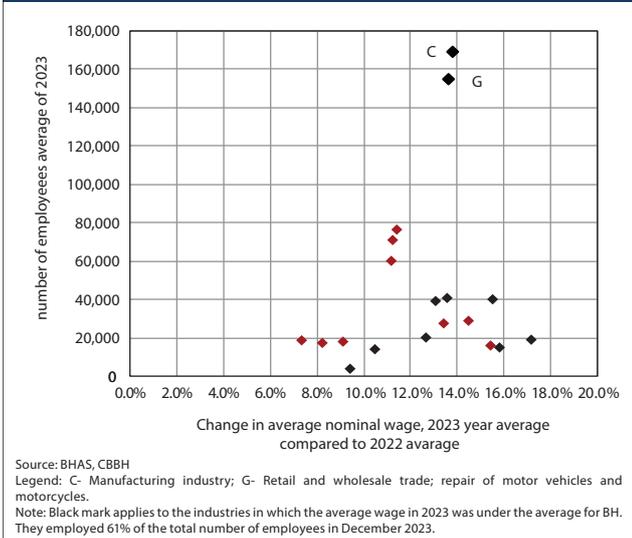
In 2023, available household income was exposed to persistent price pressures. Annual nominal wage growth, which was on its record high level in January 2023 (15.94%), continued at a slower pace until the end of the year, with the average annual growth rate of 12.6%, exceeding the growth rate for the previous year (Graph 1.16).

Graph 1.16: Average Annual Net Wages



During the year, various fiscal measures were in place with goal of reducing the social and economic impacts of price growth, increase of social benefits, pensions, additional payments, and public sector wage increases, all aimed at recovering income and primary consumption as a key growth factor (more details in Chapter 1.2.2). In 2023, the highest annual growth rate of real wages of 6.5% was recorded, which affected the modest recovery of the households’ real purchasing power. Nominal wage growth reached its record high level in the last 5 years, varying strongly by activities. The highest average net wages in 2023 were recorded in information and communication and financial and insurance activities, employing 5.4% of the total number of employees (Graph 1.17). At the same time, average nominal wages in the industry and public sector activities exceeded the average net wage by 13% and 20%, respectively.

Graph 1.17: Number of Employees and Change in Average Nominal Net Wage by Activities

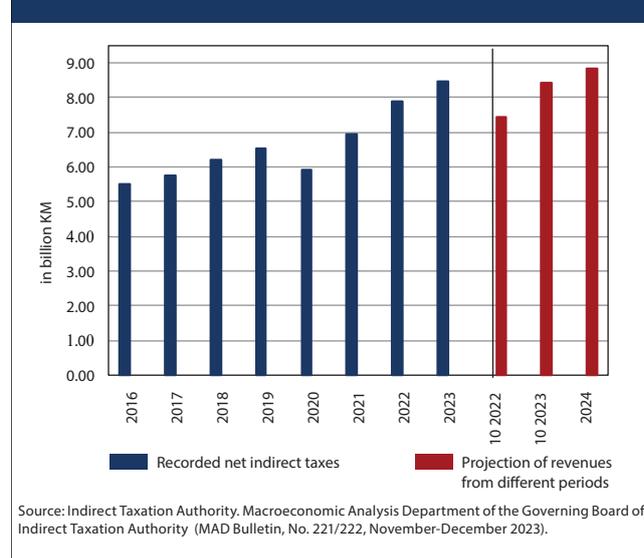


### 1.2.2 Fiscal Sector

Fiscal indicators in 2023 indicate a strong growth of revenues and expenditures, with a slightly higher intensity of growth of public expenditures. The higher intensity of expenditure growth can be explained by the growth of the government sector current spending, which represented a fiscal response to mitigating the consequences of high prices for vulnerable groups of the population. Government spending focused on higher nominal allocations for pensions, public sector wages, as well as one-off payments to vulnerable groups. Given that the government’s focus was on preserving the standard of living of vulnerable groups of population, significant investments and withdrawals of funds from foreign creditors under concession conditions did not take place, so the general government public debt according to the Maastricht criteria additionally declined in 2023.

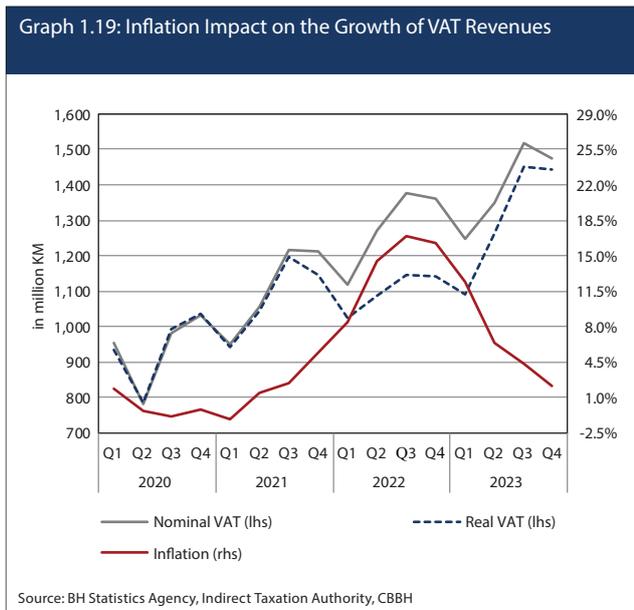
Net revenues from indirect taxes recorded strong annual growth in 2023 (Graph 1.18). The amount of collected net revenues in 2023 (KM 8.45 billion) was the highest since the establishment of the indirect taxation system. Compared to the previous year only, this amount increased by KM 570.0 million or 7.2%. The main contribution to the mentioned revenue growth came from the prices staying at a high level, nominal wages growth as well as strengthening service activities in tourism.

Graph 1.18: Indirect Tax Revenues



The record high growth of the total revenues was dominated by the growth of VAT (value added tax) revenues, as the largest item in the revenue structure. Net VAT revenue amounted to KM 5.59 billion in 2023, which is an increase of 9.0% compared to the previous year. The main factor of the revenue growth on this basis was the continuing high general price level, as well as private spending, but also the strengthening of services related to the tourism sector. In addition, VAT on imports also increased. In the second part of 2023, weakening of inflationary pressures was recorded (Graph 1.19).

Graph 1.19: Inflation Impact on the Growth of VAT Revenues



Source: BH Statistics Agency, Indirect Taxation Authority, CBBH

In June 2023, there were changes of tax policy, in respect of the VAT rates regulation. The House of Peoples of the Parliamentary Assembly of BH has adopted the Proposal of the Law on Supplements to the Law on VAT, referring to the revoke of VAT on donated food. The introduction of zero rate on donated food in June 2023 is a support for socially vulnerable groups of the population.

A new regime of payment of excise duties on tobacco products was introduced in 2023. The new regime implies the payment of excise duties when importing tobacco products, instead of paying excise duties when taking over excise stamps. The mentioned change of excise payment regime was made due to adjustments to customs procedures. Due to the mentioned change of the excise duties collection, according to the data of the Indirect Taxation Authority, a one-time decline of excise revenues was recorded (period February-April 2023) in the amount of the average monthly collection on the basis of excise duties. The total collection of excise revenues in 2023 recorded a modest annual growth of 1.5%, mainly coming from excise duties on oil and oil products. Net revenues based on tolls recorded annual growth (8.1%), which can be explained by a higher number of trips. Also, every year, the Governing Board of the Indirect Taxation Authority makes a Decision on the amount of diesel fuel which is exempt from toll payment.<sup>28</sup> Customs revenues are closely related to imports, so the growth of imports affected the growth of customs revenues in the amount of KM 74.7 million (17.3%) compared to 2022. Revenue growth on this basis is linked to the increase of prices of energy, raw materials, food and other imported goods.

At the time of preparation of the Report, the last available projections of indirect tax revenues for 2024 by the Indirect Taxation Authority were from October 2023, projecting growth of 4.8% annually or 17.3% of the nominal GDP projected value.

The risks regarding the realization of these projections are significant, primarily due to the unknowns and the uncertainties regarding the war in Ukraine, and also due to possible changes of indirect taxation policy (differentiated VAT rate, temporary revoke of excise duties on derivatives).

Despite record high revenues, a deficit in the 2023 Entity budgets was planned, due to a significant growth of expenditures due to inflationary pressures and the implementation of government measures to help vulnerable groups. The governments of both BH Entities revised the 2023 budgets. The budget revisions in the Federation of BH (increase by KM 211.7 million) and Republika Srpska (increase by KM 140 million), financed higher interest rates in the foreign debt repayment due to the growth of Euribor, as well as higher allocations for social purposes and health insurance.

Although the Public Investment Strategies, in both Entities were aimed at intensifying investments in infrastructure projects and energy sector, significant capital investments were not realised in the first nine months of 2023. Consequently, public investments in the first nine months of the current year were lower by KM 2.4 million compared to the same period last year. In this period, only KM 210.5 million of public investments were realized through budgets.

In January 2024, the Government of the Federation of BH has adopted the Public Investment Programme of the Federation of Bosnia and Herzegovina for the period 2024-2026. In accordance with the mentioned Programme, the total value of 134 projects included in the Programme amounts to KM 19.07 billion for the period 2024-2026. The source of financing mainly includes funds from foreign creditors (the World Bank, the EIB, the EBRD). On the other hand, the Government of Republika Srpska has adopted the proposal of the Public Investment Programme for the period 2024-2026 in January 2024. According to the programme, the largest investments are planned in the fields of energy, transport, health care and agriculture. For the period 2024-2026, the total value of all the nominated projects by ministries and institutions amounts to KM 9.3 billion.

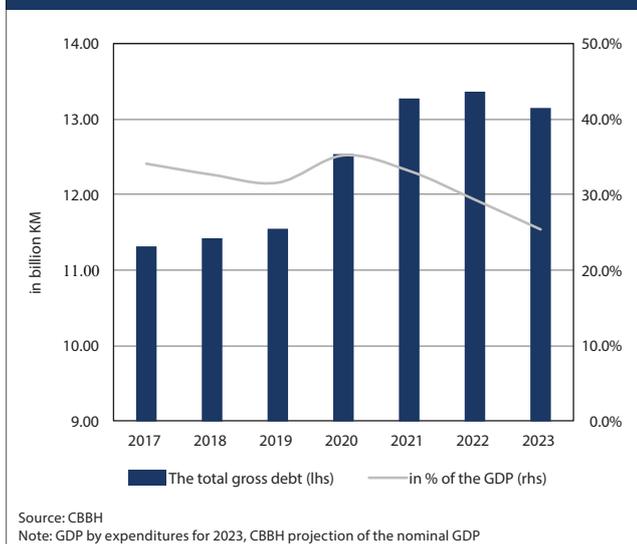
The Entity budgets for 2024 are adopted reflecting larger financing of current and less financing of capital spending. The Budget of the Federation of BH for 2024 was adopted in January 2024 in the amount of KM 7.5 billion, which is the highest amount so far having been increased by more than half a billion KM compared to the budget from the previous year. The adopted budget includes, among other things, an increase of funds for pension payments by KM 317.17 million, as well as an increase for war veteran categories in the amount of KM 57.7 million. On the other hand, the National Assembly of Republika Srpska adopted the Budget of RS for 2024 in December 2023.

<sup>28</sup> <https://www.uino.gov.ba/portal/bs/akciza-i-putarina/putarina/>

The RS Budget was adopted in the amount of KM 5.73 billion, which represents an increase of KM 212 million, i.e. 3.8% compared to the total budget funds planned by the 2023 Republika Srpska Budget Revision. A budget deficit of KM 255.4 million is planned. The financing needs for RS in 2024 amount to KM 954.7 million (according to the RS Budget for 2024, a debt of KM 810 million is planned on a foreign market and 144.7 million in the local market. On the other hand, the Federation planned a budget deficit in 2024 in the amount of KM 469.9 million. The financing needs for the Federation of BH in 2024, according to the Budget of the Federation of BH, amount to KM 1.29 billion (borrowing is planned in the form of bonds in the amount of KM 540 million, treasury bills in the amount of KM 360 million and on a foreign market and from foreign creditors in the amount of up to KM 395 million). With respect to all of the above, further growth of government liabilities in 2024 is expected.

The general government sector public debt level at the end of the fourth quarter of 2023 compared to the end of 2022 decreased in nominal amount by KM 211.8 million. In 2023, there was no significant borrowing by the Entity governments from international financial institutions, while borrowing in the domestic capital market was somewhat more intensive. The total public debt of the general government sector at the end of the fourth quarter of 2023 was 25.5% of GDP (Graph 1.20).

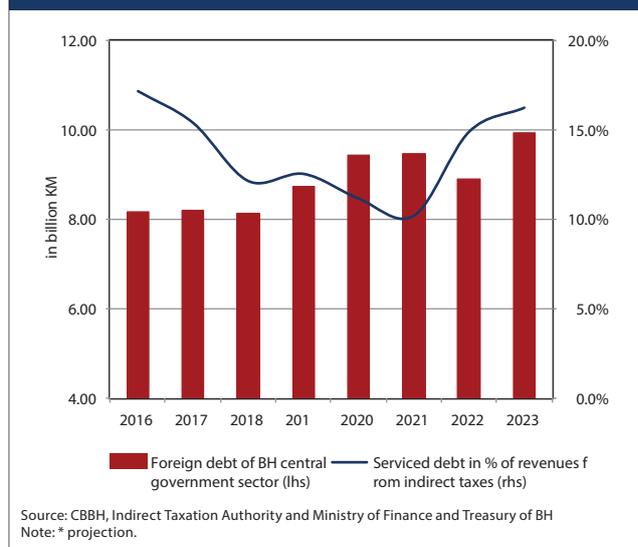
Graph 1.20: The Total Public Debt of General Government Sector



The general government sector foreign debt recorded a significant decline in 2023 (KM 616.1 million or 6.5%) reaching KM 8.86 billion at the end of the year (Graph 1.21). According to the projections of the Global Fiscal Balance and Policy Framework in BH for the period 2024-2026<sup>29</sup>, a significant borrowing from foreign creditors under concession terms is planned in 2024.

<sup>29</sup> Global Fiscal Balance and Policy Framework in BH for the period 2023-2025, March 2023  
<https://www.mft.gov.ba/Content/OpenAttachment?id=02eae856-ec98-4ab7-8d19-f57a04e2d9d0&lang=bs>

Graph 1.21.: Foreign Debt of General Government Sector



In 2023, the total amount of funds withdrawn from international financial institutions amounted to KM 552.3 million, although the withdrawal of funds in the amount of KM 2.21 billion<sup>30</sup> had been planned. In 2023, there was no significant withdrawal of funds from foreign creditors. The largest withdrawal was recorded in the fourth quarter of 2023 (KM 258.6 million), of which the largest part was related to the financing of corridor Vc (around KM 134 million).

The foreign debt repayment of the general government sector exceeded significantly the amount of new withdrawals of funds in 2023. Out of the total serviced funds towards foreign creditors (KM 1.25 billion) the highest individual amounts of KM 283.3 million and KM 233.0 million were serviced to the International Monetary Fund – IMF and the World Bank – IDA, respectively. Funds in the amount of KM 1.43 billion are planned for servicing the general government sector foreign debt in 2024, which is 16.2% of projected revenues from indirect taxes for 2024<sup>31</sup> (this percentage was lower in 2023 amounting to 14.9%).

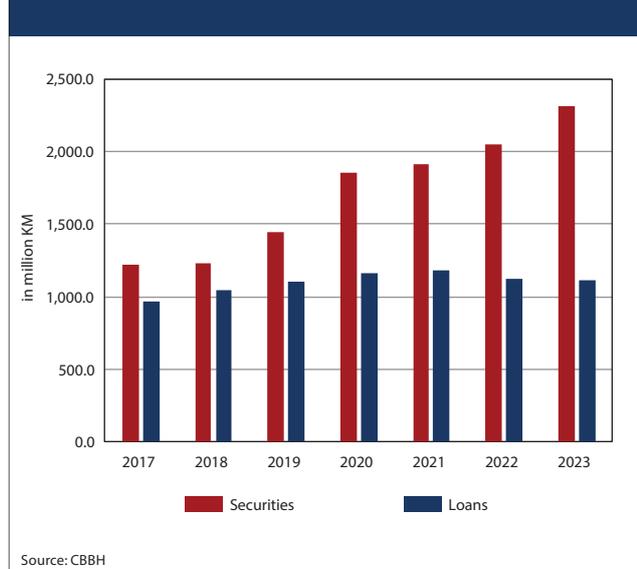
Government sector debt with commercial banks recorded a significant growth at the annual level based on securities (KM 269.0 million), while a small decrease was recorded on the basis of loans (Graph 1.22). In the first half of 2023, the Entity governments issued significant new debts in the domestic capital market. The Government of Republika Srpska issued KM 210 million at the interest rate of 6.1% per year for a five year period, and the funds were used as a part of financing of the liabilities based on the debt maturity at the Vienna Stock Exchange based on the bonds issued in 2018 in the total amount of KM 327 million.

<sup>30</sup> The Global Framework of Fiscal Balance and Policies in BH for the period 2023-2025, March 2023.

<sup>31</sup> Source: Ministry of Finance and Treasury of BH (Foreign Debt Servicing Plan in 2024) and Macroeconomic Analysis Unit of the Governing Board of the Indirect Taxation Authority (MAU Bulletin No. 217/218, November-December 2023).

As the debt on the Vienna Stock Exchange was repaid mainly with funds raised on the domestic capital market, only a currency reclassification took place, i.e. the decrease of foreign currency debt and increase of the local currency debt with commercial banks, while the banking sector exposure to the government sector was not changed significantly, being 8.6% of the total banking sector assets at the end of 2023. In 2024, the FBH and the RS should allocate the total of KM 947.7 million based on the internal debt repayment (the Federation of BH KM 443.9 million and Republika Srpska KM 503.8 million).

Graph 1.22: Central Government Debt with Commercial Banks



### Text Box 2: Entity Government Measures to Combat Inflation

In 2023, the Entity governments continued to implement the fiscal measures started in the previous year, responding to inflation which reduced the purchasing power of vulnerable groups of the population. The financial effects of the measures adopted by the Entity governments in 2022 in the form of additional allocations were continued in 2023. In addition to the fact that the Entity governments in the past year adopted temporary measures related to one-time help in the form of payments to pensioners, war veterans, disabled persons, young people and the unemployed, certain measures were also permanent. One of such measures is the Decision<sup>32</sup> of the RS government regulating the allowances to unemployed mothers with four or more children, according to which they receive a monthly allowance in the amount of KM 750, the right to allowance being exercised as long as at least one of the children is under-age. At the same time, the Federation of BH government subsidized fuel for farms. Furthermore, the FBH government reduced electricity bills for around 70,000 households in the vulnerable category. In FBH, a Regulation was adopted enabling employers to pay to their employees two average wages in FBH or KM 2520 during 2023, which they are exempt from the obligation to pay contributions and taxes for.

<sup>32</sup> <https://vladars.rs/sr-SP-Cyrl/Vlada/Ministarstva/mpos/media/vijesti/Pages>

Regarding wages in FBH in 2023, a 11% increase of the public sector wages and up to 20% pension increases were planned. In RS, public sector wages lower than KM 1,200 were increased by 5% at the beginning of the year, with the same level of increase for the second part of 2023 for all the remaining wages. At the same time, pensions were increased by 13.5%.

At the consolidated BH level in 2023, there was an increase of allocations for gross wages of KM 614.0 million (1.3% of GDP)<sup>33</sup>, and an increase of expenditures of KM 968.1 million (2.0% of GDP) was seen in the category of subsidies, social benefits and transfers.

As a part of social policy, and as a response to persisting high prices in the country, the Government of the Federation of BH has adopted a Decision on direct price control measures by determining the maximum level of margins for certain basic food and other products<sup>34</sup>. In addition, in December 2023, the Federal Ministry of Trade announced a Public Invitation for voluntary participation in the “price lockdown”<sup>35</sup> action, which is a joint project of the Employers’ Association, Consumers’ Association and Trade Union, by which the prices for 40 food and hygiene products are reduced and locked down for a period of three months, with the beginning of implementation in December 2023. At the same time, as a part of social policy, the RS government has adopted a Decision to revoke margins<sup>36</sup> for a certain number of products sold in Republika Srpska. Among other things, the list of products includes milk and dairy products, meat and meat products, children’s food and personal hygiene products.

The total amount of fiscal allocations in 2023 was around 6.0% of GDP of RS, while in the Federation of BH it amounted to around 2.8% of GDP of FBH.

The recorded trading in BH financial markets was one of the highest in the history of BH stock exchanges. The same as in the previous several years, the total trading on the stock exchanges was influenced by the Entities’ public issues, and this year the Republika Srpska issues were dominating. The growth in 2022 was due to the base effect. The continuation of both absolute and relative growth in 2023 is due to the growth of the budgets of the Entity governments and their financing by means of debt issuance on stock exchanges. The total value of the traded financial instruments is 1.47 billion. In the total trading structure, despite the high and growing market capitalization of stock companies (especially at BLSE), the trading in equity securities participated with less than 10%. In 2023, public debt issues were carried out in the total of ten maturity segments (last year in eight maturity segments), and in addition to the issues of five year bonds

<sup>33</sup> *The Global Framework of Fiscal Balance and Policies in BH for the period 2024-2026, January 2023.*

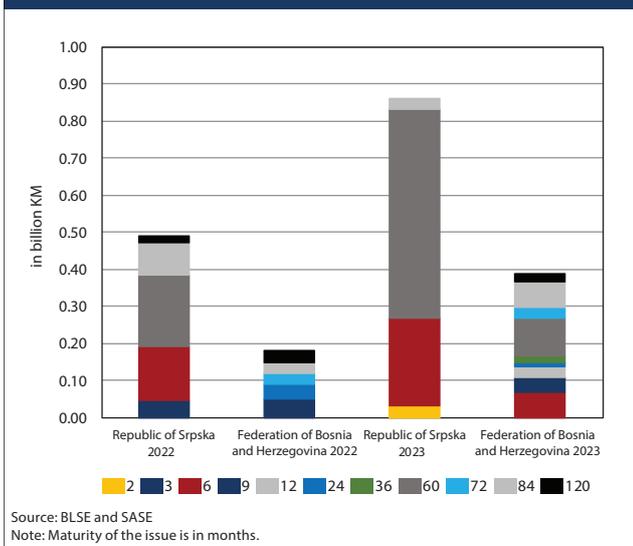
<sup>34</sup> <https://www.fmt.gov.ba/novosti/odluka-o-propisivanju-mjerna-posredne-kontrola-cijena-utvr%C4%91ivanjem-maksimalne-visine-mar%C5%BEi-za-pojedine-osnovne-%C5%BEivotne-namirnice-i-druge-proizvode-obavijest-o-primjeni.html>

<sup>35</sup> <https://www.fmt.gov.ba/zaklju%C4%8Davamo-cijene>

<sup>36</sup> <https://vladars.rs/sr-SP-Cyrl/Vlada/Ministarstva/MTT/Za%C5%A1tita%20potro%C5%A1a%C4%8Da/Pages/default.aspx>

(the total of twelve issues), public debt issues for a half year period (the total of ten issues) were the most frequent ones. Unlike the last year, there were no issues of three month treasury bills in 2023, but two month and twelve month treasury bills were issued, as well as three year bonds (Graph 1.23). In terms of the value, Republika Srpska issued 93% of the issues in the maturity segments of 6 months and five years, and in the Federation of Bosnia and Herzegovina, these two maturity segments and the seven year bond issues account for 62% of the value of all the issues realised in 2023.

Graph 1.23: Value of Issues per Maturity Segments



Source: BLSE and SASE  
Note: Maturity of the issue is in months.

The average bid to cover ratio of Republika Srpska issues (the ratio between received and accepted bids) was lower than that in the Federation of Bosnia and Herzegovina, the same as the last year. There is also a difference in dynamics, and especially in the number of issues that is again in favour of Republika Srpska (Table 1.2.). Republika Srpska borrowed intensively in the domestic financial market almost throughout the entire year, starting from February, and the Federation of BH from April.

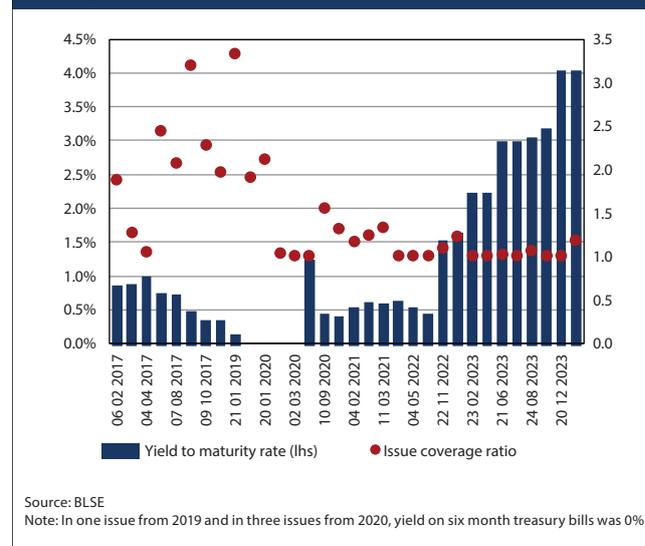
Table 1.2: The Entities' Public Debt Issues in 2023

Maturity, in months	2	6	9	12	24	36	60	72	84	120	Total
Republika Srpska	1	8	0	0	0	0	9	0	1		19
Federation of Bosnia and Herzegovina		2	1	1	1	1	3	1	2	1	13
Total	1	10	1	1	1	1	12	1	3	1	32
Value of issues (million KM)	32.4	303.8	39.0	29.7	10.0	20.0	664.8	29.9	99.9	20.0	1,249.4

Source: BLSE and SASE

The Entity budget financing in 2023, the same as in the last year, was carried out in circumstances of rising yields in the financial market, which is particularly visible in the six month treasury bills market (Graph 1.24) and in the five year bond market of Republika Srpska, as well as in most maturity segments of the public debt of the Federation of Bosnia and Herzegovina. The average yield rate in the market of six month treasury bills of Republika Srpska increased almost two times, while the growth of the yield rates on the five year bond market increased by 147 bp.

Graph 1.24: Yield to Maturity Rate in the Primary Market of Six Month Treasury Bills of Republika Srpska



Source: BLSE  
Note: In one issue from 2019 and in three issues from 2020, yield on six month treasury bills was 0%.

All the yield to maturity rates in the primary bond market were lower in 2023, as well as in the previous year, in the Federation of Bosnia and Herzegovina (Table 1.3). The difference ranged from 100 basis points in the six month treasury bill market to nearly 300 basis points in the five year bond market. The same as in the last year, Republika Srpska made a decision this year on the maximum interest rate on some public debt categories from the aspect of the type of creditors, which this time it linked to the level of six month or twelve month Euribor<sup>37</sup>. The maximum interest rate on credit debts with domestic creditors, international creditors and the international financial market is determined as Euribor to which 4%, 5.5% and 7% are added, respectively, depending on the type of creditor.

Table 1.3: Average Yield to Maturity Rate in the Primary Market of Entities' Public Debt in 2023

Maturity, per month	2	6	9	12	24	36	60	72	84	120
Republika Srpska	2.40	3.05					5.94		6.10	
Federation of Bosnia and Herzegovina		2.04	3.50	1.15	3.74	3.23	3.12	3.50	3.44	3.80

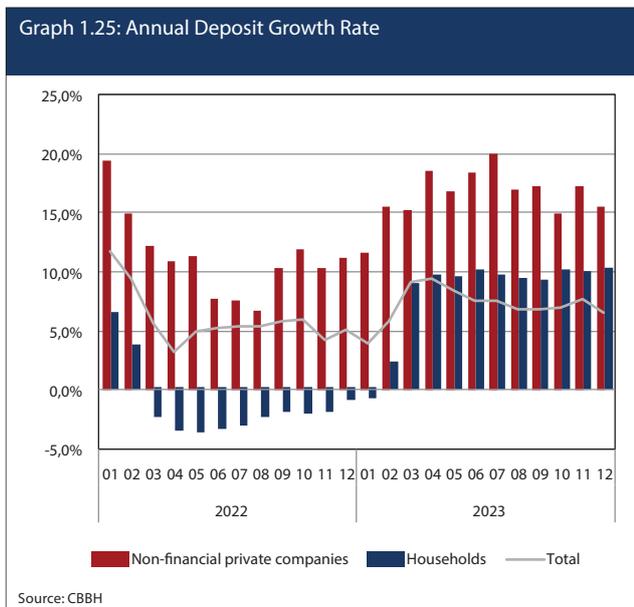
Source: BLSE and SASE

<sup>37</sup> Decision on the long-term borrowing of Republika Srpska for 2023. Official Gazette of Republika Srpska 112/22, November 2022.

### 1.2.3 Banking Sector

In 2023, the banking sector was stable, profitable, and without significant growth of credit, foreign exchange, or market risks. Profitability growth was achieved with high liquidity, low share of non-performing loans, and in conditions of moderate asset growth. All the financial soundness indicators improved compared to the previous year<sup>38</sup>. In the banking sector ownership structure, the share of banks with majority domestic ownership in the total banking sector assets amounted to 25.7%<sup>39</sup>.

After the last year's decline of bank deposits, caused primarily by the short lasting but strong withdrawal of deposits from two banks which were exposed to reputational risk, the growth of deposits continued in 2023. High deposit growth rates in 2023 (Graph 1.25) are due to the base effect, inflation slowdown and bank lending. The largest contributions to the deposit growth in 2023 came from the sectors of households and non-financial companies.



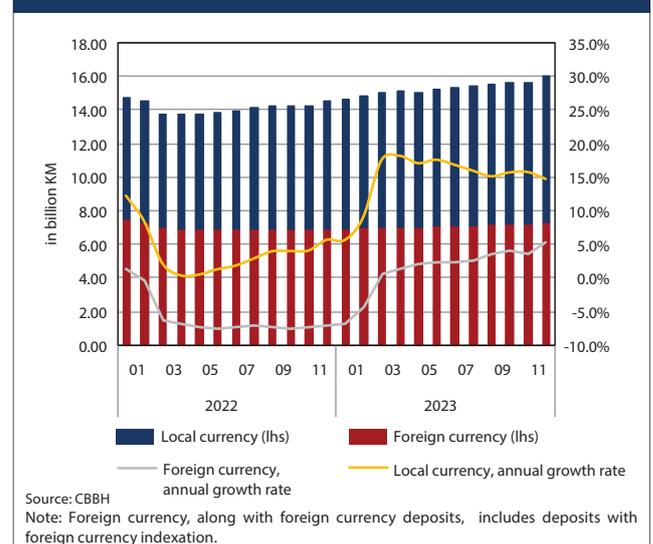
Despite inflationary increase of tax base and the record high level of indirect taxes, the deposits of the Entity's governments decreased for the first time in nine years. For the first time, a decrease of other financial institutions deposits' was recorded at the annual level. In some other financial institutions, a significant credit growth was seen, as well as dividend payments, which could have been some of the determinants of the strong decrease of other financial institutions' deposits. For the first time after eight years of growth, deposits of the non-financial public companies sector also decreased.

<sup>38</sup> More details on numerical indicators of Bosnia and Herzegovina banking sector financial soundness can be found on the portal of the Central Bank of BH, [www.cbbh.ba](http://www.cbbh.ba)

<sup>39</sup> Data for Q3 2023.

One of the key positive features in deposit dynamics is the continuing upward trend of household deposits in the local currency (Graph 1.26). At the end of 2023, the share of household deposits in the local currency was 54%. The currency structure of deposits of non-financial companies shows approximately the same ratios as in the previous year, with a third of deposits in foreign currency. The trend of relative decline of the positions of other, i.e. term-deposits of households was continued this year. Given their importance in financing lending, banks remain exposed to an unfavourable maturity structure of funding sources. On the other hand, changes in the maturity structure of deposits of non-financial companies, as another significant sector, did not take place.

**Graph 1.26: Household Deposits, Currency Structure**

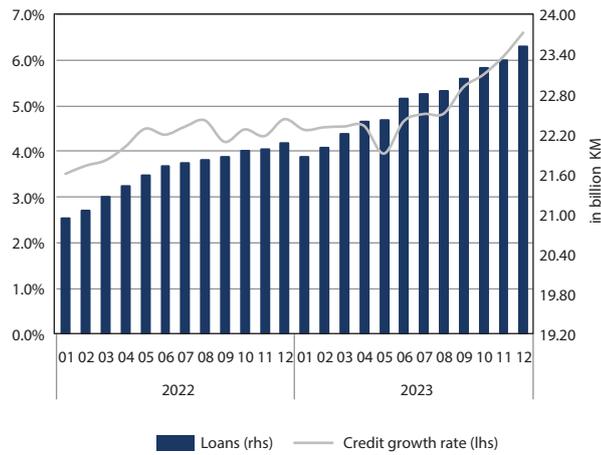


An average low annual growth of lending interest rates and still exceptionally low real interest rates on loans, with satisfactory loan approval conditions and abundant domestic sources of financing, resulted in a stronger credit dynamics than in the previous year (Graph 1.27). The surveys conducted by the CBBH among banks<sup>40</sup> indicated that banks had expected a slowdown of lending in 2023. Despite tightening of bank lending standards<sup>41</sup>, and despite the expected rise in the costs of financing sources, credit growth in BH exceeded the expectations. Given the recession pressures in the environment, and low economic growth in BH, there was a substantial growth of the total loans of 6.6%, which was recorded almost entirely in the private non-financial companies and the household sectors. Within household loans, consumer non-purpose loans and housing loans recorded the highest growth. The structure of household loans is almost unchanged compared to the previous year, with the credit growth rate exceeding that in the previous year.

<sup>40</sup> Surveys on bank lending in BH for the first, second and third quarters of 2023.

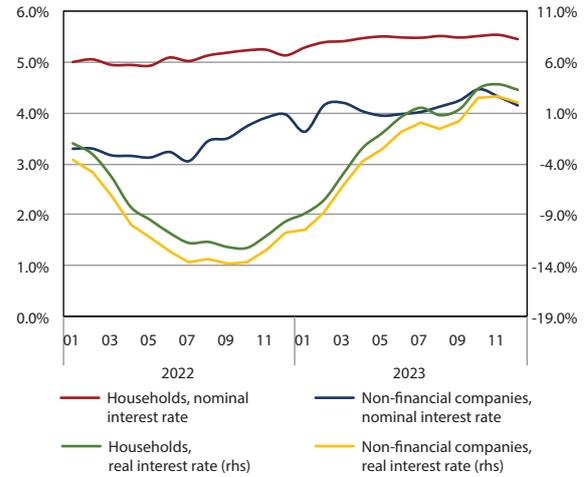
<sup>41</sup> The latest survey on bank lending refers to the third quarter of 2023.

Graph 1.27: Annual Credit Growth Rate



Source: CBBH

Graph 1.28: Interest Rates on New Loans

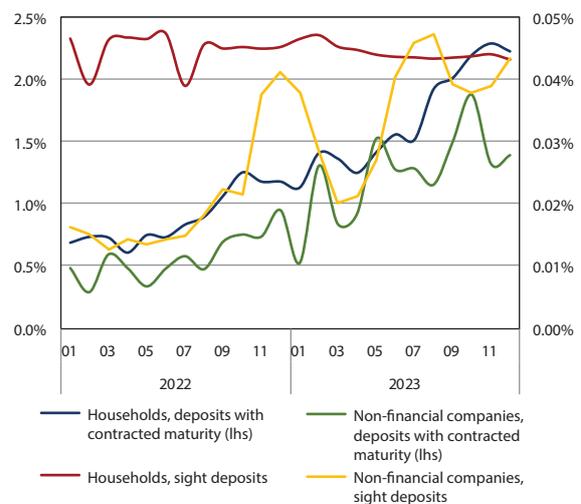


Source: CBBH

There was no significant increase of nominal lending interest rates in the sector of non-financial companies, with small interest rates changes in the household sector. Interest rates are either slightly changed compared to the end of the previous year (housing loans), or growth is relatively low as for non-purpose consumer loans and non-financial companies. With the weakening of inflationary pressures, real interest rates increased continuously throughout the year, with the nominal and real interest rates spread decreasing significantly by the end of the year (Graph 1.28). The tightening of lending standards did not cause a significant rise of lending interest rates. Banks only partially followed the change of the ECB’s benchmark interest rate. Some of the reasons of the low ECB’s monetary policy transmission include the domination of domestic short-term sources of financing in banks’ liabilities, regarding the bank-centric financial system and the lack of alternative forms of monetary assets investment. At the end of December 2023, the interest rates on housing loans, loans to non-financial companies and non-purpose consumer loans to households were 3.9%, 4.2%, 5.8% respectively. Immediately after the ECB started raising interest rates in July 2022, the Entity Banking Agencies made decisions on temporary measures to mitigate the risk of rising interest rates,<sup>42</sup> which made the rise in interest rates above a certain level<sup>43</sup> conditioned by additional allocations for provisions<sup>44</sup>.

Deposit interest rates on deposits with agreed maturities on average increased more than lending interest rates. However, it is the most important to point out that interest rates on sight deposits of households and non-financial companies accounting for 60% of the total deposits remain very low and unchanged compared to the end of the previous year (Graph 1.29). In October last year, the CBBH started publishing data on bank funding costs (Reference rate of average weighted bank funding cost in BH - RRFC 3) which banks can use as a reference rate for tying interest rates to sources of financing and loans with variable interest rates instead of the Euribor values. These statistics also show that there were no significant changes in the bank financing costs as measured by the reference rates of the average weighted cost of bank financing.

Graph 1.29: Interest Rates on the Deposits



Source: CBBH

<sup>42</sup> These decisions are valid until the end of 2023, or until revocation by the Banking Agencies.

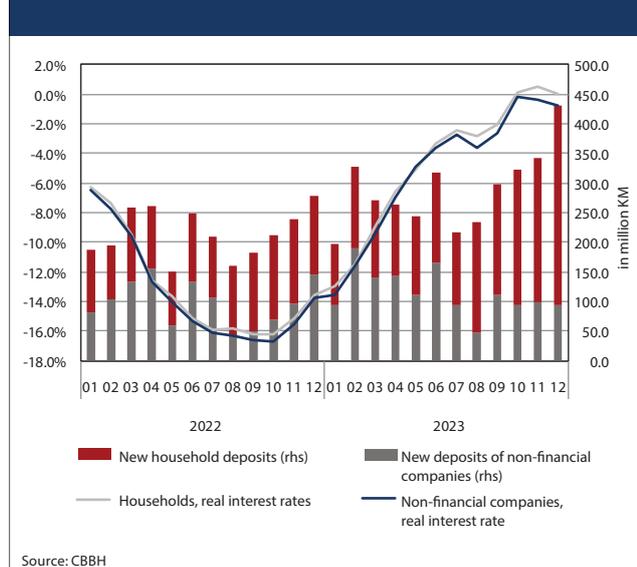
<sup>43</sup> An increase of 200 bp compared to the interest rate level at 30 June 2022 was considered a significant increase of interest rates.

<sup>44</sup> The Banking Agencies believed that the potential increase of bank costs would impact the slowdown of interest rate growth and the degree of financial burden on debtors.

The growth of newly contracted household deposits (deposits with agreed maturities), especially in maturity segments over a year, was impacted by the recorded increase of interest rates. An increase of interest rates on deposits of non-financial companies, although much lower, was also recorded. At the end of the year, the average weighted interest rate on household deposits is 2.2%, and that on deposits of non-financial companies is 1.4%. The difference between the year's end foreign (euro area) and domestic average interest rates on household and non-financial companies' deposits indicates different features of markets of deposits with agreed maturities in Bosnia and Herzegovina compared to the euro area. Such, much weaker reaction of BH banks to the general increase of interest rates, the same as in the case of lending interest rates, can be related to the structure of the financial market of Bosnia and Herzegovina dominated by banks as financial intermediaries. The declining and low share of foreign sources of financing in banks' liabilities reduces the degree of impact of the ECB's monetary policy on interest rates on deposits with agreed maturities in BH. As previously pointed out, the growth of deposit interest rates on household deposits with agreed maturities was higher in longer maturity segments, and accordingly, the interest rate increased most in the maturity segment between one and two years. The difference between interest rates on newly contracted deposits in KM and interest rates on newly agreed deposits in foreign currency increased during 2023.<sup>45</sup> At its peak in October, the difference reached 90 bp in favour of the interest rate on foreign currency deposits, to decrease at the end of this year.

Following a very low level of real interest rates in the previous year due to the two digit inflation rate, a steady upward trend was seen in 2023 due to the weakening of inflationary pressures (Graph 1.30). During 2023, a high value of the total new household deposits was contracted, while the level of the total deposits at the end of the year (KM 31.1 billion) is the highest in the banking sector history.

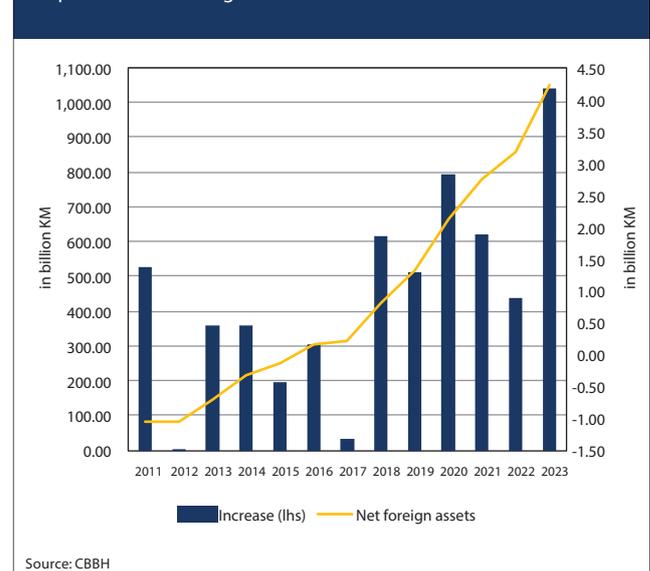
Graph 1.30: Real Interest Rates on Newly Contracted Deposits



<sup>45</sup> At the end of the year, the share of deposits in euros and in other foreign currencies in the total deposits was 36% and 3%, respectively.

The achieved, very high, increase of net foreign assets in 2023 (Graph 1.31) results from the maximum value of foreign assets and the minimum value of foreign liabilities. During the year, in October, the historically highest amount of net foreign assets was recorded (KM 4.65 billion). In addition to the differences between interest rates in the country and abroad, the causes of the growth of net foreign assets include the substitution of foreign sources of financing (foreign liabilities) with domestic sources of financing. The largest contribution to the growth of bank foreign assets was made by other deposits with non-residents, whose share in foreign assets, due to the increase of interest rates on deposits in the euro area significantly increased. The annual growth of securities, in the structure of bank foreign assets, although strong, was partly limited by the new banking<sup>46</sup> regulations.

Graph 1.31: Net Foreign Assets



Source: CBBH

At the end of the year, foreign assets not redeemable at notice<sup>47</sup> accounted for around two thirds of foreign assets. By increasing these positions in the foreign assets structure, banks try to generate additional income, without exposing themselves to the foreign exchange liquidity risk due to the further high share of currency and transferable deposits with non-residents in foreign assets. In addition, the balance of these two positions exceeds the balance of foreign liabilities, which ensures the liquidity of this part of the foreign exchange sub-balance. The annual decline of foreign liabilities of almost a fifth is an expected result of interest differentiation, and, as previously pointed out, the replacement of foreign sources of financing with domestic sources of financing. The largest individual contribution to the decrease of foreign liabilities came from the position of other deposits (term deposits), but despite these major changes, almost three quarters of foreign liabilities are still other loans from non-residents.

<sup>46</sup> Both Entity Agencies passed decisions on limiting bank exposure to foreign central banks and foreign central governments to 100% of the appropriate capital.

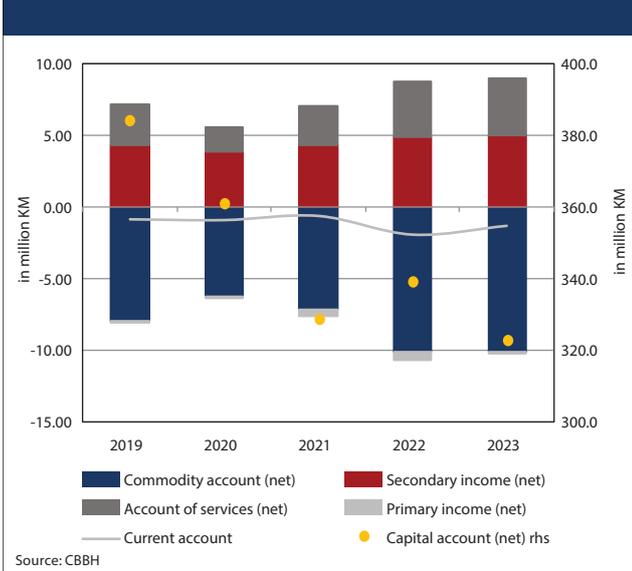
<sup>47</sup> Other deposits with non-residents, securities of non-residents (except for shares) and other loans to non-residents.

## 1.2.4 External Sector

### I Balance of Payments

Unlike 2022, when record high values were recorded in international trade in goods, 2023 saw a decline in the value of foreign trade in goods. The contraction of the international commodity market is due to the modest volume of economic activity at the global level, as well as strong geopolitical tensions. In 2023, in absolute terms, the current account deficit was recorded in the amount of KM 1.38 billion (Graph 1.32), which represents a decrease of 30.4% compared to the previous year. As in previous years, the current account deficit is largely due to the deficit in the account of goods, while services and inflows based on secondary income recorded a positive impact. Due to the nominal decrease of the current account deficit, as well as a nominal GDP growth in 2023<sup>48</sup>, the current account deficit expressed as a percentage of GDP decreased by 1.7 percentage points to the level of 2.7%.

Graph 1.32: Current and Capital Accounts



In 2023, the value of international trade in goods declined, with the decline of exports being stronger, resulting in a record high trade deficit. The decline of the industrial production volume as well as modest final consumption in BH resulted in a decline in the value of imports of goods in 2023. According to the balance of payments data, the value of imported goods amounted to KM 25.87 billion, which represents an annual decrease of 2.6%. On the other hand, the decline of demand in the markets of the main trading partners resulted in a 4.3% decrease of the value of exports of goods from BH. Exports of goods reached the value of KM 15.67 billion, with over 73.0% of the value of exports of goods realized in the market of the EU countries (Table 1.4).

Table 1.4: BH Commodity Foreign Trade, by the Most Significant Trade Partners, in billion KM

	Exports			Imports		
	2021	2022	2023	2021	2022	2023
EU	10.39	13.23	12.19	12.73	16.30	16.37
CEFTA	2.41	3.30	3.12	2.76	3.52	3.24
Other countries	1.47	1.44	1.39	6.10	8.82	8.15
TOTAL	14.27	17.97	16.70	21.60	28.64	27.77

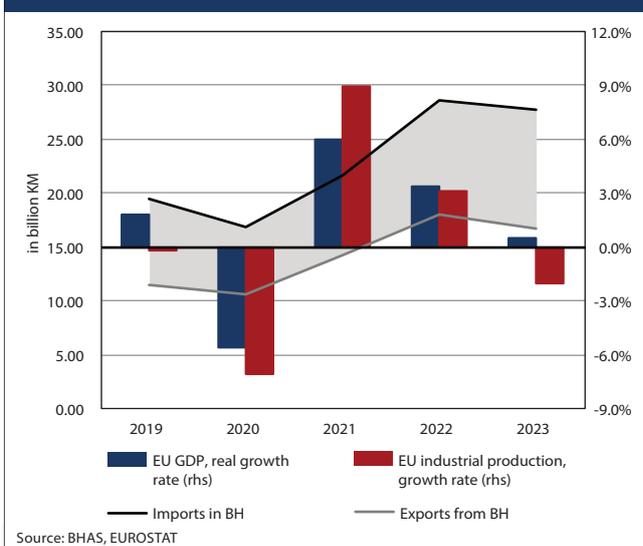
Source: BHAS

Note: The data in the table represent foreign trade statistical data by the BH Agency for Statistics

### Text Box 3: Foreign Trade Commodity Deficit in BH in 2023

Economic trends at the global level, and especially in the EU market, reflected on the economic activity and foreign trade of BH in the last year. After a very high volume of BH foreign trade in goods in 2022, mostly caused by the price effect as well as the growth of demand, in 2023, decreases, both of exports and imports, were recorded, with exports recording a stronger decrease in value (Graph 1.33). BH position as a net importer on the international commodity market resulted in a record high commodity foreign trade deficit in 2023 amounting to KM 11.07 billion (Graph 1.34).

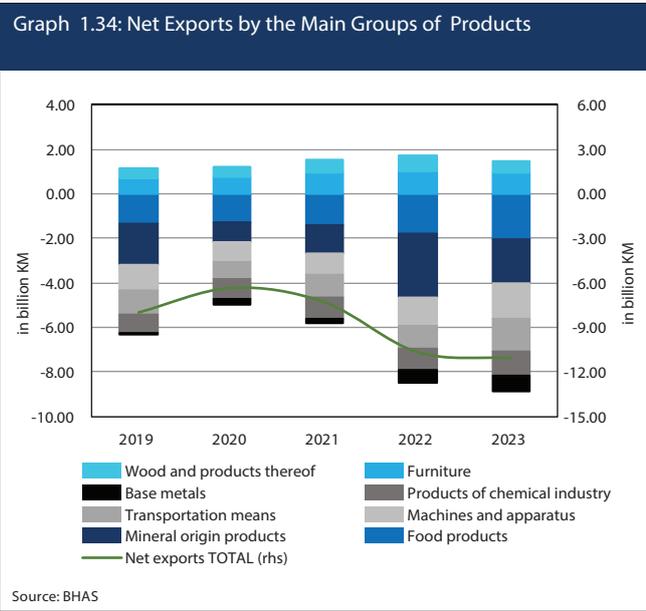
Graph 1.33: BH Exports and Imports, GDP and Industrial Production in the EU



The decline in the value of exports of goods from BH of 7.1% in 2023 is the largest generator of the record high trade deficit, mainly resulting from a decline of demand for BH goods in the markets of BH most important trading partners countries. Considering that 73.0% of exports of goods from BH in 2023 were directed to the market of the EU countries, the modest level of economic activity in the EU in the observed period (growth of 0.5%) was not sufficient to achieve a significant value of exports.

<sup>48</sup> Nominal GDP for 2023 is the CBBH projection from November 2023.

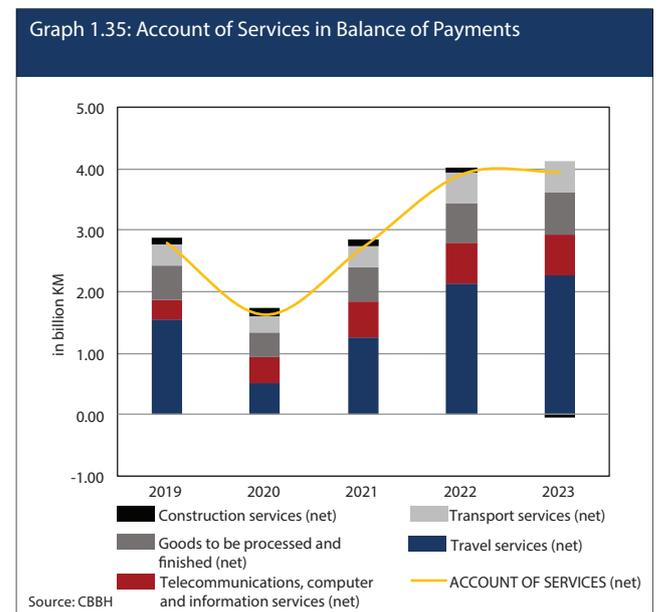
The contraction of the German economy in 2023, estimated at 0.3%, was particularly important for the value of BH exports, Germany being the most important export market for BH products. In addition, of the five most important export partners of BH, only Serbia recorded an increase in the volume of industrial production in the observed year, which affected the exports of raw materials and semi-finished products.



According to product groups, food products, mineral origin products, machines and appliances and means of transport generated the largest part of the commodity trade deficit in 2023. Despite strong production potentials, as well as favourable climate conditions, BH imported five times more food products in 2023 compared to the value of exports, which resulted in a deficit of KM 2.01 billion. Due to the decrease of oil prices in the international market in 2023 compared to the previous year, the deficit in the exchange of mineral origin products recorded a decrease of 31.3% in the reporting year. Despite the relatively stable physical volume of electric energy exports, slightly lower prices of this energy source affected the annual decline of export value. Within the same group of products, a decrease in value, due to a significantly lower demand, was also recorded in coal exports (25.0%). Although BH has traditionally recorded a high commodity deficit in the trade of machines and appliances, in 2023, it was higher by one third than the five-year pre-pandemic average level. International trade in base metals has historically recorded the strongest oscillations in net exports, from positive values in the pre-pandemic period to negative ones in the pandemic and post-pandemic periods. The growth of deficit in the trade of base metals is due to both domestic and external factors. A significant factor was the temporary halt of steel production in one of the largest production facilities in BH at the end of 2023, which had an impact on both secondary and tertiary activities. On the other hand, the 24.5% decline of the value of base metal exports is also due to a decrease of global demand for steel by 5.2% in 2023, due to the developed countries' industries

being burdened with high energy costs, as well as due to the base effect due to significantly lower steel prices in the reporting year compared to the previous year. A decline of demand in developed markets also reduced the trade surplus based on trade in furniture, a group of products that, along with wood and wood products, continuously recorded a surplus, but it is still well above the pre-pandemic level. On the other hand, the growth of the value of imports of means of transport, continuously recording high annual growth rates (except in the first year of the pandemic) had a very high contribution to the foreign trade commodity deficit in 2023. Adverse developments in foreign trade present in 2023 continued in the first month of 2024 with the recorded annual decline of the value of exports and an increase of the value of imports. The modest estimated growth of the EU economic activity in 2024 of 0.9%<sup>49</sup> does not indicate an improvement of the outlooks for positive developments in BH foreign trade in 2024. Foreign trade activity in 2024 will also be heavily influenced by shocks caused by conflicts in the Middle East, which could result in price and distribution disruptions for raw materials and products.

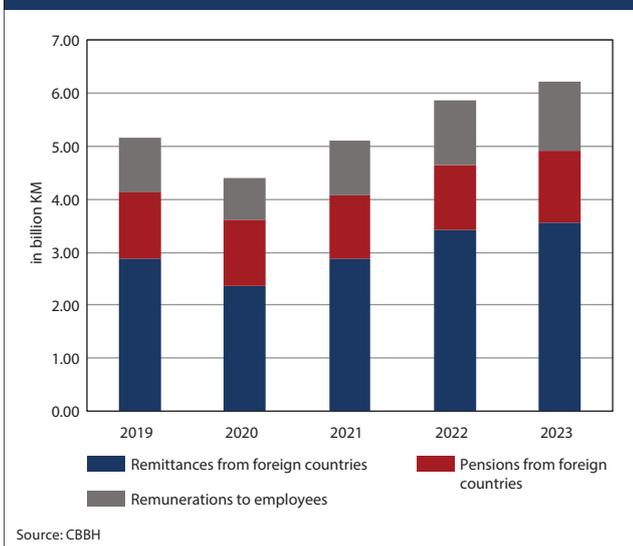
The largest part of the deficit in the account of goods is covered by net inflows in the account of services, which in 2023 amounted to KM 3.95 billion, slightly above the previous year's level (1.1%). All the most important categories in the service account, except for construction, recorded a growth of net inflows in 2023 (Graph 1.35). Traditionally, the largest part of the net inflow in the service account relates to inflows based on foreign tourists' visits, which recorded an increase of 5.8%. Despite a decline of the industrial production volume and a decrease of the number of orders from developed countries, net inflows from processing of goods increased by 7.6%, while transport services, conditioned by contraction in the international commodity market, recorded net inflows slightly above the last year's level. In 2023, telecommunications, computer and information services stayed on the upward trend, achieving net inflows in the value of KM 667.9 million (growth by 2.3%).



<sup>49</sup> Eurostat, Winter Round of Economic Projections, February 2024

In addition to the surplus in the service account, the largest contribution to the decrease of the current account deficit was that of the surplus in the secondary income account, primarily based on workers' remittances from abroad (Graph 1.36). Despite the modest volume of economic activities in developed countries, strong labour market indicators as well as nominal wage growth resulted in net inflows based on workers' remittances in the amount of KM 3.56 billion, which represents an increase of 4.5%. In addition to workers' remittances, pensions from abroad as the second most important category of secondary income also achieved a 9.3% increase of net inflows in 2023. In addition, net inflows based on residents' wages abroad, which amounted to KM 1.30 billion, had a significant contribution to decrease of the current account deficit.

Graph 1.36: Remunerations to Employees in Foreign Countries, Remittances and Pensions from Foreign Countries



The current account deficit in 2023 was largely financed by net inflows based on foreign direct investment, as well as private sector borrowing from international creditors. Net inflows based on foreign direct investments reached the record high amount of KM 1.63 billion. Despite considerable net inflows on the basis of investments in debt instruments in the second quarter, more than half of the foreign direct investments value in 2023 was related to reinvested earnings. Within portfolio investments, there was an increase of investments in debt securities of foreign issuers in the amount of KM 402.0 million, mostly realized by banks and other financial institutions.

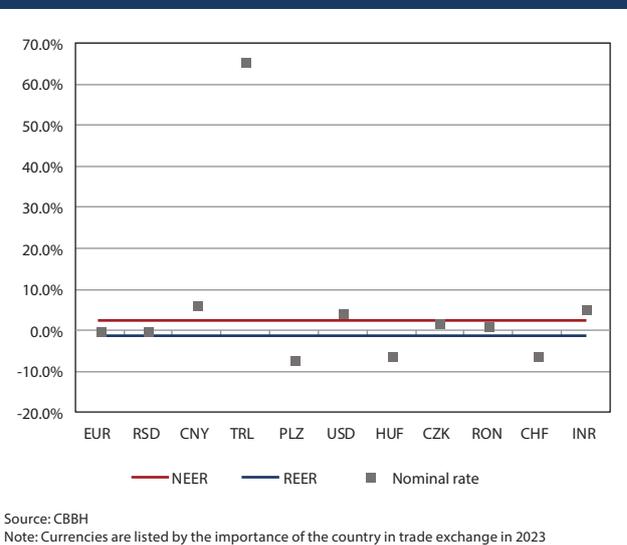
Within other investments, in the observed period, net outflow of funds in the amount of KM 605.1 million was recorded, mostly as a result of net outflow in the item of currency and deposits, which was quite present in the first half of 2023.

In the observed period, based on currencies and deposits, there was an increase of foreign assets of all sectors at the same time accompanied by a decrease of foreign liabilities. The general government sector decreased its debt towards international creditors by KM 482.5 million in the observed period, while non-financial companies increased their debts based on loans. Due to contractions in the international trade in commodities, net inflows based on trade loans and advance payments declined by 4.1% in 2023.

## II Nominal and Real Effective Exchange Rates

In the last four years, with the exception of short-term oscillations, NEER has had a distinct appreciation trend. At the end of 2023, NEER recorded an annual appreciation of 2.4%. The appreciation of NEER is due to the nominal appreciation of the euro, our anchor currency, towards the Turkish lira (65.4%), the Chinese yuan (6.3%) and the US dollar (4.4%) (Graph 1.37). On the other hand, real effective exchange rate, with the consumer price index used as a deflator (REER-CPI) since the beginning of the second quarter of 2023, shows a depreciation trend, as a consequence of much lower inflation rates in BH compared to the main trading partners countries<sup>50</sup>. At the end of the reporting year, REER-CPI recorded an annual depreciation of 1.3%.

Graph 1.37: Annual Changes in KM Foreign Exchange Rate, December 2023



<sup>50</sup> Of the ten most important trading partners in 2023, BH recorded a lower average annual inflation compared to seven countries (Serbia 12.1%, Croatia 8.4%, Austria 7.7%, Slovenia 7.2%, Turkey 54.0%, Poland 10.9% and Hungary 17.0%)



Centralna banka  
BOSNE I HERCEGOVINE

# Report on the CBBH Activities in 2023



## 2. Report on the CBBH Activities in 2023

In December 2023, the net foreign exchange reserves amounted to KM 16.29 billion and increased by KM 224 million (1.39%) compared to the same period last year (Graph 2.1). Such foreign exchange reserves trend in 2023 was influenced by the foreign debt servicing, the absence of foreign borrowing by governments, the stronger effects being neutralised by inflows from remittances, and net inflows of foreign direct investment. The decrease of foreign exchange reserves recorded in the first quarter is not unusual, and to a significant extent, it is a result of the negative cumulative purchase and sale balance with commercial banks and internal depositors, as well as significant foreign debt repayment. During the second quarter, the foreign exchange reserves recorded no significant fluctuations, and in the third and fourth quarters, foreign exchange reserves increased, mainly due to the positive significant impact of the tourist season. In the last three months of 2023, the foreign exchange reserves increase is due to a decrease of banks' foreign assets, and the consequential positive KM purchase and sale balance with commercial banks recorded in December 2023.

Graph 2.1: The CBBH Foreign Exchange Reserves

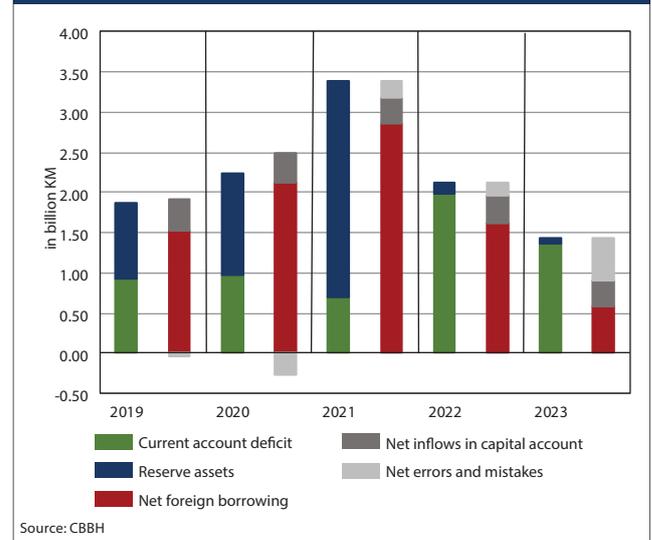


All the transactions that affect the foreign exchange reserves level are reflected, at the aggregate level, in the trend of KM purchase and sale with the CBBH. During 2023, the CBBH achieved a negative cumulative KM purchase and sale balance with commercial banks and internal depositors in the amount of KM 237.3 million, which affected the foreign exchange reserves decrease.

Foreign debt repayment, as another factor influencing the foreign exchange reserves decrease, in 2023 reached the cumulative amount of KM 1.25 billion. Changes in the value of the CBBH portfolio due to favourable market conditions in 2023 had a significant positive impact on the foreign exchange reserves (see Chapter 2.3).

Graph 2.2 illustrates the changes in reserve assets, which, from a balance of payments point of view, mainly consist of the foreign exchange reserves of the CBBH. The current account deficit, which from a balance of payments point of view can be seen as a debt to foreign countries, is financed by net foreign borrowing from non-residents for an amount not covered by net inflows in the capital account. Net foreign borrowing can be in the form of foreign direct investment, which is the most convenient form from a macroeconomic point of view, or in the form of borrowing from non-residents by the government, companies or financial sector. The amount of net foreign borrowing above the current account deficit level increases reserve assets, i.e. foreign exchange reserves in the observed period. Net foreign borrowing from non-residents in 2023 was well below the current account deficit level. Nevertheless, net inflows in the capital account, as well as a very high value of the net error and mistakes item, which from the balance of payments point of view compensates for a part of the current account deficit, resulted in the growth of reserve assets in the observed period by KM 51.7 million.

Graph 2.2: Impact of Balance of Payments Items on the Foreign Exchange Reserve Growth

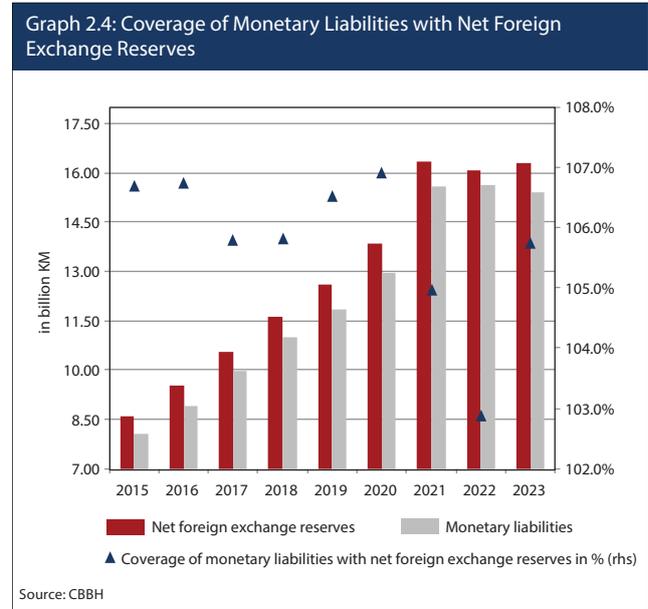
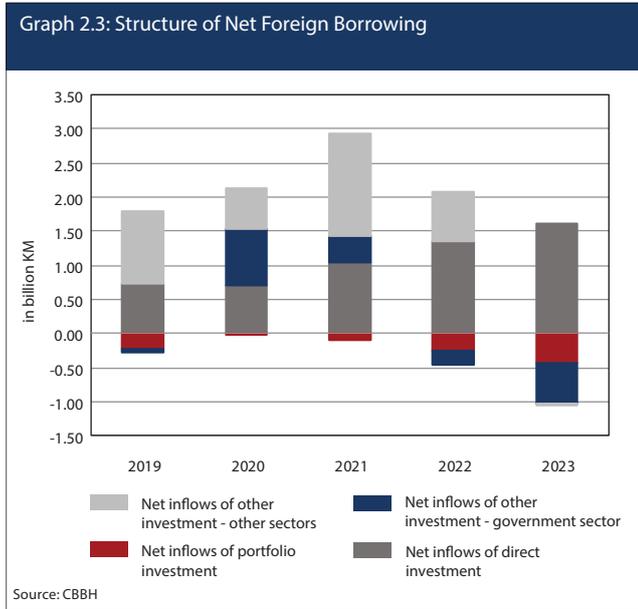


Net foreign borrowing in 2023 was significantly lower than in 2022 (63.8%), and the borrowing structure itself was different (Graph 2.3). The government sector borrowing, which particularly during the pandemic period had a significant contribution to the growth of reserve assets, did not take place in 2023 on a significant level, so repayments of loans to international financial institutions were significantly higher than new debts. Also, net outflow of funds in the observed period was recorded on the basis of portfolio investments, as a result of investments of companies from the financial sector in debt securities.

Net foreign borrowing was under a positive effect of net inflows on the basis of foreign direct investments, which recorded an increase of KM 278.2 million in 2023, of which the largest part relates to reinvested earnings.

Within other investments, private sector inflows, primarily in the form of trade loans and advance payments, but also loans to non-financial companies, had an effect on reserve assets.

The rate of coverage of monetary liabilities with foreign exchange reserves at the end of 2023 is significantly higher compared to the end of the previous year amounting to 105.8% (Graph 2.4). The increase of the coverage ratio is due to the timely and adequate adjustment of the foreign exchange reserves portfolio with regard to the expected growth of the ECB benchmark rates and yields on the euro area governments' debt securities (see Chapter 2.3).



## 2.1 Monetary Policy

In 2023, the CBBH fulfilled the objective defined by the Law, the issue of the local currency according to the currency board arrangement. According to Article 31 of the CBBH Law, the Bank is obliged to ensure that the total amount of its monetary liabilities should never exceed the equivalent amount of its net foreign exchange reserves, which was completely met.

According to the Law, the total amount of the monetary liabilities of the Central Bank is always the sum of the following:

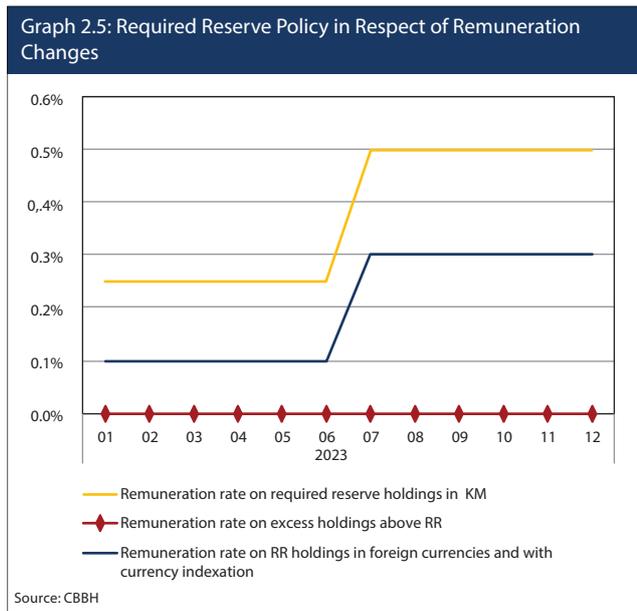
- (A) all the banknotes and coins put into circulation by the Head Office, Main Units and other Branches of the Central Bank, and
- (B) credit balances of all accounts held in the books of the Central Bank and its organisational parts by resident account holders.

At the end of 2023, net foreign assets amounted to KM 886.2 million, which is higher by KM 434.7 million than at the end of 2022. At the end of 2023, net foreign exchange reserves amounted to KM 16.29 billion, having increased by KM 224.1 million (1.39%) compared to the same period last year. Monetary liabilities recorded a decrease of KM 210.5 million in the same period, due to a decrease of the total bank holdings in reserve accounts with the CBBH. The CBBH net foreign assets represent a buffer against market shocks that can have a negative impact on the fair value of financial instruments which foreign exchange reserves are invested in.

## 2.2 Reserve Accounts with the CBBH

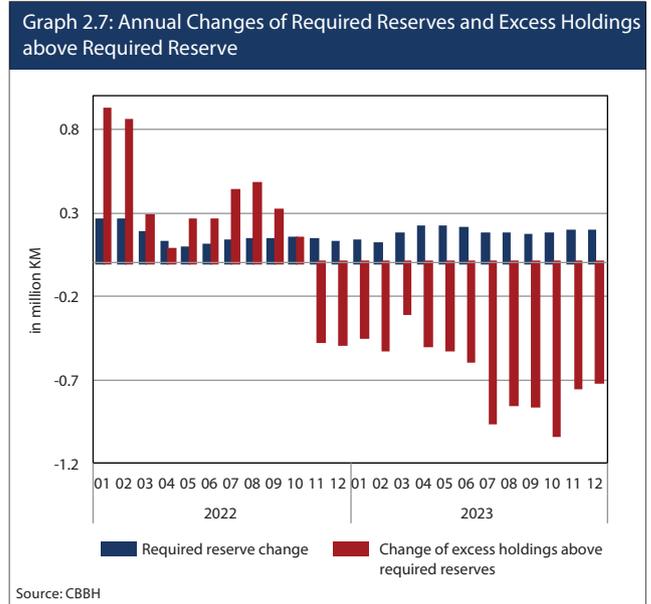
The only monetary policy instrument available to the CBBH is a required reserve. During 2023, the CBBH did not change the required reserve rate, or the coverage of the base for the required reserve calculation. The reserve requirement rate is retained at 10%, and applies to all domestic and foreign liabilities of banks. With the increase of benchmark interest rates, due to the strong tightening of the monetary policy of the ECB, the central bank of our anchor currency, the CBBH communicated that the remuneration policy for holdings in bank reserve accounts will be harmonized with the ECB policy, with regard to the trend, but not necessarily with regard to the levels. As communicated to the public, the CBBH has chosen the principle of a higher remuneration on the required reserve holdings with KM base compared to the one for the foreign currency base. Also, it was communicated that the sources of financing cost will be one of the key parameters that will determine the rates of remuneration on reserve accounts with the CBBH. In May 2023, the CBBH Governing Board made a decision to increase the remuneration rates calculated by the CBBH on required reserves and excess holdings above the required reserve. Starting from 01 July 2023, the required reserve holdings with the base in the domestic currency KM are remunerated at the rate of 50 basis points (0.50%), the required reserve holdings with the base in foreign currencies and in domestic currency with currency indexation are remunerated at the rate of 30 basis points (0.30%). Excess holdings above required reserve are remunerated at zero remuneration.

This Decision has remained in effect until the end of 2023 (Graph 2.5).

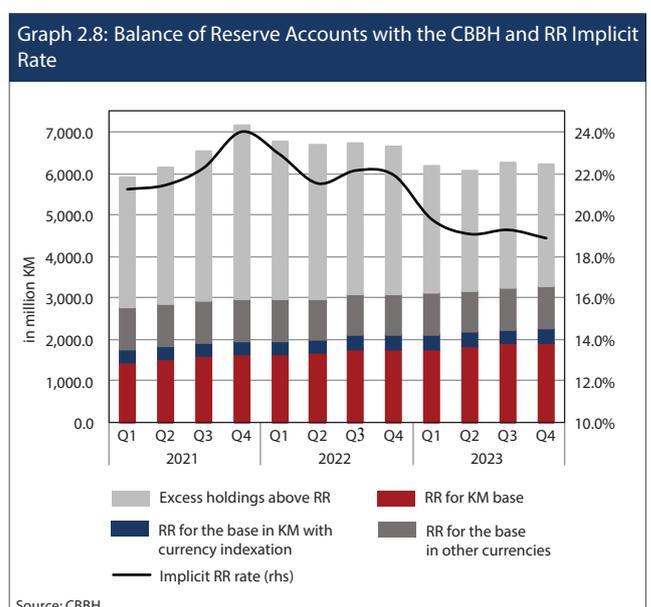
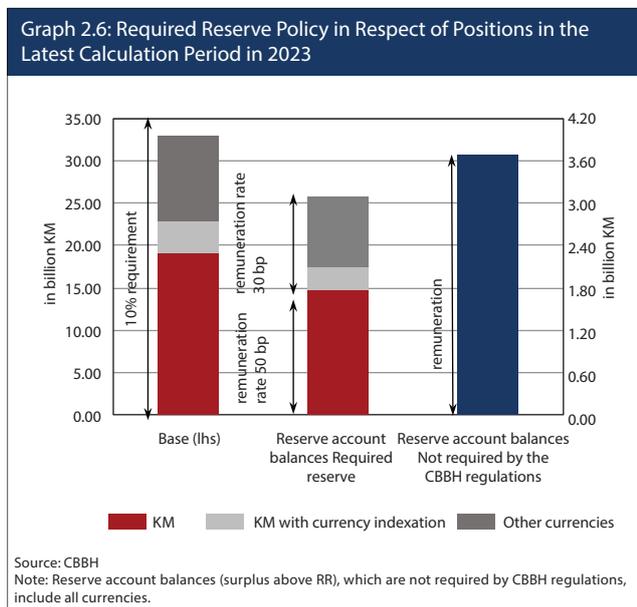


Since the beginning of 2024, the CBBH has introduced changes to the reserve requirement policy, which imply greater flexibility in the monetary policy calibration. The key change relates to the obligation to allocate the required reserve from the base for the calculation of the required reserve in foreign currency. With the aim to facilitate transition, especially from the aspect of managing the net open position of banks, but also taking into account the effects on the CBBH investment policy, it was decided the implementation would take place in phases. This Decision defines that in the transition period, from January to September 2024, banks maintain the calculated required reserve in EUR by holding 5% of the calculated required reserve in EUR in the reserve account in EUR, while the remaining amount will be maintained in KM. The required reserve rate applied by the Central Bank is 10% for all currency and maturity categories.

In 2023, 22 banks were included in the required reserve system. All banks have fulfilled the obligation to make allocations to required reserve account. The strong growth of deposits of domestic sectors was a dominant growth factor for the base for the required reserves calculation in 2023, so the base for required reserve calculation throughout the year recorded continuous monthly growth (Graph 2.5).



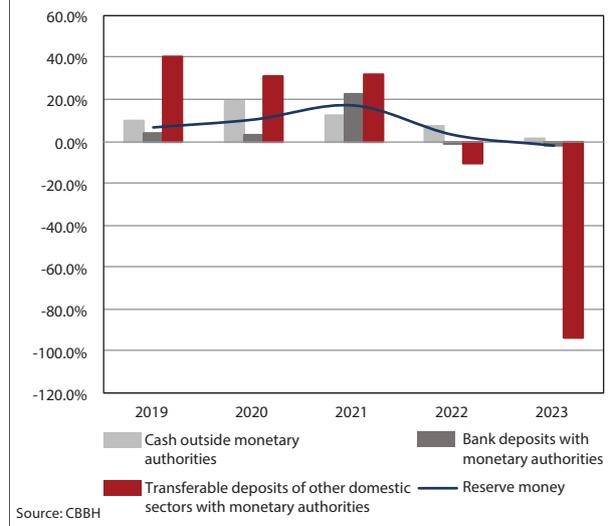
At the end of the reporting period, the base for the required reserve calculation amounted to KM 32.88 billion, and compared to the same period last year, it increased by KM 1.9 billion. In the currency structure of the base, the KM base dominates with the share of over 58% at the end of the last calculation period in 2023, while the share of the base in KM with currency indexation and the foreign currency base is 10.9% and 30.6%, respectively. The share of the KM base in the total base for the required reserve calculation is higher by 1.2% compared to the same period of the previous year. These currency recompositions were only changes in the base structure, while at the aggregate level, the required reserve recorded continuous growth (Graph 2.8).



The total holdings in reserve accounts with the CBBH at the end of 2023 amounted to KM 6.20 billion and decreased by KM 570.7 million compared to the end of 2022. Consequently, the implicit required reserve rate was 18.9% and decreased by 3% compared to the same period of the previous year. At the end of December, the average holdings above the required reserve amounted to KM 2.92 billion. The significant decrease of excess holdings above the required reserve, having begun in the fourth quarter of 2022, continued throughout 2023. Consequently, the annual decrease of excess reserves in 2023 amounted to KM 709.86 million, which is a significantly larger decrease than the one recorded in the previous year (KM 480 million). Although the tendency to keep a significantly higher balance in accounts with the CBBH, compared to the prescribed requirement by the CBBH, is more visible for a few banks, it is evident that this is still a system development. Significant changes of the ECB monetary policy in 2023, as well as changes of conditions in the euro area financial markets should be taken into account.

After the short-term withdrawal of deposits from banks in the first quarter of 2022, a complete recovery of deposits took place during 2023, while the reserve money structure did not change significantly. Although at a much lower intensity, at the annual level, cash outside monetary authorities in the reserve money structure has seen growth, with the strong seasonal impact of cash outside banks increases in the summer months. Unlike the previous year, when the growth of cash outside monetary authorities had a dominant impact, the reserve money trend during 2023 was primarily determined by changes in the balances of banks' reserve accounts with the CBBH. The continued growth of household and non-financial private companies' deposits during the last two quarters of 2023, however, was not sufficient to make this item in the reserve money structure return to the level recorded at the end of 2022. The growth trend of transferable deposits of other domestic sectors was ended in 2022, these deposits recording a decline, at the annual level, in 2023. Although the share of transferable deposits of other domestic sectors with monetary authorities in the reserve money structure is negligible, the decrease of this item of reserve money, in addition to the decrease of bank deposits with monetary authorities, resulted in a slight annual decrease of reserve money (Graph 2.9). The recorded significant monthly growth of reserve money of KM 544 million in the last month of 2023, due to the growth of deposits with monetary authorities, was not sufficient to neutralize the recorded decrease of reserve money during other months. At the end of 2022, reserve money amounted to KM 14.66 billion and decreased by 1.75% compared to the same period last year.

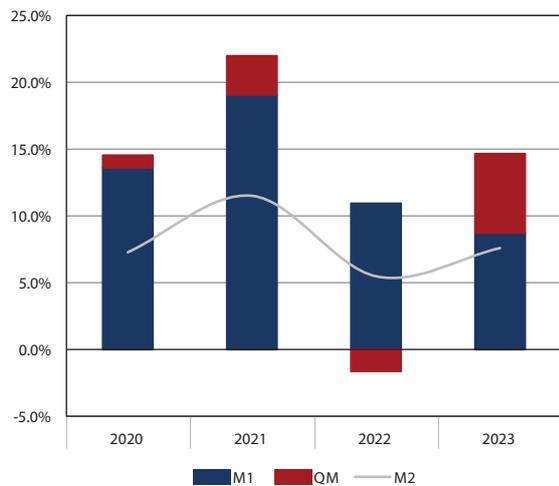
Graph 2.9: Annual Changes in Reserve Money Components



During 2023, there was a significant growth of money supply (KM 2.52 billion), with the increase recorded in all the components of broad money supply. In this regard, M1 and M2 monetary aggregates grew at a faster pace during 2023, to reach their historic highest values at the end of 2023. The total money supply at the end of the year amounted to KM 35.76 billion, which is an increase of 7.6% compared to the same period last year. Out of the total money supply growth in 2023, KM 1.7 billion was related to the growth of the M1 monetary aggregate (of which KM 1.3 billion to the growth of transferable deposits in the local currency), and KM 788 million to the quasi money growth. The largest increase of transferable deposits in 2023 is still, as in the previous year, recorded mostly in the household sector.

The change of the broader monetary aggregate, quasi money (QM), as opposed to the previous year, was positive, entirely resulting from an increase of transferable and other foreign currency deposits (Graph 2.10). Having in mind the observed trends of both quasi money as well as transferable deposits in the local currency, the currency structure of banks' deposits at the end of 2023 indicates the continuing significant share of deposits in the local currency (over 60%) their share not changing significantly compared to the same period of the previous year.

Graph 2.10: Annual Growth Rates of Monetary Aggregates



Source: CBBH

Changes in the trend of money supply components, as well as reserve money changes recorded during 2023, were also reflected in monetary multiplication. Due to a faster growth of monetary aggregates compared to the growth of reserve money, monetary multipliers recorded significant growth throughout 2023, except during the last month when significant monthly growth rates of reserve money were recorded (Graph 2.11).

Graph 2.11: Monetary Multiplication



Source: CBBH

Regulatory data also indicate a steady growth of domestic sources of funds (Table 2.1). The share of short-term financial liabilities in the total financial liabilities is still high. The growth of transferable deposits has again (as in the previous year) influenced the increase of liquidity indicators. A very high percentage of short-term towards the total financial liabilities of banks indicates a still unfavourable maturity structure of sources, which is currently not favourable for a stronger growth of long-term loans.

A stronger growth of deposits than lending resulted in the total amount of deposits significantly exceeding the total amount of loans over the entire reporting period in 2023. Liquidity coverage (LCR)<sup>51</sup> and net stable funding (NSFR)<sup>52</sup> ratios, in the third quarter of 2023 at the system level, amounted to 238.7% and 159.8%, respectively, with almost all the banks in the system recording significantly higher indicator values than the defined minimum.

Table 2.1: Liquidity Indicators of BH Banking Sector

		Liquid assets to total assets	Liquid assets to short term financial liabilities	Deposits to credits	Short term financial liabilities to total financial liabilities
2019	Q1	28.4%	58.4%	109.7%	57.4%
	Q2	28.4%	59.1%	109.6%	56.4%
	Q3	29.6%	61.6%	112.5%	56.6%
	Q4	29.2%	61.0%	112.7%	56.2%
2020	Q1	27.7%	57.5%	113.2%	56.3%
	Q2	26.9%	52.7%	114.9%	59.7%
	Q3	27.6%	49.8%	117.8%	64.9%
	Q4	28.6%	51.3%	120.7%	65.4%
2021	Q1	28.5%	51.2%	122.3%	65.5%
	Q2	27.8%	49.0%	125.4%	66.5%
	Q3	28.5%	49.9%	127.7%	67.2%
	Q4	30.7%	51.3%	130.3%	68.8%
2022	Q1	29.3%	49.2%	124.6%	68.9%
	Q2	29.6%	48.7%	126.1%	70.3%
	Q3	30.8%	49.8%	129.3%	71.5%
	Q4	30.5%	48.4%	130.8%	72.6%
2023	Q1	29.4%	48.0%	129.8%	70.9%
	Q2	28.8%	47.0%	130.0%	71.0%
	Q3	30.3%	49.5%	132.0%	71.3%

Source: CBBH

<sup>51</sup> The liquidity coverage ratio (LCR) demonstrates banks' ability to withstand a 30-day liquidity stress scenario and is calculated as a ratio between a liquidity buffer, which would be liquid in times of stress and net liquidity outflows calculated in accordance with established scenario parameters over the next 30 calendar days. Banks are required to maintain LCR in the amount of at least 100%.

<sup>52</sup> The net stable funding ratio (NSFR) is a new FSI that demonstrates the ability of banks to withstand market disruptions over a period of one year. This FSI is calculated as the ratio of available stable funding to the required stable funding.

## 2.3 Foreign Exchange Management

In accordance with the Law on the CBBH and corresponding internal acts (investment guidelines, strategic asset allocation and risk rules and parameters), the CBBH manages foreign exchange reserves based primarily on the principles of safety and liquidity. Given that, according to Article 34 of the Law on the CBBH, it is not allowed to invest more than the equivalent of 50% of the total unreduced capital and reserves in currencies other than EUR, the CBBH invests more than 99% of its foreign exchange reserves in financial instruments denominated in EUR. In the interbank market of the euro area, during 2023, there was an increase in yields and interest rates, and therefore the CBBH invested foreign exchange reserves on more favorable terms compared to previous years. This environment implies higher net income from investing foreign exchange reserves.

Decisions on the management and investment of foreign exchange reserves are made at three levels within the CBBH organization: strategic – Governing Board; tactical – the Investment Committee, and operational – competent departments of the Sector for monetary operations, foreign exchange reserves management and cash management. The Governing Board sets the investment guidelines, defining the maximum risk tolerance, the trade-off between risk and return, strategic allocation of assets, investment restrictions, investment period and benchmark for performance evaluation. The Investment Committee operates within the framework of binding legal restrictions and Investment Guidelines adopted by the Governing Board, as well as rules and risk parameters related to the investment of foreign exchange reserves. Decision-making and responsibility for the daily management of foreign exchange reserves is at the operational level, which operates in accordance with guidelines, rules and risk parameters.

During the 2023 in the process of managing the foreign exchange reserves, we were continuously considering the available information from the relevant money and capital markets in the euro area and globally, as well as available forecasts that could influence the investment of foreign exchange reserves in the current year and in the coming period. Also, the possibilities and modalities of the CBBH's investment policy and management of foreign exchange reserves were analyzed, and corresponding changes in the investment policy were initiated in order to adapt to the new market conditions in the euro area. There were continuously analyzed also the information related to the ratings of the foreign banks with which the CBBH has term deposits and current account funds, and of the countries that are issuers of securities composing the portfolio of the CBBH foreign exchange reserves.

The CBBH portfolio of foreign exchange reserves is primarily exposed to financial risks (interest, credit and liquidity risks), foreign exchange risk, and gold price risk. The management of interest rate risk, that is, the risk of a decrease in the market value of the foreign exchange reserves portfolio,

due to hypothetical, unfavorable trends of the interest rates, implies: defining the target modified duration of the foreign exchange reserves portfolio, and the permitted deviation of the duration for the investment portfolio and for the total portfolio of foreign reserves, as well as the Value at risk monitoring.

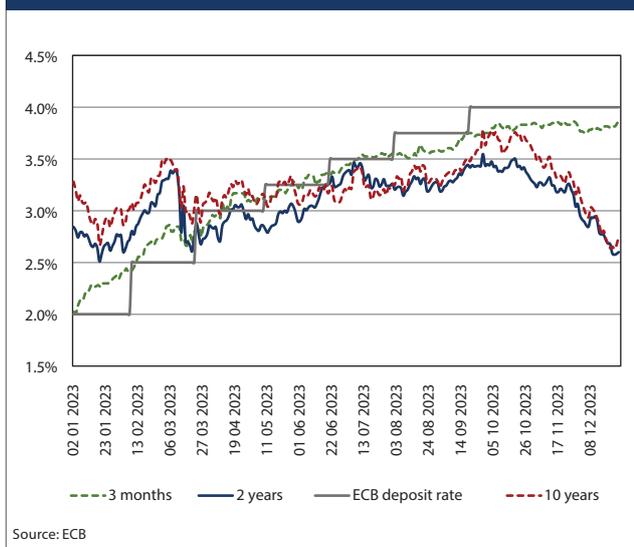
The CBBH limits exposure to credit risk by investing in bonds of selected euro area countries, and by placing deposits in: selected central banks in the euro area, the Bank for International Settlements (BIS), and selected commercial foreign banks, if they meet eligibility standards as the contracting parties. The basic principle in credit risk management is the appropriate criteria for selecting the contracting parties and debt securities with fixed income, and avoiding excessive concentration of credit risk exposure to an individual contracting party. The stated standards and restrictions are reviewed and, if necessary, updated, while taking into account the official ratings of the world's leading rating agencies, as well as indicators obtained by applying internal methods for assessing credit risk.

Liquidity risk management is based on the assessment of potential liquidity needs and the identification of liquid financial instruments. The instruments used to ensure daily liquidity are overnight deposits and funds on current accounts with contracting parties that meet the credit risk criteria, as well as due funds for all instruments.

Foreign exchange risk represents the risk of changes in the value of foreign currency assets and liabilities due to changes in the exchange rates in which foreign currency reserves are held and transactions are carried out, in relation to the domestic currency. Foreign exchange risk management is carried out primarily through the harmonization of the currency structure of the CBBH assets and liabilities, as well as by setting quantitative limits for exposure to foreign exchange risk.

During 2023, the leading central banks pursued a restrictive monetary policy, trying, among other things, to curb record high levels of inflation by increasing reference interest rates. The FED increased its reference interest rate spread 4 times, by 25 basis points each. All three key ECB interest rates were increased in February, March, May, June, August and September 2023 (see Chapter 1.1), which was reflected to the Euribor trends, resulting in the growth of market yields on Eurobonds and government bonds of euro area countries of all remaining maturities (see Graph 2.12). The ECB entered 2023 with a key interest rate (Main refinancing operations) of 2.5%, which, after the last increase in September, reached the level of 4.5%. At the same time, the FED increased its reference interest rate range 4 times, by 25 basis points each. Short-term interest rates, as well as market yields on short- and medium-term government bonds of the euro area countries, have increased significantly compared to the values from 2022, which was largely contributed by the ECB increasing key interest rates in the euro area.

Graph 2.12: Average Daily Market Yields on the Euro Area Sovereign Bonds, and the ECB Deposit Rates in 2023



A particularly evident growth of market yields was recorded at the shorter end of the yield curve (shorter remaining terms to maturity) on the bonds of the euro area countries. From April 2023, there was a noticeable inversion of the yield curve on the bonds of the euro area countries, which means that the market yields of shorter remaining terms until maturity were higher than the market yields of longer remaining terms of maturity (Graph 2.12). Yields on five-year and ten-year bonds of the euro area countries were, at the end of the year, below the levels recorded at the beginning of 2023. The inversion was especially emphasized in the fourth quarter of 2023.

How strong the increase in market yields was, especially on bonds with shorter remaining terms until maturity, is shown by the levels of average market yields on bonds of euro area countries in 2023, which are significantly higher than market yields in 2022 (Table 2.2). Average market yields on three-month bonds of the euro area countries in 2023 (3.28%) were over 300 bp higher than in 2022 (Table 2.2).

Average yields on two-year bonds of euro area countries (3.08%) were over 200 basis points higher, compared to 2022, while in the case of five-year government bonds, the yield increase was over 150 bp. The growth of market yields contributed to a significant increase in the weighted average net interest rate (WAnIR, which is calculated as the ratio of realized net interest income/expenses and the average balance of foreign exchange reserves in the observed period). WAnIR in 2023 amounted to 2.14% (Table 2.2), which is significantly higher compared to the value from 2022 (0.09%), and represents the second highest achieved value of the WAnIR since 2008, when it was 4.18%. Observed by quarters, WAnIR was 1.25% in the first quarter, 1.83% in the second quarter, 2.45% in the third quarter, and rose to the level of 3.01% in the fourth quarter of 2023.

Table 2.2: Weighted Average Annual Net Interest Rate on the CBBH Foreign Exchange Reserves and Average Annual Interest Rates and Market Yields on the Euro Area Sovereign Bonds

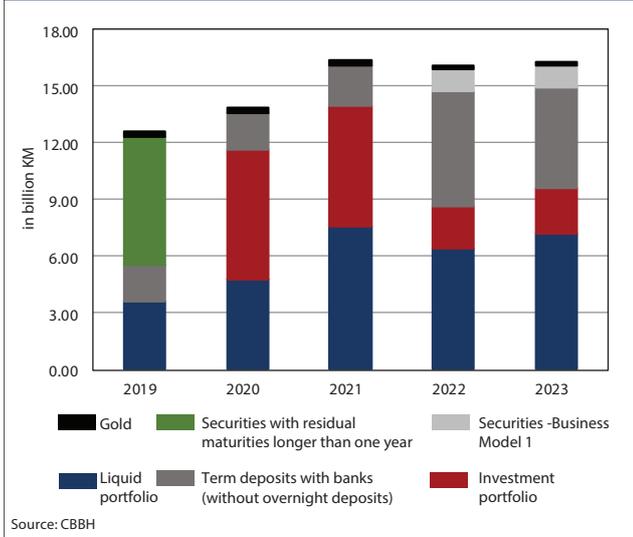
	WAnIR, %	ECB - deposit facility rate, %	ECB - main refinancing operations, %	Euribor, %		EUR bonds, %					
				1 m	3 m	months		years			
						3	6	1	2	5	10
2016	0.22	-0.38	0.01	-0.34	-0.27	-0.42	-0.39	-0.36	-0.32	0.01	0.77
2017	0.18	-0.40	0.00	-0.37	-0.41	-0.54	-0.52	-0.49	-0.39	0.18	1.09
2018	0.16	-0.40	0.00	-0.37	-0.32	-0.48	-0.43	-0.33	-0.13	0.46	1.14
2019	0.11	-0.43	0.00	-0.40	-0.36	-0.46	-0.42	-0.37	-0.27	-0.02	0.40
2020	0.04	-0.50	0.00	-0.50	-0.43	-0.50	-0.49	-0.47	-0.43	-0.27	0.08
2021	-0.08	-0.50	0.00	-0.56	-0.55	-0.64	-0.63	-0.62	-0.58	-0.37	0.10
2022	0.09	0.08	0.58	0.09	0.35	0.15	0.35	0.66	0.97	1.44	1.91
2023	2.14	3.30	3.80	3.25	3.43	3.28	3.33	3.27	3.08	2.99	3.24
Change (in bp) in 2023, compared to:											
2022	205	322	322	315	309	313	298	261	211	156	132
2008	-204	29	58	-103	-121	-37	-31	-38	-63	-96	-109

Source: ECB, CBBH, [www.global-rates.com](http://www.global-rates.com)

Note: Average annual interest rates and market yields are calculated as the average of daily interest rates and market yields in the observed year. The ECB deposit rate is in the period 21 December 2022 – 07 February 2023 was 2%, and in 2023 it was increased six times. The level of the ECB deposit rate at the end of 2023 was 4%.

The structure of foreign exchange reserves at the end of 2023 (Graph 2.13) consisted of: term deposits with banks (without overnight deposits) with a share of 32.63%; liquid portfolio with share of 43.76%; investment portfolio (securities with over one year of remaining maturity) with a share of 15.28%; securities (Business model 1) with a share of 7.25%, and gold with a share of 1.08%. At the end of 2023, the liquid portfolio consisted of: current accounts with banks (11.12% of total foreign exchange reserves); overnight deposits (7.37% of total foreign exchange reserves); cash in the CBBH vaults (2.79% of total foreign exchange reserves); IMF special drawing rights (0.01% of total foreign exchange reserves), and; securities with one year or less of remaining maturity (22.47% of total foreign exchange reserves). Securities with one year or less of remaining maturity, as the largest item of the liquid portfolio, amounted to KM 3.66 billion at the end of 2023. Current accounts with banks, as the second largest item of the liquid portfolio, amounted to KM 1.81 billion at the end of 2023.

Graph 2.13: The Structure of the CBBH Foreign Exchange Reserve Investment at Year End



Fixed income securities, at the end of 2023, accounted for 44.99% of total foreign exchange reserves, which is slightly higher than their share in foreign exchange reserves at the end of 2022 (43.94%). Funds deposited with non-resident banks at the end of 2023 accounted for 51.12% (51.50% at the end of 2022). In order to protect against credit risk, investments are made in securities of selected European countries, with restrictions on the minimum acceptable threshold of the composite credit rating and the required average credit rating of the portfolio.

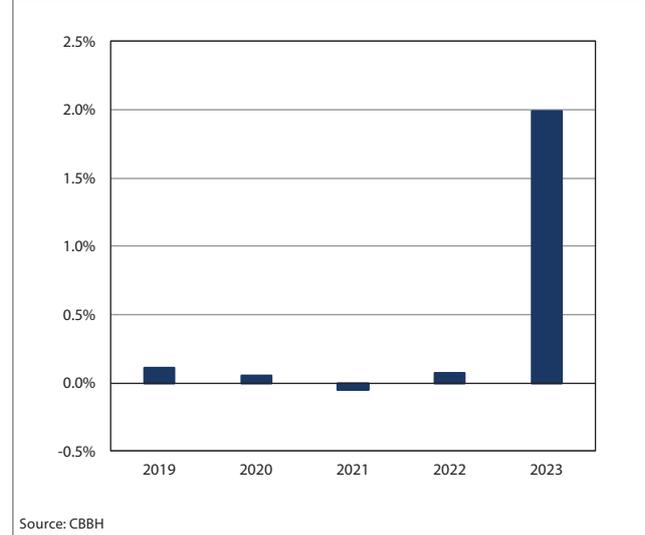
The investment portfolio contains securities with more than one year to maturity. Securities with one year or less to maturity are an integral part of the liquid portfolio. Since February 2022, part of the securities portfolio is classified according to the amortized cost method (Business model 1).

The net effect of the investment of CBBH foreign currency funds in convertible foreign currency on the income statement for the period 1 January to 31 December 2023 is KM 303.8 million, and expressed as an effective yield rate<sup>53</sup> is 1.99% (Graph 2.14). The growth of the yield rates on investments in convertible foreign currency is a consequence of the increase in interest rates on short-term deposits in euros, and the yield of securities, but also the timely restructuring of the portfolio of foreign exchange reserves, which was undertaken in 2022 and continued in 2023. A number of strategic and tactical investment decisions were taken, and a timely and adequate restructuring of the portfolio of foreign exchange reserves was carried out, including a significant shortening of the average modified duration of the total portfolio of foreign exchange reserves.

<sup>53</sup> The effective yield rate is calculated by dividing the net effect of investing foreign currency reserves funds by the average balance of foreign currency reserves in the observed period. When calculating the total net effects of investing foreign currency reserves funds, we took in account all net income from interest on securities and deposits in foreign currency, as well as realized net capital gains/losses due to the sale of securities from the portfolio of foreign currency reserves of the CBBH.

In 2023, too, the CBBH remained consistent with its investment policy in accordance with legally defined goals and objectives, which implies that the official foreign exchange reserves are managed in a safe and profitable manner.

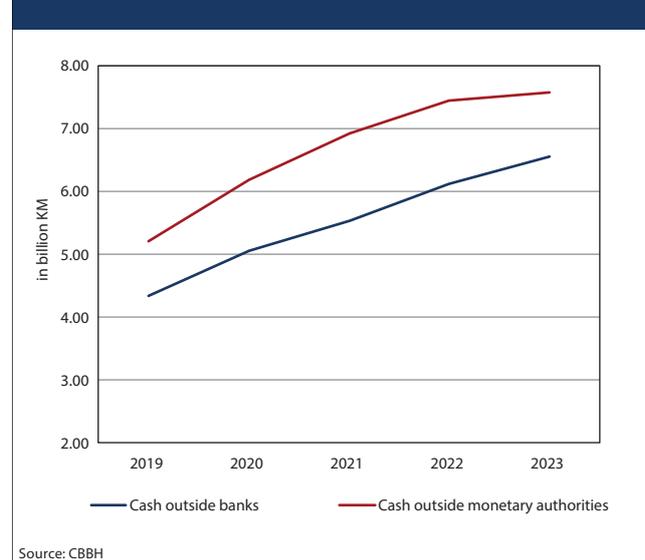
Graph 2.14: Annual Yield Rates on the CBBH Foreign Exchange Reserves



## 2.4 Cash Management

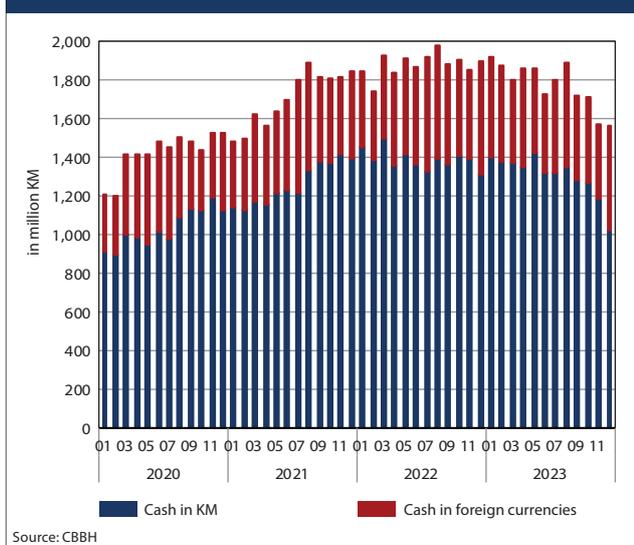
The trend of strong growth of cash in circulation (outside banks) from previous years has continued. On 31 December 2023, the balance of cash in circulation outside banks amounted to KM 6.54 billion (Graph 2.15), which is 6.80% more than in 2022. Probable reasons for the increase in demand for KM are the significant momentum in the tourism sector and related service activities (see Chapter 1.2.4), but also the growth of economic activity, despite still strong inflationary pressures (Chapter 1.1.1.), as evidenced by the strong growth in income from indirect taxes (Chapter 1.1.2). However, unlike previous years, the trend of strong cash increase outside the CBBH has stopped (Graph 2.15). The annual increase of cash outside the CBBH (1.73%) in 2023 was the lowest recorded since the establishment of the CBBH.

Graph 2.15: Cash outside Monetary Authorities and Banks



Contrary to previous years, commercial banks significantly reduced the amount of cash in their own vaults (Graph 2.16). The decrease in cash in KM was particularly evident, compared to the end of 2022 (KM 287.4 million, or 21.94%), while the decrease of cash in foreign currencies, in commercial bank vaults, was much milder (KM 43.7 million). This kind of change is certainly not worrisome, because there is no shortage of cash in the system, either with banks or with their clients. However, it should be borne in mind that working with cash is expensive. From the point of view of domestic regulations on liquidity risk management in banks, there is no difference between cash, balances in reserve accounts, and securities of domestic governments. Also, there are no indications of deteriorating liquidity in the banking system<sup>54</sup>. What is noticeable in the structure of bank assets, compared to the end of 2022, is a significant increase of debt securities in local currency (KM 621.9 million, or 57.3%). Bearing in mind the regulations on liquidity risk management, as well as the significant differences between the yield on domestic securities (see Chapter 1.1.3) and the remunerations paid by the CBBH to banks for the funds on their reserves accounts (see Chapter 2.2), it is certain that banks redirected a part of cash from their vaults, but also of their excess reserves (Chapter 2.2) to debt securities issued by domestic governments. In addition to all of the above, there was also an increase in loans (Chapter 1.1.3) compared to the previous year. As for the reduction of cash in foreign currencies, a part of cash in foreign currencies, in commercial banks' vaults, was probably reduced, together with a part of the excess reserves, in favor of securities issued by non-residents (increase of KM 287.3 million, or 22.6% compared to the end of 2022). However, from the daily changes of the foreign exchange reserves balance, we conclude that in question are very short-term instruments, and we do not notice any signs of strengthening of foreign exchange risk in the banking system.

Graph 2.16: Positions of Cash in Bank Vaults

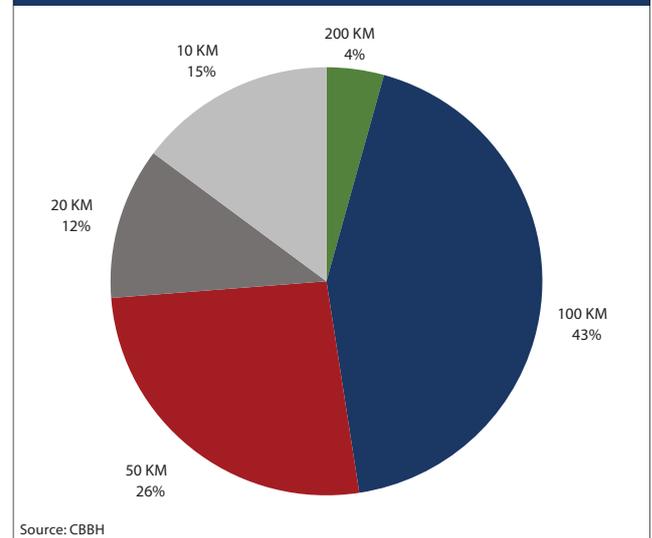


Source: CBBH

<sup>54</sup> See *Financial Soundness Indicators, Financial Stability Risk Assessment, and Financial Stability Report*, all available on the CBBH website.

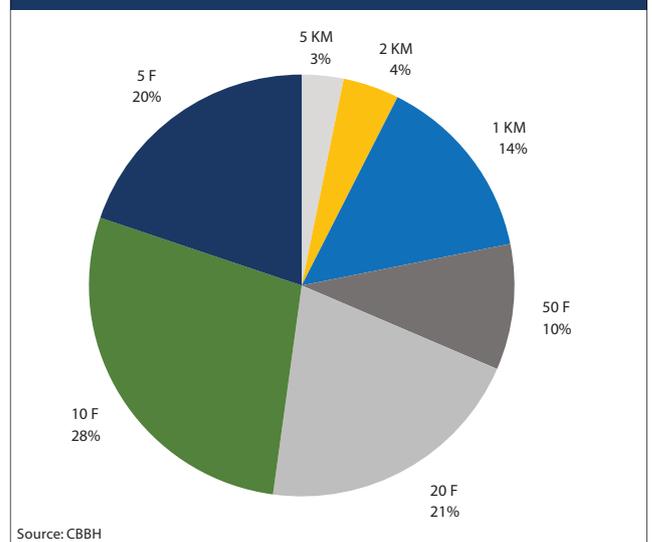
Outside the CBBH, at the end of 2023, there were 106.2 million KM banknotes and 514.5 million KM coins, with a total value of KM 7.57 billion, which is 1.73% more than in 2022. As for the denominational structure of money outside the CBBH, the most represented were KM 100 and KM 50 banknotes, and coins with a denomination of 10 F (Graphs 2.17 and 2.18).

Graph 2.17: Denomination Structure of Banknotes in 2023



Source: CBBH

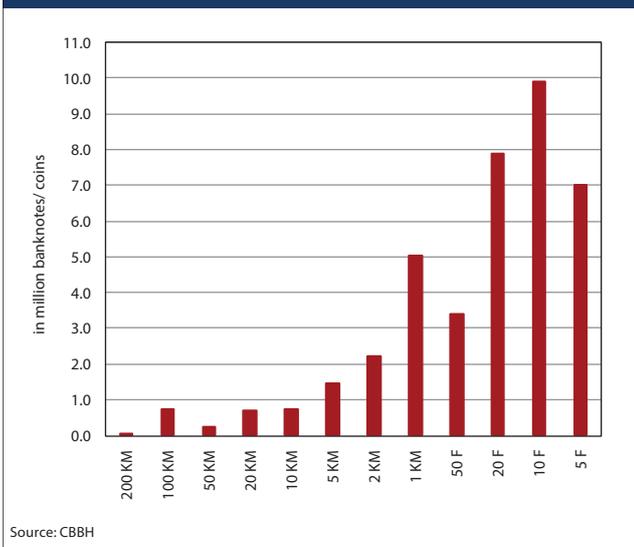
Graph 2.18: Denomination Structure of Coins in 2023



Source: CBBH

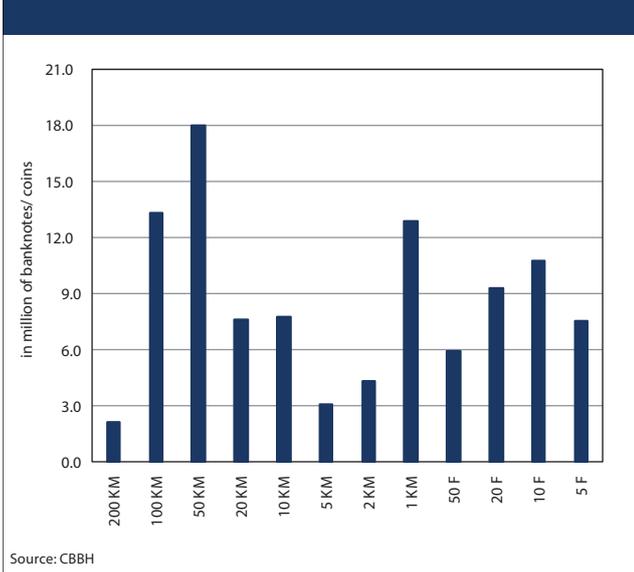
Unlike previous years, when the most significant annual growth in the number of banknotes was recorded in high denominations, in 2023 a significant growth was recorded only in the case of banknotes in denominations of KM 20 (8.87%) and KM 10 (6.24%). The weaker demand for high-denomination banknotes is probably a consequence of commercial banks' policies to reduce cash holdings in their own vaults. Compared to 2022, the number of banknotes outside the CBBH increased by 2.4 million pieces (2.32%), with a total value of KM 107.7 million (Graph 2.19). In the same period, the amount of coins outside the CBBH increased by 36.9 million pieces (7.73%), with a total value of KM 21.3 million (Graph 2.19).

Graph 2.19: Change in the Number of Banknotes and Coins by Denominations Compared to 2022



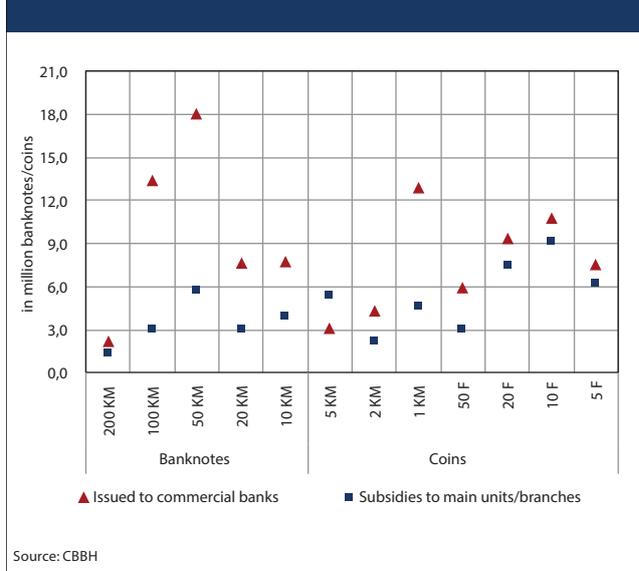
Commercial banks are supplied with cash through the vaults of the CBBH Main Units and Branches, located in Sarajevo, Banja Luka, Mostar and Brčko, with strict adherence to the currency board arrangement. In the course of 2023, 48.9 million pieces of banknotes and 54.0 million pieces of coins were issued to commercial banks, with a total value of KM 2.94 billion (Graph 2.20).

Graph 2.20: Banknotes and Coins Issued in 2023, by Denominations



In the same period, 17.0 million pieces of banknotes and 38.06 million pieces of coins, with a total value of KM 998.5 million, were handed over (cash supplies) from the Cash Management Department of the Head Office to the Main Units and the Brčko Branch. Graph 2.21 below implies that the CBBH took into account the commercial banks requests of cash in a certain denomination structure. Since commercial banks also return a significant amount of cash to the CBBH vaults, the cash supplies to the CBBH Main Units / Branches are, as a rule, significantly smaller.

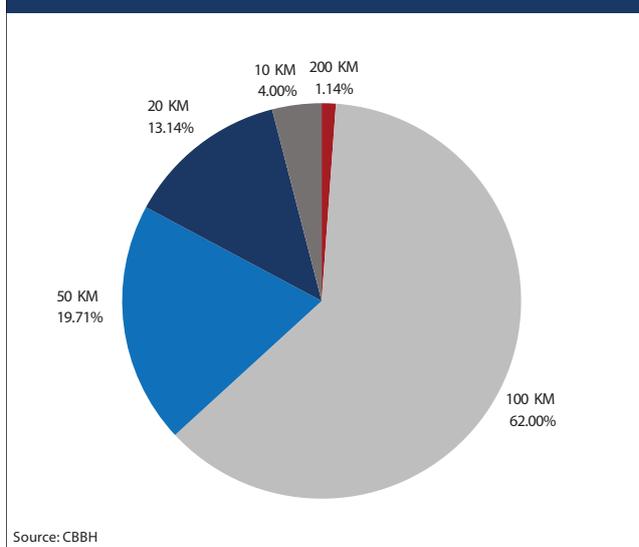
Graph 2.21: Cash (KM) Outflows in 2023



The CBBH continuously withdraws the banknotes unfit for the circulation, which are destroyed in accordance with the current regulations. By withdrawing unfit banknotes and putting new series of banknotes into circulation, the CBBH maintains a satisfactory quality of cash in circulation. In 2023, 12.0 million of banknotes' pieces and 14,570 coins' pieces unfit for circulation were destroyed.

In 2023, 350 counterfeited banknotes of the convertible mark were recorded in the CBBH, which is by 53.5% more than in 2022, 423 pieces of counterfeited convertible mark coins were recorded, which is 10.0% less than in 2022. As per the denomination structure, the mostly counterfeited banknotes were in the denomination of KM 100 (Graph 2.22), and the counterfeited coins in the denomination of KM 1 (Graph 2.23).

Graph 2.22: Denomination Structure of Counterfeited Banknotes in 2023



Graph 2.23: Denomination Structure of Counterfeited Coins in 2023

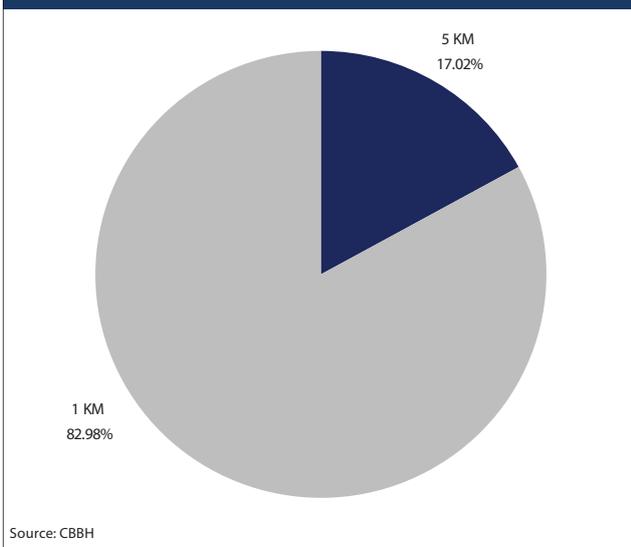


Table 2.3: Payment Transactions via Commercial Banks

	Interbank transactions	Change compared to the previous year	Intrabank transactions	Change compared to the previous year	Total	Change compared to the previous year
Number, in millions						
2019	43.6	3.0%	56.9	-3.3%	100.5	-0.7%
2020	43.8	0.4%	53.9	-5.2%	97.7	-2.8%
2021	48.0	9.6%	56.3	4.4%	104.3	6.8%
2022	49.7	3.6%	58.7	4.3%	108.4	4.0%
2023	50.8	2.3%	62.7	6.7%	113.5	4.7%
Value, in billion KM						
2019	123.05	19.8%	113.37	-1.8%	236.42	8.4%
2020	105.13	-14.6%	100.43	-11.4%	205.56	-13.1%
2021	122.40	16.4%	110.47	10.0%	232.87	13.3%
2022	145.83	19.1%	128.13	16.0%	273.95	17.6%
2023	163.10	11.8%	142.03	10.8%	305.12	11.4%

Source: CBBH

## 2.5 Maintenance of Payment Systems

The CBBH has also met the legal obligation to maintain the corresponding payment and accounting systems in 2023: payment transactions in the country continued to run smoothly, through Giro clearing and Real Time Gross Settlement systems (RTGS); the Central Register of Credits (CRC) and the Single Register of Business Entities Accounts (SRBEA) were maintained and improved; and international clearing of payments with foreign countries was also performed. Recognizing their macroeconomic importance and the importance of safe and efficient payment systems for financial stability, the CBBH worked intensively to strengthen the capacity and operationalize the function of the payment systems' oversight during 2023.

In 2023, the growth was recorded in both the number and value of interbank transactions in the payment systems that were carried out through the CBBH (Table 2.3). Compared to 2022, the growth was particularly emphasized in the number and value of transactions through the Real Time Gross Settlement system in (Table 21 in the Statistical Appendix). The annual change is less evident compared to the pandemic years, due to the base effect, but it is at the level of growth recorded in years with the approximate intensity of economic activity. As in earlier periods, most transactions in interbank payment transactions were performed in a few banks; 50.67% of the total value and 56.64% of the total number of payment transactions were carried out through five banks in 2023.

In 2023, a far greater number of both interbank and intrabank transactions was performed by clients - legal persons (85.0% and 69.2%, respectively). Therefore, and taking into account the average size of orders by legal persons, over 91% of the total value of intrabank transactions and over 96% of the total value of interbank transactions were related to this type of client.

As for a type of transaction initiation, in 2023, in intrabank payment transactions, paper orders were slightly more prevalent (51.0% of the total number of orders), while 59.1% of interbank transactions were initiated by electronic orders. In 2023, the trend of significant growth of electronic banking clients continued, especially in the segment of natural persons (18.84%, to the number of 1.46 million users), with the largest part related to mobile banking. However, the number of active electronic banking clients is considerably lower; only 33.9% of natural persons - registered users actively used electronic banking in 2023. A particularly large disparity between active and registered natural persons using electronic banking (11.30%) is in the internet banking segment. The number of legal persons, active clients of electronic banking, was, in 2023, significantly higher than in the case of natural persons (69.9% of the total number of registered users). In 2023, the value of KM 150.17 billion of the electronic banking transactions was recorded, of which internet banking of the legal persons accounted for as much as 96.65% of the total value of electronic banking transactions.

Even after the disappearance of the base effect of the first post-pandemic year, in 2023 too, a strong increase in turnover at POSs (Point of sale) was recorded. In 2023, the value of realized transactions at POS terminals significantly exceeded pre-pandemic levels (Table 2.4). Internet sales continued to grow strongly (45.4%) compared to 2022 (Table 2.4), which was surely contributed by the new policies of sales chains in the country, the continued active use of goods' delivery services in the food and catering industry, but also by beginning of the delivery in Bosnia and Herzegovina by some of the world's largest online shops. Internet sales abroad accounted for 62.75% of total internet sales in 2023. Turnover at Automated Teller Machines (ATMs) also continued to grow strongly, which was expected, given the growth in nominal wages (Chapter 1.1.1, part III), and the growth in number of employees in 2023.

**Table 2.4: Survey of ATM and POS Card Transactions**

	2019	2020	2021	2022	2023
POS, in billion KM	3.26	3.19	2.94	3.77	4.42
Change compared to the previous year	4.3%	-2.1%	-7.7%	28.3%	17.1%
ATM, in billion KM	7.75	8.17	8.75	9.88	11.13
Change compared to the previous year	8.2%	5.3%	7.2%	12.9%	12.6%
Internet, in million KM	157.4	180.6	265.0	448.2	651.7
Total, in billion KM	11.17	11.54	11.96	14.10	16.20
Change compared to the previous year	8.6%	3.3%	3.7%	17.9%	14.8%

Source: CBBH

The strong growth in the tourism sector and related service activities in 2023 is best reflected in the strong growth of realized values through foreign Cards in BH (Table 2.5 below). The turnover by foreign Cards in Bosnia and Herzegovina, for the purchase of goods and services at POS, compared to 2022, is higher by as much as 26.32%. Cash withdrawals at ATMs in the country, using Cards issued abroad, also increased significantly compared to the previous year. On the other hand, the realized turnover abroad, via Cards issued in BH, is lower compared to the previous year.

**Table 2.5: Realized Values in Card Transactions Based on Residence Principle**

Year	Cash withdrawals		Purchase of goods and services at POS terminals	Total
	ATMs	POS terminals		
Realized values by foreign cards in BH, in million KM				
2019	1,648.8	59.7	833.5	2,542.0
2020	1,117.6	59.7	399.3	1,576.6
2021	1,360.7	39.3	619.3	2,019.3
2022	1,793.1	63.0	1,105.1	2,961.1
2023	1,933.3	28.7	1,396.0	3,358.0
Realized values abroad by cards issued in BH, in million KM				
2019	165.3	3.0	426.8	595.1
2020	162.3	4.0	355.7	522.0
2021	143.4	3.4	447.0	593.8
2022	142.9	2.8	644.1	789.7
2023	153.4	3.0	594.0	750.3

Source: CBBH

Mastercard is still by far the most represented Card brand in BH (Table 2.6). The reason of that is that banks in Bosnia and Herzegovina generally accept Mastercard and Visa Card brands at ATM and POS. Other brands were represented in a very small number of banks. The number of contactless Card transactions in BH at ATM and POS, in 2023, was higher compared to contact ones (KM 91.94, versus KM 54.80 million), but the value of transactions realized via contact cards was significantly higher (KM 10.23 billion, i.e. 70.94% of the total value).

**Table 2.6: Shares of Card Brands**

Year	Visa	Mastercard	American	BamCard	Diners	Total
2019	757,775	1,348,275	7,304	12,280	12,970	2,138,604
2020	736,947	1,410,718	6,901	9,666	6,324	2,170,556
2021	749,874	1,452,272	6,382	10,371	30	2,218,929
2022	773,691	1,541,267	5,984	10,890	1,299	2,333,131
2023	831,883	1,601,158	5,682	13,953	1,674	2,454,350

Source: CBBH

In 2023, the CBBH also performed international clearing of payments between BH and Serbian banks. A total of 11,655 orders (+12.12% compared to 2022), whose value was 221.3 million euros (-23.2% compared to 2022), was placed through the system of the clearing method for calculating international payments with Serbia.

## 2.6 Role of the Fiscal Agent

The Law on the CBBH (Article 52) and the Law on Debt, Borrowing and Guarantees of BiH define that the CBBH provides the services of a banking agent, and executes transactions on the order of the Ministry of Finance and Treasury of BiH (MFT BiH) in connection with the servicing of the external debt of BH, and acts as a fiscal agent for BH's membership in international financial institutions. In accordance with the Agreement on the performance of banking and fiscal agent tasks between the CBBH and the Ministry of Finance and Treasury of BiH, the Central Bank of BH also performed the tasks of banker, depository, payment agent and fiscal agent during 2023. In 2023, this service included payment transactions in the country and abroad, management of deposit accounts and conversion of funds related to loans and donations according to contracts concluded by the Council of Ministers of Bosnia and Herzegovina with international financial institutions, tasks arising from arrangements and membership of Bosnia and Herzegovina in international financial institutions, and tasks of foreign debt servicing. Throughout 2023, the Ministry used favourable conditions on the international financial markets, and submitted orders for the investment of a part of the foreign currency funds having at the disposal.

CBBH provides banking services and executes transactions at the order of the Ministry of Finance of BiH, in connection with the servicing of BH's external debt. The MFT BiH is responsible for carrying out procedures for borrowing and managing the state debt, ensuring the coverage of liabilities in domestic currency and maintaining a database on the external debt of BH. The roles of the CBBH and the MFT of BiH, in terms of servicing the foreign debt of BH, are defined, in addition to the above-mentioned laws, by the Law on the Financing of Institutions of BiH, the Law on the System of Indirect Taxation in BiH and the Law on Payments to the Single Account and Distribution of Revenues.

The duties, tasks, competences and mutual relations between the MFT BiH and the CBBH are defined by the bilateral Agreement on Servicing the Foreign Debt of BiH, which the two institutions concluded for the first time in 1998 (the last version was contracted in 2013). According to the provisions of the aforementioned Agreement, the CBBH is responsible for:

- timely provision of the necessary amounts in foreign currencies for the payment of due liabilities;
- timely and accurate execution of payments based on orders/instructions of the MFT BiH;
- correspondence with foreign banks and creditors regarding the payment of liabilities, and;
- reporting to the MFT BiH on all executed transactions.

The funds needed to service the foreign debt in domestic currency are provided by the MFT BiH from the Indirect Taxation Authority (ITA) and/or direct payments from the end users of the loans. The Annual plan of funds needed to service the external debt is an integral part of the document "Budget of BiH Institutions and International Obligations of BiH" adopted by the Parliamentary Assembly of BiH. In accordance with the concluded Agreement on the performance of banking and fiscal agent tasks between the CBBH and the ITA, and based on the Law on Payments to a Single Account and Distribution of Revenues, we continued to maintain the single ITA account for the collection of indirect taxes revenues during 2003, too. According to this Arrangement, the commercial banks, on a daily basis, transfer to the account for the ITA revenues' recording, keeping and distribution with the CBBH, all collected revenues, and then, by order of the ITA, these revenues are allocated daily to several accounts for different purposes in accordance with the legal regulation and the ITA order. Based on the Excise Law, in 2023, we continued the process of collecting funds from the paid in tolls to the ITA account in the CBBH, and the distribution of these funds by order of the ITA to the Entities and the Brčko District.

All liabilities from the external debt of Bosnia and Herzegovina during the past year were serviced in an orderly and timely manner. In accordance with the maturities of liabilities and the programmed dynamics of debt repayment, obligations were met towards: the International Monetary Fund (IMF), the World Bank (IBRD, IDA), the Paris Club, the European Bank for Reconstruction and Development (EBRD), the London Club of Creditors, the Council of Europe Development Bank (CEB), Saudi Fund for Reconstruction and Development, European Investment Bank (EIB), European Commission, German Development Bank (KfW), Export-Import Bank of Korea, the OFID, International Fund for Agricultural Development (IFAD), Bank for Work and Economy and the Austrian Postal Savings Bank (B.A.W.A.G.), EUROFIMA, the Kuwait Fund for Arab Economic Development, the Government of Japan, the Government of Belgium, the Government of Spain, and other public and private creditors.

The CBBH is a fiscal agent and executes transactions related to the membership and arrangements of BH in the IMF since 2002, based on the decision of the Council of Ministers of BiH, which was officially published in the Official gazettes of BH. Mutual relations, competences and actions of five institutions in BH (CBBH, MFT BiH, Federal Ministry of Finance, Ministry of Finance of Republika Srpska and ITA) regarding financial arrangements with the IMF are defined in the Memorandum of Understanding. The first was concluded in 2002, and those from 2016 and 2020 are in force. The CBBH is the depository for accounts (cash and securities) held by the IMF with the fiscal agent (usually a central bank) of all members in accordance with the IMF Articles of Agreement. In order to carry out the crediting transactions of the IMF funds and the payment of liabilities to the IMF, CBBH maintains a dedicated Deposit account for transactions with the IMF, with the sub-accounts of the Federation of BH, Republika Srpska and Brčko District. The CBBH executes transactions with the IMF after the relevant institutions in BH provide full coverage in domestic currency on the mentioned account/sub-accounts. The BH's quota, which represents the paid and recorded "capital" of each member country in the general source of the IMF funds, amounts to SDR 265.2 million. The SDR allocation for Bosnia and Herzegovina amounts to SDR 4 15.1 million, and the obligation of the member country is to pay quarterly expenses to the IMF on this basis.

In accordance with World Bank's Articles of Agreement, the CBBH is the depository for the members of the World Bank group: IBRD, IDA and MIGA. At the request of the aforementioned members, the CBBH executes transactions of buying and selling the foreign currency in exchange for domestic currency and executes payments / transfers to end users in the domestic payment transactions.

In 2023, according to the Agreement concluded with the Deposit Insurance Agency of Bosnia and Herzegovina (DIA BiH) and the CBBH, we kept the records on the DIA securities portfolio, managed by an external portfolio manager, according to the Contract between the Deposit Insurance Agency and the one. Also, based on the concluded agreements between the CBBH and the Federal Ministry of Finance, we carry out the tasks of the banking and fiscal agent. In accordance with the concluded agreements, the CBBH continued to act as a banking agent for the Banking Agency of the Federation of Bosnia and Herzegovina, the Banking Agency of the RS, Brčko District, and for the Entities' Registries of Securities.

The service of using electronic banking was provided to depositors also during 2023. The CBBH undertakes daily activities to improve operations in working with depositors, in the process automation, in the mutual communication, all with the aim of achieving the greatest possible efficiency in work.

## 2.7 Compilation of Statistics

The CBBH is the producer of official statistics at the level of BH (together with the Agency for Statistics of BiH), and in term of this it has the obligation to produce and publish the indicators of the official statistics of BH within the own competences, which refer to the monetary and financial sector statistics, external sector statistics, and government finance statistics for BH. All produced activities of the CBBH are included in the Statistical Activities Plan of Bosnia and Herzegovina. Within the Statistics Working Group, during the EU integration process, the List of priorities for statistical system in BH has been analysed and defined on several occasions.

We continuously invest in improving the compilation methods, expanding the number of source data (administrative and direct compilation), and applying internationally complied methodologies. In the last few years, particular emphasis has been placed on the introduction of statistical standards and methodologies that are in force within the EU, because the CBBH will have an emphasized accountability in the preparation and delivery of data as a candidate country. Therefore, numerous technical assistance projects and ongoing staff training are being undertaken.

During 2023, two projects were successfully implemented, the results of which raised the level of compliance with the EU requirements. These projects (see more in Chapter 2.9) developed additional tables related to the ESA 2010 transmission and started the development of the Methodology and compilation of the monthly balance of payments.

In addition to regular data production, external debt statistics were developed. With the use of available data sources and the application of the required methodology, we continue the regular delivery of data to the World Bank. In this way, BH is included and visible in the relevant database. The exchange of information with Eurostat was emphasized, and further improved, which includes regular methodological controls and analyses, as well as regular reporting within the Monitoring Compliance with the EU statistical requirements (SIMS), and the annual (two-round) data collection for countries in the enlargement process.

On the international level, continuous efforts are made to improve the quantity and quality of statistics, through participation in forums (EC-BiH Subcommittee, working groups of the Eurostat, of the ECB, the BIS Irving Fischer Committee for Statistics, and in the countries from the region through various projects and conferences). The planned statistical surveys have been largely completed and rounded, and the data were published on time and submitted to international and domestic institutions, in accordance with the obligations of the CBBH in the area of statistics. The CBBH regularly delivers extensive sets of statistical data to international and regional institutions, through which BH is represented in international statistical databases (Eurostat, IMF, World Bank, European Central Bank, European Bank for Reconstruction and Development - EBRD, UNCTAD, BIS, UN Statistics. The CBBH prepares and delivers data for the needs of the Fiscal Council of BiH, the

CEFTA Secretariat, the Directorate for Economic Planning, the Agency for the Promotion of Foreign Investments, the Ministry of Finance and Treasury of BiH, the Ministry of Economy and Entrepreneurship of the RS, and the Ministry of Trade of the FBiH.

## 2.8 Monitoring of Systemic Risks in the Financial System

The CBBH performs the financial stability monitoring function, which implies timely identification of vulnerabilities in the country's financial system. The goal of the CBBH's activities in this area is to improve the understanding of the cause-and-effect relationships between the financial system and the macroeconomic environment, to warn financial institutions and other market participants of existing risks, to initiate a dialogue about risks and to take corrective measures that will reduce the consequences of the risks materialisation. The CBBH's activities in the area of monitoring the financial system stability include specialised communication with relevant domestic and international institutions, which ensures the continuity of the process of monitoring systemic risks, as well as communicating the information on the financial stability risks to the general public. The CBBH contributes to the financial stability preservation through its membership in the BiH Standing Committee for Financial Stability (SCFS) which, in addition to the CBBH Governor and the Director of the Banking Agencies, also includes the Minister of Finance and Treasury of BiH, Entities' Ministers of Finance, and the Director of the Deposit Insurance Agency of BiH.

The CBBH informs the general public about risks to financial stability through a regular annual publication, the Financial Stability Report, which has been published on the CBBH website since 2007. By publishing the Financial Stability Report, the CBBH wants to withdraw the attention of the public to the risks of the financial system, as well as, those from the macroeconomic environment and to the challenges that the financial system, and especially the banking sector, will face in the coming periods. The reports regularly present the results of analyses on monitoring systemic risks, those analyses are developed and carried out in the CBBH.

Since 2023, the CBBH began to publish a new annual publication, Financial Stability Risk Assessment, which contains a cross-section of the main macroeconomic developments and trends in the financial sector in the first half of the year, the results of analyzes for risk assessment and the banking sector's risks resilience based on data for the first half of the year, as well as information on improvements in the financial infrastructure and the most important changes in the regulatory framework for bank operations in Bosnia and Herzegovina. The purpose of these publications is to promote the awareness of the general public and the financial institutions about issues in the area of financial stability, and in particular to point out potential risks to financial stability in BH.

The compilation and publication of a set of basic financial soundness indicators according to the IMF methodology is also an important channel of communication between the CBBH and the general public. Financial soundness indicators have been published quarterly on the CBBH website since mid-2009, and on the IMF website since September 2011. The reporting has been fully methodologically aligned with the IMF's 2019 Compilation Guide on Financial Soundness Indicators.

In 2023, the CBBH continued to carry out solvency and liquidity stress testing, as two important tools for risk assessment in the banking sector of BH, as well as the preparation of regular quarterly reports on stress tests: Reports on the results of solvency stress tests, and Reports on the results of the liquidity stress test. Solvency and liquidity stress tests' findings, including the reports on stress test results, are shared with the Banking Agencies. The SCFS is also informed about the results of the solvency stress tests through the appropriate form of the Report on the results of the stress tests. The aggregated results of the solvency and liquidity stress tests, conducted with the data from the end of the year, are published in the Financial Stability Report, while the aggregated results of the stress test conducted on the basis of data from the end of the first half of the year are published in the Financial Stability Risk Assessment report.

In the course of 2023, we continued the cooperation with the ECB on the updating the information related to the "Report on financial stability for candidate countries and potential candidates for EU membership", which is reflected in the delivery of a comprehensive set of data, information and clarification of the current situation and trends in the domestic financial sector. The goal of this publication is to contribute to a better understanding of systemic risks in the region through the analysis of trends in the financial systems of these countries and the assessment of current challenges for the financial stability. The Report is produced every two years, and the information is updated for the purposes of the ECB on an annual basis.

During 2023, in cooperation with the Banking Agencies, the CBBH developed a Methodology for calculation of the reference rate for the average funding cost of the banks operating in the territory of BH. Reference rates for the average funding cost of the banks operating in the territory of BH for coverage 3 (RRFC)<sup>55</sup>, which were calculated for the periods from the first quarter of 2018, began to be published on the statistical web portal of the CBBH from September 2023, and together with the aggregated data on the costs of the funding sources and the aggregated data on the funding sources, to which these costs are related, they shall continue to be published on a quarterly basis. Information on the average funding cost in Bosnia and Herzegovina in a longer time horizon can be useful to banks, but also to other participants in the financial markets for analysis and making business decisions. Also, domestic banks are offered the choice of using these rates as reference values in credit contracts with a variable interest rate with the aim of better managing interest-induced credit risk. Continuous cooperation with other relevant domestic and

international institutions in the area of financial stability continued in 2023, too. Through education and technical cooperation programs, compliance of the approach to analyzing and identifying systemic risk with the best practices and trends in the world is ensured, as well as timely identification of systemic risks.

The tasks arising from the coordination of the activities of the Entities' Banking Agencies responsible for issuing banking licenses and supervision of banks continued to be implemented in 2023. The cooperation and exchange of data and information of the CBBH with the Entities' Banking Agencies took place continuously in various areas of regular cooperation. Thus, among other things, at the beginning of 2023, the CBBH participated in the creation of macroeconomic scenarios for supervisory testing of stress resilience, which was carried out by the Banking Agencies during the year. The Governor of the CBBH and the Directors of the Banking Agencies held meetings addressing the important issues on the situation in the banking sector, the leasing sector and the microcredit sector. At the invitation of the Governor, the Director of the Deposit Insurance Agency in BH also attends the meetings, which contributes to the regular information of the participants in the banking supervision coordination on the insured deposits in BH and the activities of this Agency, which, in addition to the CBBH and the Banking Agencies, is an important participant in the financial security network.

## 2.9 Cooperation with International Institutions and Rating Agencies

During 2023, the CBBH continued dialogue and cooperation with EU institutions, EU central banks, and other partners in the EU accession process, and fulfilled the tasks and obligations it has in the BH integration process to EU. By improving business processes in accordance with the EU recommendations, the CBBH confirmed its strong commitment to the European perspective.

In the complex EU coordination system of BH, the CBBH made a quality and timely contribution to the preparation of documents and reports that are significant for the further progress of BH. Through our participation in the working groups for European integration in accordance with the Decision on the coordination system of the European integration process in BH, the institutionally appointed representatives of the CBBH have met all obligations within the CBBH competences related to the completion of the European Union Integration Program. The CBBH participates in the work of the following working groups: Economic Criteria, Free Movement of Capital, Financial Services, Economic and Monetary Policy, Statistics, Financial Control, and Financial and Budget Regulations. Representatives of the CBBH participated in the work and preparation of papers for working bodies established to monitor the implementation of contractual obligations from the Stabilization and Association Agreement (SAA): Subcommittee for Economic and Financial Issues and Statistics; Subcommittee on Internal Market and Competition, and; Committee for Stabilization and Association between the EU and Bosnia and Herzegovina.

<sup>55</sup> RRFC3 - reference rate of average weighted banks' funding cost for all funding sources received from households, non-financial companies and financial institutions.

Through several reporting cycles, the CBBH has prepared information and reports for the BH material for the European Commission's (EC) Annual Report, which is the most important document on the basis of which the EC assesses the country's progress in the EU. In last year's Report, the EC positively evaluated the activities of the CBBH, with special emphasis on the need to ensure the independence of the CBBH and the integrity of the monetary policy. The CBBH also prepared data and participated in regular annual activities as part of the preparation of the Economic Reform Program (ERP), including participation in consultations and meetings with the ECB and the EC, as part of the dialogue on economic policy within the EU Economic and Financial Affairs Council (ECOFIN).

In the following period, with the acquisition of the status of a candidate country with open negotiations, the most demanding phase of EU accession will begin, in which the CBBH will have greater obligations and a stronger role. From 2023, the representatives of the CBBH participate in expert meetings for macroeconomic projections between the EC and candidate countries. This is a standard procedure for all candidate countries for EU membership, and the meetings are held twice a year, before the Progress Report for the candidate member countries, in parallel with the spring and autumn rounds of EC macroeconomic projections. Reporting and discussion take place according to the EC format. With this, the multi-year activities of the CBBH on the preparation of macroeconomic projections and the nowcasts gained additional importance.

During the past year, the CBBH has also improved the institutional capacities, the introduction of new policies and practices, further development and training of staff in order to improve preparations for integration into the European System of Central Banks (ESCB). The gradual and continuous introduction of EU and international standards into the operations of the CBBH is achieved with its own capacities, but also through bilateral and multilateral cooperation with other central banks. The institutional dialogue of central banks, as the best and most effective platform for knowledge transfer, is an extremely important instrument for integration into the structures of the ESCB.

During 2023, the implementation of a significant number of EU technical cooperation programs financed by the IPA grants continued. These programs continuously raise the level of compliance of the CBBH with EU standards in all areas of the CBBH's operations. The special value of this type of cooperation is the continuous enlargement and strengthening of the existing network and the establishment of new professional contacts. The particular importance has the IPA Program for strengthening the capacities of the central banks of the Western Balkans with the aim of their integration into the ESCB, which is led by the Deutsche Bundesbank, with the participation of 19 national central banks of the ESCB and the ECB. The purpose of the Program is to strengthen monetary and financial stability in the region, through further strengthening of the institutional capacities of the six central banks of the Western Balkans, the Banking Agencies in Bosnia and Herzegovina, as well as strengthening the dialogue between central banks, on two levels: regional and EU level.

During the three-year project (in the period 2022-2025), an intensive regional training program is organized on key issues of central banking and supervision. In addition to joint regional activities, as part of this Program, last year, the CBBH realized direct bilateral cooperation with the Central Bank of Spain in the area of cloud computing. Also, cooperation with the Central Bank of Luxembourg was agreed with the aim of improving the foreign exchange reserve management process, which will be realized in the first half of 2024.

We took part again in the regular annual meeting of the Working Group for the Cooperation of the Central Banks acting within the ESCB Relations Committee. The working group is, among other things, in charge of coordinating cooperation activities with central banks of countries outside the EU, including the CBBH. In the context of deepening and strengthening existing cooperation with central banks, cooperation was initiated and ensured with: Bank of France and Deutsche Bundesbank Centre for International Central Bank Dialogue.

The Government of Switzerland has recognized the importance and role of the CBBH, and provides technical support in order to harmonize with European Union standards and the best international practices of central banking. After the successful completion of Phase II of the Program of Bilateral Assistance and Cooperation with Central Banks (BCC), which is implemented with the support of the Government of Switzerland, it was agreed to continue it, which began in September 2023 with the signing of the Program Continuation Agreement, which officially marked the start of the implementation of the third phase of the multi-year partnership, for the period 2023 - 2028. Within the framework of the partnership and support strategy of Switzerland to BH, extremely successful cooperation with the CBBH is realized in cooperation with the Graduate Institute of International Studies (GIIS) from Geneva. The program is a tool to support the CBBH with the aim of improving the key functions from the aspect of modern and good management, as well as adequate preparation of the CBBH for global and EU integration. Based on the needs analysis, the CBBH defined strategic areas of work and prepared the Activity Plan for 2024. The program addresses the following areas:

1. Analysis and implementation of monetary policy
  - a. Management of foreign exchange reserves
  - b. Research strategy in accordance with EU requirements
  - c. Communications
2. Statistics and databases
3. Financial stability
4. Risk management
5. Human resource management

All activities in the CBBH, in the area of strengthening economic research (like area 1 b above), are based on a clear strategy for the development of the research function in the medium term. The primary focus is on research that will be required from the country, and the central bank, in the process of EU integration, and research that is of interest to the CBBH in the process of calibrating policies within its mandate.

Through technical assistance programs, we have enriched our set of models for macroeconomic projections by two more, which are standard in application in central banks, including those operating within the ESCB. We plan to publish the findings from these two models regularly, starting in 2024, and technical papers will be available, as in the case of the models developed and used so far in the CBBH, with the aim of strengthening transparency.

In this regard, at the end of 2023, a two-year IMF technical assistance project was completed, which was financed by the Netherlands Constituency Partnership Program (NCP), one of the two countries that presides over our Constituency in the IMF. The project was implemented by consultants from the Joint Vienna Institute. In two years, in the course of a very ambitious project, the Quarterly Macro Forecasting Framework (QMFF) was developed, which fully takes into account the characteristics of Bosnia and Herzegovina. It is a quarterly framework of adaptive expectations that quantifies basic behavioural equations in the context of deviations of real variables from their long-term trend. The QMFF, developed during the technical assistance program, can be considered a pilot version of a potential new approach to financial programming, which is one of the standard tools developed by the IMF, and which are in use in most member countries.

Recognizing the importance of central banks in the EU integration process of each candidate country, in 2023, the CBBH was included in the EU technical assistance program in the area of strengthening fiscal management, a component of the program related to the preparation of projections and nowcasts. The project was implemented by the World Bank. The goal of the project is for the relevant institutions in the candidate countries for EU membership to make macroeconomic projections and nowcasts of key macroeconomic variables, in a relatively harmonized way, to report to the EC in an identical format, and to make economic policies based on model projections, guided by the goal that is intended to be achieved by them, as well as by assessments of the expected effects. This kind of activity certainly does not mean that a country candidate for membership should rely on only one macroeconomic model, nor that every institution in the country should have identical projections. However, following the best practices of modern central banks, the CBBH will supplement its range of models for macroeconomic projections with another macro structural model, which will further strengthen our contribution to the country's EU integration process.

In the area of statistics, during 2023, two technical assistance projects were successfully implemented, the results of which raised the level of compliance with EU requirements:

- IPA 2019 Multi-user program focused on the area of government finance and excessive deficit statistics (GFS/EDP), within which additional tables related to ESA 2010 transmission were developed, and the quality of existing data was significantly improved. The project was completed in October 2023.
- IPA 2017 Twinning project for BH statistical system which was completed at the end of 2023. It is planned to continue with the implementation of the IPA 2019 Twinning project for the BH statistical system,

within which we continue the development of the methodology and test compilation of the monthly balance of payments, now including the geographical distribution for the balance of payments by country. The implementation of this project is planned by the end of 2025.

- With the support of the Swiss government, we have been improving the IT structure for static compilation and the development of new modern application solutions, which will continue in 2024.

Together with other institutional stakeholders in BH, the CBBH also takes part in a project to modernize the payment systems of the Western Balkans, which is financed by the EC, and implemented by the World Bank with the aim of preparing for the SEPA integration, i.e. joining the Single Euro Payment Area. Organized by the World Bank, an external cyber security assessor and the World Bank experts held presentations for members of the CBBH Risk Committee, in the area of operational risk management and cyber security.

During 2023, and organized by the CBBH, the rating agencies Standard & Poor's and Moody's Investors Service held the online missions. The rating agency Standard & Poor's also had the on site mission in BH, while meeting the relevant international and domestic institutions in BH, with the aim of evaluating the sovereign credit rating of BH. In the course of 2023, the Standard & Poor's agency increased the credit rating of BH to "B+/with a stable outlook", and the Moody's Investors Service agency confirmed the previously set credit rating of BH "B3/with a stable outlook".

## 2.10 Risk Management

Risk management in the CBBH is carried out in a systematic and structured manner, in accordance with the general framework of risk management defined by the Policy of Integrated Risk Management in the CBBH. The general framework of risk management defines the goals and principles of risk management, the organization of risk management, the classification of risks faced by the CBBH in its operations, as well as the risk management process.

Risk management in the CBBH is based on the model of three lines of defence against risk. The first line of defence consists of organizational units/forms that are directly involved in business processes and manage the associated risks. The second line of defence consists of committees responsible for risk management (Risk Committee and Investment Committee), specialized experts who perform methodological and control functions of risk management, and the organizational form responsible for risk management. The role of the risk committee is to support the Governor and the Governing Board in regular monitoring, coordination and provision of information on risk management. The third line of defence consists of the Office of the Chief Audit Executive, which conducts an independent assessment of the risk management system, and the Audit Committee.

In the course of 2023, the Risk Committee considered issues mainly in the field of operational risk management, information security and business compliance, while the Investment Committee considered issues related to the management of foreign exchange reserves of the CBBH. In 2023, operational risk management continued to take place in accordance with the adopted operational risk management framework, which consists of: Operational Risks Management Policy and Business Continuity in the CBBH; Operational Risks Management Methodology in the CBBH, and; Methodology of Data Collection on Incidents and Calculation of Operational Value at Risk. The goal of the operational risk management process is to provide reasonable assurance that the CBBH will achieve its mission and goals, and protect its reputation and financial resources, in accordance with the risk tolerance policy. Also, operational risks management aims to integrate risk information into decision-making processes in the CBBH.

The Risk Committee has introduced a system for monitoring the implementation of recommendations for risk prevention by organizational forms/units in order to adequately respond to risks, and to determine the degree of implementation of measures through the incident reporting process prepared by the organizational form responsible for risk management. Incident reports are regularly submitted to the meetings of the Risk Committee, before being sent to the Management, the Governing Board and the Audit Committee.

In addition to the regular reports of the main experts in the CBBH, analyses and reports on incidents prepared by the organizational form responsible for risk management (quarterly and annual), the Risk Committee considered, analysed, and submitted for adoption the following documents: Operational Risks Management Policy and Business Continuity in the CBBH; Analysis of the Critical Issues in Business Processes of the CBBH; Analysis and Proposals for Improvement of Business Processes; Reports on the Work of the Main Experts; Action Plan for Upgrading the Security of CBBH Information Systems; Integrity Plan of the CBBH, and; Reports on conducted information security risk assessments for certain new IT services.

## 2.11 Internal Audit

The regulatory framework for the performance of the internal audit function is represented by the Law on the Central Bank of Bosnia and Herzegovina, the Rulebook on Internal Audit in the Central Bank of Bosnia and Herzegovina, the Manual on Internal Audit at the Central Bank of Bosnia and Herzegovina, and the binding guidelines of the International Framework for the Professional Practice of Internal Audit. The goal of the internal audit is to help the CBBH achieve its strategic goals and efficiently perform its tasks, checking whether the implementation of management and control mechanisms is appropriate, economical and consistent in relation to legal regulations, internal acts and other provisions. Internal audit provides opinions, recommendations and advice regarding the activities that are subject to audit.

During 2023, the activities of the Office of the CBBH Chief Audit Executive, were aimed at performing the duties defined in Article 20 of the Law, the Strategic Internal Audit Plan for the period 2022-2024, the Internal Audit Plan for 2023, and the implementation of tasks and duties determined by the Work Plan of the Central Bank for 2023.

## 2.12 Other

### 2.12.1. Human Resources Management

The supreme body of the CBBH is the Governing Board (GB), being responsible for determining the monetary policy and controlling its implementation, organisation and strategy of the CBBH in accordance with the powers established by the Law. The Governing Board consists of the Governor, who chairs the Governing Board, and four members (Table 2.7). The Central Bank Management consists of the Governor and three Vice Governors appointed by the Governor, with the approval of the Governing Board. The task of the Management is the operational governance of the Central Bank's operations. Each Vice Governor is directly responsible for the operations of one Sector of the Central Bank (see organisational Chart of the CBBH).

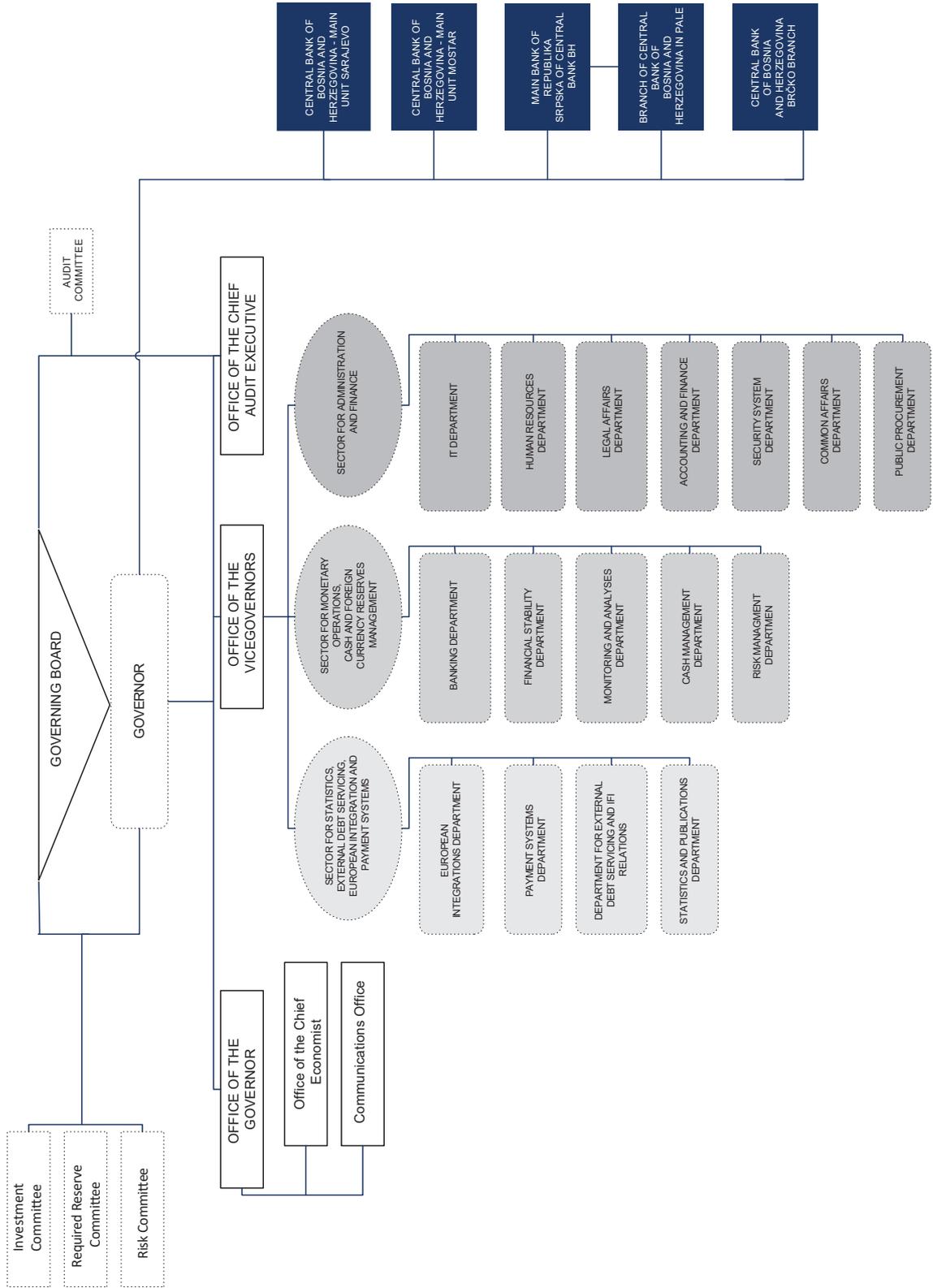
**Table 2.7: The CBBH Management Structure**

	Senad Softić, Ph.D., chair
The CBBH Governing Board, until 03 January 2024	Radomir Božić, Ph.D., member
	Šerif Isović, M.Sc., member
	Dragan Kulina, Ph.D., member
	Danijela Martinović, Ph.D., member
The CBBH Governing Board, from 03 January 2024	Jasmina Selimović, Ph.D., chair
	Danijela Martinović, Ph.D., member
	Radomir Božić, Ph.D., member
	Darko Tomaš, Ph.D., member
The CBBH Management	Mirza Kršo, Ph.D., member
	Senad Softić, Ph.D., Governor (until 03 January 2024)
	Jasmina Selimović, Ph.D., Governor (from 03 January 2024)
	Ernadina Bajrović, M.A., Vice Governor in charge of the Administration and Finance Sector
	Željko Marić, Ph.D., Vice Governor in charge of the Sector for Statistics, Foreign Debt Servicing, European Integration and Payment Systems
	Marko Vidaković, M.Sc., Vice Governor in charge of the Sector for Monetary Operations, Management of Foreign Exchange Reserves and Cash

Source: CBBH

Note: By the Decision on the Dismissal of the Central Bank of Bosnia and Herzegovina Governing Board members, Ref.: 01-50-1-3686-1/23, dated 18 December 2023, Senad Softić, Ph.D., Šerif Isović, M.Sc., Radomir Božić, Ph.D., Dragan Kulina, Ph.D. and Danijela Martinović, Ph.D., were removed from the office since 3 January 2024, due to the expiration of the mandate. By the Decision on the Appointment of the Central Bank of Bosnia and Herzegovina Governing Board members, Ref.: 01-50-1-3686-2/23, dated 18 December 2023, Jasmina Selimović, Ph.D., Danijela Martinović, Ph.D., Radomir Božić, Ph.D., Darko Tomaš, Ph.D. and Mirza Kršo, Ph.D. were appointed for a mandate period of six years, starting from January 3, 2024.

ORGANIZATIONAL CHART OF THE CENTRAL BANK OF BOSNIA AND HERZEGOVINA

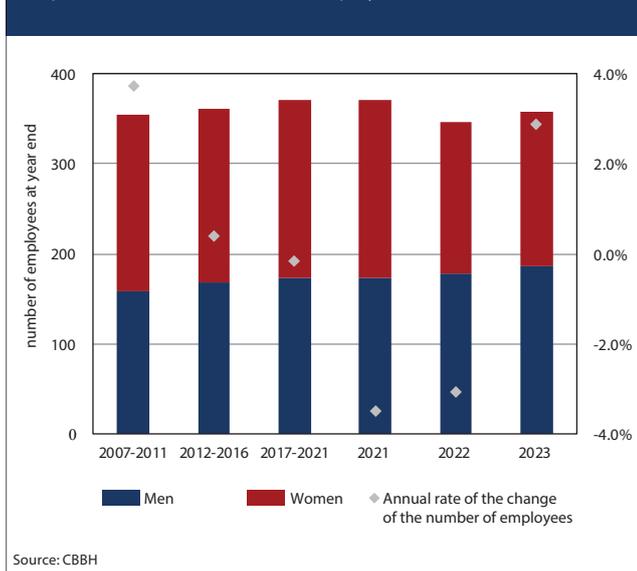


Considering the nature and specifics of central banks' operations, as well as their market role, the CBBH is committed to an efficiency strategy, with the aim of maintaining and continuously improving human resources, along with the modernization of the human resources management process, which enables efficient execution of all activities.

In the course of 2023, there was a natural fluctuation of employees, due to the retirement of employees, or the employment termination per mutual agreement, while the hiring number of new employees did not exceed the planned total number of employees. Thus, as of 31 December 2023 there was a total of a total of 357 employees in the Central Bank.

Due to the natural fluctuation of employees, as a result of retirement or termination of the employment via mutual agreement, with limited hiring of new employees, in line with the planned increase, the number of employees amounted to 357 at the end of 2023 (Graph 2.24). Of the total number of employees, 75.91% had a university degree, of which eight had Ph.D. and seventy-three had Master Degree. The average age of the employees was 47 years, and of the total number of employees 47.6% were women at the end of 2023.

Graph 2.24: The Total Number of Employees in the CBBH



One of the missions of the CBBH is to support the university institutions in BH, which is reflected in the signed cooperation agreements with several economic faculties in BH, and giving students, postgraduates and academic researchers the opportunity to gain much-needed experience through internships in the CBBH. Internships for students and postgraduates were also implemented in 2023. During 2023, the "Green HRM" project continued with the aim of raising awareness on the need of saving and the reasonable use of available resources.

Various activities were implemented, such as the initiative to reduce the use of single-use plastic tableware and the distribution of personalized glass water bottles as an alternative to single-use plastic glasses, and the promotion of online meetings as an alternative to on site meetings.

## 2.12.2 Communication with the Public

During 2023, intensive activities continued, in accordance with the Communication Strategy for the period 2022-2026. The media, social networks, and website were used as a communication channel for the dissemination of information, and as a novelty in communication, a Viber group of journalists was introduced, through which information, announcements and notifications are also distributed. The introduction of the Viber group enabled a faster, more direct and more efficient way of communicating with the media. This platform enabled instant information sharing, quick responses to media inquiries and more efficient management of media requests. The Viber group has enabled the media to have immediate access to press releases, statements and other relevant information. This contributed to the transparency and openness of the institution towards the media, which is crucial for building trust and credibility.

As part of regular public information on the activities of the CBBH, in 2023, 66 press releases were published and 112 media inquiries were answered in written form, and a significant number of audio and video interviews of officials and employees of the CBBH were conducted. During the year, a total of 26 requests were processed based on the Law on Freedom of Access to Information of Bosnia and Herzegovina. The content on social networks has been improved with the aim of higher transparency, with more infographics and more attractive material.

In the organization of the CBBH and Color Media Group, with the support of the British Embassy in BH and the EU Delegation in BH, a conference called "The World in 2023" was held. The conference of the same title has been held in the region for years, and since two years ago in Bosnia and Herzegovina. The conference brought together leading economic experts, businessmen and holders of the highest public positions as well as representatives of the diplomatic community in BH with the aim of providing analyzes and views on the economic environment and investment climate, and the implementation of reforms and legislation as well as the measures that BH should take through a constructive dialogue between representatives of economic institutions, authorities, the diplomatic and business community.

In 2023, a series of activities marked the 25th anniversary of the release of the convertible mark into circulation as the official currency and legal tender in BH. For this occasion, in cooperation with the company Pošte Srpske a.d. Banjaluka, we produced, promoted and put in sale a commemorative postage stamp and envelope "25 Years of Convertible Mark".

During the year, financial education was especially represented, so the activities for the promotion of financial education and inclusion included slightly more than a thousand pupils, students, teachers and professors. Nine primary schools from Sarajevo, Mostar, Brčko, Banja Luka and Pale attended educational presentations, entitled "Little School of Money", and twenty secondary school pupils from all parts of Bosnia and Herzegovina went through educational activities on the following topics: Role and importance of the CBBH; Skills of responsible management of personal finances, and; Basic financial products and services on the market. Out of twenty secondary schools, eleven of them were additionally involved in the "Train the Trainer" project. Forty-nine selected pupils and fifteen professors underwent trainings organized by the CBBH, where, on a voluntary basis, they accepted to independently educate other pupils as part of the headroom teacher class in schools, and in this way, to contribute to financial education becoming part of the curriculum in schools. Visits of students from the country and abroad were also organized, who expressed their wish to learn more on the monetary policy of the CBBH, as well as its role and importance in the country's financial system. The CBBH hosted a delegation from the Organization for Economic Cooperation and Development (OECD), which paid a two-day visit to BH with the aim of assessing the situation in terms of financial inclusion and literacy of the population in preparation of a document to support the development of financial literacy by the OECD. Activities in the field of financial literacy are carried out within the project "Financial Literacy in Countries Participating in the Dutch Constituency Program". The goal of the project is to support countries to raise the level of financial literacy and inclusion, by strengthening financial education in order to achieve the prosperity of citizens and small and medium-sized enterprises. The OECD project will be implemented in the period from 2023 to 2027, and includes Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, the Republic of North Macedonia, and other constituent states of the Netherlands, with financial support from the Ministry of Finance of the Netherlands.

The activities of the CBBH are recognized outside the borders of the country, so the institution found its place among the winners of the prestigious "Central Banking Award" in the "Transparency" category. Namely, the CBBH was awarded for strengthening integrity and introducing the Ethics Line as an independent anti-corruption tool, as well as for strengthening communication with the public, which is a rare practice among public sector institutions. This award is given in 26 categories, 13 for central banks and 13 for financial market participants.

### **2.12.3 Energy Efficiency Projects, Preservation of National Monuments**

By the decision of the Commission for the Preservation of National Monuments, activities on the preservation of the CBBH Head Office building, and ongoing maintenance, are carried out continuously. In 2023, we continued to improve the energy saving features of the building in order to reduce energy consumption, which contributes to environment protection. According to the Term Plan, the measurements of the percentage of capillary moisture in the walls of the basement were made, which were submitted to the Institute for the Protection of Monuments, which proved the effectiveness of the previously installed electronic devices. During the planning and performance of all works on the building, we established the cooperation with the Institute for the Protection of Monuments, which proves the Institute's gratitude for the correct and professional attitude during the conservation and restoration works, from January 2023.

In accordance with the Decision on the establishment of an energy management system and energy efficiency information system in the institutions of Bosnia and Herzegovina, we carried out the continuous data entry into the energy management information system (EMIS) and monitoring of energy consumption (gas, electricity, water). Entry in EMIS is made for all facilities of the Central Bank on a monthly basis for all measuring points in the facilities. In addition to the above, gas consumption data in the building of the CBBH Head Office, at the address Maršala Tita 25 in Sarajevo, is also sent automatically, via the Internet connection from the built-in meter.

During 2023, the CBBH submitted the Report on the waste production for 2022 to the Institute for Informatics and Statistics of Sarajevo Canton, in accordance with Article 31 of the Law on Statistics in the Federation of BH and the Rulebook on categories of waste.





Centralna banka  
BOSNE I HERCEGOVINE  
Централна банка

# Financial Statements and the Independent Auditor's Report



## CONTENT

Financial Reporting Responsibility .....	63
Independent Auditor's Report .....	54
Statement of Financial Position .....	67
Statement of Profit or Loss.....	68
Statement of Comprehensive Income.....	69
Statement of Changes in Equity .....	70
Statement of Cash Flows .....	72
Notes to the Financial Statements.....	74
1 General information .....	74
2 Basis of preparation .....	76
3 Material accounting policy information.....	79
4 Currency board arrangement .....	92
5 Classification and fair value measurement of financial assets and financial liabilities.....	93
6 Financial risk management .....	97
7 Cash in foreign currencies .....	117
8 Deposits with foreign banks.....	117
9 Special Drawing Rights with the IMF.....	121
10 Debt instruments at fair value through other comprehensive income.....	122
11 Monetary gold .....	123
12 Debt instruments at amortised cost.....	124
13 Other assets.....	125
14 Property and equipment.....	126
15 Intangible assets .....	127
16 Other investments .....	128
17 Banknotes and coins in circulation.....	128
18 Deposits from banks .....	129
19 Deposits from the Government and other public institutions .....	129
20 Provisions .....	130
21 Other liabilities .....	131
22 Net interest income.....	131
23 Net fee and commission income.....	134
24 Net realised (losses) from sale of debt instruments at fair value through other comprehensive income.....	135
25 Net realised gains from sale of monetary gold .....	135
26 Net foreign exchange (losses).....	135
27 Impairment on financial assets, net increases / decreases.....	136
28 Other income.....	137
29 Personnel expenses.....	137
30 Administrative and other operating expenses.....	137
31 Costs of production of banknotes and coins .....	138
32 Allocation of annual net profit .....	139
33 Equity.....	139
34 Cash and cash equivalents.....	140
35 Related party transactions.....	141
36 Off-balance sheet deposits.....	142
37 BH membership with the IMF.....	143
38 Domestic payment and settlement systems .....	145
39 Events after the reporting period.....	146



### 3. FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Financial statements for the year ended 31 December 2023

#### FINANCIAL REPORTING RESPONSIBILITY

The Management of the Central Bank of Bosnia and Herzegovina is responsible for the financial statements which are prepared 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.

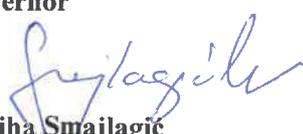
In overseeing the financial reporting process, the Governing Board is assisted by the Audit Committee, which is consisted of three independent members. The Audit Committee reviews the annual financial statements, which are then considered and approved by the Governing Board and submitted to the Parliamentary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

These 2023 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. Ljubljana 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 needed to implement and discuss their audit procedures.

The accompanying financial statements set out on pages 5 to 84 are approved by the Governing Board on 28 March 2024.

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



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



Ernst & Young d.o.o.  
 Vrbanja 1 (SCC – Sarajevo City Center)  
 71000 Sarajevo  
 Bosna i Hercegovina

Tel: +387 33 870 014  
[www.ey.com/ba](http://www.ey.com/ba)

## 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 2023, 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 2023, 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.



Ernst & Young d.o.o.  
 Vrbanja 1 (SCC – Sarajevo City Center)  
 71000 Sarajevo  
 Bosna i Hercegovina

Tel: +387 33 870 014  
[www.ey.com/ba](http://www.ey.com/ba)

## 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.



Ernst & Young d.o.o.  
Vrbanja 1 (SCC – Sarajevo City Center)  
71000 Sarajevo  
Bosna i Hercegovina

Tel: +387 33 870 014  
www.ey.com/ba

## Independent auditor's report (continued)

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

We communicate with the Governing Board and the Audit Committee 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.

We also provide the Governing Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Danijela Mirković, procurator

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

Sarajevo, 28 March 2024



Tarik Alijagić, licensed auditor

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

Sarajevo, 28 March 2024

Janez Uranič, partner

Ernst & Young d.o.o. Ljubljana  
Dunajska cesta 111  
1000 Ljubljana  
Republic of Slovenia

Ljubljana, 28 March 2024

**ERNST & YOUNG**  
Revizija, poslovno  
svetovanje d.o.o., Ljubljana 3

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Financial statements for the year ended 31 December 2023

## STATEMENT OF FINANCIAL POSITION

In thousands of KM	Note	31 December 2023	As at 31 December 2022
<b>ASSETS</b>			
Cash in foreign currencies	<a href="#">7</a>	455,191	572,020
Deposits with foreign banks	<a href="#">8</a>	8,326,590	8,273,200
Special Drawing Rights with the IMF	<a href="#">9, 37</a>	2,073	149
Debt instruments at fair value through other comprehensive income	<a href="#">10</a>	6,150,130	5,887,589
Monetary gold	<a href="#">11</a>	175,459	160,040
Debt instruments at amortised cost	<a href="#">12</a>	1,180,421	1,172,862
Other assets	<a href="#">13</a>	17,384	19,280
Property and equipment	<a href="#">14</a>	47,310	48,535
Intangible assets	<a href="#">15</a>	864	844
Other investments	<a href="#">16</a>	27,813	27,813
<b>TOTAL ASSETS</b>		<b>16,383,235</b>	<b>16,162,332</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Banknotes and coins in circulation	<a href="#">17</a>	7,565,108	7,436,097
Deposits from banks	<a href="#">18</a>	7,083,235	7,217,387
Deposits from the Government and other public institutions	<a href="#">19</a>	752,898	958,245
Provisions	<a href="#">20</a>	2,025	897
Other liabilities	<a href="#">21</a>	68,669	4,301
<b>Total liabilities</b>		<b>15,471,935</b>	<b>15,616,927</b>
<b>EQUITY</b>			
Initial capital		25,000	25,000
Reserves		886,300	520,405
<b>Total equity</b>	<a href="#">33</a>	<b>911,300</b>	<b>545,405</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>16,383,235</b>	<b>16,162,332</b>

The accompanying notes on pages 12 to 84 are an integral part of these financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Financial statements for the year ended 31 December 2023

**STATEMENT OF PROFIT OR LOSS**

In thousands of KM	Note	For the year ended 31 December	
		2023	2022
Interest income		330,687	78,832
Interest expense		(14,269)	(39,026)
<b>NET INTEREST INCOME</b>	<u>22</u>	<b>316,418</b>	<b>39,806</b>
Fee and commission income		21,945	22,704
Fee and commission expenses		(534)	(791)
<b>NET FEE AND COMMISSION INCOME</b>	<u>23</u>	<b>21,411</b>	<b>21,913</b>
Net realised (losses) from sale of debt instruments at fair value through other comprehensive income	<u>24</u>	(22,487)	(63,470)
Net realised gains from sale of monetary gold	<u>25</u>	-	60,014
Net foreign exchange (losses)	<u>26</u>	(202)	(42)
Impairment on financial assets, net increases / decreases	<u>27</u>	100	(924)
Other income	<u>28</u>	793	850
<b>OPERATING INCOME</b>		<b>316,033</b>	<b>58,147</b>
Personnel expenses	<u>29</u>	(23,074)	(18,622)
Administrative and other operating expenses	<u>30</u>	(7,500)	(6,991)
Costs of production of banknotes and coins	<u>31</u>	(4,404)	(3,732)
Depreciation and amortisation charge	<u>14, 15</u>	(2,794)	(2,903)
<b>OPERATING EXPENSES</b>		<b>(37,772)</b>	<b>(32,248)</b>
<b>NET PROFIT FOR THE YEAR</b>	<u>32</u>	<b>278,261</b>	<b>25,899</b>

The accompanying notes on pages 12 to 84 are an integral part of these financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Financial statements for the year ended 31 December 2023

**STATEMENT OF COMPREHENSIVE INCOME**

In thousands of KM	Note	For the year ended 31 December	
		2023	2022
<b>NET PROFIT FOR THE YEAR</b>		<b>278,261</b>	<b>25,899</b>
<b>Other comprehensive income / (loss)</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
<b>Debt instruments at fair value through other comprehensive income</b>			
Net change in fair value during the year	<a href="#">10</a>	113,948	(365,150)
Net change in provisions for expected credit losses recognised in profit or loss during the year	<a href="#">6.1.1.</a> , <a href="#">27</a>	99	(239)
Reclassification to profit or loss from sale of debt instruments	<a href="#">24</a>	22,487	63,470
		<b>136,534</b>	<b>(301,919)</b>
<b>Monetary gold</b>			
Net change in fair value during the year	<a href="#">11</a>	15,419	19,996
Reclassification to profit or loss from sale of monetary gold	<a href="#">25</a>	-	(60,014)
		<b>15,419</b>	<b>(40,018)</b>
<b>Total other comprehensive income / (loss)</b>		<b>151,953</b>	<b>(341,937)</b>
<b>TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</b>		<b>430,214</b>	<b>(316,038)</b>

The accompanying notes on pages 12 to 84 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	Other reserves	General reserves (Retained earnings)	Total reserves	Total equity
<b>Balance at 1 January 2023</b>	25,000	(143,005)	58,111	31,300	573,999	520,405	545,405
<b>Total comprehensive income for the year</b>	-	136,534	15,419	-	278,261	430,214	430,214
Net profit for the year ( <a href="#">Note 32</a> )	-	-	-	-	278,261	278,261	278,261
<b>Other comprehensive income</b>	-	136,534	15,419	-	-	151,953	151,953
<i>Net increase in fair value for debt instruments</i>	-	113,948	-	-	-	113,948	113,948
<i>Net increases in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	99	-	-	-	99	99
<i>Reclassification to profit or loss from sale of debt instruments</i>	-	22,487	-	-	-	22,487	22,487
<i>Net increase in fair value for monetary gold</i>	-	-	15,419	-	-	15,419	15,419
Profit allocation to the budget of Bosnia and Herzegovina ( <a href="#">Note 32</a> )	-	-	-	-	(64,319)	(64,319)	(64,319)
<b>Balance at 31 December 2023</b>	25,000	(6,471)	73,530	31,300	787,941	886,300	911,300

The accompanying notes on pages 12 to 84 are an integral part of these financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Financial statements for the year ended 31 December 2023

**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	Other reserves	General reserves (Retained earnings)	Total reserves	Total equity
<b>Balance at 1 January 2022</b>	25,000	158,914	98,129	31,300	548,100	836,443	861,443
<b>Total comprehensive (loss) for the year</b>	-	(301,919)	(40,018)	-	25,899	(316,038)	(316,038)
Net profit for the year ( <a href="#">Note 32</a> )	-	-	-	-	25,899	25,899	25,899
<b>Other comprehensive (loss)</b>	-	(301,919)	(40,018)	-	-	(341,937)	(341,937)
<i>Net (decrease) in fair value for debt instruments</i>	-	(365,150)	-	-	-	(365,150)	(365,150)
<i>Net (releases) of provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	(239)	-	-	-	(239)	(239)
<i>Reclassification to profit or loss from sale of debt instruments</i>	-	63,470	-	-	-	63,470	63,470
<i>Net increase in fair value for monetary gold</i>	-	-	19,996	-	-	19,996	19,996
<i>Reclassification to profit or loss from sale of monetary gold</i>	-	-	(60,014)	-	-	(60,014)	(60,014)
<b>Balance at 31 December 2022</b>	25,000	(143,005)	58,111	31,300	573,999	520,405	545,405

The accompanying notes on pages 12 to 84 are an integral part of these financial statements.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Financial statements for the year ended 31 December 2023

## STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December	
		2023	2022
<b>In thousands of KM</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net profit for the year</b>		<b>278,261</b>	<b>25,899</b>
Adjusted for:			
Interest income	<a href="#">22</a>	(330,687)	(78,832)
Interest expense	<a href="#">22</a>	14,269	39,026
Impairment on financial assets, net (increases) / decreases	<a href="#">27</a>	(100)	924
Net realised losses from sale of debt instruments at fair value through other comprehensive income	<a href="#">24</a>	22,487	63,470
Net realised (gains) from sale of monetary gold	<a href="#">25</a>	-	(60,014)
Net foreign exchange losses	<a href="#">26</a>	202	42
Income from grants		(3)	(3)
Provisions, net increases in / (releases) of	<a href="#">20, 29</a>	1,255	(327)
Net (gains) / losses on disposal of property, equipment and intangible assets		(2)	3
Dividend income recognised in profit or loss	<a href="#">28</a>	(721)	(721)
Depreciation and amortisation charge	<a href="#">14, 15</a>	2,794	2,903
<b>Net cash flows used in operating activities before changes in operating assets and liabilities</b>		<b>(12,245)</b>	<b>(7,630)</b>
<b>Changes in operating assets and liabilities</b>			
(Increase) in term deposits with foreign banks		(748,816)	(566,900)
(Increase) / decrease in debt instruments at fair value through other comprehensive income		(148,593)	5,376,853
(Increase) in debt instruments at amortised cost		(7,553)	(1,173,087)
Decrease in monetary gold		-	161,943
(Decrease) / increase in other assets		1,107	(1,601)
Increase in banknotes and coins in circulation	<a href="#">17</a>	129,011	512,279
(Decrease) in deposits from banks		(135,333)	(1,336)
(Decrease) in deposits from the Government and other public institutions		(205,347)	(471,351)
Increase / (decrease) in other liabilities		116	(3,885)
Payments from provisions	<a href="#">20</a>	(127)	(182)
Interest received		307,731	75,142
Interest paid		(13,088)	(39,026)
<b>Net cash from operating activities</b>		<b>(833,137)</b>	<b>3,861,219</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of property and equipment		3	-
Purchases of property, equipment and intangible assets	<a href="#">14, 15</a>	(1,594)	(1,125)
Dividend received		721	721
<b>Net cash used in investing activities</b>		<b>(870)</b>	<b>(404)</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Financial statements for the year ended 31 December 2023

**STATEMENT OF CASH FLOWS (CONTINUED)**

<b>In thousands of KM</b>	<b>Note</b>	<b>For the year ended 31 December</b>	
		<b>2023</b>	<b>2022</b>
Net effects from impairment for expected credit losses on cash and cash equivalents		266	(894)
Net effects of foreign exchange rates on cash and cash equivalents		(266)	(14)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(834,007)</b>	<b>3,859,907</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7,846,633</b>	<b>3,986,726</b>
<b>Cash and cash equivalents at the end of the year</b>	<a href="#">34</a>	<b>7,012,626</b>	<b>7,846,633</b>

The accompanying notes on pages 12 to 84 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  $\text{KM } 1.95583 = \text{EUR } 1$ , prescribed by the Law on the Central Bank.

The guaranteed convertibility KM and full coverage of monetary liabilities with convertible foreign currency reserves according to the currency board rule are the primary objectives of the Central Bank. All activities and operations of the Central Bank are undertaken in order to achieve the legally set 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 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;
- taking part in the operations of international organisations working on strengthening the financial and economic stability of the country;
- representing BH in international organisations regarding monetary policy issues.

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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 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 reserved for 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.

The key management members of the Central Bank are:

### The Governing Board

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

More information about the changes in the Governing Board members are disclosed in [Note 39](#).

### The Management

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

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.

The members of the Audit Committee are:

### The Audit Committee

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 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 conditions in the environment under which the Central Bank’s operations have been performed in 2023, significantly affecting the Central Bank’s reported balances of assets, liabilities, income and expenses, is disclosed in [Note 3.13](#).

### 2.2. Basis of measurement

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

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

### 2.3. Functional and presentational currency

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

### 2.4. Changes in accounting policy and disclosures

#### 2.4.1. New and amended standards

The accounting policies adopted are consistent with those of the previous financial year except for the following IFRS amendments which have been adopted by the Bank as of 1 January 2023:

- **IFRS 17: Insurance Contracts**

The standard is effective for annual periods beginning on or after 1 January 2023. This is a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. IFRS 17 applies to all types of insurance contracts issued, as well as to certain guarantees and financial instruments with discretionary participation contracts. The Central Bank does not issue contracts in scope of IFRS 17; therefore, its application does not have an impact on the Central Bank’s financial performance, financial position or cash flows.

As a consequence, this standard had no impact on the financial statements of the Central Bank.

- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)**

The Amendments are effective for annual periods beginning on or after 1 January 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose ‘significant’ accounting policies with a requirement to disclose ‘material’ accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

The amendments of this standard had no impact on the financial statements of the Central Bank.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

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

- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)**

The amendments become effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.

The amendments of this standard had no impact on the financial statements of the Central Bank.

- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2023. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how entities should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

The amendments of this standard had no impact on the financial statements of the Central Bank.

- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational entities would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, entities are required to disclose qualitative and quantitative information about their exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

The amendments of this standard had no impact on the financial statements of the Central Bank.

## 2. BASIS OF PREPARATION (CONTINUED)

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that the management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity's own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The requirements of this standard are not expected to have a material impact on the Central Bank's financial statements.

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

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

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

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

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

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

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

Disclosed material 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.

Contractual cash flows from investing in debt instruments can be managed by 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.

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2023

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

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

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

For financial assets that are managed through these models, the Central Bank assesses whether the contractual cash flows associated with the financial assets are solely payments of principal and interest on the principal amount outstanding. The assessment is made at a portfolio level because of its best reflection of the way the business is managed. For the purpose of assessment, “principal” is defined as fair value of the financial asset on 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 all 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.

##### 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. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

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

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

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

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

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

The effective interest rate method is the method used in the calculation of the amortised cost (gross carrying amount) of financial assets or financial liability and allocation and recognition of interest income or expense in profit or loss over the certain 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, the Central Bank's 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. For the period of holding, effects of subsequent measurement of financial assets at fair value through other comprehensive income are recognised as follows:

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

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

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

###### Equity instruments

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

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

###### Impairment of financial assets

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

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

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

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

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

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

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

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

**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)****3.1. Financial assets and financial liabilities (continued)****3.1.3. Subsequent measurement of financial assets and financial liabilities (continued)****B Financial liabilities**

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

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

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

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

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

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

**3.2. Offsetting**

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

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

**3.3. Cash and cash equivalents**

For the purpose of reporting cash flows, cash and cash equivalents comprise the following categories: giro accounts, cash in foreign currencies, foreign currency demand deposits, foreign currency deposits 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. Unrealized gains and losses arising from changes in fair value, referring to the price changes of monetary gold, are recognised in the fair value reserve account within other comprehensive income. Prior to the annual profit allocation, if unrealised losses exceed the balance of the fair value reserves for monetary gold, the Central Bank recognises the amount of negative balance in the profit or loss account which is then included in the profit available for distribution if the legally prescribed conditions for profit distributions are met.

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

Property, equipment and intangible assets consist of assets obtained from the Central Bank's own funds and cash and non-cash grants. Property, equipment and intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Cost includes the purchase price and all costs directly related to bringing the asset into operating condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are recognised as expense as they incurred. Significant improvements and replacement 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 relevant property, equipment and intangible assets category to which corresponding depreciation and amortisation rates are subsequently applied.

Depreciation and amortisation of property, equipment and intangible assets are calculated on all assets, except land and assets in the course of construction, on a straight-line basis at prescribed rate designed to write off the cost of the assets over their estimated useful lives. The estimated depreciation and amortisation rates during 2023 and 2022 were as follows:

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

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

##### **Intangible assets**

Software	20.0%
Other intangible assets	20.0%

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

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

The useful life of the property, equipment and intangible assets is reviewed and adjusted on an annual basis at minimum, if necessary, and it 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. MATERIAL 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 are 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 include the provision amounts for the severance payments and jubilee awards and provisions for litigations. 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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

### 3. MATERIAL 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, the effects of negative interest rates on financial assets arise from deposits with foreign banks and debt instruments at fair value through other comprehensive income, while 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 arising from deposits from resident banks and the effects of negative interest rates arising from deposits from resident banks due to the applied required reserve policy of the Central Bank.

#### Fee and commission income and expenses

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

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

#### Foreign currency transactions and foreign exchange differences

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

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

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

Middle exchange rates of most relevant currencies are provided below:

Middle exchange rate:	31 December 2023	31 December 2022
	KM	KM
EUR	1.95583	1.95583
CHF	2.112127	1.986219
GBP	2.250538	2.205168
USD	1.769982	1.833705
XDR	2.381282	2.450479

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

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

##### **Dividend income**

Dividend income from equity instruments is recognised in profit or loss when the Central Bank's right to receive dividend is established. Dividend income arises from BIS shares held by the Central Bank ([Notes 16](#) and [28](#)).

##### **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 based on 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 of resident banks, for which the Central Bank acts as an agent ([Note 36](#)).

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

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

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2023

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

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

Other assets and liabilities related to the IMF, belonging to or being the responsibility of BH, are recorded in a special 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 adhering strictly to the Law on the Central Bank and local legislation in BH that regulates foreign borrowing of BH ([Note 37](#)).

#### 3.12. Significant accounting judgements and estimates

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

Significant judgements and estimates effect the reported amounts of assets and liabilities, as well as disclosure of the amounts of contingent assets and liabilities as at reporting date, and the corresponding amounts of revenues and expenses for the reporting period. Actual amounts could differ from these estimates. Changes in Central Bank's accounting policies are applied retrospectively when applicable in accordance with IFRSs. Changes in accounting estimates are recognised 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. No changes have been made in applied accounting policies and accounting estimates in these financial statements.

These financial statements have been prepared based upon conditions existing at 31 December 2023. 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 which may significantly influence the financial performances of the Central Bank in the future period.

Key assumptions and estimates relating to material statement of financial position items 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 made in the determination of the inputs into the expected credit loss measurement model, including the forward-looking view information that were used in the reporting periods.

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

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

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

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

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

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

#### 3.13. Conditions in the environment for performing the Central Bank's operations in 2023

The presence of high inflation, as well as high interest rates, together with increased geopolitical tensions and conflicts continued during 2023. Increased uncertainties in macroeconomic and geopolitical environment and leading central banks' decisions primary determined the movements and conditions on the global financial markets and eurozone financial market. During 2023, the European Central Bank ("ECB") has raised key interest rates on six occasions in the total of 200 basis points, reflecting the eurozone interest rates and market yields. The above-mentioned circumstances directly affected the Central Bank's foreign currency reserve investment process in 2023. The influence of these circumstances on financial risk management is disclosed in more detail in [Note 6](#).

The restructuring of interest-bearing foreign currency reserves components in the direction of active adjustment to the existing market conditions, within prescribed regulations, has resulted in significant amounts of realised foreign currency interest income for 2023. The Central Bank's foreign currency interest income is primary generated from interest income on deposits with foreign banks. During 2023, the Central Bank has released debt instruments that were contracted at negative and low yields in the past periods by selling and reinvesting them under existing positive yields and interest rates. The increase in debt instruments at fair value through other comprehensive income by purchasing was made with shorter maturities of the purchased debt instruments during 2023. The change in fair value arising from monetary gold holding has been positive in 2023. In that manner, the volatility of Central Bank's equity from changes in fair value of the Central Bank's financial assets which are subsequently measured at fair value through other comprehensive income was significantly reduced and total net positive effects on this basis were achieved in 2023.

Above-mentioned Central Bank's activities resulted in realised other and total comprehensive income for 2023, which significantly strengthened the equity of the Central Bank compared to 2022.

More information about changes and amounts of significant foreign currency reserves components and their influence on profit or loss account and equity of the Central Bank is disclosed in the following notes:

Note	Title
<a href="#">8</a>	Deposits with foreign banks
<a href="#">10</a>	Debt instruments at fair value through other comprehensive income
<a href="#">11</a>	Monetary gold
<a href="#">22</a>	Net interest income
<a href="#">24</a>	Net realised (losses) from sale of debt instruments at fair value through other comprehensive income
<a href="#">33</a>	Equity

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

#### 3.13. Conditions in the environment for performing the Central Bank's operations in 2023 (continued)

The decrease in the amount of monetary liabilities for 2023 is primarily caused by KM purchases and sales with resident banks and depositors resulting in total of net KM purchase for 2023. In addition, resident banks were withdrawing and returning KM banknotes and coins through the Central Bank's dislocated vaults with a non-cyclical intensity, which resulted in cumulative net increase in KM banknotes and coins in circulation in 2023 and simultaneous net decrease of resident bank's reserve accounts.

All resident banks have regularly fulfilled the required reserve in accordance with the Central Bank's legal regulations. From 1 January 2023, the Central Bank has started with the implementation of new established remuneration rates regarding the required reserve instrument, introducing the positive remuneration rates for resident banks on their reserve accounts funds depending on their basis for calculation. During 2023, remuneration rates regarding the required reserves instrument were increased once.

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

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

Significantly improved Central Bank's financial performance in 2023 led to an increase in the amount of Central Bank's net foreign assets, as the main indicator of the currency board stability. In addition, the Central Bank has fulfilled the legally prescribed conditions for the payment of part of the net profit for 2023 to The BH Ministry of Finance and Treasury. More information is disclosed in the following Notes:

<b>Note</b>	<b>Title</b>
<a href="#">4</a>	Currency board arrangement
<a href="#">21</a>	Other liabilities
<a href="#">32</a>	Allocation of the annual net profit
<a href="#">33</a>	Equity

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

#### 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, so-called reserve currency, where the total amount of domestic currency can be freely converted to reserve currency at any time. Every 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, according to 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 foreign currency reserves.

Details of compliance with that rule are as follows:

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Official foreign currency reserves</b>		
Cash in foreign currencies	455,191	572,020
Deposits with foreign banks	8,326,590	8,273,200
Special Drawing Rights with the IMF	2,073	149
Debt instruments	7,330,551	7,060,451
Monetary gold	175,459	160,040
<b>TOTAL</b>	<b>16,289,864</b>	<b>16,065,860</b>
<b>Liabilities to non-residents</b>	<b>2,454</b>	<b>2,583</b>
<b>Net foreign currency reserves</b> (Official foreign currency reserves less liabilities to non-residents)	<b>16,287,410</b>	<b>16,063,277</b>
<b>Monetary liabilities</b>		
Banknotes and coins in circulation	7,565,108	7,436,097
Deposits from banks	7,083,235	7,217,387
Deposits from the Government and other public institutions	752,898	958,245
<b>TOTAL</b>	<b>15,401,241</b>	<b>15,611,729</b>
<b>NET FOREIGN ASSETS</b> (Net foreign currency reserves less monetary liabilities)	<b>886,169</b>	<b>451,548</b>

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

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

Net foreign assets are the amounts that guarantee the stability of domestic currency, respectively monetary stability and absorb potential financial risks arising from official currency reserves management. As at 31 December 2023, the financial balance of net foreign assets amounts to KM 886,169 thousand and the stability of domestic currency is completely provided (31 December 2022: KM 451,548 thousand).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**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 33](#).

**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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

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

**In thousands of KM**

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

**In thousands of KM**

	<b>31 December 2022</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets</b>				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	5,887,589	-	-	5,887,589
Monetary gold	160,040	-	-	160,040
<b>TOTAL</b>	<b>6,047,629</b>	<b>-</b>	<b>-</b>	<b>6,047,629</b>

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

**In thousands of KM**

	<b>31 December 2023</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	455,191	455,191
Deposits with foreign banks	8,326,590	8,326,590
Special Drawing Rights with the IMF	2,073	2,073
Debt instruments at amortised cost	1,180,421	1,084,267
Other financial assets	3,539	3,539
	9,967,814	9,871,660
<i>Financial assets measured at fair value through other comprehensive income - cost choice:</i>		
Other investments	27,813	27,813
	27,813	27,813
<b>Total</b>	<b>9,995,627</b>	<b>9,899,473</b>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	7,565,108	7,565,108
Deposits from banks	7,083,235	7,083,235
Deposits from the Government and other public institutions	752,898	752,898
Other financial liabilities	68,423	68,423
<b>Total</b>	<b>15,469,664</b>	<b>15,469,664</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

**In thousands of KM**

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

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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 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 the financial markets, primarily movements in the financial market of the euro area, which are affected by a large number of different factors, the most important of which are the measures of the European Central Bank (ECB) and others leading central banks at the global level.

Short-term interest rates in 2023, as well as market yields on short and medium-term government bonds of the euro area countries, have raised significantly compared to their values in the previous year which was largely contributed by the ECB by increasing key interest rates in the euro area.

All three key ECB interest rates were increased in February, March, May, June, August and September 2023, and that was reflected in the movement of interest rates (Euribor) and market yields on Eurobonds in 2023.

An increase in interest rates on deposits and an increase in market yields on euro area government bonds of all remaining maturities was noticeable.

A particularly intensive growth of market yields was recorded at the shorter end of the euro area yield curve (euro area government bonds with shorter remaining maturities), so that from April 2023 inversion of the euro area yield curve was recorded, which means that market yields on euro area government bonds with shorter remaining maturities are higher than market yields on euro area government bonds with longer remaining maturities.

An increase in market yields decreases the fair value of debt instruments of the Central Bank's portfolio, which poses a challenge to the stability of the currency board arrangement.

In order to preserve the stability of the currency board, during 2022 the Central Bank significantly shortened the modified duration of the portfolio and the exposure to interest rate risk.

Certain adjustments were made to credit risk limits and the structure of foreign currency reserves was changed in terms of an increased share of deposits with foreign banks (primarily overnight as well as two-day deposits) and a decrease in the share of debt instruments.

As a result, the further decline in coverage of monetary liabilities was stopped, but there was a certain increase in expected credit losses due to the increase of credit risk.

In 2023, the modified duration of the portfolio and exposure to interest rate risk were slightly increased, taking into account the increase in the coverage of monetary liabilities, while the share of deposits with foreign banks (51%) was not increased, and consequently the credit risk was not increased.

## 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 36](#) and [37](#)).

#### 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 composite credit rating. Composite credit rating is the average of current ratings assigned to a certain entity by at least two out of three credit rating agencies (Standard and Poor's, Fitch ratings or Moody's).

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

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

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

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.1. Credit risk (continued)

1. Stage 1 of exposure distribution – Financial assets which are treated 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. 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, expert judgements in terms of fixed percentages are used, respectively the simplified approach in accordance with the current situation analysis and former experience.
- **Loss Given Default (LGD)** is an estimate of the percentage of exposure to the issuer/entity which cannot be collected if a default event occurs. For loss given default, the Central Bank uses constant value of one-year LGD, 45 per cent (45%), in accordance with the article 161. of the Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 (Capital Requirements Regulations i.e., CRR).
- **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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

### **6.1. Credit risk (continued)**

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

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

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

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

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

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

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

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

The Central Bank uses individual and collective approach for impairment.

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

#### **6.1.1. Credit risk exposure**

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

**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1. Credit risk (continued)****6.1.1. Credit risk exposure (continued)**

In thousands of KM

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>1. Deposits with foreign banks</b>								
As at 1 January	1,850	-	-	1,850	913	-	-	913
Increases in expected credit losses	13,096	-	-	13,096	10,427	-	-	10,427
Releases of expected credit losses	(139)	-	-	(139)	(335)	-	-	(335)
Releases due to derecognition of term deposits	(13,150)	-	-	(13,150)	(9,155)	-	-	(9,155)
<b>As at 31 December</b>	<b>1,657</b>	<b>-</b>	<b>-</b>	<b>1,657</b>	<b>1,850</b>	<b>-</b>	<b>-</b>	<b>1,850</b>
<b>2. Special Drawing Rights with the IMF</b>								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	-	-	-	-	-	-	-	-
Releases of expected credit losses	-	-	-	-	-	-	-	-
<b>As at 31 December</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>3. Debt instruments at fair value through other comprehensive income</b>								
As at 1 January	910	-	-	910	1,786	-	-	1,786
Increases in expected credit losses	619	-	-	619	686	-	-	686
Releases of expected credit losses	(28)	-	-	(28)	(121)	-	-	(121)
Releases due to debt instruments matured	(492)	-	-	(492)	(804)	-	-	(804)
<i>Net increases / (releases) during the year</i>	99	-	-	99	(239)	-	-	(239)
Releases due to debt instruments sold	(105)	-	-	(105)	(637)	-	-	(637)
<b>As at 31 December</b>	<b>904</b>	<b>-</b>	<b>-</b>	<b>904</b>	<b>910</b>	<b>-</b>	<b>-</b>	<b>910</b>

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

**6.1. Credit risk (continued)**

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

In thousands of KM

	2023				2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>4. Debt instruments at amortised cost</b>								
As at 1 January	225	-	-	225	-	-	-	-
Increases in expected credit losses	3	-	-	3	234	-	-	234
Releases of expected credit losses	(9)	-	-	(9)	(9)	-	-	(9)
<b>As at 31 December</b>	<b>219</b>	<b>-</b>	<b>-</b>	<b>219</b>	<b>225</b>	<b>-</b>	<b>-</b>	<b>225</b>
<b>5. Other financial assets</b>								
As at 1 January	6	-	601	607	6	-	602	608
Increases in expected credit losses	7	-	-	7	9	-	-	9
Releases of expected credit losses	(7)	-	-	(7)	(9)	-	(1)	(10)
<b>As at 31 December</b>	<b>6</b>	<b>-</b>	<b>601</b>	<b>607</b>	<b>6</b>	<b>-</b>	<b>601</b>	<b>607</b>
<b>Total opening balance at 1 January</b>	<b>2,991</b>	<b>-</b>	<b>601</b>	<b>3,592</b>	<b>2,705</b>	<b>-</b>	<b>602</b>	<b>3,307</b>
Net (releases of) / increases in expected credit losses	(205)	-	-	(205)	286	-	(1)	285
<b>Total closing balance at 31 December</b>	<b>2,786</b>	<b>-</b>	<b>601</b>	<b>3,387</b>	<b>2,991</b>	<b>-</b>	<b>601</b>	<b>3,592</b>

**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1. Credit risk (continued)****6.1.2. Credit risk concentration****a) Maximum exposure to credit risk - financial instruments subject to impairment**

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

In thousands of KM	31 December 2023			31 December 2022			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
<b>Classes of financial instruments</b>							
<b>Cash in foreign currencies</b>							
Gross carrying amount	455,191	-	-	572,020	-	-	572,020
Impairment	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>455,191</b>	-	-	<b>572,020</b>	-	-	<b>572,020</b>
<b>Deposits with foreign banks</b>							
Gross carrying amount	8,328,247	-	-	8,275,050	-	-	8,275,050
Impairment	(1,657)	-	-	(1,850)	-	-	(1,850)
<b>Carrying amount</b>	<b>8,326,590</b>	-	-	<b>8,273,200</b>	-	-	<b>8,273,200</b>
<b>Special Drawing Rights with the IMF</b>							
Gross carrying amount	2,073	-	-	149	-	-	149
Impairment	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>2,073</b>	-	-	<b>149</b>	-	-	<b>149</b>
<b>Debt instruments at fair value through other comprehensive income</b>							
Gross carrying amount	6,150,130	-	-	5,887,589	-	-	5,887,589
Provisions for expected credit losses (recognised in other comprehensive income)	904	-	-	910	-	-	910
<b>Gross carrying amount</b>	<b>6,150,130</b>	-	-	<b>5,887,589</b>	-	-	<b>5,887,589</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

**6.1. Credit risk (continued)**

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

In thousands of KM	31 December 2023			31 December 2022			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
<b>Classes of financial instruments</b>							
<b>Debt instruments at amortised cost</b>							
Gross carrying amount	1,180,640	-	-	1,173,087	-	-	1,173,087
Impairment	(219)	-	-	(225)	-	-	(225)
<b>Carrying amount</b>	<b>1,180,421</b>	<b>-</b>	<b>-</b>	<b>1,172,862</b>	<b>-</b>	<b>-</b>	<b>1,172,862</b>
<b>Other financial assets</b>							
Gross carrying amount	3,545	-	601	4,288	-	601	4,889
Impairment	(6)	-	(601)	(6)	-	(601)	(607)
<b>Carrying amount</b>	<b>3,539</b>	<b>-</b>	<b>-</b>	<b>4,282</b>	<b>-</b>	<b>-</b>	<b>4,282</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**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**

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Carrying amounts</b>		
Monetary gold	175,459	160,040
Other investments	27,813	27,813
<b>TOTAL</b>	<b>203,272</b>	<b>187,853</b>

The Central Bank does not hold any collateral or other credit enhancements for the credit risk coverage. As at 31 December 2023 the Central Bank does not have any assets that are past due but unpaid, and has impaired assets in the amount of KM 601 thousand (31 December 2022: 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).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**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:

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

<sup>1</sup> International institutions

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

**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1. Credit risk (continued)****6.1.2. Credit risk concentration (continued)**

In thousands of KM

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	31 December 2022	
									Total	Total
AAA	-	3,562,708	-	2,142,560	-	141,023	-	-	-	5,846,291
AA+	-	-	-	693,016	-	282,171	-	-	-	975,187
AA	-	450,701	-	1,244,391	-	219,864	-	-	-	1,914,956
AA-	-	-	-	524,373	-	145,540	-	-	-	669,913
A+	-	1,678,882	-	-	-	-	-	-	-	1,678,882
A	-	2,575,495	-	-	-	41,776	-	-	-	2,617,271
A-	-	3,481	-	795,710	-	190,370	-	-	-	989,561
II <sup>3</sup>	-	3,783	149	-	160,040	-	-	27,813	-	191,785
BBB+	-	-	-	-	-	-	-	-	-	-
BBB	-	-	-	487,539	-	152,343	-	-	-	639,882
BBB-	-	-	-	-	-	-	-	-	-	-
Unrated	572,020	-	-	-	-	-	4,889	-	-	576,909
<b>Total</b>	<b>572,020</b>	<b>8,275,050</b>	<b>149</b>	<b>5,887,589</b>	<b>160,040</b>	<b>1,173,087</b>	<b>4,889</b>	<b>27,813</b>	<b>16,100,637</b>	
Impairment	-	(1,850)	-	-	-	(225)	(607)	-	-	(2,682)
<b>TOTAL</b>	<b>572,020</b>	<b>8,273,200</b>	<b>149</b>	<b>5,887,589<sup>4</sup></b>	<b>160,040</b>	<b>1,172,862</b>	<b>4,282</b>	<b>27,813</b>	<b>16,097,955</b>	

<sup>3</sup> International institutions<sup>4</sup> Provisions for expected credit losses do not reduce the gross carrying amount of debt instruments at fair value through other comprehensive income

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.1. Credit risk (continued)****6.1.2. Credit risk concentration (continued)****Geographical concentration of risks of financial assets with credit risk exposure**

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

**31 December 2023**

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

**31 December 2022**

In thousands of KM	EU countries	Non-EU member countries	Bosnia and Herzegovina	Total
Cash in foreign currencies	-	-	572,020	572,020
Deposits with foreign banks	5,510,640	2,764,410	-	8,275,050
Special Drawing Rights with the IMF	-	149	-	149
Debt instruments at fair value through other comprehensive income	5,887,589	-	-	5,887,589
Monetary gold	-	160,040	-	160,040
Debt instruments at amortised cost	1,173,087	-	-	1,173,087
Other financial assets	-	-	4,889	4,889
Other investments	10	27,803	-	27,813
<b>Total</b>	<b>12,571,326</b>	<b>2,952,402</b>	<b>576,909</b>	<b>16,100,637</b>
			Impairment	(2,682)
			<b>TOTAL</b>	<b>16,097,955</b>

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 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 calculating VaR value of foreign currency reserves portfolio of the Central Bank, all positions which are exposed to market risks, i.e., foreign exchange risk, interest rate risk and price risk, in foreign currency reserves portfolio are considered. As at 31 December 2023, the exposure of the Central Bank's foreign currency reserves (Value at Risk at a level of confidence of 99% for a 10-day horizon), including fluctuations of the prices of financial instruments and foreign exchange rates against the KM, equals to KM 29,493 thousand (2022: KM 44,976 thousand), which represents 0.18% of the total financial assets (2022: 0.28% of the total financial assets).

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

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

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

In thousands of KM	31 December 2023	31 December 2022
Interest rate risk	21,641	37,044
Risk of change in EUR price of monetary gold	7,477	7,873
Foreign exchange risk	375	59
<b>Total VaR</b>	<b>29,493</b>	<b>44,976</b>

#### 6.2.1. Foreign exchange risk

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2. Market risk (continued)****6.2.1. Foreign exchange risk (continued)**

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

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

The following tables present foreign currency position as at 31 December 2023 and 31 December 2022:

**31 December 2023**

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2. Market risk (continued)****6.2.1. Foreign exchange risk (continued)**

31 December 2022

In thousands of KM	EUR	USD	Other foreign currencies	KM	Total
Cash in foreign currencies	571,982	21	17	-	572,020
Deposits with foreign banks	8,266,502	2,351	4,347	-	8,273,200
Special Drawing Rights with the IMF	-	-	149	-	149
Debt instruments at fair value through other comprehensive income	5,887,589	-	-	-	5,887,589
Monetary gold	160,040	-	-	-	160,040
Debt instruments at amortised cost	1,172,862	-	-	-	1,172,862
Other financial assets	32	-	-	4,250	4,282
Other investments	10	-	-	27,803	27,813
<b>Total financial assets</b>	<b>16,059,017</b>	<b>2,372</b>	<b>4,513</b>	<b>32,053</b>	<b>16,097,955</b>
Banknotes and coins in circulation	-	-	-	7,436,097	7,436,097
Deposits from banks	-	-	-	7,217,387	7,217,387
Deposits from the Government and other public institutions	-	-	-	958,245	958,245
Other financial liabilities	808	21	-	3,194	4,023
<b>Total financial liabilities</b>	<b>808</b>	<b>21</b>	<b>-</b>	<b>15,614,923</b>	<b>15,615,752</b>
<b>NET FOREIGN EXCHANGE POSITION</b>	<b>16,058,209</b>	<b>2,351</b>	<b>4,513</b>	<b>(15,582,870)</b>	<b>482,203</b>

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

**6.2.2. Interest rate risk**

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

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

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

According to the regulations effective as at reporting dates, the targeted modified duration of the total portfolio of foreign currency reserves amounts to 1.10 years, with +/- 0.40 year deviations allowed, while the target modified duration of the portfolio of debt instruments at fair value through other comprehensive income with the remaining term to maturity longer than one-year amounts to 2.00 years with +/- 0.30 year deviations allowed.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.2. Market risk (continued)

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

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 financial instrument to changes in interest rates, i.e., the market yield of a debt instrument. Modified duration is expressed as the number of years and the longer the duration, the higher the interest rate risk. The modified duration of the portfolio is calculated as a weighted average of the cash flows' maturities of individual financial instruments in the portfolio, where the weight is the present value of the cash flow. During the fourth quarter of 2023, modified duration of debt instruments at fair value through other comprehensive income was slightly extended and amounts to 0.97 as at 31 December 2023 (31 December 2022: 0.92) given that, by the end of June 2023, the impact of interest rate risk has been largely mitigated and the stability of the currency board has been improved.

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:

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**6. FINANCIAL RISK MANAGEMENT (CONTINUED)****6.2. Market risk (continued)****6.2.2. Interest rate risk (continued)**

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

*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 euro area (the yield curve on euro bonds) on the value of the bank's financial assets as at reporting dates.

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 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 at 31 December 31 2023.

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

Sensitivity analysis - scenarios of assumed changes in market yields at 31 December 2022.

Change in market yields	+/- 1 bp	+/- 50 bp	+/- 100 bp	+/- 200 bp
<b>Change of the financial assets value (in thousands of KM)</b>	(543)/543	(27,130)/27,130	(54,260)/54,260	(108,520)/108,520

In the case of the scenario of an upward shift of the yield curve on euro bonds by 1 b. (0.01%), the financial assets of the Central Bank would be decreased by KM 595 thousand as at 31 December 2023 (As at 31 December 2022: KM 543 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 595 thousand as at 31 December 31 2023 (As at 31 December 2022: KM 543 thousand).

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

### 6.3. Liquidity risk

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

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

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

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 6. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 6.3. Liquidity risk (continued)

Maturity analysis

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

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

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

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

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](#).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 7. CASH IN FOREIGN CURRENCIES

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

In thousands of KM	31 December 2023	31 December 2022
Cash in foreign currencies:		
EUR	455,191	571,982
USD	-	21
GBP	-	17
	455,191	572,020
<b>TOTAL</b>	<b>455,191</b>	<b>572,020</b>

For the purpose of cash flow reporting, cash in foreign currencies is included in cash and cash equivalents ([Note 34](#)).

## 8. DEPOSITS WITH FOREIGN BANKS

Deposits with foreign banks represent the Central Bank's invested foreign currency reserves funds held on the accounts with foreign banks and 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, foreign currency demand deposits and foreign currency deposits 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 2023	31 December 2022
Demand deposits	1,811,641	1,628,560
Term deposits with maturity up to three months or less from the date of acquisition	4,744,565	5,646,221
Impairment	(1,486)	(1,752)
<b>Included in cash and cash equivalents (<a href="#">Note 34</a>)</b>	<b>6,554,720</b>	<b>7,273,029</b>
Term deposits with maturity over three months from the date of acquisition	1,772,041	1,000,269
Impairment	(171)	(99)
<b>Total</b>	<b>1,771,870</b>	<b>1,000,171</b>
<b>TOTAL</b>	<b>8,326,590</b>	<b>8,273,200</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Term deposits:		
EUR	6,512,976	6,646,490
USD	3,630	-
	<b>6,516,606</b>	<b>6,646,490</b>
Impairment	(1,520)	(1,734)
<b>Total</b>	<b>6,515,086</b>	<b>6,644,756</b>
Demand deposits:		
EUR	1,802,057	1,621,860
CHF	4,325	2,306
USD	3,199	2,351
GBP	2,060	2,043
	<b>1,811,641</b>	<b>1,628,560</b>
Impairment	(137)	(116)
<b>Total</b>	<b>1,811,504</b>	<b>1,628,444</b>
<b>TOTAL</b>	<b>8,326,590</b>	<b>8,273,200</b>

The average interest rates on term deposits denominated in EUR currency range from 1.95% to 4.12% p.a. in 2023 (2022: Ended with July, the average interest rates on term deposits denominated in EUR currency were negative and ranged from 0.59% to 0.24% p.a.; from July 2022, the average interest rates on term deposits were positive and ranged from 0.02% to 2.11% p.a.).

The average interest rates on demand deposits denominated in EUR currency range from 0.00% to 4.00% p.a. in 2023 (2022: The average negative interest rates on demand deposits denominated in EUR currency, ended with August 2022, ranged from 0.90% to 0.21% p.a.; from August 2022, the average positive interest rates ranged from 0.00% to 1.68% p.a.).

Deposits with foreign banks include net accrued interest in the amount KM 36,082 thousand as at 31 December 2023 (31 December 2022: Included net accrued interest in the amount KM 8,503 thousand).

The average effective yield rate on deposits with foreign banks amounts to 3.19% for 2023 (2022: The average effective yield rate amounted to 0.21%).

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2023

## 8. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

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 2023	31 December 2022
Up to one month	3,983,673	3,980,765
From one to two months	960,845	1,469,432
From two to three months	738,995	764,312
From three to four months	298,167	431,981
From four to twelve months	534,926	-
<b>Total</b>	<b>6,516,606</b>	<b>6,646,490</b>
Impairment	(1,520)	(1,734)
<b>TOTAL</b>	<b>6,515,086</b>	<b>6,644,756</b>

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

In thousands of KM	31 December 2023	31 December 2022
<b>Foreign commercial banks</b>		
Term deposits	2,739,866	3,104,888
Overnight deposits	1,199,902	543,721
Demand deposits	4,506	3,481
	<b>3,944,274</b>	<b>3,652,090</b>
<b>Foreign central banks</b>		
Term deposits	2,038,953	2,997,881
Overnight deposits	-	-
Demand deposits	1,799,686	1,621,296
	<b>3,838,639</b>	<b>4,619,177</b>
<b>International financial institutions</b>		
Term deposits	537,885	-
Overnight deposits	-	-
Demand deposits	7,449	3,783
	<b>545,334</b>	<b>3,783</b>
<b>Total</b>	<b>8,328,247</b>	<b>8,275,050</b>
Impairment (Note 6.1.1.)	(1,657)	(1,850)
<b>TOTAL</b>	<b>8,326,590</b>	<b>8,273,200</b>

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<i>Switzerland</i>		
Term deposits	2,257,205	1,574,653
Demand deposits	7,449	3,783
	<b>2,264,654</b>	<b>1,578,436</b>
<i>France</i>		
Term deposits	1,682,242	1,260,994
Demand deposits	278,492	78,346
	<b>1,960,734</b>	<b>1,339,340</b>
<i>Luxembourg</i>		
Term deposits	1,481,122	1,235,348
Demand deposits	374,134	392,457
	<b>1,855,256</b>	<b>1,627,805</b>
<i>Great Britain</i>		
Term deposits	1,096,037	1,185,316
Demand deposits	-	-
	<b>1,096,037</b>	<b>1,185,316</b>
<i>Germany</i>		
Term deposits	-	-
Demand deposits	1,052,667	1,055,215
	<b>1,052,667</b>	<b>1,055,215</b>
<i>Netherlands</i>		
Term deposits	-	-
Demand deposits	98,468	98,100
	<b>98,468</b>	<b>98,100</b>
<i>USA</i>		
Term deposits	-	-
Demand deposits	431	659
	<b>431</b>	<b>659</b>
<i>Slovakia</i>		
Term deposits	-	1,390,179
Demand deposits	-	-
	<b>-</b>	<b>1,390,179</b>
<b>Total term deposits</b>	<b>6,516,606</b>	<b>6,646,490</b>
<b>Total demand deposits</b>	<b>1,811,641</b>	<b>1,628,560</b>
Impairment	(1,657)	(1,850)
<b>TOTAL</b>	<b>8,326,590</b>	<b>8,273,200</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Account of Special Drawing Rights with the IMF	2,053	147
Accrued interest	20	2
<b>Total</b>	<b>2,073</b>	<b>149</b>
Impairment	-	-
<b>TOTAL</b>	<b>2,073</b>	<b>149</b>

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

<b>In thousands of KM</b>	<b>For the period</b>	
	<b>2023</b>	<b>2022</b>
<b>As at 1 January</b>	<b>149</b>	<b>1,881</b>
Cash inflows on the account of Special Drawing Rights	75,937	22,772
Cash outflows	(73,705)	(24,445)
Interest income on the account of Special Drawing Rights	189	27
Collection of accrued interest	(171)	(25)
Net foreign exchange (losses)	(326)	(61)
<b>As at 31 December</b>	<b>2,073</b>	<b>149</b>

For the purpose of cash flow reporting, Special Drawing Rights with the IMF are included in cash and cash equivalents (Note 34).

**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 euro area countries. The portfolio of these debt instruments includes short-term and long-term government bonds with a fixed interest rate. Debt instruments at fair value through other comprehensive income are denominated in EUR currency.

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Coupon debt instruments	4,476,401	4,656,303
Accrued interest on coupon debt instruments	29,919	31,978
	<b>4,506,320</b>	<b>4,688,281</b>
Discount debt instruments	1,672,235	1,212,615
Accrued (discount) on discount debt instruments	(28,425)	(13,307)
	<b>1,643,810</b>	<b>1,199,308</b>
<b>TOTAL</b>	<b>6,150,130</b>	<b>5,887,589</b>

As at 31 December 2023, provisions for expected credit losses for debt instruments, recognised in other comprehensive income, amount to KM 904 thousand (31 December 2022: KM 910 thousand).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

During 2023, the net increases in provisions for expected credit losses recognised in profit or loss, amounts to KM 99 thousand (2022: Net releases of KM 239 thousand) For more information see [Notes 6.1.1.](#) and [27.](#)

The average effective yield rate on debt instruments at fair value through other comprehensive income amounts to 0.75% for 2023 (2022: The average negative effective yield rate amounted to 0.74%).

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

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>In thousands of KM</b>	<b>%</b>	<b>In thousands of KM</b>	<b>%</b>
<i>Germany</i>	1,842,371	29.96	1,698,303	28.84
<i>France</i>	1,578,434	25.67	1,244,391	21.13
<i>Spain</i>	683,479	11.11	795,710	13.52
<i>Belgium</i>	683,296	11.11	483,940	8.22
<i>Italy</i>	457,921	7.45	487,539	8.28
<i>Finland</i>	349,641	5.69	231,787	3.94
<i>Austria</i>	303,826	4.94	461,229	7.83
<i>Netherlands</i>	173,428	2.82	444,257	7.55
<i>Ireland</i>	40,118	0.65	40,433	0.69
<i>Slovakia</i>	37,616	0.60	-	-
<b>TOTAL</b>	<b>6,150,130</b>	<b>100.00</b>	<b>5,887,589</b>	<b>100.00</b>

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:

<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
<b>As at 1 January</b>	<b>5,887,589</b>	<b>11,629,592</b>
Purchases during the year	4,741,235	4,706,082
Sales during the year	(987,892)	(4,632,890)
Interest income recognised during the year ( <a href="#">Note 22</a> )	69,366	21,900
Effects of negative interest rates recognised during the year ( <a href="#">Note 22</a> )	(4,427)	(26,880)
Maturities of debt instruments	(3,640,509)	(5,365,116)
Maturities of coupon	(29,186)	(79,955)
Net unrealised change in fair value during the year	113,948	(365,150)
Transaction costs	6	6
<b>As at 31 December</b>	<b>6,150,130</b>	<b>5,887,589</b>

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Up to three months	716,892	514,934
From three to twelve months	2,943,406	3,120,538
From one to three years	2,414,490	2,180,052
Over three years	75,342	72,065
<b>TOTAL</b>	<b>6,150,130</b>	<b>5,887,589</b>

**11. MONETARY GOLD**

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

<b>As at</b>	<b>Quantity of ounces</b>	<b>Price per ounce in KM</b>	<b>Fair value of monetary gold as at in thousands of KM</b>
31 December 2023	48,000	3,655.40	175,459
31 December 2022	48,000	3,334.17	160,040

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

<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
<b>As at 1 January</b>	<b>160,040</b>	<b>301,987</b>
Net unrealised change in fair value during the year	15,419	19,996
Sales during the year	-	(161,943)
<b>As at 31 December</b>	<b>175,459</b>	<b>160,040</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 12. DEBT INSTRUMENTS AT AMORTISED COST

Debt instruments at amortised cost represent Central Bank's foreign currency reserves funds invested in liquid sovereign government bonds of the eurozone countries with the intention of holding them until maturity. As at reporting dates, this portfolio consists of 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:

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Coupon debt instruments	1,178,064	1,170,693
Accrued interest on coupon debt instruments	2,576	2,394
<b>Total</b>	<b>1,180,640</b>	<b>1,173,087</b>
Impairment	(219)	(225)
<b>TOTAL</b>	<b>1,180,421</b>	<b>1,172,862</b>

The average effective yield rate on debt instruments at amortised cost amounts to 1.01% for 2023 (2022:0.98%).

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

	<b>31 December 2023</b>		<b>31 December 2022</b>	
	<b>In thousands of KM</b>	<b>%</b>	<b>In thousands of KM</b>	<b>%</b>
<i>France</i>	221,715	18.78	219,864	18.74
<i>Spain</i>	191,383	16.21	190,370	16.23
<i>Austria</i>	190,662	16.15	189,737	16.17
<i>Italy</i>	153,706	13.02	152,343	12.99
<i>Finland</i>	93,034	7.88	92,434	7.88
<i>Belgium</i>	91,810	7.78	91,070	7.76
<i>Germany</i>	58,887	4.99	58,883	5.02
<i>Netherlands</i>	55,710	4.72	55,142	4.70
<i>Ireland</i>	54,933	4.65	54,470	4.64
<i>Slovakia</i>	41,528	3.52	41,776	3.56
<i>Luxembourg</i>	27,272	2.30	26,998	2.31
<b>Total</b>	<b>1,180,640</b>	<b>100.00</b>	<b>1,173,087</b>	<b>100.00</b>
Impairment	(219)		(225)	
<b>TOTAL</b>	<b>1,180,421</b>		<b>1,172,862</b>	

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
<b>As at 1 January</b>	<b>1,172,862</b>	-
Purchases during the year	-	1,166,137
Interest income recognised during the year ( <a href="#">Note 22</a> )	11,912	8,669
Maturities of coupons	(4,359)	(1,721)
Net impairment during the year	6	(225)
Transaction costs	-	2
<b>As at 31 December</b>	<b>1,180,421</b>	<b>1,172,862</b>

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Up to 3 months	-	-
From 3 to 12 months	58,406	-
From 1 to 3 years	154,187	116,872
Over 3 years	968,047	1,056,215
<b>Total</b>	<b>1,180,640</b>	<b>1,173,087</b>
Impairment	(219)	(225)
<b>TOTAL</b>	<b>1,180,421</b>	<b>1,172,862</b>

**13. OTHER ASSETS**

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Receivables from resident banks	2,526	2,495
Giro accounts ( <a href="#">Note 34</a> )	642	1,435
Receivables from employee based on domestic currency deficit	601	601
Other miscellaneous financial assets	377	358
<b>Total</b>	<b>4,146</b>	<b>4,889</b>
Impairment	(607)	(607)
<b>Total other financial assets</b>	<b>3,539</b>	<b>4,282</b>
Prepaid expenses for banknotes and coins production	11,062	12,995
Prepaid expenses for business administration	1,367	587
Numismatic collections	1,198	1,190
Other miscellaneous nonfinancial assets	218	226
<b>Total other nonfinancial assets</b>	<b>13,845</b>	<b>14,998</b>
<b>TOTAL</b>	<b>17,384</b>	<b>19,280</b>

As explained in [Note 3.9](#), prepaid expenses for banknotes and coins production are initially recognised as accrued expenses and subsequently amortised by the expense recognising over the five years period. For more information see [Note 31](#).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**14. PROPERTY AND EQUIPMENT**

In thousands of KM	Land and buildings	Equipment and furniture	Vehicles	Other	Assets under construction	Property and equipment total
<b>Cost</b>						
<b>As at 1 January 2022</b>	<b>49,674</b>	<b>27,741</b>	<b>1,412</b>	<b>1,078</b>	<b>42</b>	<b>79,947</b>
Additions	-	-	-	-	838	838
Transferred to use	-	750	-	-	(750)	-
Write offs and disposals	-	(2,022)	(10)	(19)	-	(2,051)
<b>As at 31 December 2022</b>	<b>49,674</b>	<b>26,469</b>	<b>1,402</b>	<b>1,059</b>	<b>130</b>	<b>78,734</b>
Additions	-	-	-	-	1,184	1,184
Transferred to use	-	1,144	-	21	(1,165)	-
Write offs and disposals	-	(769)	(178)	(8)	-	(955)
<b>As at 31 December 2023</b>	<b>49,674</b>	<b>26,844</b>	<b>1,224</b>	<b>1,072</b>	<b>149</b>	<b>78,963</b>
<b>Accumulated depreciation</b>						
<b>As at 1 January 2022</b>	<b>7,133</b>	<b>20,463</b>	<b>1,275</b>	<b>899</b>	-	<b>29,770</b>
Charge for the year	580	1,787	73	37	-	2,477
Write offs and disposals	-	(2,019)	(10)	(19)	-	(2,048)
<b>As at 31 December 2022</b>	<b>7,713</b>	<b>20,231</b>	<b>1,338</b>	<b>917</b>	-	<b>30,199</b>
Charge for the year	580	1,736	61	27	-	2,404
Write offs and disposals	-	(764)	(178)	(8)	-	(950)
<b>As at 31 December 2023</b>	<b>8,293</b>	<b>21,203</b>	<b>1,221</b>	<b>936</b>	-	<b>31,653</b>
<b>Net carrying amount</b>						
<b>As at 1 January 2023</b>	<b>41,961</b>	<b>6,238</b>	<b>64</b>	<b>142</b>	<b>130</b>	<b>48,535</b>
<b>As at 31 December 2023</b>	<b>41,381</b>	<b>5,641</b>	<b>3</b>	<b>136</b>	<b>149</b>	<b>47,310</b>

The land for the construction of the office building for the Main Unit Sarajevo was purchased on the basis of a contract with the Municipality Centar. During the realisation of the contract, the Municipality Centar issued a Decision rejecting the issuance of an urban planning permission for the office building construction (07-19-421/20 from 17 June 2022), which, after the second instance procedure, became final by the Decision of the relevant cantonal Ministry (05-19-1081/22 from 22 November 2022). In addition, with regard to the land in matter, the Central Bank conducts the court proceedings to annul the Decision of the relevant cantonal Ministry as a second instance authority (Lawsuit from 5 January 2023) and court proceedings against the Municipality Centar for the cancellation of the contract and damage compensation (Lawsuit from 20 October 2023).

The Central Bank is the legal owner of the land and has no outstanding contractual obligations towards 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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**15. INTANGIBLE ASSETS**

In thousands of KM	Software and other intangible assets	Intangible assets under construction	Intangible assets total
<b>Cost</b>			
<b>As at 1 January 2022</b>	<b>16,136</b>	-	<b>16,136</b>
Additions	-	287	287
Transferred to use	287	(287)	-
Write offs and disposals	(470)	-	(470)
<b>As at 31 December 2022</b>	<b>15,953</b>	-	<b>15,953</b>
Additions	-	410	410
Transferred to use	410	(410)	-
Write offs and disposals	(310)	-	(310)
<b>As at 31 December 2023</b>	<b>16,053</b>	-	<b>16,053</b>
<b>Accumulated amortisation</b>			
<b>As at 1 January 2022</b>	<b>15,153</b>	-	<b>15,153</b>
Charge for the year	426	-	426
Write offs and disposals	(470)	-	(470)
<b>As at 31 December 2022</b>	<b>15,109</b>	-	<b>15,109</b>
Charge for the year	390	-	390
Write offs and disposals	(310)	-	(310)
<b>As at 31 December 2023</b>	<b>15,189</b>	-	<b>15,189</b>
<b>Net carrying amount</b>			
<b>As at 1 January 2023</b>	<b>844</b>	-	<b>844</b>
<b>As at 31 December 2023</b>	<b>864</b>	-	<b>864</b>

**16. OTHER INVESTMENTS**

The structure of other investments is as follows:

In thousands of KM	31 December 2023	31 December 2022
<i>Equity instruments:</i>		
Shares in BIS	27,803	27,803
Shares in SWIFT	10	10
<b>TOTAL</b>	<b>27,813</b>	<b>27,813</b>

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

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

BIS and SWIFT shares are not tradable.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**16. OTHER INVESTMENTS (CONTINUED)**

The Central Bank owns ordinary BIS shares with a nominal value of SDR 5,000 per share, paid up at 25% of their nominal value by former Yugoslavia. In accordance with the Statute 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 28](#)).

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

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

**17. BANKNOTES AND COINS IN CIRCULATION**

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

In thousands of KM	2023	2022
As at 1 January	7,436,097	6,923,818
Net increase in value of banknotes and coins in circulation during the year	129,011	512,279
<b>As at 31 December</b>	<b>7,565,108</b>	<b>7,436,097</b>

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

	31 December 2023			31 December 2022		
	Denomination	Pieces	Value in thousands of KM	Pieces	Value in thousands of KM	
Coins	0.05	101,836,346	5,092	94,835,088	4,742	
Coins	0.10	144,279,167	14,428	134,369,633	13,437	
Coins	0.20	106,401,362	21,280	98,502,878	19,701	
Coins	0.50	49,610,221	24,805	46,202,553	23,101	
Coins	1	74,067,545	74,068	69,045,388	69,045	
Coins	2	21,957,007	43,914	19,744,315	39,489	
Coins	5	16,301,766	81,509	14,846,895	74,234	
<b>Total coins</b>			<b>265,096</b>		<b>243,749</b>	
Banknotes	10	15,705,792	157,058	14,985,812	149,858	
Banknotes	20	12,168,451	243,369	11,453,994	229,080	
Banknotes	50	27,815,563	1,390,778	27,570,944	1,378,547	
Banknotes	100	45,958,334	4,595,833	45,234,277	4,523,428	
Banknotes	200	4,564,870	912,974	4,557,175	911,435	
<b>Total banknotes</b>			<b>7,300,012</b>		<b>7,192,348</b>	
<b>TOTAL</b>			<b>7,565,108</b>		<b>7,436,097</b>	

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

## 18. DEPOSITS FROM BANKS

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Deposits from resident banks	7,082,560	7,215,919
Reserve accounts of the Central Bank organizational units	642	1,435
Special deposit of resident banks – blocked funds	33	33
<b>TOTAL</b>	<b>7,083,235</b>	<b>7,217,387</b>

Deposits from resident banks are placed in accordance with required reserve policy of the Central Bank, to meet obligations for settling payment transactions between resident banks mutually as well as for transactions with the Central Bank. As at 31 December 2023 the total amount of KM 7,082,560 thousand represents deposits of 22 resident banks (31 December 2022: KM 7,215,919 thousand represented deposits of 22 banks).

Deposits from resident banks, on the basis of required reserve policy, include accrued remuneration in the amount KM 1,181 thousand as at 31 December 2023 (31 December 2022: Included negative accrued remuneration in the amount KM 894 thousand).

The base for the required reserve calculation for resident banks consists of deposits and borrowings regardless of the expressed currency.

The unique required reserve ratio is established to be applied by the Central Bank on the required reserve base equally to all resident banks. Required reserve ratio amounts to 10% as at the reporting dates.

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

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

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Budgetary deposits from BH institutions	633,891	560,390
Deposits from other local governments and government institutions	85,101	125,108
Deposit account under the IMF transactions	17,019	26
Deposits from other public institutions	16,887	272,721
<b>TOTAL</b>	<b>752,898</b>	<b>958,245</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**20. PROVISIONS**

Provisions are related to provisions for employees' severance payments and jubilee awards and provisions for potential liabilities based on litigations.

Changes in provisions are presented in the following tables:

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

<b>In thousands of KM</b>				<b>2022</b>
	<b>Litigations</b>	<b>Severance payments</b>	<b>Jubilee awards</b>	<b>Total</b>
<b>As at 1 January</b>	-	<b>1,373</b>	<b>33</b>	<b>1,406</b>
Released provisions	-	(398)	-	(398)
Increase in provisions	-	58	13	71
<b>Total recognised in profit or loss</b>	-	<b>(340)</b>	<b>13</b>	<b>(327)</b>
Amounts paid	-	(173)	(9)	(182)
<b>As at 31 December</b>	-	<b>860</b>	<b>37</b>	<b>897</b>

*Litigations*

The Central Bank is a defendant in few legal proceedings arising from its operations. The Central Bank has formed a provision for litigations in which it appears as the defendant in the amount of KM 300 thousand on a basis of uncertainty of the final outcome of litigations in 2023 (2022: The Central Bank did not have provisions for litigations).

*Commitments*

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**21. OTHER LIABILITIES**

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Liabilities for allocation a part of the profit to the BH budget ( <a href="#">Note 32</a> )	64,319	-
IMF Accounts No. 1 and 2 ( <a href="#">Note 37</a> )	2,203	2,268
Suppliers	1,527	1,322
The World Bank deposits	251	315
Accrued, but non-invoiced liabilities	92	101
Other financial liabilities	31	17
<b>Total other financial liabilities</b>	<b>68,423</b>	<b>4,023</b>
Non-financial liabilities on various bases	215	229
Collected and deferred income	31	49
<b>Total other nonfinancial liabilities</b>	<b>246</b>	<b>278</b>
<b>TOTAL</b>	<b>68,669</b>	<b>4,301</b>

**22. NET INTEREST INCOME**

<b>In thousands of KM</b>	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Interest income arising from:</b>		
Deposits with foreign banks ( <a href="#">Note 8</a> )	249,220	23,031
Debt instruments at fair value through other comprehensive income ( <a href="#">Note 10</a> )	69,366	21,900
Debt instruments at amortised cost ( <a href="#">Note 12</a> )	11,912	8,669
Special Drawing Rights with the IMF	189	27
Effects of negative deposit interest rates on deposits from resident banks	-	25,205
<b>Total</b>	<b>330,687</b>	<b>78,832</b>
<b>Interest expense arising from:</b>		
Deposits from resident banks	(9,842)	-
Effects of negative interest rates from debt instruments at fair value through other comprehensive income ( <a href="#">Note 10</a> )	(4,427)	(26,880)
Effects of negative interest rates from deposits with foreign banks	-	(12,146)
<b>Total</b>	<b>(14,269)</b>	<b>(39,026)</b>
<b>Net interest income</b>	<b>316,418</b>	<b>39,806</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
<b>1. Financial assets at amortised cost</b>		
<i>Interest income arising from:</i>		
Deposits with foreign banks	249,220	23,031
Debt instruments at amortised cost	11,912	8,669
Special Drawing Rights with the IMF	189	27
	<i>261,321</i>	<i>31,727</i>
<i>Interest expense arising from:</i>		
Effects of negative interest rates from deposits with foreign banks	-	(12,146)
	-	(12,146)
<b>Total</b>	<b>261,321</b>	<b>19,581</b>
<b>2. Debt instruments at fair value through other comprehensive income</b>		
Interest income	69,366	21,900
Effects of negative interest rates	(4,427)	(26,880)
<b>Total</b>	<b>64,939</b>	<b>(4,980)</b>
<b>3. Financial liabilities at amortised cost</b>		
Interest expense arising from deposits from resident banks	(9,842)	-
Effects of negative deposit interest rates on deposits from resident banks	-	25,205
<b>Total</b>	<b>(9,842)</b>	<b>25,205</b>
<b>Net interest income</b>	<b>316,418</b>	<b>39,806</b>

The base for calculation of interest expense, i.e., the effects of negative deposit interest rates 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.

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

In the period 01/01 - 31/12/2022, the Central Bank did not calculate the remuneration on the required reserves amounts generated from domestic currency base. The remuneration was calculated and charged on the required reserves amounts generated from the foreign currency base, the domestic currency with a currency clause base and on the amounts exceeding the required reserves.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

In the period 01/01 -31/08/2022, the remuneration rates applied by the Central Bank were linked to the ECB deposit facility rate, additionally reduced by 10 basis points for the required reserves amounts generated from the foreign currency base and the domestic currency with a currency clause base and by 25 basis points for the amounts exceeding the required reserves. The ECB negative deposit facility rate was 0.50% until 26 July 2022, and from 27 July 2022 was 0.00%.

In the period 01/09 -31/12/2022, the Central Bank determined negative remuneration rates in fixed amounts without linking them to the ECB deposit facility rate changes.

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

<b>Base for calculation of remuneration</b>	<b>The Central Bank remuneration rate for the period</b>	
<b>2023</b>		
<b>Required reserves amounts</b>	<b>01/01 - 30/6</b>	<b>01/07 - 31/12</b>
<i>Domestic currency base</i>	0.25%	0.50%
<i>Foreign currency base</i>	0.10%	0.30%
<i>Domestic currency with currency clause base</i>	0.10%	0.30%
<b>Amounts exceeding the required reserves</b>	0.00%	0.00%
<b>2022</b>		
<b>Required reserves amounts</b>	<b>01/01 - 31/7</b>	<b>01/08 - 31/12</b>
<i>Domestic currency base</i>	0.00%	0.00%
<i>Foreign currency base</i>	(0.60%)	(0.10%)
<i>Domestic currency with currency clause base</i>	(0.60%)	(0.10%)
<b>Amounts exceeding the required reserves</b>	(0.75%)	(0.25%)

Interest expenses arising from deposits from resident banks include expenses arising from the required reserves in the amount of KM 9,842 thousand in 2023 (2022: The effects of negative deposit interest rates on deposits from resident banks included income arising from the amounts exceeding the required reserves in the amount of KM 19,985 thousand and KM 5,220 thousand arising from the amounts of required reserves).

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

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

<b>In thousands of KM</b>	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Interest income</b>		
Term deposits	214,020	19,585
Demand deposits	35,200	3,446
<b>Total</b>	<b>249,220</b>	<b>23,031</b>
<b>The effects of negative interest rates</b>		
Term deposits	-	(10,147)
Demand deposits	-	(1,999)
<b>Total</b>	<b>-</b>	<b>(12,146)</b>
<b>Net interest income</b>	<b>249,220</b>	<b>10,885</b>

**23. NET FEE AND COMMISSION INCOME**

<b>In thousands of KM</b>	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
<b>Fee and commission income arising from:</b>		
Services for resident banks	20,465	20,969
Services for the Government and other non-banking clients	1,480	1,735
<b>Total</b>	<b>21,945</b>	<b>22,704</b>
<b>Fee and commission expenses arising from:</b>		
Custodian and other expenses for debt instruments	(499)	(749)
Transactions with foreign banks	(32)	(36)
Other fee and commission expenses	(3)	(6)
<b>Total</b>	<b>(534)</b>	<b>(791)</b>
<b>Net fee and commission income</b>	<b>21,411</b>	<b>21,913</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**23. NET FEE AND COMMISSION INCOME (CONTINUED)**

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 38](#).

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

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
Realised gains	-	20,145
Realised losses	(22,487)	(83,615)
<b>TOTAL</b>	<b>(22,487)</b>	<b>(63,470)</b>

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

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

Gains arising from fair value changes of monetary gold recognised in other comprehensive income, within fair value reserves for monetary gold, are recognised as realized gains in profit or loss account at the sale date. In 2023, the Central Bank has not carried out monetary gold sales (2022: Net realised gains from the sale of 48,000 ounces of monetary gold amounted to KM 60,014 thousand).

**26. NET FOREIGN EXCHANGE (LOSSES)**

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
Net unrealised foreign exchange (losses)	(288)	(150)
Net realised foreign exchange gains	86	108
<b>TOTAL</b>	<b>(202)</b>	<b>(42)</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
Net releases of / (increases) in impairment for deposits with foreign banks	193	(937)
Net (increases) in / releases of impairment for Special Drawing Rights with the IMF	-	-
Net (increases) in / releases of provisions for expected credit losses for debt instruments at fair value through other comprehensive income	(99)	239
Net releases of / (increases) in provisions for impairment for debt instruments at amortised cost	6	(225)
Net (increases) in impairment for other financial assets	-	(1)
<b>TOTAL</b>	<b>100</b>	<b>(924)</b>

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

**27. OTHER INCOME**

	<b>For the year ended 31 December</b>	
<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
Dividend income from BIS shares ( <a href="#">Note 16</a> )	721	721
Net effects of numismatic collections value adjustments	29	61
Other income	43	68
<b>TOTAL</b>	<b>793</b>	<b>850</b>

During 2023, the Central Bank received a dividend from BIS shares amounting to KM 721 thousand (2022: KM 721 thousand).

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**28. PERSONNEL EXPENSES**

<b>In thousands of KM</b>	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Salaries	12,530	10,499
Contributions and other fees on salaries	6,972	5,874
Other employee benefits	2,086	2,025
Contributions and other fees on other employee benefits	531	551
<b>Total</b>	<b>22,119</b>	<b>18,949</b>
Net increase in / (releases) of provisions for employees' severance payments and jubilee awards ( <a href="#">Note 20</a> )	955	(327)
<b>TOTAL</b>	<b>23,074</b>	<b>18,622</b>

Personnel expenses include KM 4,249 thousand (2022: KM 3,637 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 353 for 2023 (2022: 352).

The discount rate of 4% is used for calculation of the severance payments and the jubilee awards (2022: 4%)

**29. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

<b>In thousands of KM</b>	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Payment systems maintenance expenses	1,794	1,693
IT infrastructure expenses	1,049	894
Overhead expenses	935	913
Access to official services expenses	794	751
Fixed assets maintenance expenses	608	520
Other administrative and operating expenses	2,320	2,220
<b>TOTAL</b>	<b>7,500</b>	<b>6,991</b>

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

<b>In thousands of KM</b>	<b>For the year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
Costs of production and design of banknotes	2,454	1,604
Costs of production and design of coins	1,950	2,128
<b>TOTAL</b>	<b>4,404</b>	<b>3,732</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

### 31. ALLOCATION OF THE ANNUAL NET PROFIT

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

The provisions of the Law on the Central Bank define the criteria of the annual net profit allocation, according to which the Central Bank allocates 60% of the current profit to the account of the institution responsible for the Budget of BH, provided that the amount of the initial capital and general reserves (retained earnings) is equal to 5.00% of the total monetary liabilities.

This ratio, before net profit allocation in 2023 amounts to 3.89% (2022: 3.67%). According to the Decision of the Governing Board and in accordance with the Law on the Central Bank, the amount of KM 171,063 thousand from achieved net profit for 2023 is allocated to general reserves (retained earnings), firstly fulfilling the legal criteria that the amount of initial capital and general reserves (retained earnings) equals to the amount of 5.00% of the total amount of monetary liabilities. Out of the remaining net profit for 2023 in the amount KM 107,198 thousand, 60% is allocated to the BH budget in the amount of KM 64,319 thousand, and 40% is allocated to general reserves (retained earnings) in the amount of KM 42,879 thousand (2022: The total net profit for 2022 amounting to KM 25,899 thousand was allocated to general reserves, i.e., retained earnings of the Central Bank).

#### 2023

##### Before profit allocation

	(In thousands of KM)
<b>Monetary liabilities</b>	<b>15,401,241</b>
Initial capital and general reserves (retained earnings)	598,999
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>3.89%</b>

##### Profit allocation

	(In thousands of KM)
<b>Net profit before allocation</b>	<b>278,261</b>
First allocation of profit to general reserves (retained earnings)	171,063
Initial capital and general reserves (retained earnings) after first allocation	770,062
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>5.00%</b>

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

	(In thousands of KM)
<b>Total net profit allocation for 2023</b>	<b>278,261</b>
Allocation of profit to the BH budget	64,319
Allocation of profit to general reserves (retained earnings)	213,942
<b>Total</b>	<b>278,261</b>

##### After profit allocation

	(In thousands of KM)
<b>Monetary liabilities</b>	<b>15,401,241</b>
Initial capital and general reserves (retained earnings)	812,941
<b>Ratio - initial capital and general reserves (retained earnings) / monetary liabilities</b>	<b>5.28%</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

2022

**Before profit allocation**

(In thousands of KM)

**Monetary liabilities****15,611,729**

Initial capital and general reserves (retained earnings)

573,100

**Ratio - initial capital and general reserves (retained earnings) / monetary liabilities****3.67%****Profit allocation**

(In thousands of KM)

**Net profit before allocation****25,899**

Allocation of profit to general reserves (retained earnings)

25,899

**After profit allocation**

(In thousands of KM)

**Monetary liabilities****15,611,729**

Initial capital and general reserves (retained earnings)

598,999

**Ratio - initial capital and general reserves (retained earnings) / monetary liabilities****3.84%****33. EQUITY**

The structure of equity is presented in the following table:

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Initial capital</b>	<b>25,000</b>	<b>25,000</b>
Fair value reserves for debt and equity instruments	(6,471)	(143,005)
Fair value reserves for monetary gold	73,530	58,111
Other reserves	31,300	31,300
General reserves (Retained earnings)	787,941	573,999
<b>Total reserves</b>	<b>886,300</b>	<b>520,405</b>
<b>TOTAL</b>	<b>911,300</b>	<b>545,405</b>

*Initial capital*

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

*Fair value reserves*

Fair value reserves relate to:

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**33. EQUITY (CONTINUED)***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 2023, the equity of the Central Bank has increased compared to its balance as at 31 December 2022. The increase of the equity was primary generated by the significant amount of net profit and significant decrease of the negative balances of the fair value reserves of debt instruments. As disclosed in [Note 3.13](#), activities undertaken with the aim to adjusting to conditions in the environment in which the Central Bank invests foreign currency reserves, significantly improved Central Bank financial performances for 2023.

**34. CASH AND CASH EQUIVALENTS**

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

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Foreign currency deposits with maturity up to three months or less from the date of acquisition ( <a href="#">Note 8</a> )	4,744,565	5,646,221
Foreign currency demand deposits ( <a href="#">Note 8</a> )	1,811,641	1,628,560
Cash in foreign currencies ( <a href="#">Note 7</a> )	455,191	572,020
Special Drawing Rights with the IMF ( <a href="#">Note 9</a> )	2,073	149
Giro accounts ( <a href="#">Note 13</a> )	642	1,435
<b>Total</b>	<b>7,014,112</b>	<b>7,848,385</b>
Impairment	(1,486)	(1,752)
<b>TOTAL</b>	<b>7,012,626</b>	<b>7,846,633</b>

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

<b>In thousands of KM</b>	<b>2023</b>	<b>2022</b>
<b>As at 1 January</b>	<b>1,752</b>	<b>858</b>
Foreign currency deposits with maturity up to three months or less from the date of acquisition	(287)	927
Foreign currency demand deposits	21	(33)
Special Drawing Rights with the IMF	-	-
<b>As at 31 December</b>	<b>1,486</b>	<b>1,752</b>

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**35. 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 2023**

	<b>BH Ministry of Finance and Treasury</b>	<b>BH Deposit Insurance Agency</b>	<b>BH Indirect Taxation Authority</b>	<b>Total</b>
<b>ASSETS</b>				
Other assets	55	-	3	58
<b>TOTAL</b>	<b>55</b>	<b>-</b>	<b>3</b>	<b>58</b>
<b>LIABILITIES</b>				
Deposits from depositors	442,770	68	244,938	687,776
Other liabilities	-	-	94	94
<b>TOTAL</b>	<b>442,770</b>	<b>68</b>	<b>245,032</b>	<b>687,870</b>

**In thousands of KM**

**As at  
31 December 2022**

	<b>BH Ministry of Finance and Treasury</b>	<b>BH Deposit Insurance Agency</b>	<b>BH Indirect Taxation Authority</b>	<b>Total</b>
<b>ASSETS</b>				
Other assets	30	3	11	44
<b>TOTAL</b>	<b>30</b>	<b>3</b>	<b>11</b>	<b>44</b>
<b>LIABILITIES</b>				
Deposits from depositors	423,902	230,883	202,588	857,373
Other liabilities	-	-	1	1
<b>TOTAL</b>	<b>423,902</b>	<b>230,883</b>	<b>202,589</b>	<b>857,374</b>

CENTRAL BANK OF BOSNIA AND HERZEGOVINA  
Notes to the financial statements for the year ended 31 December 2023

### 35. RELATED PARTY TRANSACTIONS (CONTINUED)

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

In thousands of KM	<b>For the year ended 31 December</b>	
	2023	2022
<b>Fee and commission income</b>		
BH Ministry of Finance and Treasury	111	129
BH Indirect Taxation Authority	30	122
BH Deposit Insurance Agency	13	54
<b>TOTAL</b>	<b>154</b>	<b>305</b>

By performing its functions of the banker, the depository and the fiscal agent prescribed by the Law on the Central Bank, the Central Bank also maintains certain bookkeeping and executes transactions for the State and BH institutions that are recorded off-balance. More information about these off-balance records is disclosed in [Notes 36](#) and [37](#).

#### 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 2023 amounts to KM 1,165 thousand, out of which KM 727 thousand is related to salaries and other remuneration and KM 438 thousand to taxes and contributions (In 2022 out of total amount of KM 1,005 thousand, the amount of KM 631 thousand related to salaries and other remuneration and KM 374 thousand related to taxes and contributions).

### 36. 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.

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

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

Off-balance sheet deposits consist of:

<b>In thousands of KM</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Deposits of the Council of Ministers of BH for the budget of BH institutions	304,440	197,946
Deposits of the Council of Ministers of BH for the servicing of foreign debt	10,294	9,367
Other deposits of the Council of Ministers of BH	298	294
Deposits of the Council of Ministers of BH on the basis of succession	48	47
<b>Total</b>	<b>315,080</b>	<b>207,654</b>
Funds of the BH Deposit Insurance Agency	589	20,985
<b>Total</b>	<b>589</b>	<b>20,985</b>
Deposit accounts of resident banks	21,035	18,537
Deposits - Retirement allowance from Germany	237	348
<b>Total</b>	<b>21,272</b>	<b>18,885</b>
<b>TOTAL</b>	<b>336,941</b>	<b>247,524</b>

BH Ministry of Finance and Treasury is the institution that acts on behalf of the Council of Ministers of BH and state in deposit management and coordination as presented in the table. As at 31 December 2023 the total of these funds amount to KM 315,080 thousand (2022: KM 207,654 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.

**37. BH MEMBERSHIP WITH THE IMF**

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

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

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

**37. BH MEMBERSHIP WITH THE IMF (CONTINUED)**

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

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

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

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

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

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

**In thousands of KM**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Quota	631,516	649,867
Special Drawing Rights with the IMF	2,073	149
<b>TOTAL ASSETS</b>	<b>633,589</b>	<b>650,016</b>
IMF account No.1	1,579	1,625
IMF account No.2	624	643
Securities	1,291,461	1,543,253
SDR allocation	988,395	1,017,117
Accrued interest on SDR allocation	6,867	4,669
Accounts of payable charges	5,710	5,610
<b>TOTAL LIABILITIES</b>	<b>2,294,637</b>	<b>2,572,917</b>
<b>BH NET POSITION WITH THE IMF</b>	<b>1,661,048</b>	<b>1,922,901</b>

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

**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
Notes to the financial statements for the year ended 31 December 2023

### **38. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS**

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

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

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

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

#### **Credit risk**

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

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

#### **Operational risk**

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

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

The Central Bank has defined the following Contingency Settlement Procedures:

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

### 38. DOMESTIC PAYMENT AND SETTLEMENT SYSTEMS (CONTUNUED)

#### Oversight and development of payment systems

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

Also, through development function, the Central Bank actively participates in preparation and implementation phases related to innovations in payment systems and analyses their impact on BH economy and the impact on public policy objectives of secure and efficient payment systems. The development of domestic instant payment system, with the system architecture that enables full interoperability with TIPS payment system in EU as well as the modernisation of the existing systems, and participation in BH preparation activities for SEPA access are key activities of the Central Bank in the payment infrastructures field.

### 39. EVENTS AFTER THE REPORTING PERIOD

The BH Presidency has made decisions on the dismissal and the appointment of the Central Bank's Governing Board members on 18 December 2023, with an effective date on 3 January 2024.

Ending with 3 January 2024, the BH Presidency dismissed following Central Bank's Governing Board members:

#### The Governing Board

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

Starting from 3 January 2024, the BH Presidency appointed Central Bank Governing Board members, for a six-year mandate period and the Central Bank's Governor is elected at the constitutive session on the same day by the members, in accordance with the Law on the Central Bank. From 3 January 2024, the members of the Central Bank's Governing Board are:

#### The Governing Board

Jasmina Selimović Ph.D.	Chairwoman and Governor
Radomir Božić Ph.D.	Member
Mirza Kršo Ph.D.	Member
Danijela Martinović Ph.D.	Member
Darko Tomaš Ph.D.	Member

From 1 January 2024 the Central Bank started to apply the new required reserve framework. The new required reserve framework prescribes the obligation for resident banks to allocate and maintain required reserve in KM and EUR currency, by holding them on KM and EUR reserve accounts. Required reserve is calculated as a KM required reserve on domestic currency base and EUR required reserve on foreign currency base by applying unique 10% rate on all basis. Maintaining EUR required reserve is performed by allocating 5% of the calculated EUR required reserve amount on EUR reserve account, while 95% of the calculated EUR required reserve amount is allocated and maintained in KM equivalent on KM reserve account.

The Central Bank calculates and pays remuneration to resident banks at the remuneration rate of 0.50% on the KM required reserves amount, i.e., at the rate of 0.30% on the required reserves amounts in EUR. The zero-remuneration rate is calculated by the Central Bank on the resident banks' amounts exceeding required reserves.

Except from the above mentioned, no adjusting or non-adjusting events have occurred between 31 December 2023 and the date of authorization of these financial statements.



Centralna banka  
BOSNE I HERCEGOVINE  
Централна банка

## Statistical tables



## LIST OF STATISTICAL TABLES

T01: Main Economic Indicators.....	151
T02: Gross Domestic Product of Bosnia and Herzegovina (Current Prices).....	152
T03: Index of Industrial Production .....	153
T04: Consumer Price Index for BH (CPI).....	154
T05: Average Gross and Net Wages and Pensions.....	155
T06: Monetary Aggregates.....	156
T07: Monetary Survey.....	157
T08: Balance Sheet of the CBBH.....	159
T09: Consolidated Balance Sheet of Commercial Banks in BH1 .....	160
T10: Interest Rates on Loans to Households.....	162
T11: Interest Rates on Loans to Non-Financial Corporations .....	163
T12: Interest Rates on Deposits of Households .....	164
T13: Interest Rates on Deposits of Non-financial Corporations .....	165
T14: Total Deposits and Loans of Commercial Banks .....	166
T15: Structure of Transferable Deposits in Commercial Banks by Sectors .....	167
T16: Structure of Other Deposits in Commercial Banks by Sectors.....	168
T17: Structure of Short-Term Loans of Commercial Banks by Sectors .....	169
T18: Structure of Long -Term Loans of Commercial Banks by Sectors.....	170
T19: Purchase and Sale of Convertible Mark.....	171
T20: Average Reserve Requirements .....	172
T21: Payments System Transactions.....	173
T22: BH Balance of Payments.....	174
T23: International Investment Position (IIP).....	175
T24: Government Sector Foreign Debt Servicing.....	176
T25: General government gross debt (Maastricht debt) .....	177
T26: Foreign Reserves of the CBBH.....	178
T27: BH Exports by Country of Destination .....	179
T28: BH Imports by Country of Origin .....	180
T29: KM Average Middle Exchange Rates of Convertible Mark.....	181
T30: Government Finance of BH - Government Sector Units.....	182
T31: BH Government Finance of BH - Structure of Consolidated Revenues and Expenses.....	183
T32: Flows of Foreign Direct Investment in BH, Classified by Country of Origin of Foreign Investor .....	184
T33: Flows of Foreign Direct Investment in BH by NACE Rev 2, Classification of Activities.....	185
T34: Stocks of direct investment in BH classified by country of foreign investor.....	186
T35: Nominal and Real KM effective exchange rate.....	187



**T01: Main Economic Indicators**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
<b>BH Nominal GDP (in KM million)<sup>1)</sup></b>										
<b>Current Prices</b>	27,359	28,929	30,265	31,803	33,942	35,785	34,728	39,145	45,618	51,699
<b>Real GDP Annual Growth (in %)<sup>1)</sup></b>	1.2	3.1	3.2	3.2	3.8	2.9	-3.0	7.4	4.1	1.6
<b>Consumer Prices Growth Rate in BH<sup>2)</sup></b>										
Average Annual growth Rate of CPI	-0.9	-1.0	-1.1	1.2	1.4	0.6	-1.0	2.0	14.0	6.1
Annual Growth Rate of CPI for December	-0.4	-1.3	-0.3	0.7	1.6	0.3	-1.6	6.4	14.7	2.2
<b>General Government Sector Budget<sup>3)</sup></b>										
Revenues	43.8	43.0	42.7	42.4	42.4	42.0	41.6	41.0	39.9	-
Expenditures <sup>4)</sup>	45.8	42.3	41.5	39.8	40.2	40.1	46.8	41.3	40.3	-
Overall Balance	-2.0	0.7	1.2	2.5	2.2	1.9	-5.2	-0.3	-0.4	-
<b>Money and Credit</b>										
Broad Money (M2)	63.1	64.5	66.7	69.5	71.3	73.6	81.3	80.5	72.9	69.2
Credit to Non-government Sector	56.2	54.4	53.7	54.9	54.3	55.0	55.2	50.8	45.9	43.4
<b>Balance of Payments</b>										
Gross Official Reserves										
In KM million	7,826	8,606	9,531	10,557	11,623	12,597	13,868	16,348	16,066	16,290
In USD million	5,309	4,883	5,391	6,083	7,012	7,210	8,079	9,885	8,637	9,004
In Months of Imports of Goods and Services	6.1	6.7	7.2	7.1	7.3	7.8	10.0	9.3	6.8	7.0
Current Account Balance										
In KM million	-1,983	-1,458	-1,424	-1,520	-1,094	-927	-980	-695	-1,978	-1,376
In USD million	-1,345	-827	-805	-876	-660	-531	-571	-420	-1,063	-760
As a percentage of GDP	-7.2	-5.0	-4.7	-4.8	-3.2	-2.6	-2.8	-1.8	-4.3	-2.7
Trade balance										
In KM million	-7,874	-7,176	-7,089	-7,417	-7,521	-7,963	-6,268	-7,170	-10,183	-10,198
In USD million	-5,342	-4,071	-4,010	-4,274	-4,538	-4,558	-3,651	-4,335	-5,474	-5,637
As a percentage of GDP	-28.8	-24.8	-23.4	-23.3	-22.2	-22.3	-18.0	-18.3	-22.4	-19.7
<b>External Debt of Government Sector **</b>										
In KM million	8,442	8,693	8,872	8,147	8,198	8,140	8,726	9,435	9,477	8,861
In USD million	5,249	4,856	4,782	4,996	4,801	4,657	5,479	5,417	5,238	5,006
As a percentage of GDP	30.9	30.0	29.3	25.6	24.2	22.7	25.1	24.1	20.8	17.1
<b>External Debt Servicing<sup>5)</sup></b>										
In KM million	761	581	723	983	955	794	741	773	802	1,255
In USD million	516	330	409	567	576	454	432	467	431	694
As a percentage of Exports of Goods and Services	8.2	5.7	6.7	7.7	6.7	5.5	6.2	4.6	3.7	7.8

**Note:**

<sup>1)</sup> Source: Agency for Statistics of Bosnia and Herzegovina, Gross Domestic Product by Production, Income and Expenditure approach 2022, December 2023.

CBBH is source for data on the average annual exchange rate of KM/USD.

<sup>2)</sup> Source: Agency for Statistics of BH

<sup>3)</sup> Source: Central Bank of BH

<sup>4)</sup> Expenditures also include net acquisition of fixed assets.

<sup>5)</sup> Source: BH Ministry of Finance and Treasury.

\* GDP for 2023 is an assessment of CBBH and it is used as preliminary data, until the announcement of the official GDP by the Agency for Statistics of BH

\*\* Revised data since 2009 in accordance with the received report from the Ministry of Finance and Treasury of BiH dated January 26, 2023, including a loan of JP Putevi RS and direct debt of Brcko District.

- Data not available

**T02: Gross Domestic Product of Bosnia and Herzegovina (Current Prices)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
Nominal GDP (in KM million)	27,359	28,929	30,265	31,803	33,942	35,785	34,728	39,145	45,618	51,699
Nominal GDP (in USD million)	18,561	16,413	17,118	18,325	20,478	20,481	20,230	23,669	24,524	28,579
GDP per capita (in KM)	7,759	8,223	8,620	9,076	9,709	10,251	9,994	11,326	13,284	15,088
GDP per capita (in USD)	5,264	4,665	4,876	5,230	5,857	5,867	5,822	6,848	7,141	8,340
Real GDP Annual Growth (in %)	1.2	3.1	3.2	3.2	3.7	2.8	-3.1	7.4	4.1	1.6
Population (in thousands) <sup>1</sup>	3,526	3,518	3,511	3,504	3,496	3,491	3,475	3,453	3,434	3,427
Annual Average Exchange Rate of KM/USD	1.474	1.763	1.768	1.735	1.657	1.747	1.717	1.654	1.860	1.809

**Source:**

Agency for Statistics of Bosnia and Herzegovina, *Gross Domestic Product by Production, Income and Expenditure approach 2022, December 2023*. The data on the average annual exchange rate KM/USD, the source is the CBBH.

**Note:**

\* GDP for 2023 is an assessment of CBBH and it is used as preliminary data, until the announcement of the official GDP by the BH Statistics Agency.

<sup>1</sup> The estimate of the number of citizens for 2023 includes the available data on the natural growth in the end of September 2023; Source: Agency for Statistics of BH.

**T03: Index of Industrial Production**

Year	Month	Month/Same Month of the Previous Year			Period/Same Period of the Previous Year		
		FBH	RS	BH	FBH	RS	BH
2014	12	97.9	99.8	98.7	100.1	100.6	100.2
2015	12	101.7	99.5	101.7	102.2	103.0	103.1
2016	12	103.0	120.0	107.5	102.6	108.2	104.4
2017	12	101.5	97.3	99.6	103.8	101.2	103.1
2018	12	98.2	96.9	97.8	100.8	104.2	101.6
2019	12	97.4	92.4	95.5	97.3	88.1	94.7
2020	12	103.1	103.7	103.2	93.7	93.4	93.6
2021	12	107.4	106.6	107.2	109.8	109.9	109.8
2022	12	98.0	96.0	96.0	101.2	102.1	101.0
2023	12	90.0	93.8	91.0	95.8	96.8	96.1
2023	01	97.9	104.9	100.1	97.9	104.9	100.1
	02	97.0	97.2	97.0	97.5	100.9	98.5
	03	95.1	98.1	95.8	96.6	99.8	97.5
	04	89.1	92.5	90.1	94.6	97.9	95.6
	05	99.7	95.7	98.4	95.6	97.4	96.2
	06	92.0	92.5	92.3	95.0	96.6	95.5
	07	100.4	99.8	100.1	95.8	97.0	96.1
	08	101.2	97.8	100.2	96.4	97.1	96.6
	09	96.2	103.5	98.5	96.4	97.8	96.8
	10	97.6	99.6	98.2	96.5	98.0	97.0
	11	94.7	89.4	92.8	96.4	97.1	96.6
	12	90.0	93.8	91.0	95.8	96.8	96.1

**Source:**

Agency for Statistics of BH, Institute for Statistics of the FBH and RS Institute for Statistics

**Note:**

Index of Industrial Production for a period / the same period of the previous year for December represents a yearly index in comparison with the previous year.

**T04: Consumer Price Index for BH (CPI)**

Year	Month	Month/Previous Month of the Current Year	Month/Same Month of the Previous Year	Period/Same Period of the Previous Year
2014	12	...	99.6	99.1
2015	12	...	98.7	99.0
2016	12	...	99.7	98.9
2017	12	...	101.3	101.2
2018	12	...	101.6	101.4
2019	12	...	99.9	100.6
2020	12	...	98.4	99.0
2021	12	...	106.4	102.0
2022	12	...	114.7	114.0
2023	12	...	102.2	106.1
2023	01	100.5	114.1	114.1
	02	100.4	112.9	113.5
	03	100.4	110.3	112.4
	04	100.1	107.9	111.2
	05	99.8	106.5	110.2
	06	99.8	104.9	109.3
	07	99.8	104.0	108.5
	08	101.0	104.7	108.0
	09	100.6	104.1	107.6
	10	100.1	102.1	107.0
	11	99.8	101.7	106.5
	12	99.8	102.2	106.1

**Source:**

Agency for Statistics of Bosnia and Herzegovina.

**Note:**

Price index for a period/the same period of previous year for December represents annual index in comparison to the previous year.

## T05: Average Gross and Net Wages and Pensions

- in KM -

Year	Month	Gross Wages				Net Wages				Pensions		
		FBH	RS	Brčko	BH	FBH	RS	Brčko	BH	FBH	RS	Brčko
2014		1,272	1,334	1,265	1,183	833	825	814	830	367	333	323
2015		1,269	1,339	1,275	1,289	830	831	821	830	368	343	327
2016		1,283	1,343	1,290	1,301	839	836	830	838	370	342	326
2017		1,318	1,331	1,304	1,321	860	831	838	851	372	344	326
2018		1,365	1,357	1,363	1,363	888	857	872	879	395	361	342
2019		1,420	1,407	1,426	1,421	923	906	915	921	415	378	357
2020		1,474	1,485	1,477	1,476	956	956	948	956	423	394	367
2021		1,542	1,546	1,486	1,542	996	1,004	959	997	428	408	375
2022		1,724	1,729	1,600	1,722	1,114	1,143	1,051	1,122	461	460	412
2023		1,959	1,937	1,744	1,947	1,261	1,274	1,171	1,263	570	540	491
2023	01	1,875	1,845	1,679	1,861	1,208	1,217	1,123	1,209	535	540	481
	02	1,849	1,908	1,669	1,863	1,193	1,256	1,117	1,211	535	540	481
	03	1,967	1,910	1,690	1,942	1,265	1,258	1,134	1,260	539	540	481
	04	1,913	1,921	1,714	1,911	1,233	1,265	1,150	1,241	563	540	489
	05	1,987	1,945	1,716	1,967	1,277	1,280	1,152	1,275	585	540	499
	06	1,963	1,953	1,731	1,954	1,262	1,284	1,161	1,267	584	540	469
	07	1,951	1,943	1,776	1,944	1,257	1,278	1,192	1,262	584	540	499
	08	1,991	1,954	1,785	1,974	1,281	1,286	1,201	1,280	584	541	499
	09	1,960	1,941	1,807	1,950	1,260	1,277	1,213	1,264	584	541	500
	10	1,995	1,963	1,776	1,981	1,285	1,290	1,192	1,285	584	541	500
	11	2,037	1,974	1,785	2,012	1,310	1,296	1,201	1,304	583	541	500
	12	2,018	1,988	1,807	2,004	1,296	1,304	1,213	1,297	583	541	501

**Source:**

Agency for Statistics of BH, Institute for Statistics of the FBH, RS Institute of Statistics and Branch of Brčko District

**Note:**

Since 1 January 2006, gross and net wages for BH level include Brčko District

- end of period, in KM million -

Year	Month	Currency outside Monetary Authorities	Bank Deposits with Monetary Authorities	Transf. Dep. of other Resident Sectors with Monetary Authorities	Cash Outside Banks	Transf. Deposits in Domestic Currency	Other Deposits in Domestic Currency	Transf. Deposits in Foreign Currency	Other Deposits in Foreign Currency	Reserve Money	M1	QM	M2
1	2	3	4	5	6	7	8	9	10	11=3+4+5	12=6+7	13=8+9+10	14=12+13
2014	12	3,210.5	3,751.1	38.3	2,814.0	4,496.4	3,377.3	1,301.2	5,280.0	6,999.9	7,310.4	9,958.5	17,268.9
2015	12	3,499.5	4,063.5	51.7	3,055.3	5,125.6	3,562.6	1,360.4	5,543.3	7,614.7	8,180.9	10,466.3	18,647.2
2016	12	4,066.8	4,269.1	52.0	3,401.2	5,899.8	3,883.0	1,535.6	5,478.0	8,387.9	9,301.0	10,896.6	20,197.6
2017	12	4,319.4	5,033.1	76.1	3,648.1	6,924.4	4,091.6	1,816.2	5,636.1	9,428.5	10,572.5	11,543.8	22,116.3
2018	12	4,750.6	5,523.3	125.5	3,977.2	8,166.4	4,302.2	1,961.5	5,782.3	10,399.4	12,143.7	12,046.0	24,189.6
2019	12	5,199.9	5,743.6	176.6	4,330.1	8,921.1	2,998.0	2,490.3	7,593.2	11,120.2	13,251.2	13,081.5	26,332.7
2020	12	6,172.5	5,901.1	231.8	5,043.4	10,011.8	3,034.7	2,902.5	7,256.6	12,305.4	15,055.2	13,193.8	28,249.0
2021	12	6,923.8	7,219.6	304.9	5,540.0	12,387.6	3,044.2	3,300.1	7,243.8	14,448.3	17,927.5	13,588.1	31,515.6
2022	12	7,436.1	7,217.4	272.7	6,126.2	13,752.5	2,878.7	3,583.9	6,898.8	14,926.2	19,878.6	13,361.3	33,240.0
2023	12	7,565.1	7,083.2	16.9	6,550.5	15,064.1	2,891.3	3,974.6	7,310.3	14,665.2	21,614.6	14,176.2	35,790.8
2023	01	7,355.2	7,097.0	288.7	5,953.5	13,758.9	2,906.9	3,657.1	6,856.4	14,741.0	19,712.4	13,420.4	33,132.8
	02	7,362.2	6,735.3	162.7	5,982.3	13,643.5	2,867.4	3,734.3	6,957.5	14,260.2	19,625.8	13,559.2	33,185.0
	03	7,397.9	6,454.3	160.1	6,027.0	13,583.4	2,873.8	3,763.5	7,003.9	14,012.3	19,610.4	13,641.2	33,251.6
	04	7,548.0	6,322.1	151.8	6,198.9	13,758.3	2,889.0	3,766.4	6,992.2	14,021.8	19,957.3	13,647.7	33,604.9
	05	7,588.7	6,578.4	151.7	6,163.5	13,922.7	2,815.6	3,924.3	6,956.7	14,318.8	20,086.2	13,696.6	33,782.8
	06	7,571.4	6,349.8	152.6	6,253.1	14,082.0	2,854.5	3,887.6	6,975.2	14,073.9	20,335.1	13,717.3	34,052.4
	07	7,694.8	6,429.3	131.6	6,373.8	14,593.9	2,825.2	3,946.5	6,942.0	14,255.7	20,967.7	13,713.7	34,681.4
	08	7,734.4	6,657.4	81.4	6,388.9	14,758.3	2,900.7	3,958.4	6,978.9	14,473.3	21,147.2	13,838.0	34,985.2
	09	7,677.2	6,720.3	83.4	6,397.2	14,788.1	2,904.5	4,009.3	7,027.1	14,480.9	21,185.3	13,941.0	35,126.3
	10	7,604.3	6,612.6	16.4	6,338.6	14,766.2	2,952.2	4,032.7	7,094.3	14,233.3	21,104.8	14,079.2	35,184.0
	11	7,473.4	6,631.4	15.5	6,289.4	14,859.2	2,946.0	4,050.8	7,074.9	14,120.3	21,148.6	14,071.6	35,220.2
	12	7,565.1	7,083.2	16.9	6,550.5	15,064.1	2,891.3	3,974.6	7,310.3	14,665.2	21,614.6	14,176.2	35,790.8

**Note:**

The cash outside monetary authorities is taken from the CBBH Balance Sheet and it consists of cash outside the Central Bank (monetary authorities). Deposits of commercial banks are commercial banks' funds in the accounts with the CBBH. Transferable deposits of other domestic sectors with monetary authorities are deposits of other domestic sectors (except for the central government deposits). The central government consists of BH institutions, Entity governments, Entities' social security funds and those of Brčko District. Social security funds on Entity level (from Federation of BH: Pension Fund of FBH, Health Care Fund of FBH, Employment Fund of FBH, and from Republika Srpska: Pension and Disability Insurance Fund of RS, Health Care Fund of RS, Employment Fund of RS and Fund for Child Protection of RS) are classified at the central government level. The cash outside banks is taken from the CBBH Balance Sheet (Table 08) and consists of cash in circulation out of the Central Bank (monetary authorities), as well as cash outside the commercial banks. Transferable deposits in the domestic currency are taken from the Monetary Survey (Table 07). They consist of deposits of non-central government (deposits of cantons and municipalities), deposits of public and private enterprises, of other financial institutions and deposits of other domestic sectors (households, non-profit institutions and other non-classified sectors). Other deposits in the domestic currency, transferable and other deposits in foreign currency are taken over from the Monetary Survey (Table 07). They consist of deposits of non central government (deposits of cantons and municipalities), deposits of public and private enterprises, other financial institutions and deposits of other domestic sectors (households, non-profit institutions and other non-classified sectors). Reserve money (primary money or monetary base) is taken entirely from the CBBH Balance Sheet (Table 08). It consists of cash outside the monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for deposits of the central government) with the monetary authorities. According to the national definition, money supply comprises all transferable and other deposits of domestic nonbank and nongovernment sectors, as well as, sectors of local government in domestic and foreign currency. Deposits of Entities' social security funds are included in those of the central government on Entity level and by that they are excluded from the Money Supply or Monetary Aggregates. Monetary aggregate M1 comprises cash outside banks and transferable deposits in domestic currency of all domestic sectors (except for deposits of the central government). Monetary aggregate QM is defined in the same way as the corresponding item in the Monetary Survey (Table 07). It consists of other deposits in domestic currency, transferable and other deposits in a foreign currency of all domestic sectors (except for deposits of the central government). Money supply M2 comprises monetary aggregates, M1 and QM.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

## T07: Monetary Survey

- end of period, in KM million -

		ASSETS											
		Foreign Assets (Net)				Claims on Domestic Sectors							
Year	Month	Foreign Assets	Foreign Liabilities		Claims on Central Government (Net)	Claims on Cantons and Municipalities	Claims on Public Non-financial Enterprises	Claims on Private Non-financial Enterprises	Claims on Other Financial Institutions	Claims on Other Domestic Sectors		Total	
1	2	3	4	5 = 3+4	6	7	8	9	10	11	12 = 6+...+11	13 = 5+12	
2014	12	10,479.7	-2,961.1	7,518.6	71.0	509.1	443.6	7,452.0	61.3	7,502.5	16,039.4	23,557.9	
2015	12	11,107.9	-2,614.6	8,493.3	160.1	537.2	400.0	7,452.6	74.6	7,875.3	16,499.8	24,993.1	
2016	12	12,199.0	-2,476.4	9,722.6	101.8	517.8	375.6	7,743.9	67.2	8,155.8	16,962.0	26,684.6	
2017	12	13,372.4	-2,589.5	10,782.9	-148.7	511.5	406.2	8354.5	96.5	8,689.3	17,909.4	28,692.2	
2018	12	15,505.5	-3,041.0	12,464.5	-461.2	496.5	428.0	8655.0	136.8	9,315.0	18,570.1	31,034.5	
2019	12	17,069.9	-3,120.0	13,949.9	-679.3	506.7	509.3	9070.9	152.2	10,024.9	19,584.7	33,534.6	
2020	12	18,340.2	-2,326.3	16,013.9	-236.3	538.1	540.8	8618.1	155.0	9,937.9	19,553.6	35,567.5	
2021	12	21,065.4	-1,949.0	19,116.3	-804.4	583.5	532.3	8812.6	164.1	10,478.3	19,766.3	38,882.7	
2022	12	21,084.4	-1,813.4	19,271.1	-509.1	592.0	652.8	9197.6	180.2	11,027.6	21,141.1	40,412.2	
2023	12	22,027.1	-1,492.6	20,534.4	125.1	645.6	644.9	9828.3	231.8	11,847.1	23,322.8	43,857.2	
2023	01	21,012.7	-1,693.5	19,319.2	-335.7	589.0	623.0	9060.7	167.1	11,014.6	21,118.6	40,437.8	
	02	20,758.1	-1,671.2	19,086.8	-182.0	586.0	637.0	9,164.9	158.9	11,047.5	21,412.3	40,499.2	
	03	20,726.1	-1,527.5	19,198.5	-329.5	576.1	625.2	9,293.5	164.1	11,159.0	21,488.4	40,687.0	
	04	20,960.6	-1,525.1	19,435.5	-349.2	592.4	632.4	9,400.4	161.8	11,246.5	21,684.4	41,119.9	
	05	21,042.0	-1,490.6	19,551.4	-286.5	587.6	602.0	9,415.9	177.1	11,292.2	21,788.4	41,339.8	
	06	20,997.4	-1,457.7	19,539.7	-302.8	576.8	623.1	9,562.4	199.6	11,433.3	22,092.5	41,632.2	
	07	21,345.1	-1,451.7	19,893.4	-52.3	576.2	617.4	9,554.1	203.1	11,531.4	22,430.0	42,323.5	
	08	21,794.5	-1,478.4	20,316.0	-75.9	572.4	623.4	9,523.3	206.3	11,596.2	22,445.7	42,761.7	
	09	21,769.7	-1,459.6	20,310.1	-60.2	568.6	622.2	9,629.3	206.9	11,675.4	22,642.4	42,952.5	
	10	21,900.4	-1,452.7	20,447.6	-112.0	631.9	623.1	9,622.2	228.2	11,764.3	22,757.7	43,205.3	
	11	21,793.6	-1,457.3	20,336.3	2.7	632.5	625.9	9,679.8	212.2	11,820.5	22,973.6	43,309.9	
	12	22,027.1	-1,492.6	20,534.4	125.1	645.6	644.9	9,828.3	231.8	11,847.1	23,322.8	43,857.2	

**Note:**

The monetary survey presents the consolidated data from the Balance Sheet of the CBBH - monetary authorities (table 08) and the consolidated balance sheet of commercial banks of Bosnia and Herzegovina (table 09). Foreign assets (net) represent the difference between total CBBH foreign assets - the monetary authorities and commercial banks and CBBH total foreign liabilities - the monetary authorities and commercial banks of BH. Claims on domestic sectors represent commercial banks' claims on all domestic sectors, but it should be noted that claims on central government are presented in net amounts, i.e. they are reduced by the deposits of central government with the CBBH and with BH commercial banks. The central government consists of BH institutions, Entities' governments, Entities' social security funds and those of Brčko District. According to new methodology, social security funds are classified on the central government level as the Entities' off-budget funds, which has a direct impact on data about net claims on the central government in Monetary Survey.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

- end of period, in KM million -

		LIABILITIES													
		Broad money (M2)													
		Money (M1)				Quasi money (QM)									
Year	Month	Cash Outside Banks	Transferable Deposits in Dom. Curr.		Transferable Deposits in Foreign Curr.	Other Deposits in Dom. Curr.	Other Deposits in Foreign Curr.				Securities	Loans	Shares and Other Equity	Other Items (net)	Total
1	2	3	4	5=3+4	6	7	8	9=6+7+8	10=5+9	11	12	13	14	15=10+...+14	
2014	12	2,814.0	4,496.4	7,310.4	1,301.2	3,377.3	5,280.0	9,958.5	17,268.9	0.0	681.0	3,993.5	1,614.5	23,557.9	
2015	12	3,055.3	5,125.6	8,180.9	1,360.4	3,562.6	5,543.3	10,466.3	18,647.2	8.0	599.2	4,148.0	1,590.7	24,993.1	
2016	12	3,401.2	5,899.8	9,301.0	1,535.6	3,883.0	5,478.0	10,896.6	20,197.6	8.0	510.0	4,440.4	1,528.6	26,684.6	
2017	12	3,648.1	6,924.4	10,572.5	1,816.2	4,091.6	5,636.1	11,543.8	22,116.3	8.0	460.0	4,659.5	1,448.4	28,692.2	
2018	12	3,977.2	8,166.4	12,143.7	1,961.5	4,302.2	5,782.3	12,046.0	24,189.6	8.0	467.5	4,867.2	1,502.3	31,034.5	
2019	12	4,330.1	8,921.1	13,251.2	2,490.3	2,998.0	7,593.2	13,081.5	26,332.7	8.0	532.4	5,224.6	1,436.9	33,534.6	
2020	12	5,043.4	10,011.8	15,055.2	2,902.5	3,034.7	7,256.6	13,193.8	28,249.0	0.0	606.7	5,307.8	1,404.0	35,567.5	
2021	12	5,540.0	12,387.6	17,927.5	3,300.1	3,044.2	7,243.8	13,588.1	31,515.6	0.0	638.5	5,287.3	1,441.4	38,882.7	
2022	12	6,126.2	13,752.5	19,878.6	3,583.9	2,878.7	6,898.8	13,361.3	33,240.0	0.0	622.8	5,208.0	1,341.4	40,412.2	
2023	12	6,550.5	15,064.1	21,614.6	3,974.6	2,891.3	7,310.3	14,176.2	35,790.8	3.7	643.4	6,012.6	1,406.7	43,857.2	
2023	01	5,953.5	13,758.9	19,712.4	3,657.1	2,906.9	6,856.4	13,420.4	33,132.8	0.0	624.6	5,305.5	1,374.9	40,437.8	
	02	5,982.3	13,643.5	19,625.8	3,734.3	2,867.4	6,957.5	13,559.2	33,185.0	0.0	625.4	5,370.5	1,318.2	40,499.2	
	03	6,027.0	13,583.4	19,610.4	3,763.5	2,873.8	7,003.9	13,641.2	33,251.6	0.0	628.9	5,439.8	1,366.6	40,687.0	
	04	6,198.9	13,758.3	19,957.3	3,766.4	2,889.0	6,992.2	13,647.7	33,604.9	0.0	637.5	5,531.2	1,346.3	41,119.9	
	05	6,163.5	13,922.7	20,086.2	3,924.3	2,815.6	6,956.7	13,696.6	33,782.8	0.0	651.2	5,584.1	1,321.6	41,339.8	
	06	6,253.1	14,082.0	20,335.1	3,887.6	2,854.5	6,975.2	13,717.3	34,052.4	0.0	661.5	5,583.9	1,334.4	41,632.2	
	07	6,373.8	14,593.9	20,967.7	3,946.5	2,825.2	6,942.0	13,713.7	34,681.4	0.0	665.8	5,679.8	1,296.5	42,323.5	
	08	6,388.9	14,758.3	21,147.2	3,958.4	2,900.7	6,978.9	13,838.0	34,985.2	0.0	669.5	5,807.2	1,299.7	42,761.7	
	09	6,397.2	14,788.1	21,185.3	4,009.3	2,904.5	7,027.1	13,941.0	35,126.3	0.0	681.7	5,895.0	1,249.4	42,952.5	
	10	6,338.6	14,766.2	21,104.8	4,032.7	2,952.2	7,094.3	14,079.2	35,184.0	0.0	681.7	5,981.3	1,358.2	43,205.3	
	11	6,289.4	14,859.2	21,148.6	4,050.8	2,946.0	7,074.9	14,071.6	35,220.2	3.7	648.0	6,080.8	1,357.2	43,309.9	
	12	6,550.5	15,064.1	21,614.6	3,974.6	2,891.3	7,310.3	14,176.2	35,790.8	3.7	643.4	6,012.6	1,406.7	43,857.2	

**Note:**

Money M1 includes cash outside banks, transferable deposits in the domestic currency of all domestic sectors (except the deposits of the central government). Quasi money QM comprises other deposits in the domestic currency, transferable and other deposits in foreign currency of all domestic sectors (except the deposits of the central government). Money supply M2 includes monetary aggregates, money M1 and quasi money QM. Other liabilities include securities, loans, shares and other equity and other items (net). According to a new methodology, as separate financial instruments on the side of liabilities, loans (with which the calculated interest is added) are presented, along with shares and other equity. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets. Other items (net) also include restricted deposits, counter-items of funds and government lending funds.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

## T08: Balance Sheet of the CBBH

- end of period, in KM million -

Year	Month	ASSETS			LIABILITIES									
		Foreign Assets	Claims on Domestic Sectors	Total	Reserve money			Total	Foreign Liabilities	Deposits of Central Government	Shares and Other Equity	Other Items (Net)	Total	
1	2	3	4	5=3+4	6	7	8	9=6+7+8	10	11	12	13	14=9+...+13	
2014	12	7,853.4	1.6	7,855.1	3,210.5	3,751.1	38.3	6,999.9	1.1	293.2	585.0	-24.2	7,855.1	
2015	12	8,634.1	1.5	8,635.7	3,499.5	4,063.5	51.7	7,614.7	1.3	449.9	593.7	-24.0	8,635.7	
2016	12	9,559.0	1.5	9,560.4	4,066.8	4,269.1	52.0	8,387.9	2.2	538.4	667.4	-35.5	9,560.4	
2017	12	10,584.4	2.2	10,586.6	4,319.4	5,033.1	76.1	9,428.5	1.6	548.6	652.6	-44.8	10,586.6	
2018	12	11,651.0	2.1	11,653.1	4,750.6	5,523.3	125.5	10,399.4	1.8	583.9	720.0	-51.9	11,653.1	
2019	12	12,624.9	2.2	12,627.1	5,199.9	5,743.6	176.6	11,120.2	1.7	704.0	856.5	-55.4	12,627.1	
2020	12	13,895.8	2.0	13,897.9	6,172.5	5,901.1	231.8	12,305.4	1.7	665.2	982.3	-56.8	13,897.9	
2021	12	16,376.0	2.6	16,378.5	6,923.8	7,219.6	304.9	14,448.3	2.3	1,124.7	861.4	-58.3	16,378.5	
2022	12	16,093.7	2.8	16,096.5	7,436.1	7,217.4	272.7	14,926.2	2.6	685.5	545.4	-63.3	16,096.5	
2023	12	16,317.7	2.8	16,320.5	7,565.1	7,083.2	16.9	14,665.2	2.5	736.0	911.3	5.5	16,320.5	
2023	01	15,975.2	1.6	15,976.9	7,355.2	7,097.0	288.7	14,741.0	3.1	717.6	578.6	-63.4	15,976.9	
	02	15,392.9	1.9	15,394.8	7,362.2	6,735.3	162.7	14,260.2	14.7	604.3	578.1	-62.5	15,394.8	
	03	15,235.1	2.4	15,237.5	7,397.9	6,454.3	160.1	14,012.3	2.5	659.5	628.0	-64.8	15,237.5	
	04	15,357.1	1.7	15,358.8	7,548.0	6,322.1	151.8	14,021.8	3.0	744.3	654.3	-64.7	15,358.8	
	05	15,555.8	2.1	15,557.9	7,588.7	6,578.4	151.7	14,318.8	2.7	611.1	689.3	-64.0	15,557.9	
	06	15,345.7	2.4	15,348.1	7,571.4	6,349.8	152.6	14,073.9	2.7	632.2	703.3	-63.9	15,348.1	
	07	15,593.3	1.8	15,595.1	7,694.8	6,429.3	131.6	14,255.7	2.3	657.2	743.5	-63.6	15,595.1	
	08	15,899.9	2.1	15,902.0	7,734.4	6,657.4	81.4	14,473.3	3.0	702.6	785.5	-62.3	15,902.0	
	09	15,944.1	2.3	15,946.4	7,677.2	6,720.3	83.4	14,480.9	2.8	713.4	811.0	-61.6	15,946.4	
	10	15,795.6	1.8	15,797.5	7,604.3	6,612.6	16.4	14,233.3	3.0	753.0	869.2	-61.1	15,797.5	
	11	15,712.6	2.0	15,714.6	7,473.4	6,631.4	15.5	14,120.3	2.7	733.6	918.7	-60.8	15,714.6	
	12	16,317.7	2.8	16,320.5	7,565.1	7,083.2	16.9	14,665.2	2.5	736.0	911.3	5.5	16,320.5	

**Note:**

The CBBH (monetary authorities) foreign assets comprise gold, foreign currency in the CBBH vault, foreign currency deposits with foreign banks, SDR holdings, foreign securities and other.

Reserve money (primary money or monetary base) is comprised of cash outside monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for the central government) with monetary authorities. Cash outside banks represents cash in circulation outside the Central Bank (monetary authorities) and cash outside commercial banks. The CBBH foreign liabilities are comprised of short-term liabilities towards non-residents, deposits of non-residents and other short-term liabilities towards non-residents and liabilities towards the IMF (Accounts 1 and 2).

Deposits of central government with the CBBH are transferable and other deposits of BH Institutions, Entity Governments, Entity Social Security Funds and those of Brčko District in the local currency. Shares and other equity comprise the equity, current year result, general and special reserves and adjustment/revaluation. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

- end of period, in KM million -

ASSETS									
Year	Month	Reserves	Foreign Assets	Claims on General Government	Claims on Public Non-financial Enterprises	Claims on Private Non-financial Enterprises	Claims on Other Financial Institutions	Claims on Other Domestic Sectors	Total
1	2	3	4	5	6	7	8	9	10 = 3+...+9
2014	12	4,115.0	2,626.3	1,854.5	443.6	7,452.0	61.3	7,501.7	24,054.3
2015	12	4,511.7	2,473.8	2,161.1	400.0	7,452.6	74.6	7,874.7	24,948.5
2016	12	4,936.6	2,640.0	2,179.1	375.6	7,743.9	67.2	8,155.4	26,097.7
2017	12	5,711.7	2,787.9	2,197.0	406.2	8,354.5	96.5	8,688.8	28,242.7
2018	12	6,298.3	3,854.5	2,285.0	428.0	8,655.0	136.8	9,314.6	30,972.1
2019	12	6,627.0	4,445.0	2,551.9	509.3	9,070.9	152.2	10,024.5	33,380.9
2020	12	7,099.6	4,444.3	3,015.4	540.8	8,618.1	155.0	9,937.6	33,810.8
2021	12	8,608.0	4,689.4	3,095.4	532.3	8,812.6	164.1	10,478.0	36,379.7
2022	12	8,541.6	4,990.8	3,171.7	652.8	9,197.6	180.2	11,027.3	37,761.9
2023	12	8,116.2	5,709.4	3,440.2	644.9	9,828.3	231.8	11,846.8	39,817.7
2023	01	8,512.4	5,037.5	3,139.3	623.0	9,060.7	167.1	11,014.5	37,554.5
	02	8,129.8	5,365.1	3,168.5	637.0	9,164.9	158.9	11,047.3	37,671.7
	03	7,840.1	5,491.0	3,134.1	625.2	9,293.5	164.1	11,158.7	37,706.9
	04	7,680.7	5,603.5	3,168.8	632.4	9,400.4	161.8	11,246.4	37,894.1
	05	8,014.8	5,486.1	3,199.6	602.0	9,415.9	177.1	11,292.0	38,187.5
	06	7,678.8	5,651.7	3,152.4	623.1	9,562.4	199.6	11,433.0	38,301.0
	07	7,756.8	5,751.9	3,200.8	617.4	9,554.1	203.1	11,531.3	38,615.4
	08	8,011.2	5,894.5	3,223.1	623.4	9,523.3	206.3	11,596.0	39,077.8
	09	8,011.1	5,825.6	3,266.8	622.2	9,629.3	206.9	11,675.2	39,237.1
	10	7,887.4	6,104.7	3,362.3	623.1	9,622.2	228.2	11,764.2	39,592.2
	11	7,826.9	6,081.0	3,421.0	625.9	9,679.8	212.2	11,820.3	39,667.1
	12	8,116.2	5,709.4	3,440.2	644.9	9,828.3	231.8	11,846.8	39,817.7

**Note:**

Consolidated balance sheet of commercial banks includes consolidated balance sheets of commercial banks covered by Main Unit Sarajevo, Main Unit Mostar, Main Bank RS, Brčko District (from July 2001 until November 2002), NBRS (until December 1998) and the NBBH (until November 2002). Mutual claims and liabilities among the commercial banks have been consolidated. Banks' reserves consist of cash in the banks' vaults and banks' deposits with the CBBH.

Foreign assets of commercial banks include: foreign currency in the vaults, transferable and other deposits in foreign currency with nonresidents, loans to nonresidents, securities of non-residents in foreign currency, and other claims on non-residents. Claims on general government include claims on all levels of government: the central government (BH Institutions, Entities' Governments, Entity Social Security Funds and those of Brčko District) and non-central governments (canton and municipality governments). Claims on other domestic sectors include: claims on public non-financial enterprises, private non-financial enterprises, other financial institutions and claims on other domestic sectors (households, non-profit institutions and other non-classified sectors).

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

## T09: Consolidated Balance Sheet of Commercial Banks in BH

- end of period, in KM million -

LIABILITIES												
Year	Month	Deposits of Central Government	Transf. Dep. of Other Domestic Sectors in Dom. Curr.	Transf. Dep. of Other Domestic Sectors in For. Curr.	Other Dep. of Other Domestic Sectors in Dom. Curr.	Other Dep. of Other Domestic Sectors in For. Curr.	Securities	Loans	Foreign Liabilities	Shares and Other Equity	Other Items (Net)	Total
1	2	3	4	5	6	7	8	9	10	11	12	13=3+...+12
2014	12	4,115.0	2,626.3	1,854.5	443.6	7,452.0	61.3	7,501.7	24,054.3	3,408.5	1,606.8	24,054.3
2015	12	4,511.7	2,473.8	2,161.1	400.0	7,452.6	74.6	7,874.7	24,948.5	3,554.3	1,619.5	24,948.5
2016	12	4,936.6	2,640.0	2,179.1	375.6	7,743.9	67.2	8,155.4	26,097.7	3,773.0	1,566.9	26,097.7
2017	12	5,711.7	2,787.9	2,197.0	406.2	8,354.5	96.5	8,688.8	28,242.7	4,006.8	1,502.2	28,242.7
2018	12	6,298.3	3,854.5	2,285.0	428.0	8,655.0	136.8	9,314.6	30,972.1	4,147.2	1,557.4	30,972.1
2019	12	6,627.0	4,445.0	2,551.9	509.3	9,070.9	152.2	10,024.5	33,380.9	4,368.0	1,507.7	33,380.9
2020	12	7,099.6	4,444.3	3,015.4	540.8	8,618.1	155.0	9,937.6	33,810.8	4,325.4	1,531.8	33,810.8
2021	12	8,608.0	4,689.4	3,095.4	532.3	8,812.6	164.1	10,478.0	36,379.7	4,425.8	1,506.2	36,379.7
2022	12	8,541.6	4,990.8	3,171.7	652.8	9,197.6	180.2	11,027.3	37,761.9	4,680.2	1,406.9	37,764.1
2023	12	1,933.6	15,047.2	3,974.6	2,891.3	7,310.3	3.7	643.4	1,490.2	5,101.3	1,422.0	39,817.7
2023	01	2,168.5	13,470.2	3,657.1	2,906.9	6,856.4	0.0	624.6	1,690.4	4,726.9	1,453.5	37,554.5
	02	2,160.3	13,480.8	3,734.3	2,867.4	6,957.5	0.0	625.4	1,656.5	4,792.4	1,397.1	37,671.7
	03	2,228.2	13,423.3	3,763.5	2,873.8	7,003.9	0.0	628.9	1,525.0	4,811.8	1,448.4	37,706.9
	04	2,181.4	13,606.5	3,766.4	2,889.0	6,992.2	0.0	637.5	1,522.1	4,876.8	1,422.1	37,894.1
	05	2,287.4	13,771.0	3,924.3	2,815.6	6,956.7	0.0	651.2	1,487.9	4,894.8	1,398.6	38,187.5
	06	2,246.2	13,929.3	3,887.6	2,854.5	6,975.2	0.0	661.5	1,455.0	4,880.6	1,411.0	38,301.0
	07	2,019.7	14,462.4	3,946.5	2,825.2	6,942.0	0.0	665.8	1,449.4	4,936.3	1,368.2	38,615.4
	08	2,024.1	14,676.9	3,958.4	2,900.7	6,978.9	0.0	669.5	1,475.5	5,021.7	1,372.1	39,077.8
	09	2,045.0	14,704.7	4,009.3	2,904.5	7,027.1	0.0	681.7	1,456.8	5,084.0	1,323.9	39,237.1
	10	2,089.4	14,749.8	4,032.7	2,952.2	7,094.3	0.0	681.7	1,449.7	5,112.1	1,430.2	39,592.2
	11	2,052.2	14,843.6	4,050.8	2,946.0	7,074.9	3.7	648.0	1,454.5	5,162.1	1,431.3	39,667.1
	12	1,933.6	15,047.2	3,974.6	2,891.3	7,310.3	3.7	643.4	1,490.2	5,101.3	1,422.0	39,817.7

**Note:**

Central government deposits include transferable and other deposits in the local and foreign currency of BH Institutions, Entity Governments, Entity Social Security Funds and those of Brčko District. Transferable and other deposits of other domestic sectors in domestic and foreign currency represent banks liabilities towards non-central government (canton and municipality governments), public non financial enterprises, private non financial enterprises, other financial institutions and other domestic sectors (households, nonprofit institutions and other non-classified sectors).

Foreign liabilities of commercial banks include banks liabilities to nonresidents based on transferable and other deposits, loans, securities, trade loans and advance payments and other accounts payable. According to a new methodology, loans are presented in liabilities as a separate financial instrument, with which the calculated interest is added.

Shares and other equity comprises equity, retained earnings, current year result, general and special reserves and adjustment/revaluation. Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets. Restricted deposits are also included in other items (net).

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

## T10: Interest Rates on Loans to Households

- in percentages per annum -

		Households															
		Loans in KM				Loans in KM Indexed to Foreign Currency						Revolving Loans, Overdrafts and Credit Cards* (Loan Facility)*					
		For Housing Purchases		For other Purposes		For Housing Purchases			For other Purposes			Loans in KM		Loans in KM Indexed to Foreign Currency			
Year	Period	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Over 10 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Over 10 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Overdrafts	Credit Card with Extended Credit	Overdrafts
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Weighted monthly averages																	
2017	12	3.844	3.319	...	...	5.944	6.261	4.327	4.240	4.617	4.705	6.384	5.992	6.364	12.253	14.668	11.191
2018	12	3.454	...	...	...	5.479	5.262	3.637	3.166	3.820	4.022	6.632	5.616	5.469	12.202	14.619	10.880
2019	12	3.877	4.168	3.395	5.279	5.863	5.580	3.502	3.353	3.826	3.875	6.152	5.637	5.668	12.042	14.674	10.467
2020	12	3.643	...	...	3.676	5.885	5.845	3.671	4.582	3.902	3.835	5.864	5.678	6.380	11.936	13.606	9.815
2021	12	3.095	2.861	3.244	4.054	5.377	5.164	3.338	4.570	3.868	3.743	5.375	4.822	5.415	11.773	13.965	9.157
2022	12	3.903	3.454	3.474	3.596	5.943	5.322	4.384	...	3.811	3.696	5.673	4.842	5.200	11.993	14.129	8.119
2023	12	4.918	3.695	3.440	3.793	6.329	5.854	4.074	...	4.050	3.844	6.889	5.985	5.951	12.114	14.312	7.110
2023	01	4.197	3.386	3.055	3.685	6.146	5.446	4.380	4.259	3.916	3.816	6.086	5.553	4.773	12.741	14.115	8.023
	02	3.755	3.194	3.280	3.590	6.208	5.525	4.842	...	3.980	4.051	5.746	4.918	4.516	12.937	14.796	7.959
	03	4.033	3.049	3.164	3.697	6.105	5.574	4.335	...	3.998	4.010	6.033	4.468	5.416	12.925	14.182	7.667
	04	4.009	...	3.011	3.649	6.505	5.580	3.927	...	3.943	3.948	5.950	4.871	5.429	13.027	14.140	7.545
	05	4.200	2.984	3.376	3.704	6.487	5.591	3.666	...	4.435	4.024	6.194	5.415	5.440	12.332	14.146	7.503
	06	4.189	...	3.383	3.793	6.408	5.506	4.232	...	4.666	3.947	6.056	5.219	5.333	12.813	14.071	7.409
	07	4.041	3.160	3.531	3.821	6.633	5.509	4.163	...	4.516	3.879	6.389	5.607	5.207	12.815	14.102	7.657
	08	3.991	3.159	3.574	3.784	6.733	5.570	4.437	...	4.536	3.928	6.122	5.855	5.769	12.882	14.093	7.614
	09	4.419	3.269	3.333	3.864	6.518	5.728	3.979	...	4.308	3.618	6.351	6.446	5.723	12.669	14.284	7.524
	10	4.803	3.697	3.366	3.891	6.797	5.689	4.013	...	4.071	3.827	6.812	6.521	5.918	12.666	14.313	7.393
	11	4.476	3.568	3.427	3.995	6.729	5.768	4.083	...	4.250	3.835	6.725	6.327	5.994	12.232	14.306	7.377
	12	4.918	3.695	3.440	3.793	6.329	5.854	4.074	...	4.050	3.844	6.889	5.985	5.951	12.114	14.312	7.110
Loan amount (new business)																- in KM thousand -	
2017	12	1,416	445	...	...	49,832	14,785	17,187	395	3,826	8,180	74,945	23,401	36,446	522,643	52,859	89,901
2018	12	2,597	...	...	...	66,009	27,336	17,610	155	3,340	9,211	47,731	10,078	27,896	526,750	54,795	85,550
2019	12	1,242	386	1,042	463	53,829	26,426	21,834	288	4,641	13,531	66,117	8,097	27,474	521,600	58,916	79,533
2020	12	3,468	...	...	532	39,970	19,333	16,057	265	3,729	5,229	38,688	7,916	19,056	547,793	61,370	112,952
2021	12	9,615	380	5,576	2,194	47,483	36,773	17,697	412	2,471	4,695	53,132	1,717	9,332	547,070	67,171	102,693
2022	12	3,424	520	8,644	6,406	24,729	50,661	9,425	...	7,216	12,724	35,988	5,104	9,605	607,534	56,629	114,669
2023	12	4,100	772	5,807	22,009	12,192	48,969	4,071	...	3,281	16,362	5,350	13,908	8,555	711,407	61,450	191,861
2023	01	2,892	580	2,357	10,755	21,336	41,016	5,560	375	4,867	8,681	14,788	1,979	10,235	694,669	54,755	110,521
	02	1,199	1,334	2,977	13,692	28,448	55,330	10,538	...	5,615	8,430	5,388	3,044	19,872	716,331	52,337	114,435
	03	1,879	771	3,771	17,917	35,399	68,818	6,655	...	6,457	16,699	8,769	9,069	12,737	729,126	53,176	121,341
	04	991	...	5,142	14,502	28,201	58,709	4,692	...	3,213	14,748	12,640	3,974	10,996	748,260	53,086	120,404
	05	1,057	1,655	4,311	13,278	29,555	62,651	6,637	...	4,248	14,937	10,794	2,643	12,741	710,816	54,606	113,960
	06	9,901	...	3,893	10,393	24,878	68,754	5,071	...	2,648	12,786	11,465	4,241	18,028	728,097	56,301	109,392
	07	1,893	928	4,823	14,620	13,821	65,820	2,382	...	3,313	13,438	8,389	2,960	12,426	742,382	57,015	114,549
	08	2,540	769	4,816	14,222	12,306	66,622	4,753	...	2,670	17,018	10,344	4,808	9,756	736,542	57,411	118,834
	09	1,987	793	4,532	17,438	9,949	60,303	4,629	...	3,377	16,089	9,053	4,117	7,468	756,634	57,911	159,747
	10	929	1,161	6,412	19,130	11,231	63,827	3,500	...	4,491	11,900	5,700	2,965	9,527	778,202	59,425	164,160
	11	1,184	1,027	4,692	18,556	8,393	54,578	4,071	...	3,086	8,614	5,636	5,451	8,602	778,437	61,392	179,226
	12	4,100	772	5,807	22,009	12,192	48,969	4,071	...	3,281	16,362	5,350	13,908	8,555	711,407	61,450	191,861

**Note:**

\*Interest rates in table for revolving loans and credit cards and their amounts refer to the outstanding amounts.

IRF – initial rate fixation

... insufficient data to be published

The interest rate on the revolving loans and credit cards, includes data on credit cards with loan facility. Considering that credit cards with loan facility imply an interest free deferred payment (0% ir), they are not published.

No data for interest rates on loans in foreign currency based on credit cards and overdrafts to households.

## T11: Interest Rates on Loans to Non-Financial Corporations

- in percentages per annum -

		Non-financial Corporations												
		Loans in KM				Loans in KM Indexed to Foreign Currency					Revolving Loans and Overdrafts *			
		Up to an Amount of EUR 0.25 Million	Over an Amount of EUR 0.25 Million and up to EUR 1 Million	Over an Amount of EUR 1 Million	Up to an Amount of EUR 0.25 Million	Over an Amount of EUR 0.25 Million and up to EUR 1 Million	Over an Amount of EUR 1 Million				Loans in KM	Loans in KM Indexed to Foreign Currency		
Year	Period	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Floating Interest Rates up to 1 Year IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Over 1 up to 5 Years IRF	Over 5 Years IRF	Floating Interest Rates up to 1 Year IRF	Loans in KM	Loans in KM Indexed to Foreign Currency
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Weighted monthly averages														
2017	12	4.881	4.823	3.507	3.249	4.647	4.348	5.302	4.388	3.772	4.601	3.518	4.011	4.131
2018	12	4.247	4.069	3.100	3.253	4.204	3.910	3.672	3.800	3.321	3.571	4.480	3.497	3.594
2019	12	3.753	4.095	2.881	2.470	4.127	4.166	4.757	3.944	3.161	3.248	4.133	3.167	3.168
2020	12	3.901	3.990	2.871	2.871	4.402	4.013	3.707	4.090	3.566	3.702	3.193	2.940	2.962
2021	12	3.708	4.040	3.058	2.297	4.115	3.358	3.382	3.613	3.018	3.228	3.292	2.852	3.139
2022	12	4.128	4.219	4.006	3.582	5.042	4.782	...	4.471	4.783	5.080	3.817	2.837	3.210
2023	12	4.766	4.651	3.942	4.192	5.340	5.267	...	4.503	4.636	4.840	4.008	2.937	3.610
2023	01	4.285	4.104	3.803	...	5.046	4.735	4.488	4.981	3.722	...	...	2.920	3.227
	02	4.291	3.921	3.643	...	5.629	4.845	...	4.688	4.825	...	5.314	2.923	3.288
	03	4.280	3.815	3.568	...	5.725	5.360	5.062	5.216	4.371	4.625	...	2.934	3.367
	04	4.262	4.083	3.766	3.606	5.314	5.317	5.104	5.206	4.959	4.949	5.099	2.956	3.381
	05	4.322	4.185	3.527	...	5.214	5.376	...	5.055	4.363	4.970	5.267	3.064	3.397
	06	4.382	4.325	3.629	...	5.352	5.347	5.454	5.055	4.272	4.797	5.184	2.963	3.468
	07	4.431	4.593	3.613	4.451	5.018	5.006	5.092	5.028	4.155	4.397	4.472	2.964	3.504
	08	4.595	4.641	3.907	4.564	5.030	5.524	4.603	5.002	...	4.110	4.441	3.007	3.630
	09	4.401	4.540	3.616	...	4.519	5.998	5.000	4.716	4.451	4.620	4.300	2.987	3.583
	10	4.694	4.590	3.901	4.613	4.935	5.687	4.806	5.077	...	4.629	4.791	2.981	3.576
	11	4.622	4.728	3.587	4.030	4.671	5.329	4.756	5.151	4.317	4.435	4.691	2.953	3.589
	12	4.766	4.651	3.942	4.192	5.340	5.267	...	4.503	4.636	4.840	4.008	2.937	3.610
Loan amount (new business)													- in KM thousand -	
2017	12	61,618	15,167	78,915	70,622	16,356	12,180	4,747	18,699	19,145	20,480	164,874	2,127,013	418,315
2018	12	51,404	26,718	62,726	79,085	8,815	14,021	3,637	23,544	11,311	9,906	25,588	2,367,482	686,874
2019	12	64,463	19,573	71,859	51,384	9,787	11,485	2,785	22,801	6,636	7,045	69,916	2,655,796	687,510
2020	12	53,146	15,109	52,781	78,165	13,827	8,360	3,090	20,556	8,376	13,742	83,128	2,649,665	341,675
2021	12	63,293	24,688	79,908	74,493	7,495	9,168	1,528	19,152	5,892	5,801	15,900	2,778,808	198,275
2022	12	37,582	19,350	40,221	11,000	4,913	8,499	-	14,311	4,718	3,588	21,946	2,289,023	99,344
2023	12	27,448	27,538	34,425	32,932	3,001	10,683	-	11,344	12,702	6,992	34,818	2,981,947	79,722
2023	01	21,532	13,642	22,110	...	4,258	4,717	2,048	9,933	5,541	...	...	2,497,370	100,230
	02	23,586	17,241	31,821	...	4,190	7,398	...	12,500	8,417	...	31,776	2,547,117	100,674
	03	22,531	23,390	38,049	...	3,661	10,218	2,220	12,887	13,619	6,774	...	2,623,997	98,270
	04	32,948	27,920	29,615	9,022	2,598	5,819	1,892	7,443	4,588	3,280	15,866	2,645,902	93,832
	05	27,509	20,588	28,257	...	2,806	4,721	...	11,390	7,848	7,978	12,700	2,687,603	92,575
	06	27,909	23,735	27,368	...	4,208	4,282	1,873	10,340	10,520	8,669	13,915	2,724,946	88,656
	07	24,365	16,512	23,823	8,303	2,476	5,533	697	13,815	4,734	8,943	17,000	2,724,862	86,499
	08	22,893	18,461	28,075	15,737	7,072	4,939	4,400	20,903	...	11,930	35,797	2,702,509	83,431
	09	22,989	30,727	25,813	...	4,761	4,954	1,640	7,849	9,567	4,589	13,996	2,815,889	83,644
	10	26,182	22,474	35,766	14,829	3,247	5,984	2,499	10,297	...	6,667	36,200	2,832,570	83,558
	11	21,329	22,742	24,255	21,432	3,130	6,674	2,278	18,359	6,447	7,750	35,325	2,911,314	81,529
	12	27,448	27,538	34,425	32,932	3,001	10,683	...	11,344	12,702	6,992	34,818	2,981,947	79,722

**Note:**

\* Interest rates in table for revolving loans and credit cards and their amounts refer to outstanding amounts.

IRF – initial rate fixation

... insufficient data to be published

The interest rate on the revolving loans and credit cards, includes data on credit cards with loan facility. Considering that credit cards with loan facility imply an interest free deferred payment (0% ir), they are not published.

No data for interest rates on loans in foreign currency on the basis of credit cards and overdrafts to non-financial corporations.

## T12: Interest Rates on Deposits of Households

- percentages per annum -

		Households									
		Deposits in KM				Deposits in EUR and deposits in KM with a currency clause linked to EUR				Deposits in foreign currency (except EUR) and deposits in KM with a currency clause linked to a foreign currency (except EUR)	
		With Agreed Maturity				With Agreed Maturity					
Year	Period	Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity	Overnight Deposits *	Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity	Over 2 Years Maturity	Overnight Deposits *	With Agreed Maturity	Overnight Deposits *
1	2	3	4	5	6	7	8	9			
<b>Weighted monthly averages</b>											
2017	12	0.234	1.346	1.458	0.065	0.309	1.265	1.533	0.062	0.572	0.046
2018	12	0.344	1.262	1.448	0.053	0.252	1.368	1.658	0.055	1.036	0.042
2019	12	0.299	1.137	1.232	0.061	0.378	1.158	1.570	0.051	0.944	0.040
2020	12	0.178	1.027	1.139	0.070	0.176	1.155	1.273	0.049	0.525	0.035
2021	12	0.098	0.466	0.619	0.045	0.231	0.945	0.930	0.055	0.208	0.031
2022	12	0.521	0.905	1.534	0.046	0.370	1.128	1.743	0.046	0.155	0.027
2023	12	0.630	1.846	1.913	0.044	1.316	2.472	2.736	0.046	0.869	0.021
2023	01	0.345	1.200	1.151	0.048	0.335	1.261	1.545	0.047	0.154	0.023
	02	0.510	0.967	1.448	0.048	0.618	1.331	1.890	0.048	0.268	0.026
	03	0.239	0.982	1.405	0.047	0.572	1.326	1.739	0.045	0.393	0.022
	04	0.408	1.070	1.319	0.045	0.689	1.462	1.316	0.048	0.569	0.022
	05	0.714	1.362	1.522	0.045	0.581	1.241	1.819	0.046	0.628	0.022
	06	0.718	1.350	1.540	0.044	0.600	1.638	1.890	0.046	0.710	0.022
	07	0.622	1.691	1.597	0.044	0.995	1.523	1.711	0.046	0.535	0.021
	08	0.672	1.521	1.963	0.044	1.125	2.106	2.248	0.047	0.711	0.021
	09	0.519	1.159	1.995	0.044	1.272	2.218	2.298	0.046	0.685	0.021
	10	0.543	1.528	1.757	0.044	1.114	2.614	2.402	0.047	0.766	0.021
	11	0.526	1.687	1.894	0.044	1.270	2.558	2.609	0.048	0.913	0.021
	12	0.630	1.846	1.913	0.044	1.316	2.472	2.736	0.046	0.869	0.021
<b>Deposit amount (new business)</b>											- in KM thousand -
2017	12	11,394	24,378	19,272	3,375,019	11,119	50,394	38,014	1,248,762	3,981	287,026
2018	12	13,211	26,379	34,047	3,938,041	9,431	50,050	73,670	1,482,740	4,001	319,831
2019	12	16,084	22,228	28,581	4,537,961	10,740	44,538	70,124	1,658,352	4,723	345,752
2020	12	7,866	35,574	21,887	5,176,206	6,995	40,426	37,131	1,952,225	4,433	368,081
2021	12	8,431	17,683	15,228	6,218,427	9,432	33,280	38,855	2,151,732	1,896	444,055
2022	12	5,877	7,610	14,596	6,498,743	23,362	39,664	39,759	2,655,705	1,157	537,828
2023	12	7,120	29,097	38,640	7,972,376	47,412	94,123	115,713	2,796,667	3,869	600,628
2023	01	8,218	8,148	9,188	7,001,892	13,465	32,037	31,039	2,637,940	1,018	550,643
	02	7,809	8,568	19,419	7,130,305	9,725	37,550	50,934	2,672,252	3,818	566,071
	03	2,953	9,840	12,823	7,300,752	6,300	44,009	49,085	2,659,187	5,923	557,380
	04	6,700	6,099	15,850	7,416,224	6,190	31,963	52,713	2,774,252	2,379	559,831
	05	3,851	7,255	22,449	7,379,441	7,234	47,842	42,037	2,761,679	3,256	572,376
	06	5,282	10,388	14,640	7,529,983	13,314	58,296	48,395	2,750,236	1,896	577,428
	07	5,342	10,443	13,178	7,583,931	10,368	30,220	50,407	2,767,776	3,275	588,987
	08	4,093	15,091	20,425	7,601,406	20,584	69,278	55,066	2,758,576	3,672	596,474
	09	2,241	9,345	22,710	7,661,803	21,962	81,438	48,887	2,808,427	2,487	596,942
	10	5,021	21,932	19,586	7,767,407	12,358	81,995	82,593	2,874,154	6,579	606,317
	11	7,295	15,612	26,755	7,773,946	15,023	87,887	86,609	2,824,787	2,627	596,057
	12	7,120	29,097	38,640	7,972,376	47,412	94,123	115,713	2,796,667	3,869	600,628

**Note:**

Corrected names in the header of the table for interest rates on household deposits retroactively starting from the data for June 2020, as given in the explanation:

-from June 2020 Deposits in KM, until June 2020 Deposits in KM and deposits in KM with currency clause

-from June 2020 Deposits in EUR and deposits in KM with a currency clause linked to EUR, until June 2020 Deposits in EUR

-from June 2020 Deposits in foreign currency (except EUR) and deposits in KM with a currency clause linked to a foreign currency (except EUR), until June 2020 Deposits in foreign currency (not including deposits in EUR).

Other elements of the header names of the specified tables remain the same as the data in the columns.

\*Interest rates on overnight deposits and their amounts refer to the outstanding amounts.

Interest rates on deposit with agreed maturity and their amounts refer to new business.

## T13: Interest Rates on Deposits of Non-financial Corporations

- percentages per annum -

Non-financial Corporations										
Year	Period	Deposits in KM				Deposits in EUR and deposits in KM with a currency clause linked to EUR				Deposits in foreign currency (except EUR) and deposits in KM with a currency clause linked to a foreign currency (except EUR)
		with Agreed Maturity		Overnight Deposits *	with Agreed Maturity		Overnight Deposits *			
		Up to 1 Year Maturity	Over 1 and up to 2 Years Maturity		up to 1 Year Maturity	Over 1 and up to 2 Years Maturity				
1	2	13	14	15	16	17	18	19	20	21
Weighted monthly averages										
2017	12	0.708	1.588	...	0.045	0.588	...	...	0.019	0.033
2018	12	0.706	1.137	1.958	0.082	1.003	0.973	...	0.027	0.043
2019	12	0.445	1.229	1.491	0.031	0.864	1.012	1.305	0.029	0.028
2020	12	0.922	1.358	1.474	0.028	0.372	1.267	1.218	0.010	0.025
2021	12	0.234	0.244	...	0.018	0.434	0.305	0.953	0.006	0.043
2022	12	0.350	1.059	1.289	0.051	0.455	1.209	1.503	0.005	0.032
2023	12	0.564	1.741	1.776	0.053	1.031	1.580	2.734	0.010	0.030
2023	01	0.157	0.758	...	0.047	...	1.497	1.569	0.005	0.025
	02	0.492	0.732	1.781	0.035	0.307	1.937	1.033	0.005	0.036
	03	0.510	1.207	1.113	0.024	0.670	1.388	1.281	0.005	0.041
	04	0.384	1.222	1.188	0.025	0.287	1.716	1.123	0.005	0.040
	05	0.578	1.347	1.353	0.034	0.958	1.881	0.808	0.004	0.033
	06	0.392	1.139	1.591	0.052	1.013	1.762	1.958	0.005	0.022
	07	0.327	1.349	1.870	0.058	0.706	1.523	2.570	0.006	0.023
	08	0.276	1.206	1.417	0.059	0.929	1.379	...	0.007	0.022
	09	0.629	1.265	1.932	0.049	0.826	1.587	2.142	0.007	0.026
	10	0.577	1.468	1.922	0.046	0.844	1.916	2.485	0.008	0.038
	11	0.546	1.579	1.806	0.047	0.804	1.811	2.167	0.009	0.038
	12	0.564	1.741	1.776	0.053	1.031	1.580	2.734	0.010	0.030
Deposit amount (new business)										- in KM thousand -
2017	12	9,762	16,772	...	2,653,618	1,663	...	...	677,882	89,421
2018	12	54,947	9,121	39,381	3,229,644	10,788	3,815	...	741,850	64,148
2019	12	36,636	31,437	16,943	3,552,249	7,182	23,959	2,265	709,023	86,536
2020	12	22,325	20,927	14,571	3,753,355	7,259	117,688	8,458	919,880	130,453
2021	12	13,950	9,133	...	4,768,468	24,403	25,153	25,554	1,158,011	89,918
2022	12	25,805	5,906	5,436	4,653,682	28,241	52,781	25,400	1,270,533	238,166
2023	12	25,704	14,739	22,071	5,520,447	12,137	12,546	6,764	1,466,316	176,691
2023	01	67,000	2,333	...	5,139,707	...	10,742	12,571	1,353,660	229,570
	02	6,038	419	50,594	5,040,540	17,021	31,927	83,795	1,383,907	249,522
	03	25,191	5,576	1,981	4,707,218	75,220	26,942	5,490	1,449,348	234,640
	04	566	2,602	30,756	4,759,581	57,753	28,545	21,488	1,360,535	203,002
	05	8,885	14,218	25,034	4,912,787	4,797	54,010	2,724	1,482,096	249,741
	06	49,332	18,547	1,878	4,939,306	4,529	64,922	24,401	1,447,312	229,458
	07	3,521	17,979	8,378	5,188,716	33,854	17,638	11,284	1,482,734	222,300
	08	5,140	4,929	13,124	5,359,402	8,507	9,384	...	1,494,451	218,747
	09	28,910	10,242	23,425	5,327,983	2,831	17,650	26,638	1,515,437	230,509
	10	3,509	16,336	14,771	5,387,602	5,161	30,861	23,377	1,569,912	175,980
	11	24,923	25,184	5,043	5,492,146	14,181	22,980	7,239	1,556,076	174,984
	12	25,704	14,739	22,071	5,520,447	12,137	12,546	6,764	1,466,316	176,691

**Note:**

Corrected names in the header of the table for interest rates on household deposits retroactively starting from the data for June 2020, as given in the explanation:

-from June 2020 Deposits in KM, until June 2020 Deposits in KM and deposits in KM with currency clause

-from June 2020 Deposits in EUR and deposits in KM with a currency clause linked to EUR, until June 2020 Deposits in EUR

-from June 2020 Deposits in foreign currency (except EUR) and deposits in KM with a currency clause linked to a foreign currency (except EUR), until June 2020 Deposits in foreign currency (not including deposits in EUR).

Other elements of the header names of the specified tables remain the same as the data in the columns.

\* Interest rates on overnight deposits and their amounts refer to the outstanding amounts.

Interest rates on deposit with agreed maturity and their amounts refer to new business.

## T14: Total Deposits and Loans of Commercial Banks

- end of period, in KM million -

Year	Month	Deposits			Loans		
		Transferable Deposits	Other Deposits	Total Deposits	Short - term Loans	Long - term Loans	Total Loans
1	2	3	4	5(3+4)	6	7	8(6+7)
2014	12	6,292.8	9,082.5	15,375.2	4,170.2	12,303.3	16,473.5
2015	12	7,038.7	9,492.1	16,530.8	4,164.9	12,701.9	16,866.8
2016	12	8,056.6	9,695.5	17,752.1	4,152.6	13,048.5	17,201.1
2017	12	9,558.1	10,111.0	19,669.1	4,261.5	14,160.9	18,422.4
2018	12	11,318.5	10,431.3	21,749.8	4,289.8	15,196.1	19,485.8
2019	12	12,566.6	11,253.8	23,820.4	4,651.2	16,121.5	20,772.8
2020	12	13,851.5	11,130.7	24,982.2	4,295.1	16,052.3	20,347.4
2021	12	16,762.9	11,069.7	27,832.6	4,396.9	16,680.4	21,077.3
2022	12	18,710.9	10,518.3	29,229.2	4,623.0	17,445.0	22,068.0
2023	12	20,060.8	11,066.0	31,126.8	4,998.2	18,525.8	23,524.1
2023	01	18,569.2	10,474.9	29,044.1	4,505.7	17,364.0	21,869.7
	02	18,605.5	10,579.7	29,185.2	4,593.2	17,412.8	22,006.0
	03	18,613.4	10,649.4	29,262.7	4,666.2	17,547.8	22,214.0
	04	18,756.2	10,649.4	29,405.6	4,712.3	17,676.7	22,389.0
	05	19,187.5	10,537.5	29,725.0	4,653.0	17,769.3	22,422.3
	06	19,240.0	10,622.9	29,862.9	4,807.4	17,918.7	22,726.2
	07	19,624.9	10,540.9	30,165.8	4,792.2	18,018.6	22,810.8
	08	19,773.5	10,735.5	30,509.0	4,765.2	18,093.3	22,858.5
	09	19,888.1	10,772.5	30,660.7	4,852.8	18,175.9	23,028.6
	10	19,955.4	10,933.0	30,888.4	4,884.4	18,302.5	23,186.9
	11	20,051.1	10,886.4	30,937.5	4,901.6	18,399.1	23,300.7
	12	20,060.8	11,066.0	31,126.8	4,998.2	18,525.8	23,524.1

**Note:**

Total deposits represent liabilities of commercial banks of BH towards all domestic institutional sectors in domestic and foreign currency. Total loans represent claims of commercial banks of BH on all institutional sectors, in domestic and foreign currency.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T15: Structure of Transferable Deposits in Commercial Banks by Sectors

- end of period, in KM million -

DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Deposits of BH Institutions	Entity Governments' Deposits	Deposits of Cantonal Governments	Deposits of Municipal Governments	Deposits of Social Security Funds	Deposits of Other Financial Institutions	Deposits of Non-financial Public Enterprises	Deposits of Non-financial Private Enterprises	Deposits of Non-profit Organisations	Deposits of Households	Other Deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2014	12	60.0	412.1	261.4	176.9	61.4	171.5	470.8	1,954.4	247.9	2,462.7	13.7	6,292.8
2015	12	102.2	468.3	312.0	209.3	33.9	198.7	498.8	2,104.8	245.0	2,841.6	24.2	7,038.7
2016	12	94.9	520.2	399.6	255.6	58.1	190.1	523.9	2,313.6	251.1	3,431.4	18.0	8,056.6
2017	12	150.8	612.8	575.2	305.9	130.0	230.2	618.1	2,775.5	281.5	3,858.3	19.6	9,558.1
2018	12	122.8	932.2	691.9	365.7	261.0	273.7	724.0	3,095.3	303.2	4,523.7	24.9	11,318.5
2019	12	122.1	885.8	823.8	395.1	323.9	284.6	684.7	3,437.2	345.1	5,242.8	21.5	12,566.6
2020	12	133.4	906.1	801.9	398.1	129.5	362.7	764.6	4,018.1	406.7	5,892.3	38.1	13,851.5
2021	12	98.1	1,124.7	1,211.6	588.1	157.3	395.3	1,014.7	4,765.2	451.2	6,917.3	39.3	16,762.9
2022	12	199.5	1,303.6	1,454.8	683.5	144.2	454.1	1,059.6	5,388.2	485.0	7,510.0	28.5	18,710.9
2023	12	167.1	819.9	1,608.4	692.2	51.9	279.9	965.3	6,043.9	553.9	8,840.8	37.5	20,060.8
2023	01	162.0	1,137.4	1,321.3	667.6	142.6	420.1	1,050.8	5,557.1	496.7	7,581.8	32.0	18,569.2
	02	200.2	1,059.1	1,324.1	663.8	131.2	379.5	1,026.5	5,555.0	492.9	7,746.7	26.5	18,605.5
	03	144.4	1,155.4	1,425.4	669.1	126.7	375.5	948.3	5,326.8	492.1	7,925.4	24.2	18,613.4
	04	156.0	1,084.6	1,466.7	638.2	142.6	384.6	956.2	5,267.4	518.0	8,115.3	26.5	18,756.2
	05	195.3	1,160.9	1,482.4	632.6	135.9	377.6	986.2	5,571.5	528.3	8,090.6	26.1	19,187.5
	06	175.1	1,109.4	1,494.0	639.8	138.6	386.1	925.7	5,557.5	541.8	8,247.6	24.2	19,240.0
	07	176.3	900.7	1,701.0	654.1	139.0	362.3	993.7	5,797.2	558.7	8,317.4	24.4	19,624.9
	08	141.0	958.7	1,737.2	659.6	38.5	362.3	1,003.0	5,932.9	555.3	8,356.0	28.9	19,773.5
	09	142.6	991.4	1,743.0	659.8	40.2	328.9	986.3	5,918.7	569.8	8,475.1	32.5	19,888.1
	10	173.3	946.1	1,707.6	653.3	53.5	317.5	1,004.2	5,972.2	570.2	8,528.0	29.6	19,955.4
	11	168.4	924.2	1,680.4	648.8	64.1	319.0	1,019.0	6,055.7	566.1	8,571.8	33.6	20,051.1
	12	167.1	819.9	1,608.4	692.2	51.9	279.9	965.3	6,043.9	553.9	8,840.8	37.5	20,060.8

**Note:**

Transferable deposits are available on demand without restrictions and charges, directly useable for payments to third parties, special savings accounts from which funds may be transferred to transferable deposits.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

- end of period, in KM million -

DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Deposits of BH Institutions	Entity Governments' Deposits	Deposits of Cantonal Governments	Deposits of Municipal Governments	Deposits of Social Security Funds	Deposits of Other Financial Institutions	Deposits of Non-financial Public Enterprises	Deposits of Non-financial Private Enterprises	Deposits of Nonprofit Organisations	Deposits of Households	Other Deposits	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2014	12	127.1	266.0	36.8	36.0	32.0	674.0	669.6	529.3	115.6	6,579.3	16.6	9,082.5
2015	12	129.7	224.7	25.0	36.3	31.9	693.0	688.7	501.9	120.7	7,023.2	17.0	9,492.1
2016	12	73.4	226.3	26.4	22.3	34.7	771.4	695.9	474.2	123.4	7,229.7	17.6	9,695.5
2017	12	116.6	243.8	24.3	34.4	22.9	816.8	766.7	554.4	102.6	7,412.8	15.7	10,111.0
2018	12	62.6	267.5	41.9	37.4	16.7	873.7	758.4	627.8	95.7	7,622.7	26.9	10,431.3
2019	12	51.7	582.1	90.8	51.2	28.8	870.8	826.0	615.4	102.4	7,998.1	36.6	11,253.8
2020	12	85.7	725.0	30.1	25.4	28.8	768.5	791.5	688.8	93.3	7,868.4	25.3	11,130.7
2021	12	38.0	714.1	33.6	24.0	29.7	764.3	789.4	770.1	91.9	7,778.2	36.4	11,069.7
2022	12	81.1	636.0	46.8	35.7	23.7	741.7	954.4	756.7	88.4	7,065.4	88.4	10,518.3
2023	12	70.7	660.7	58.9	36.3	133.1	758.1	929.7	1,044.5	91.5	7,217.9	64.6	11,066.0
2023	01	15.1	666.4	67.7	52.8	30.1	723.5	911.1	763.3	92.7	7,068.7	83.4	10,474.9
	02	3.7	721.4	67.4	54.0	29.6	735.3	967.3	741.0	92.0	7,088.5	79.6	10,579.7
	03	13.6	738.2	62.1	52.5	19.8	743.4	991.0	772.4	95.0	7,079.4	81.9	10,649.4
	04	13.6	729.5	62.9	62.8	25.0	755.8	996.0	822.2	92.0	7,000.4	89.1	10,649.4
	05	23.0	722.8	63.4	62.5	19.5	737.9	994.9	760.2	84.5	6,986.5	82.3	10,537.5
	06	52.9	711.7	63.9	61.5	28.5	752.2	961.4	830.4	78.2	7,000.2	81.9	10,622.9
	07	45.2	695.2	57.1	61.3	33.3	743.3	896.6	861.6	71.9	7,001.0	74.4	10,540.9
	08	37.6	690.0	57.7	61.9	128.2	743.4	905.6	879.0	83.5	7,070.0	78.4	10,735.5
	09	30.5	677.8	64.7	56.8	132.6	751.4	896.2	962.2	84.4	7,039.7	76.3	10,772.5
	10	89.1	667.9	87.7	56.9	129.6	749.4	920.9	944.2	86.7	7,138.2	62.6	10,933.0
	11	78.3	654.7	87.3	55.6	132.5	731.9	904.4	986.4	88.6	7,103.1	63.5	10,886.4
	12	70.7	660.7	58.9	36.3	133.1	758.1	929.7	1,044.5	91.5	7,217.9	64.6	11,066.0

**Note:**

Other deposits allow automatic withdrawals of funds but not payment to third parties, time and savings deposits, other deposits-other.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T17: Structure of Short-Term Loans of Commercial Banks by Sectors

- end of period, in KM million -

LOANS TO DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Loans to BH Institutions	Loans to Entity Governments	Loans to Cantonal Governments	Loans to Municipal Governments	Loans to Social Security Funds	Loans to Other Financial Institutions	Loans to Non-financial Public Enterprises	Loans to Non-financial Private Enterprises	Loans to Non-profit Organizations	Loans to Households	Other Loans	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2014	12	0.0	26.7	4.0	45.3	26.0	27.4	90.7	2,989.7	4.9	936.4	19.0	4,170.2
2015	12	0.0	72.0	4.8	22.0	39.4	28.3	86.4	2,944.8	4.2	937.0	26.0	4,164.9
2016	12	0.0	48.0	1.6	19.8	8.5	27.2	90.4	3,030.0	7.2	904.9	14.9	4,152.6
2017	12	0.0	44.3	1.4	15.7	7.8	33.8	73.2	3,163.2	10.2	896.4	15.4	4,261.5
2018	12	0.0	60.2	1.1	12.8	4.3	40.6	89.6	3,151.5	6.2	911.3	12.1	4,289.8
2019	12	0.0	17.3	0.1	12.5	2.0	49.3	104.1	3,537.7	6.8	919.8	1.7	4,651.2
2020	12	0.0	19.0	0.1	16.7	5.7	33.7	103.4	3,282.5	10.8	821.8	1.3	4,295.1
2021	12	1.6	53.2	1.4	25.0	4.3	48.4	101.7	3,341.1	9.2	810.1	0.8	4,396.9
2022	12	0.1	52.2	1.7	15.7	4.8	41.6	176.7	3,503.1	12.7	813.2	1.4	4,623.0
2023	12	3.0	52.9	0.7	13.2	7.2	51.8	185.1	3,813.2	14.9	854.7	1.6	4,998.2
2023	01	0.1	44.4	2.3	15.0	4.8	34.2	147.1	3,434.9	12.4	809.6	0.8	4,505.7
	02	0.1	44.4	2.7	15.5	4.0	30.9	159.3	3,525.3	12.8	797.4	0.8	4,593.2
	03	0.1	41.9	2.5	15.6	4.6	38.4	156.6	3,584.3	13.7	807.7	0.9	4,666.2
	04	0.1	41.5	2.5	15.3	5.0	32.0	164.2	3,628.9	14.5	807.1	1.2	4,712.3
	05	0.2	41.6	2.7	16.1	4.8	31.4	132.7	3,633.2	14.9	774.5	0.8	4,653.0
	06	0.2	39.3	2.9	15.1	4.6	45.8	164.5	3,687.7	17.5	829.0	0.9	4,807.4
	07	2.4	38.1	2.9	15.0	4.9	42.6	147.2	3,679.8	17.3	841.0	1.1	4,792.2
	08	2.4	48.6	2.9	14.9	4.9	44.0	156.7	3,629.3	16.0	844.5	1.1	4,765.2
	09	2.6	37.2	2.9	14.8	4.9	47.1	158.7	3,714.1	15.8	853.6	1.2	4,852.8
	10	2.9	46.0	3.4	11.1	4.9	47.0	165.6	3,723.7	14.1	864.7	1.0	4,884.4
	11	2.9	55.3	2.8	12.1	4.9	35.9	164.9	3,740.5	13.1	868.3	0.9	4,901.6
	12	3.0	52.9	0.7	13.2	7.2	51.8	185.1	3,813.2	14.9	854.7	1.6	4,998.2

**Note:**

Short – terms loans represent claims of commercial banks on all domestic institutional sectors up to one year, in domestic and foreign currency.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T18: Structure of Long -Term Loans of Commercial Banks by Sectors

- end of period, in KM million -

LOANS TO ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Loans to BH Institutions	Loans to Entity Governments	Loans to Cantonal Governments	Loans to Municipal Governments	Loans to Social Security Funds	Loans to other Financial Institutions	Loans to Nonfinancial Public Enterprises	Loans to Non-financial Private Enterprises	Loans to Non-profit Organizations	Loans to Households	Other Loans	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
2014	12	0.0	465.2	161.2	295.2	77.1	20.0	351.4	4,429.6	9.7	6,491.7	2.3	12,303.3
2015	12	0.0	418.3	225.5	281.7	99.0	31.8	310.3	4,473.4	12.5	6,847.2	2.2	12,701.9
2016	12	0.0	295.5	231.5	262.0	95.7	25.2	281.5	4,673.3	11.9	7,171.4	0.5	13,048.5
2017	12	0.0	333.7	207.8	276.3	79.5	49.6	328.4	5,156.5	11.6	7,717.3	0.2	14,160.9
2018	12	0.0	328.5	185.7	279.4	169.9	85.0	331.7	5,471.5	14.1	8,330.0	0.4	15,196.1
2019	12	0.0	399.2	168.6	301.0	197.5	95.3	393.5	5,496.3	13.8	9,055.8	0.5	16,121.5
2020	12	11.6	403.1	142.1	357.4	205.5	111.1	432.3	5,305.9	9.7	9,073.0	0.7	16,052.3
2021	12	14.5	353.7	185.8	350.9	189.8	104.3	409.0	5,435.7	11.1	9,625.4	0.2	16,680.4
2022	12	8.8	306.5	202.1	365.2	165.8	118.4	449.5	5,652.4	10.7	10,165.2	0.4	17,445.0
2023	12	3.0	230.7	266.1	360.3	173.3	154.2	432.0	5,954.5	19.7	10,931.3	0.9	18,525.8
2023	01	8.3	301.1	200.5	363.8	172.8	112.1	449.3	5,584.1	10.4	10,161.1	0.4	17,364.0
	02	7.8	297.6	199.5	360.7	170.8	108.6	452.1	5,599.2	10.2	10,205.9	0.4	17,412.8
	03	7.3	288.8	194.7	355.7	167.3	106.1	442.9	5,668.1	10.1	10,306.4	0.6	17,547.8
	04	6.7	281.0	206.0	361.5	164.0	108.6	441.1	5,703.1	10.9	10,393.1	0.6	17,676.7
	05	6.2	275.9	205.2	356.4	161.2	124.5	442.1	5,715.2	10.8	10,471.3	0.5	17,769.3
	06	5.7	263.8	198.4	353.4	158.5	133.8	431.2	5,807.9	10.4	10,554.8	0.8	17,918.7
	07	5.2	260.1	197.4	353.8	165.4	140.0	442.8	5,808.6	20.2	10,624.2	0.8	18,018.6
	08	4.7	253.4	198.5	349.0	162.5	142.2	439.5	5,830.0	20.4	10,692.6	0.6	18,093.3
	09	4.1	247.0	192.4	351.2	164.5	140.3	436.1	5,856.3	20.3	10,762.7	0.7	18,175.9
	10	3.6	243.8	260.4	350.2	167.6	141.4	432.2	5,841.0	19.8	10,841.7	0.7	18,302.5
	11	3.1	236.3	258.4	352.4	164.0	148.5	435.7	5,882.5	19.8	10,897.5	0.9	18,399.1
	12	3.0	230.7	266.1	360.3	173.3	154.2	432.0	5,954.5	19.7	10,931.3	0.9	18,525.8

**Note:**

Long – terms loans represent claims of commercial banks on all domestic institutional sectors over one year in domestic and foreign currency.

Since January 2019, the currency structure of financial instruments (loans, deposits, securities) presented originally in KM and indexed in foreign currency has been reclassified from local currency positions to foreign currency positions in monetary statistics reports according to the recommendations from the IMF Manual and Monetary and Financial Statistics Compilation Guide from 2016.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

T19: Purchase and Sale of Convertible Mark					- in KM thousand -	
Year	Month	Sale	Purchase	Balance	Cumulative Balance	
1	2	3	4	5(3-4)	6	
2014		5,065,358	4,379,047	686,312	6,828,327	
2015		5,470,552	4,699,060	771,492	7,599,818	
2016		7,485,849	6,622,039	863,811	8,463,629	
2017		8,476,378	7,421,186	1,055,192	9,518,821	
2018		10,792,432	9,780,514	1,011,918	10,530,740	
2019		11,385,556	10,533,525	852,031	11,382,771	
2020		11,344,462	10,184,558	1,159,904	12,542,676	
2021		9,872,890	7,399,673	2,473,217	15,015,893	
2022		6,291,277	6,075,689	215,588	15,231,481	
2023		10,891,324	11,128,647	-237,323	14,994,158	
2023	01	508,602	682,400	-173,798	15,057,683	
	02	500,649	1,082,309	-581,659	14,476,024	
	03	554,006	739,979	-185,974	14,290,050	
	04	865,835	795,222	70,614	14,360,664	
	05	958,727	772,177	186,549	14,547,213	
	06	1,001,282	1,234,920	-233,638	14,313,575	
	07	942,508	751,701	190,807	14,504,383	
	08	1,045,521	767,902	277,619	14,782,002	
	09	1,023,263	997,606	25,657	14,807,659	
	10	1,036,034	1,269,657	-233,623	14,574,036	
	11	885,488	994,493	-109,006	14,465,030	
	12	1,569,408	1,040,280	529,128	14,994,158	

T20: Average Reserve Requirements					- in KM thousand -	
Year	Month	Base for Required Reserve Calculation*	Average Reserve Requirement	Average Balance on the Required Reserve Accounts with the CBBH	Balance	
1	2	3	4	5	6=5-4	
2014		15,999,278	1,370,137	3,577,824	2,207,688	
2015		16,664,525	1,432,593	3,770,500	2,337,907	
2016		18,494,243	1,734,081	4,057,613	2,323,532	
2017		21,224,853	2,122,485	4,303,340	2,180,855	
2018		23,537,084	2,353,708	5,205,234	2,851,526	
2019		25,752,968	2,575,297	5,589,021	3,013,724	
2020		26,950,173	2,695,017	5,409,751	2,714,733	
2021		28,677,192	2,867,719	6,302,482	3,434,762	
2022		30,175,606	3,017,561	6,694,300	3,676,739	
2023		31,917,917	3,191,792	6,209,280	3,017,489	
2023	01	31,429,303	3,142,930	6,752,355	3,609,425	
	02	31,245,571	3,124,557	6,536,295	3,411,738	
	03	31,306,999	3,130,700	6,237,551	3,106,851	
	04	31,276,793	3,127,679	5,980,685	2,853,006	
	05	31,481,474	3,148,147	6,117,790	2,969,643	
	06	31,723,981	3,172,398	6,122,810	2,950,412	
	07	31,777,996	3,177,800	5,855,665	2,677,865	
	08	32,103,006	3,210,301	6,140,873	2,930,572	
	09	32,422,875	3,242,287	6,308,112	3,065,824	
	10	32,555,632	3,255,563	6,110,871	2,855,308	
	11	32,807,882	3,280,788	6,152,713	2,871,924	
	12	32,883,489	3,288,349	6,195,645	2,907,296	

**Note:**

The Central Bank of Bosnia and Herzegovina (CBBH) made a Decision on increase of remuneration paid to commercial banks on required reserve, with purpose of harmonisation with the European Central Bank (ECB) policy and mitigating the impact of the ECB benchmark interest rate growth on bank operations in BH. According to this Decision, commercial banks will be remunerated at the rate of 50 basis points (0.50%) on required reserve holdings with the base in local currency KM, and at the rate of 30 basis points (0.30%) on required reserve holdings with the base in foreign currencies and local currency with currency indexation. Remuneration will not be paid for holdings exceeding reserve requirement. When making a CBBH decision on required reserve, all relevant factors were considered, including decisions of the ECB, and trends of key macroeconomic and financial sector indicators, taking care primarily of the currency board stability. The Decision will be applied from 01 July 2023.

From 1 July 2016, the required reserves rate applied by the CBBH to the base for calculation of required reserves is 10%.

From 1 July 2016, the CBBH applies the new rates for the calculation of fees to the funds in the banks' reserves accounts: in the accounting period, the Central Bank does not charge a fee on the amount of required reserves in commercial banks' reserves accounts, and on the amount of excess reserves, the CBBH charges the fee at the rate equal to 50% of the rate applied to commercial banks' deposits (deposit facility rate) by the European Central Bank.

From 01 May 2015, the Central Bank has calculated the compensation for a bank on the amount of the bank's funds in the reserve account with the Central Bank in the calculation period, as it follows:

- on the reserve requirement amount – the average of EONIA recorded in the same period on the market reduced by 10 basis points, or minimum zero,
- on the amount of the funds exceeding the reserve requirement – zero rate of compensation.

The zero rate of compensation on the reserve requirement is applied in case the average EONIA decreased by 10 basis points has a negative value.

From 1 September 2014, the remuneration rate has been calculated on the basis of the weighted average interest rate which was earned by the Central Bank of BH on the market in the same period on deposits invested up to a month; and 70% is calculated on the amount of required reserve or minimum 0, while 90% of the mentioned rate is calculated on the amount of excess reserves or minimum 0.

\*The base for calculation of required reserves includes deposits and borrowed funds in domestic and other currency expressed in KM.

## T21: Payments System Transactions

- in KM million -

Year	Month	RTGS		GYRO CLEARING		TOTAL	
		Number of Transactions	Amount	Number of Transactions	Amount	Number of Transactions	Amount
		3	4	5	6	7=3+5	8=4+6
2014		821,897	73,897	37,108,440	13,961	37,930,337	87,858
2015		874,575	70,655	38,212,073	14,451	39,086,648	85,106
2016		935,319	72,876	39,068,883	15,509	40,004,202	88,380
2017		996,043	79,855	40,111,318	16,388	41,107,361	96,243
2018		1,067,256	85,393	41,266,770	17,277	42,334,026	102,670
2019		1,105,320	104,826	42,496,286	18,221	43,601,606	123,056
2020		1,072,023	87,108	42,702,383	18,024	43,774,406	105,132
2021		1,236,315	102,287	46,735,411	20,116	47,971,726	122,403
2022		1,435,980	123,370	48,264,255	22,456	49,700,235	145,825
2023		1,523,992	139,164	49,298,196	23,932	50,822,188	163,096
2023	01	108,235	9,397	3,675,681	1,690	3,783,916	11,087
	02	111,209	9,824	3,858,899	1,759	3,970,108	11,583
	03	128,845	11,082	4,275,880	2,023	4,404,725	13,105
	04	119,342	10,174	3,909,131	1,875	4,028,473	12,049
	05	127,819	11,573	4,219,363	2,008	4,347,182	13,581
	06	128,780	12,187	4,179,732	2,022	4,308,512	14,209
	07	127,847	11,665	4,181,241	2,019	4,309,088	13,684
	08	131,792	12,670	4,167,127	2,073	4,298,919	14,743
	09	129,073	12,170	4,079,617	2,019	4,208,690	14,189
	10	135,630	12,608	4,306,579	2,139	4,442,209	14,747
	11	130,778	12,420	4,101,688	2,056	4,232,466	14,476
	12	144,642	13,394	4,343,258	2,249	4,487,900	15,643

T22: BH Balance of Payments											- in KM million -			
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q1 2023	Q2 2023	Q3 2023	Q4 2023
<b>CURRENT ACCOUNT</b>	<b>-1,983</b>	<b>-1,458</b>	<b>-1,424</b>	<b>-1,520</b>	<b>-1,094</b>	<b>-927</b>	<b>-980</b>	<b>-695</b>	<b>-1,978</b>	<b>-1,376</b>	<b>-339</b>	<b>-472</b>	<b>-208</b>	<b>-357</b>
Goods - balance	-7,874	-7,176	-7,089	-7,417	-7,521	-7,963	-6,268	-7,170	-10,183	-10,198	-2,020	-2,591	-2,832	-2,755
Exports of goods	6,847	7,196	7,700	9,341	10,418	10,180	9,423	12,710	16,368	15,668	4,074	3,962	3,846	3,786
Imports of goods	14,721	14,372	14,789	16,758	17,940	18,143	15,691	19,880	26,551	25,866	6,094	6,552	6,678	6,541
Services - balance	1,698	1,951	2,118	2,329	2,612	2,797	1,636	2,731	3,907	3,949	727	920	1,266	1,036
Exports of services	2,452	2,962	3,168	3,484	3,832	4,149	2,590	3,955	5,586	5,932	1,084	1,370	1,952	1,525
Imports of services	754	1,012	1,051	1,154	1,220	1,352	954	1,224	1,679	1,983	358	450	687	489
Primary income - balance	224	195	41	-263	-195	-60	-192	-498	-528	-125	-95	-49	38	-19
Credit	955	929	929	969	1,026	1,197	935	1,192	1,442	1,968	418	476	535	539
Debit	731	734	889	1,233	1,221	1,258	1,128	1,690	1,969	2,093	513	525	497	558
Secondary income - balance	3,969	3,573	3,507	3,831	4,010	4,299	3,844	4,242	4,826	4,999	1,049	1,248	1,321	1,381
Credit	4,267	3,909	3,852	4,192	4,404	4,711	4,277	4,698	5,326	5,625	1,198	1,396	1,474	1,556
Debit	298	336	345	362	394	412	433	456	499	626	149	149	154	175
<b>CAPITAL ACCOUNT</b>	<b>442</b>	<b>364</b>	<b>300</b>	<b>342</b>	<b>305</b>	<b>384</b>	<b>361</b>	<b>329</b>	<b>339</b>	<b>323</b>	<b>69</b>	<b>76</b>	<b>99</b>	<b>79</b>
Credit	442	364	300	342	311	386	369	332	343	330	72	77	101	80
Debit	0	0	0	0	6	2	8	4	4	8	3	1	2	1
<b>FINANCIAL ACCOUNT</b>	<b>-1,428</b>	<b>-885</b>	<b>-817</b>	<b>-898</b>	<b>-801</b>	<b>-590</b>	<b>-878</b>	<b>-155</b>	<b>-1,485</b>	<b>-538</b>	<b>-359</b>	<b>-170</b>	<b>122</b>	<b>-131</b>
Direct investment	-784	-509	-550	-717	-960	-739	-699	-1,054	-1,347	-1,625	-495	-551	-330	-250
Net acquisition of financial assets	15	167	5	173	32	38	138	139	128	83	-5	28	18	43
Net incurrence of liabilities	799	675	555	890	992	777	837	1,194	1,475	1,708	490	578	348	292
Portfolio investment	107	110	167	157	256	214	4	82	261	429	21	98	39	270
Net acquisition of financial assets	36	51	99	92	254	179	-26	349	246	392	22	60	40	270
Net incurrence of liabilities	-71	-58	-68	-64	-2	-35	-30	267	-15	-37	1	-38	1	0
Financial derivatives	0	0	1	1	-5	-1	0	1	0	2	3	-1	0	0
Net acquisition of financial assets	0	0	0	-4	-7	-12	-7	-3	-4	-2	0	-1	0	-1
Net incurrence of liabilities	0	0	-1	-5	-2	-11	-7	-4	-4	-4	-3	0	0	-1
Other Investments	-1,463	-1,366	-1,365	-1,473	-1,205	-999	-1,430	-1,879	-541	605	1,006	181	-147	-435
Net acquisition of financial assets	-584	-417	-294	-690	286	-12	-218	-115	735	1,067	867	77	68	54
Currency and deposits	-598	-366	-316	-547	-59	-28	-272	-220	321	678	707	136	-63	-103
Loans	-23	-80	-74	-289	223	-90	-13	-42	110	106	77	-78	26	81
Insurance and pension	9	-75	20	20	30	22	25	37	38	16	-7	9	9	5
Trade credit and advances	86	92	81	100	98	73	60	117	242	229	56	57	61	55
Other financial assets	-59	12	-4	26	-6	10	-17	-7	24	37	33	-47	35	16
Net incurrence of liabilities	878	950	1,070	783	1,491	987	1,212	1,764	1,277	461	-139	-104	215	489
Currency and deposits	-281	-58	-107	69	393	75	-811	-286	-145	-317	-280	-71	4	30
Loans	645	522	698	127	463	318	1,429	646	470	-124	-83	-257	-22	238
Insurance and pension	17	-8	-4	-5	-10	-10	-5	-5	-9	-16	-2	-3	-5	-5
Trade credit and advances	526	523	487	582	618	619	582	795	937	895	209	224	238	224
Other financial assets (including the allocation of SDR)	-29	-28	-3	10	27	-15	16	613	24	23	17	3	0	3
Reserve assets	712	881	930	1,136	1,114	935	1,246	2,695	142	52	-894	102	560	284
Monetary gold	0	0	0	0	0	0	0	0	-162	0	0	0	0	0
Currency and deposits	-36	-1,121	2,033	-230	253	238	549	441	4,432	-63	-379	-117	407	26
Securities	766	2,004	-1,102	1,367	860	699	696	2,254	-4,126	113	-517	220	153	257
Other reserve assets	-17	-1	-1	-1	1	-2	1	0	-2	2	1	0	0	0
<b>NET ERRORS AND OMISSIONS</b>	<b>113</b>	<b>209</b>	<b>306</b>	<b>281</b>	<b>-12</b>	<b>-46</b>	<b>-259</b>	<b>211</b>	<b>154</b>	<b>515</b>	<b>-89</b>	<b>226</b>	<b>231</b>	<b>147</b>

**Note:**

The BH Balance of Payments is compiled in accordance with the IMF methodology (Balance of Payments and International Investment Position Manual, 6th edition – BPM6). Compilation of the Balance of Payments for the fourth quarter includes the regular revision of previously published quarterly data for current year in accordance with most recent available source data.

The detailed methodological information can be found on the web, at [www.cbbh.ba/statistics](http://www.cbbh.ba/statistics)

**T23: International Investment Position (IIP)****- in KM million -**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
<b>NET POSITION</b>	<b>-15,509</b>	<b>-15,692</b>	<b>-15,282</b>	<b>-14,545</b>	<b>-14,100</b>	<b>-13,172</b>	<b>-11,647</b>	<b>-11,306</b>	<b>-11,718</b>	<b>-11,493</b>	<b>-11,474</b>	<b>-11,212</b>	<b>-11,229</b>
<b>ASSETS</b>	<b>13,983</b>	<b>14,597</b>	<b>15,816</b>	<b>17,045</b>	<b>19,326</b>	<b>21,021</b>	<b>22,339</b>	<b>25,233</b>	<b>26,259</b>	<b>26,450</b>	<b>26,819</b>	<b>27,636</b>	<b>28,206</b>
Direct investment	708	878	933	1,157	1,268	1,245	1,389	1,509	1,647	1,644	1,680	1,698	1,744
Equity and investment fund shares	299	362	370	427	468	622	758	802	915	927	953	974	989
Debt instruments	410	516	562	730	799	623	631	707	732	717	727	723	755
Portfolio investment	569	582	674	764	1,018	1,203	1,180	1,519	1,762	1,783	1,842	1,882	2,147
Equity and investment fund shares	31	33	39	44	41	39	38	82	97	100	102	99	87
Debt securities	538	550	635	720	977	1,164	1,141	1,437	1,665	1,683	1,740	1,783	2,060
Financial derivatives	0	0	2	0	0	1	0	0	0	0	1	5	8
Other investment	4,880	4,530	4,677	4,509	5,415	5,975	5,901	5,856	6,782	7,811	7,975	8,132	8,015
Other equity	48	52	48	52	54	53	68	64	64	63	64	64	64
Currency and deposits	2,982	2,870	3,127	3,191	3,952	4,350	4,297	4,242	4,804	5,680	5,914	5,976	5,736
Loans	311	232	158	176	249	210	195	174	279	339	261	287	369
Insurance, pension, and standardized guarantee schemes	110	88	87	92	89	94	105	111	149	140	152	151	151
Trade credit and advances	1,201	1,026	990	943	1,021	1,199	1,195	1,227	1,422	1,464	1,492	1,527	1,557
Other accounts receivable	228	262	267	55	49	69	40	36	64	125	93	127	138
Reserve assets	7,826	8,606	9,531	10,614	11,626	12,598	13,869	16,349	16,068	15,210	15,321	15,920	16,293
Currency and deposits	2,182	1,132	3,165	2,935	3,188	3,426	3,975	4,416	8,847	8,468	8,351	8,758	8,784
Securities	5,384	7,288	6,158	7,474	8,225	8,917	9,601	11,630	7,061	6,569	6,802	6,994	7,331
Other reserve assets	260	186	208	205	212	254	292	304	160	173	168	167	178
<b>LIABILITIES</b>	<b>29,492</b>	<b>30,290</b>	<b>31,098</b>	<b>31,590</b>	<b>33,426</b>	<b>34,193</b>	<b>33,986</b>	<b>36,539</b>	<b>37,976</b>	<b>37,943</b>	<b>38,293</b>	<b>38,848</b>	<b>39,435</b>
Direct investment	12,253	13,063	13,382	14,166	14,957	15,535	15,882	17,023	17,745	18,177	18,680	18,973	19,183
Equity and investment fund shares	8,449	9,516	9,698	10,517	11,364	11,663	11,842	13,901	14,312	14,662	14,806	15,059	15,260
Debt instruments	3,803	3,547	3,684	3,649	3,592	3,872	4,039	3,121	3,433	3,515	3,874	3,914	3,924
Portfolio investment	474	349	299	240	246	207	189	480	437	438	439	435	429
Equity and investment fund shares	118	56	79	93	98	99	121	168	120	121	122	124	122
Debt securities	355	293	220	147	148	107	69	312	317	317	317	310	307
Financial derivatives	0	0	2	0	0	1	2	0	0	1	0	0	0
Other investment	16,766	16,878	17,416	17,184	18,223	18,451	17,912	19,037	19,794	19,327	19,174	19,440	19,823
Other equity	50	47	26	29	36	47	48	77	119	121	119	121	126
Currency and deposits	1,653	1,595	1,489	1,554	2,751	2,825	2,015	1,730	1,584	1,304	1,234	1,238	1,268
Loans	12,310	12,632	13,074	12,890	12,494	12,527	12,798	13,469	14,161	13,929	13,739	13,801	14,000
Insurance, pension, and standardized guarantee schemes	17	18	19	22	23	24	27	30	33	31	34	32	32
Trade credit and advances	2,284	2,119	2,341	2,243	2,435	2,550	2,551	2,621	2,760	2,797	2,915	3,101	3,273
Other accounts payable - other	76	68	65	73	102	88	101	104	120	139	141	138	137
Special drawing rights (Net incurrence of liabilities)	375	401	401	374	382	389	373	1,005	1,017	1,007	991	1,010	988

**Note:**

International investment position (IIP) for BH is compiled in accordance with the latest International Monetary Fund Methodology for compilation of Balance of payments (BOP) and International investment position statistics, sixth edition (BPM6). Compilation of the International investment position for the fourth quarter includes the regular revision of previously published quarterly data for current year in accordance with most recent available source data. Shortened versions of the applied methodological approach for the compilation of BH IIP statistics are available on the CBBH website.

T24: Government Sector Foreign Debt Servicing							- in KM thousand -		
Creditor	2017	2018	2019	2020	2021	2022	2023		
							Principal	Interest	Total
<b>Public creditors</b>	<b>909,078</b>	<b>918,240</b>	<b>756,735</b>	<b>704,376</b>	<b>736,246</b>	<b>802,291</b>	<b>1,023,664</b>	<b>231,133</b>	<b>1,254,797</b>
<b>International and regional organizations</b>	<b>785,931</b>	<b>773,242</b>	<b>596,376</b>	<b>519,313</b>	<b>543,640</b>	<b>628,577</b>	<b>870,508</b>	<b>208,558</b>	<b>1,079,066</b>
European Investment Bank	88,995	98,079	100,344	118,727	118,059	124,156	114,165	51,663	165,828
European Bank for Reconstr. and Development	89,765	117,528	118,638	119,313	138,464	122,823	130,505	31,818	162,323
World Bank - IDA	142,855	130,584	144,276	162,458	119,356	200,712	220,406	12,627	233,033
World Bank - IBRD <sup>1)</sup>	52,520	52,785	64,732	70,914	92,155	77,647	63,869	32,773	96,641
Council of Europe Development Bank <sup>1)</sup>	5,306	5,390	5,817	8,166	8,050	8,349	7,933	1,569	9,502
International Fund of Agriculture Development	4,241	4,033	4,157	4,149	5,544	7,642	6,696	1,449	8,145
IMF	390,523	353,116	127,129	8,601	35,416	64,352	209,584	73,705	283,289
EUROFIMA	0	0	0	0	0	0	0	0	0
European Commission	11,726	11,726	31,284	26,986	26,595	22,897	117,350	2,956	120,306
<b>Government and government agencies</b>	<b>123,147</b>	<b>144,997</b>	<b>160,359</b>	<b>185,063</b>	<b>192,606</b>	<b>173,714</b>	<b>153,156</b>	<b>22,574</b>	<b>175,731</b>
Paris Club <sup>1)</sup>	43,055	46,256	50,203	53,425	57,303	34,533	33,928	3,809	37,736
Saudi Development Fund	9,680	9,895	10,380	10,408	10,225	9,062	7,996	2,383	10,379
Other bilateral <sup>2)</sup>	70,411	88,846	99,776	121,230	125,078	130,119	111,232	16,383	127,615
<b>Private creditors</b>	<b>74,155</b>	<b>37,079</b>	<b>36,897</b>	<b>36,691</b>	<b>36,468</b>	<b>0</b>	<b>0</b>	<b>142</b>	<b>142</b>
London Club <sup>1)</sup>	74,155	37,079	36,897	36,691	36,468	0	0	142	142
<b>Ukupno</b>	<b>983,233</b>	<b>955,319</b>	<b>793,632</b>	<b>741,067</b>	<b>772,714</b>	<b>802,291</b>	<b>1,023,664</b>	<b>231,275</b>	<b>1,254,939</b>

**Source:**

BH Ministry of Finance and Treasury

1) Debt incurred before 1992

2) Other bilateral contains the following creditors: Fortis Bank, Government of Japan, OPEC, KFW, Government of Spain, Export-Import Bank of Korea (EximBank), Austrian Bank, Belgium, Labor and Economy Bank (BAWAG), Raiffaisen Bank.

**T25: General government gross debt (Maastricht debt)****- end of period, in KM million -**

GENERAL GOVERNMENT GROSS DEBT (Maastricht debt)						
Year	Securites other than shares	Loans	Total	of which: EXTERNAL DEBT		
				Public creditors	Private creditors	Total external debt
1	2	3	4=2+3	5	6	7=5+6
2014	2,192.2	9,188.8	11,381.0	7,928.6	513.7	8,442.3
2015	2,418.4	9,563.7	11,982.1	8,238.5	454.1	8,692.6
2016	2,478.2	9,616.6	12,094.8	8,504.4	368.1	8,872.5
2017 *	2,351.8	8,967.0	11,318.8	7,870.1	276.9	8,147.0
2018 *	2,325.5	9,092.1	11,417.6	7,935.6	262.6	8,198.1
2019 *	2,423.3	9,130.8	11,554.2	7,933.6	206.5	8,140.1
2020*	2,715.6	9,818.4	12,534.0	8,574.8	151.2	8,726.0
2021*	2,974.9	10,306.9	13,281.8	9,059.7	375.3	9,435.0
2022*	3,082.2	10,286.5	13,368.7	9,111.7	365.2	9,477.0
2023 **	3,487.8	9,669.1	13,157.0	8,520.8	340.1	8,860.9

**Source:**

BH Ministry of finance and Treasury and CBBH

**Note:**

The statistical definition of debt is as defined in the Maastricht Treaty. The data are published on non-consolidated basis according to the Eurostat requirements.

\*Data for 2017 - 2022 has been revised

\*\*Data for 2023 are provisional

- end of period, in KM million -

Year	Month	Gross Foreign Reserves							Net Foreign Reserves	Monetary Liabilities	Net Foreign Assets of CBBH
		Gold	Holdings of SDR	Foreign Currency in CBBH Vault	Deposits with Nonresident Banks	Other	Investment in Securities	9=3+...+8			
1	2	3	4	5	6	7	8	9=3+...+8	10	11	12=10-11
2014	12	182.7	5.2	71.8	2,181.7	0.0	5,384.1	7,825.6	7,824.5	7,293.1	531.4
2015	12	182.3	3.8	128.5	1,003.6	0.0	7,288.1	8,606.3	8,605.0	8,064.6	540.4
2016	12	205.1	2.6	194.8	2,970.4	0.0	6,158.2	9,531.1	9,529.0	8,926.3	602.6
2017	12	203.9	1.5	236.4	2,698.6	0.0	7,416.1	10,556.6	10,555.0	9,977.1	577.8
2018	12	210.0	2.2	274.1	2,911.4	0.0	8,225.4	11,623.2	11,621.4	10,983.3	638.1
2019	12	254.1	0.2	322.6	3,102.8	0.0	8,917.4	12,597.1	12,595.4	11,824.2	771.2
2020	12	291.6	0.9	142.2	3,832.1	0.0	9,601.3	13,868.0	13,866.3	12,970.6	895.7
2021	12	302.0	1.9	469.6	3,945.1	0.0	11,629.6	16,348.1	16,345.8	15,573.0	772.8
2022	12	160.0	0.1	572.0	8,273.2	0.0	7,060.5	16,065.9	16,063.3	15,611.7	451.5
2023	12	175.5	2.1	455.2	8,326.6	0.0	7,330.6	16,289.9	16,287.4	15,401.2	886.2
2023	01	166.6	17.4	530.1	8,365.3	0.0	6,867.9	15,947.4	15,944.3	15,458.5	485.8
	02	162.2	1.5	530.1	7,912.4	0.0	6,759.0	15,365.1	15,350.4	14,864.5	485.9
	03	170.4	1.5	530.1	7,936.1	0.0	6,569.1	15,207.2	15,204.7	14,671.7	533.0
	04	169.5	19.4	530.1	7,945.7	0.0	6,664.6	15,329.3	15,326.3	14,766.2	560.1
	05	172.4	1.7	530.1	8,140.7	0.0	6,683.2	15,528.0	15,525.3	14,929.9	595.4
	06	165.2	1.7	531.6	7,817.4	0.0	6,802.1	15,317.9	15,315.2	14,706.0	609.2
	07	167.7	21.6	453.9	8,194.6	0.0	6,727.6	15,565.5	15,563.1	14,912.8	650.3
	08	168.0	1.7	457.9	8,391.1	0.0	6,853.5	15,872.1	15,869.1	15,175.8	693.3
	09	164.2	1.8	457.9	8,298.3	0.0	6,994.3	15,916.3	15,913.5	15,194.3	719.3
	10	176.0	22.2	457.9	8,199.9	0.0	6,911.9	15,767.8	15,764.8	14,986.4	778.5
	11	175.6	2.1	374.5	8,278.3	0.0	6,854.3	15,684.7	15,682.0	14,853.9	828.1
	12	175.5	2.1	455.2	8,326.6	0.0	7,330.6	16,289.9	16,287.4	15,401.2	886.2

**Note:**

Gross foreign reserves consist of balance sheet positions of short-term foreign assets of the CBBH (gold, CBBH SDR holdings, foreign currency in the CBBH vault, transferable deposits in foreign currency with non-resident banks and other) and investment in securities according to the CBBH Investment Committee Decision from July 2006. Net foreign reserves represent a difference between gross foreign reserves and liabilities to non-residents. Monetary liabilities of the CBBH include currency outside monetary authorities and deposits of residents with monetary authorities. Net foreign assets of the CBBH represent a difference between net foreign exchange reserves and monetary liabilities of the CBBH.

Monetary data updated according to the IMF methodology (Monetary and Financial Statistics Manual, 2000), from January 2006.

## T27: BH Exports by Country of Destination

- in KM thousand -

Year	Month	Germany	Croatia	Italy	Serbia	Slovenia	Austria	Turkey	Montenegro	Other Countries	Total
2014		1,317,490	955,047	1,195,438	800,690	697,785	755,827	234,392	293,818	2,665,647	8,681,742
2015		1,412,906	925,166	1,214,930	770,695	748,870	743,062	354,630	262,844	2,908,721	8,987,194
2016		1,479,411	985,360	1,131,096	822,846	807,200	730,590	401,047	240,751	3,220,854	9,418,109
2017		1,595,704	1,284,200	1,209,035	1,093,685	973,397	899,235	431,094	352,507	3,647,618	11,055,383
2018		1,741,537	1,464,002	1,352,791	1,251,474	1,057,052	1,020,991	323,223	402,113	3,287,069	11,900,251
2019		1,675,709	1,399,922	1,300,534	1,308,885	1,006,226	1,089,881	292,554	407,303	3,011,551	11,492,564
2020		1,630,844	1,362,907	1,015,184	1,152,068	954,078	1,005,509	314,249	293,645	2,792,675	10,521,159
2021		2,137,576	1,864,306	1,608,291	1,722,477	1,219,184	1,284,935	358,064	394,449	3,684,248	14,273,529
2022		2,666,194	2,676,624	1,991,386	2,363,435	1,421,819	1,710,354	311,638	576,469	4,255,821	17,973,740
2023		2,680,393	2,548,638	1,449,652	2,087,129	1,356,297	1,715,316	261,586	689,771	3,910,942	16,699,723
2023	01	219,296	206,879	122,376	204,651	110,676	140,528	18,807	52,724	326,117	1,402,056
	02	236,076	230,523	127,886	188,449	115,867	144,112	22,768	75,328	339,180	1,480,190
	03	245,943	251,369	130,514	187,709	126,654	160,403	30,022	58,669	327,606	1,518,889
	04	229,489	224,778	103,465	177,622	112,489	143,085	27,275	75,342	306,629	1,400,174
	05	237,358	219,053	136,752	155,225	123,376	159,475	25,407	53,663	343,879	1,454,189
	06	230,146	220,565	138,396	151,749	114,366	150,351	20,683	67,361	335,211	1,428,827
	07	226,014	219,748	141,116	155,470	110,003	145,288	16,902	58,261	313,099	1,385,900
	08	196,822	176,864	66,667	164,038	94,709	130,142	13,467	47,216	269,731	1,159,657
	09	229,181	205,178	134,928	172,803	115,717	146,441	16,889	54,359	351,932	1,427,427
	10	233,268	209,911	129,254	180,804	112,466	140,426	22,842	47,862	332,002	1,408,837
	11	224,458	198,361	118,635	197,272	125,396	143,528	20,857	49,961	335,017	1,413,485
	12	172,341	185,407	99,664	151,337	94,579	111,537	25,667	49,025	330,538	1,220,095

**Note:**

Criteria for presenting country is the share of export of the country in total three-year BH export (2016,2017,2018).

Thus, all countries with share higher than 3,0% are separately presented, while the other countries are presented as sum in the column Other countries.

T28: BH Imports by Country of Origin												- in KM thousand -	
Year	Month	Germany	Italy	Serbia	Croatia	China	Slovenia	Russian Federation	Turkey	Austria	Other Countries	Total	
2014		1,869,564	1,653,565	1,629,521	1,851,693	1,359,548	763,235	1,292,467	582,203	532,109	4,338,562	16,199,278	
2015		1,914,225	1,758,289	1,728,490	1,673,161	1,091,670	773,559	910,072	644,698	560,924	4,588,564	15,851,692	
2016		1,998,877	1,899,582	1,828,142	1,617,713	1,091,966	831,403	729,427	687,349	556,399	4,874,484	16,161,014	
2017		2,103,758	2,062,127	2,029,997	1,828,432	1,186,073	912,704	907,315	766,728	618,743	5,499,863	18,185,642	
2018		2,297,072	2,170,785	2,070,768	1,915,158	1,339,232	917,011	892,371	874,490	672,990	6,124,091	19,273,968	
2019		2,337,802	2,333,081	2,150,219	2,020,597	1,449,423	906,606	451,193	964,624	721,547	6,163,492	19,498,584	
2020		2,074,858	1,949,017	1,895,718	1,523,371	1,355,872	840,875	359,084	896,725	682,570	5,308,196	16,886,285	
2021		2,566,643	2,600,538	2,427,344	1,922,537	1,702,427	984,015	629,494	1,269,716	823,775	6,670,410	21,596,900	
2022		2,992,889	3,540,600	3,057,570	2,844,749	2,327,506	1,113,095	658,099	1,675,148	1,003,269	9,423,523	28,636,447	
2023		3,337,298	3,871,009	2,830,013	2,095,023	2,629,129	1,073,664	461,880	1,540,892	997,183	8,931,476	27,767,566	
2023	01	202,808	220,351	172,589	181,840	154,128	73,667	43,520	105,510	70,979	620,657	1,846,050	
	02	260,587	303,555	204,570	172,766	183,916	86,452	37,818	115,416	79,141	709,189	2,153,410	
	03	301,688	372,148	276,540	175,994	210,520	107,756	47,310	146,176	96,611	810,978	2,545,720	
	04	264,325	317,548	237,953	139,715	203,656	92,493	45,550	128,403	83,053	739,857	2,252,554	
	05	271,325	303,372	243,353	153,019	238,685	95,276	56,854	138,822	90,342	778,176	2,369,226	
	06	288,840	299,229	252,448	169,709	289,003	99,410	40,484	137,206	88,210	791,601	2,456,139	
	07	287,300	338,293	248,741	183,702	224,275	91,482	39,805	105,946	87,562	757,390	2,364,496	
	08	267,024	306,163	254,472	199,389	237,794	72,808	47,984	126,540	77,047	710,298	2,299,519	
	09	311,243	365,387	250,809	206,476	230,317	94,070	21,420	134,285	84,384	785,541	2,483,934	
	10	291,276	361,713	245,875	181,822	238,723	93,608	25,096	135,661	82,593	744,566	2,400,932	
	11	305,031	354,682	215,922	176,708	222,918	82,197	20,092	138,114	86,106	723,417	2,325,187	
	12	285,850	328,569	226,741	153,881	195,193	84,445	35,947	128,812	71,153	759,807	2,270,398	

**Source:**

Agency for Statistics of Bosnia and Herzegovina

**Note:**

Criteria for presenting country is the share of import of the country in total three-year BH import (2016,2017,2018).

Thus, all countries with share higher than 3,0% are separately presented, while the other countries are presented as sum in the column Other countries.

**T29: Average Middle Exchange Rates of Convertible Mark**

Year	Month	EMU EUR	Croatia HRK 100	Czech R CZK 1	Hungary HUF 100	Japan JPY 100	Switzerland CHF 1	Turkey TRY 1	UK GBP 1	USA USD 1	China CNY 1	Serbia RSD 100
2014		1.955830	25.619449	0.071033	0.633710	1.393940	1.610337	0.673375	2.426325	1.474019	0.239264	1.668863
2015		1.955830	25.688577	0.071687	0.631327	1.456462	1.832914	0.650180	2.694477	1.762605	0.280568	1.619915
2016		1.955830	25.960428	0.072346	0.627987	1.628845	1.794449	0.586378	2.396405	1.768011	0.266189	1.588875
2017		1.955830	26.205454	0.074317	0.632480	1.546889	1.761597	0.476205	2.232882	1.735482	0.256628	1.611317
2018		1.955830	26.365492	0.076267	0.613697	1.500585	1.693763	0.351884	2.210985	1.657498	0.250633	1.653621
2019		1.955830	26.365089	0.076197	0.601572	1.603053	1.758109	0.307940	2.230125	1.747204	0.252963	1.659447
2020		1.955830	25.946780	0.074002	0.557563	1.607387	1.827419	0.247515	2.201320	1.716607	0.248658	1.663431
2021		1.955830	25.977234	0.076253	0.545671	1.506596	1.808910	0.191301	2.274685	1.653851	0.256382	1.663495
2022		1.955830	25.957036	0.079629	0.501501	1.420249	1.948176	0.113256	2.294933	1.860152	0.276500	1.665037
2023		1.955830		0.081507	0.512335	1.290900	2.013360	0.078526	2.248887	1.809093	0.255630	1.668038
2023	01	1.955830		0.081594	0.493759	1.391460	1.965054	0.096833	2.216435	1.818750	0.267412	1.666536
	02	1.955830		0.082464	0.507182	1.376882	1.973557	0.096812	2.207511	1.824700	0.267086	1.666960
	03	1.955830		0.082578	0.507819	1.369219	1.975767	0.096431	2.218829	1.831257	0.265449	1.667151
	04	1.955830		0.083430	0.520434	1.339173	1.984199	0.092329	2.220998	1.784811	0.259269	1.667605
	05	1.955830		0.082933	0.524764	1.314185	2.004371	0.091180	2.244923	1.797649	0.257563	1.667612
	06	1.955830		0.082539	0.527753	1.281164	2.004097	0.077382	2.278867	1.805086	0.252568	1.667704
	07	1.955830		0.081859	0.516463	1.254231	2.022215	0.066975	2.278572	1.771635	0.246254	1.668416
	08	1.955830		0.081129	0.507722	1.239124	2.039752	0.066552	2.276774	1.792243	0.247350	1.668592
	09	1.955830		0.080279	0.506941	1.239560	2.038612	0.067761	2.271708	1.828363	0.250583	1.668781
	10	1.955830		0.079582	0.507166	1.238316	2.048382	0.066516	2.254437	1.852004	0.253391	1.668980
	11	1.955830		0.079881	0.515854	1.208830	2.029642	0.063294	2.245301	1.812228	0.250458	1.668916
	12	1.955830		0.079909	0.512360	1.243921	2.070920	0.061585	2.268969	1.791708	0.250974	1.669124

T30: Government Finance of BH - Government Sector Units											- in KM million -		
	Revenues				Expenses				Net Acquisition of Nonfinancial/Assets	Net Surplus /Deficit			
	BH Institutions	FBH	RS	Brčko District	Consolidated Revenues for BH	BH Institutions	FBH	RS			Brčko District	Consolidated Expenses for BH	
2014	1,109.8	6,972.1	3,769.8	223.7	11,961.7	940.3	6,652.2	3,652.3	219.0	11,350.1	1,166.8	-555.3	
2015	1,088.4	7,196.5	3,931.3	232.0	12,335.1	935.9	6,843.5	3,700.6	220.1	11,587.0	559.1	188.9	
2016	1,062.9	7,645.4	3,937.0	248.5	12,767.3	949.3	7,013.5	3,636.9	198.6	11,672.0	724.5	370.8	
2017	1,049.4	8,150.9	4,141.8	263.7	13,479.2	967.0	7,164.3	3,696.0	212.8	11,913.4	759.7	806.0	
2018	1,045.0	8,833.6	4,364.6	280.9	14,389.6	996.0	7,660.0	3,983.4	233.7	12,738.6	914.6	736.5	
2019	1,051.4	9,217.5	4,584.0	288.8	15,018.1	985.5	8,120.3	4,097.6	254.6	13,334.3	1,006.6	677.2	
2020	1,070.6	8,614.0	4,652.1	268.3	14,430.7	1,028.6	8,583.1	4,749.6	287.9	14,474.8	1,765.1	-1,809.2	
2021	1,093.0	9,616.7	5,147.2	305.9	16,055.3	982.3	8,792.8	4,861.0	268.5	14,797.0	1,368.9	-110.6	
2022	1,165.5	10,946.2	5,887.4	338.4	18,212.9	1,096.1	9,797.8	5,748.5	287.5	16,805.3	1,590.2	-182.7	
2017	Q1	251.8	1,621.7	747.1	51.7	2,646.9	223.9	1,457.0	688.7	31.9	2,376.1	30.0	240.9
	Q2	273.3	1,792.9	827.2	61.1	2,920.7	231.1	1,556.0	747.9	44.0	2,545.1	70.1	305.4
	Q3	252.0	1,931.1	940.7	64.5	3,162.1	238.7	1,587.4	767.1	56.3	2,623.1	31.6	507.3
	Q4	272.3	1,851.2	887.8	76.2	3,050.0	273.3	1,863.6	906.1	77.0	3,082.6	204.3	-236.8
2018	Q1	277.7	1,762.1	816.9	57.0	2,882.0	231.4	1,499.4	728.4	34.3	2,462.0	30.9	389.0
	Q2	242.8	1,914.5	884.1	61.4	3,075.2	231.7	1,683.3	784.4	51.8	2,723.4	66.5	285.3
	Q3	400.3	1,951.9	861.7	69.0	3,250.5	243.9	1,651.7	835.0	56.0	2,754.4	91.2	404.9
	Q4	124.1	2,138.2	960.8	75.4	3,259.2	289.0	2,104.9	983.4	78.9	3,416.8	237.9	-395.5
2019	Q1	238.9	1,899.1	845.3	60.2	3,013.8	225.9	1,600.5	806.8	42.5	2,646.0	26.0	341.9
	Q2	261.7	1,990.1	902.3	67.3	3,187.1	239.2	1,770.8	789.9	63.1	2,828.7	71.9	286.5
	Q3	270.0	2,079.8	924.2	71.6	3,309.8	253.8	1,800.7	823.5	54.3	2,896.5	78.9	334.4
	Q4	280.8	2,080.5	1,015.2	72.2	3,412.9	266.6	2,177.5	972.4	81.1	3,461.9	210.4	-259.4
2020	Q1	286.0	1,906.0	862.8	59.7	3,081.9	235.6	1,695.3	877.3	42.7	2,818.4	40.6	222.9
	Q2	235.6	1,674.2	887.0	53.6	2,815.4	232.8	1,834.2	1,090.5	62.6	3,185.2	102.1	-471.9
	Q3	266.9	1,963.7	970.8	67.0	3,236.3	231.7	2,024.8	933.7	69.8	3,227.7	96.5	-88.0
	Q4	282.1	2,027.8	1,067.1	71.3	3,418.9	328.5	2,249.0	1,117.7	93.8	3,759.7	231.1	-571.9
2021	Q1	277.6	1,906.5	976.0	61.7	3,191.6	240.3	1,727.9	929.8	47.9	2,915.8	60.1	215.7
	Q2	275.1	2,094.2	976.5	69.9	3,390.8	235.1	1,919.4	1,022.4	59.7	3,211.7	93.3	85.8
	Q3	262.8	2,146.5	1,072.2	74.1	3,527.5	256.3	1,953.5	963.4	58.9	3,204.0	78.9	244.6
	Q4	277.5	2,272.0	1,095.8	82.3	3,702.2	250.5	2,430.2	1,170.4	85.6	3,911.4	288.6	-497.8
2022	Q1	256.1	2,181.7	1,070.1	72.9	3,550.1	243.1	1,818.4	979.0	57.4	3,067.3	22.0	460.8
	Q2	278.1	2,498.0	1,193.2	81.2	4,026.0	236.4	2,227.9	1,146.3	62.6	3,648.6	82.3	295.1
	Q3	326.9	2,424.2	1,209.6	83.2	4,009.0	269.8	2,266.2	1,261.1	63.5	3,825.9	108.6	74.6
	Q4	304.5	2,579.7	1,188.1	85.8	4,127.5	346.7	2,649.5	1,385.0	87.9	4,438.5	272.8	-583.8
2023	Q1	304.7	2,508.4	1,237.5	76.3	4,072.6	293.1	2,214.2	1,165.9	60.3	3,679.1	33.1	360.3
	Q2	400.5	2,815.3	1,234.3	86.2	4,487.0	324.7	2,599.6	1,214.7	68.9	4,158.6	78.4	250.0
	Q3	388.7	2,778.6	1,335.3	97.9	4,529.3	355.9	2,713.6	1,289.9	69.6	4,357.9	98.9	72.6

**Note:**

Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Public Companies for Roads and Entities' Public Companies for Motorways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), Public Company for Roads of all levels of government of FBH, Public Company for Roads of RS, Public Company for Motorways of FBH and Public Company for Motorways of RS, while quarterly data do not include them as the source data are not available.

Difference between revenues on one side and expenses with net acquisition of non-financial assets on the other side, represents net surplus/deficit.

## T31: BH Government Finance of BH - Structure of Consolidated Revenues and Expenses

- in KM million -

		Taxes	Social Contributions	Grants and Other Revenues	Consolidated Revenues	Compensation of Employees	Use of Goods and Services	Interest	Subsidies	Social Benefits	Grants and Other Expenses	Consolidated Expenses	Net Acquisition of Non-financial Assets
2014		6,078.6	4,234.8	1,648.3	11,961.7	3,265.5	2,127.2	238.9	364.9	4,658.0	695.6	11,350.1	1,166.8
2015		6,439.7	4,329.6	1,565.8	12,335.1	3,294.3	2,138.8	264.3	384.8	4,729.5	775.4	11,587.0	559.1
2016		6,760.4	4,473.6	1,533.4	12,767.3	3,295.5	2,187.5	252.0	382.8	4,755.0	799.3	11,672.0	724.5
2017		7,151.1	4,734.2	1,594.0	13,479.2	3,312.6	2,230.7	223.0	444.0	4,758.5	834.7	11,913.4	759.7
2018		7,688.4	5,041.8	1,659.4	14,389.6	3,422.1	2,534.0	242.5	476.0	5,013.2	1,050.9	12,738.6	914.6
2019		8,014.1	5,345.7	1,658.4	15,018.1	3,738.1	2,688.3	241.1	507.3	5,223.4	936.1	13,334.3	1,006.6
2020		7,363.3	5,383.9	1,683.5	14,430.7	3,921.8	2,702.8	255.9	870.1	5,508.0	1,216.3	14,474.8	1,765.1
2021		8,485.4	5,798.0	1,771.9	16,055.3	4,039.2	2,847.7	240.2	742.9	5,718.3	1,208.7	14,797.0	1,368.9
2022		9,898.8	6,482.5	1,831.6	18,212.9	4,546.5	3,256.5	259.4	747.7	6,503.1	1,492.1	16,805.3	1,590.2
2017	Q1	1,349.6	1,076.7	220.7	2,646.9	707.8	403.5	45.6	35.4	1,114.3	69.5	2,376.1	30.0
	Q2	1,530.4	1,192.4	197.9	2,920.7	703.6	438.4	74.0	85.8	1,133.6	109.6	2,545.1	70.1
	Q3	1,692.0	1,196.0	274.0	3,162.1	720.4	440.3	46.8	109.6	1,134.6	171.4	2,623.1	31.6
	Q4	1,568.6	1,269.1	212.3	3,050.0	726.8	538.0	54.2	146.5	1,224.5	392.7	3,082.6	204.3
2018	Q1	1,526.1	1,153.2	202.7	2,882.0	719.0	432.2	47.4	42.4	1,136.3	84.9	2,462.0	30.9
	Q2	1,597.5	1,243.8	234.0	3,075.2	742.6	464.6	65.0	108.2	1,198.7	144.2	2,723.4	66.5
	Q3	1,787.5	1,241.5	221.6	3,250.5	730.6	470.6	46.4	103.1	1,224.5	179.2	2,754.4	91.2
	Q4	1,570.5	1,403.3	285.4	3,259.2	766.9	587.9	56.2	148.4	1,295.6	561.8	3,416.8	237.9
2019	Q1	1,528.5	1,247.2	238.1	3,013.8	787.8	462.1	41.8	40.5	1,202.7	111.1	2,646.0	26.0
	Q2	1,669.1	1,335.2	182.8	3,187.1	806.1	494.9	68.5	81.8	1,254.2	123.2	2,828.7	71.9
	Q3	1,734.1	1,336.0	239.6	3,309.8	805.4	517.7	43.3	112.2	1,252.3	165.5	2,896.5	78.9
	Q4	1,904.0	1,427.3	81.6	3,412.9	850.7	617.2	52.5	189.6	1,349.2	402.7	3,461.9	210.4
2020	Q1	1,556.2	1,286.5	239.2	3,081.9	817.7	482.1	69.8	60.4	1,274.3	114.1	2,818.4	40.6
	Q2	1,327.2	1,223.4	264.8	2,815.4	861.7	495.5	43.3	157.1	1,277.1	350.5	3,185.2	102.1
	Q3	1,564.3	1,418.6	253.4	3,236.3	850.4	486.3	42.4	262.8	1,357.6	228.3	3,227.7	96.5
	Q4	1,848.8	1,455.5	114.7	3,418.9	872.7	638.3	71.6	299.2	1,419.6	458.2	3,759.7	231.1
2021	Q1	1,560.9	1,319.3	311.4	3,191.6	851.1	486.3	55.0	47.5	1,318.9	156.9	2,915.8	60.1
	Q2	1,690.2	1,437.0	263.5	3,390.8	866.7	529.2	60.3	142.9	1,376.4	236.2	3,211.7	93.3
	Q3	1,854.4	1,441.1	232.0	3,527.5	865.8	547.5	31.9	123.2	1,405.4	230.2	3,204.0	78.9
	Q4	2,082.2	1,600.5	19.6	3,702.2	913.6	651.8	60.8	336.5	1,430.2	518.6	3,911.4	288.6
2022	Q1	1,851.2	1,462.0	236.9	3,550.1	908.3	517.6	52.7	55.2	1,377.3	156.2	3,067.3	22.0
	Q2	2,110.4	1,604.5	311.1	4,026.0	960.2	570.0	68.1	160.9	1,531.3	358.0	3,648.6	82.3
	Q3	2,124.8	1,643.0	241.3	4,009.0	988.8	599.2	67.7	154.3	1,631.2	384.8	3,825.9	108.6
	Q4	2,185.5	1,773.1	168.9	4,127.5	1,056.7	754.5	38.6	266.7	1,743.3	578.7	4,438.5	272.8
2023	Q1	2,106.4	1,712.4	253.8	4,072.6	1,078.9	586.8	98.9	45.7	1,722.6	146.3	3,679.1	33.1
	Q2	2,281.8	1,819.3	385.9	4,487.0	1,146.3	636.2	60.0	145.2	1,904.6	266.3	4,158.6	78.4
	Q3	2,384.7	1,867.2	277.4	4,529.3	1,101.3	646.6	115.6	150.3	1,929.2	414.8	4,357.9	98.9

**Note:**

Administrative data collected from: Ministries of Finance of all levels of government, Social Security Funds of all levels of government, Entities' Public Companies for Roads and Entities' Public Companies for Motorways. Annual data for consolidated revenues/expenses include local level of government (municipalities and towns), Public Company for Roads of all levels of government of FBH, Public Company for Roads of RS, Public Company for Motorways of FBH and Public Company for Motorways of RS, while quarterly data do not include them as the source data are not available.

Difference between revenues on one side and expenses with net acquisition of non-financial assets on the other side, represents net surplus/deficit.

**T32: Flows of Foreign Direct Investment in BH, Classified by Country of Origin of Foreign Investor - in KM million -**

Year	Austria	The Netherlands	Croatia	Italy	Germany	Russia	Slovenia	Serbia	Switzerland	Turkey	Other Countries	Total
2014	171.1	26.0	88.7	24.0	-6.1	195.8	-1.2	33.1	8.9	17.6	253.1	811.1
2015	5.3	83.3	161.5	66.3	52.3	28.5	21.1	36.8	-33.5	56.1	159.2	636.9
2016	112.8	57.6	142.5	25.2	2.0	-44.3	34.6	-25.8	11.3	34.6	267.7	618.4
2017	84.1	-3.3	159.6	46.9	57.7	-6.8	101.1	56.9	30.6	-0.3	327.1	853.6
2018	90.7	100.9	129.1	23.6	105.1	143.4	42.6	21.1	46.5	7.4	252.9	963.3
2019	68.8	6.7	148.0	17.5	54.4	213.0	22.0	41.6	-19.8	3.2	244.0	799.3
2020	100.8	-1.1	182.0	36.0	84.9	-14.8	60.4	133.1	-21.0	56.3	207.0	823.5
2021	106.7	-51.1	96.9	61.4	63.2	-94.4	80.4	100.9	213.1	151.5	401.4	1,130.0
2022	175.8	166.6	15.8	64.6	159.5	-50.2	79.0	134.4	25.2	55.6	614.1	1,440.3
Jan - Sep 2023	79.8	166.0	165.1	60.0	92.3	312.6	65.3	51.7	42.2	120.9	286.9	1,442.8

**Note:**

Foreign Direct Investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). Detailed methodological approach to compilation and presentation is included in the IMF Balance of Payments Manual, sixth edition and OECD Framework Definition of Foreign Direct Investments, fourth edition.

T33: Flows of Foreign Direct Investment in BH by NACE Rev 2, Classification of Activities

- in KM million -

Year	Manufacture of Food Products	Manufacture of Wood and of Products of Wood and Cork, except Furniture, Manufacture of Articles of Straw and Plaiting Materials	Manufacture of Coke and Refined Petroleum Products	Manufacture of Chemicals and Chemical Products	Manufacture of Other Non-metallic Mineral Products	Manufacture of Basic Metals	Manufacture of Motor Vehicles, Trailers and Semi-trailers	Wholesale Trade, except of Motor Vehicles and Motorcycles	Retail Trade, except of Motor Vehicles and Motorcycles	Telecommunications	Financial Service Activities, except Insurance and Pension Funding	Real Estate Activities	Other Industries	Total
2014	0.3	-5.7	180.6	3.0	-25.4	35.5	-59.4	64.1	37.3	6.8	138.4	187.1	248.5	811.1
2015	45.0	5.2	24.0	58.4	-4.4	-52.9	6.7	84.0	-29.3	57.8	116.8	89.5	236.1	636.9
2016	16.3	5.6	-52.0	51.9	-17.6	2.0	20.3	148.4	6.4	37.1	161.4	-9.8	248.4	618.4
2017	20.8	13.5	-26.0	1.2	-8.8	58.8	47.3	59.3	96.1	17.1	203.0	41.9	329.2	853.6
2018	34.9	9.3	139.0	33.2	15.5	63.7	40.3	121.3	11.9	8.3	140.1	28.4	317.4	963.3
2019	-13.4	15.1	200.3	26.5	6.4	-2.5	5.9	119.7	17.8	-20.6	153.3	19.0	271.7	799.3
2020	28.2	-1.8	1.5	39.1	18.8	-29.4	32.7	97.3	37.2	2.3	156.3	73.1	368.3	823.5
2021	11.7	5.4	-52.2	17.1	5.7	102.7	27.4	138.2	182.8	11.3	11.8	73.4	594.7	1,130.0
2022	70.2	12.7	-48.8	108.4	32.7	122.9	14.0	114.0	97.5	6.9	146.8	62.3	700.8	1,440.3
Jan - Sep 2023	14.1	4.8	311.9	72.8	19.7	70.9	63.6	101.9	63.6	13.8	315.3	-0.3	390.5	1,442.8

**Note:**

The data on flows of direct foreign investments in BiH, according to NACE 1. Rev.1 Classification of the Activities, for the period 2004-2012, can be found on web site. Foreign Direct Investments (flows and stocks) are compiled in accordance with the most recent methodological instructions and recommendations of the International Monetary Fund (IMF) and Organization for Economic Cooperation and Development (OECD). Detailed methodological approach to compilation and presentation is included in the IMF Balance of Payments Manual, sixth edition and OECD Framework Definition of Foreign Direct Investments, fourth edition.

**T34: Stocks of direct investment in BH classified by country of foreign investor****- in KM million -**

Country	31 12 2020			31 12 2021			31 12 2022		
	Equity capital and reinvested earnings	Other capital	Total	Equity capital and reinvested earnings	Other capital	Total	Equity capital and reinvested earnings	Other capital	Total
Austria	2,507.2	260.6	2,767.8	2,634.3	223.3	2,857.7	2,431.3	258.4	2,689.7
Belgium	8.7	4.0	12.7	12.4	5.7	18.1	12.5	5.3	17.8
Montenegro	31.0	2.8	33.8	41.4	3.0	44.4	70.1	4.3	74.4
Czech Republic	26.0	3.8	29.8	22.1	6.9	29.0	28.5	8.0	36.4
Denmark	27.2	5.0	32.1	37.3	5.1	42.4	24.1	1.8	25.9
France	16.6	4.9	21.5	16.4	4.9	21.3	19.2	8.4	27.6
Netherlands	553.9	260.2	814.1	573.4	163.2	736.7	715.0	176.4	891.3
Croatia	2,434.1	166.0	2,600.2	2,554.6	150.3	2,704.9	2,387.5	155.2	2,542.7
Ireland	-2.9	14.4	11.5	-0.4	14.4	14.1	-5.9	14.6	8.6
Italy	610.7	117.7	728.4	661.7	121.3	783.0	686.9	112.4	799.3
Canada	-0.8	5.1	4.3	0.1	5.1	5.3	0.6	5.1	5.8
Cyprus	144.9	0.6	145.4	155.2	6.8	162.0	169.8	9.7	179.4
Kuwait	131.4	155.4	286.8	109.6	171.4	281.0	103.5	179.7	283.1
Liechtenstein	6.7	6.0	12.7	6.5	6.0	12.5	7.7	4.2	11.8
Lithuania	1.9	0.0	1.9	2.2	0.0	2.2	1.6	0.0	1.6
Luxembourg	107.3	223.3	330.6	121.0	224.7	345.7	156.8	190.5	347.2
Hungary	39.6	1.7	41.3	43.6	2.2	45.7	52.0	3.7	55.7
Malaysia	7.8	29.1	36.8	8.8	29.1	37.9	8.6	29.1	37.6
Norway	1.3	6.4	7.7	2.8	6.8	9.6	6.1	7.1	13.2
Germany	635.4	235.6	871.1	691.2	241.3	932.5	773.3	308.1	1,081.4
Poland	31.7	10.0	41.7	33.9	42.2	76.1	50.7	51.9	102.7
Russia	-494.1	1,052.6	558.5	456.0	7.3	463.3	391.5	7.8	399.4
Saudi Arabia	174.6	171.1	345.7	200.2	189.2	389.5	224.1	200.3	424.4
Slovakia	4.7	19.3	24.0	3.8	21.0	24.8	8.3	20.2	28.5
Slovenia	1,041.3	135.3	1,176.6	1,103.1	153.1	1,256.1	1,153.7	152.9	1,306.6
Serbia	1,932.9	274.6	2,207.5	2,008.6	291.3	2,299.9	2,088.2	339.3	2,427.5
Spain	38.8	0.0	38.8	30.2	1.7	32.0	34.9	5.3	40.2
Switzerland	353.4	73.9	427.3	559.0	76.6	635.6	591.3	76.1	667.5
Sweden	47.2	36.6	83.8	59.1	37.5	96.6	63.8	14.1	77.9
Turkey	403.7	-26.9	376.9	510.2	3.2	513.4	600.5	-25.8	574.8
United Arabian Emirates	155.4	287.7	443.1	161.9	309.4	471.3	133.1	319.4	452.6
United States of America	25.0	19.3	44.3	31.4	19.6	51.0	53.5	18.1	71.6
Great Britain	573.4	110.9	684.3	703.0	128.4	831.4	893.5	205.8	1,099.3
Other countries	266.4	170.6	437.0	346.5	184.3	530.8	375.8	268.2	644.0
<b>Total</b>	<b>11,842.4</b>	<b>3,837.6</b>	<b>15,680.0</b>	<b>13,901.3</b>	<b>2,856.3</b>	<b>16,757.6</b>	<b>14,311.9</b>	<b>3,135.5</b>	<b>17,447.4</b>

**T35: Nominal and Real KM effective exchange rate**

Year	Month	KM Effective Exchange Rate (2015=100)	
		NEER	REER
2014		101.10	103.04
2015		99.98	99.99
2016		101.18	98.87
2017		101.98	98.36
2018		103.68	98.99
2019		104.42	98.05
2020		106.11	97.24
2021		107.37	96.93
2022		108.94	100.75
2023		111.29	100.63
2023	01	110.11	101.64
	02	110.01	101.15
	03	110.02	100.85
	04	110.34	100.50
	05	110.30	100.03
	06	111.17	100.10
	07	112.18	100.34
	08	112.20	100.56
	09	112.10	100.59
	10	112.13	100.48
	11	112.38	100.75
	12	112.58	100.53

**Note:**

Detailed methodological explanations for compiling and calculating the nominal (NEER) and real (REER) effective exchange rate are available at the CBBH website <http://www.cbbh.ba/content/read/1109?lang=en>

**NOTE 6, 7, 9, 13,14, 15, 16 I 17.**

The revised data for the period January 2006 – November 2015 are based on the active sub-balance of the banks with majority state owned capital from the Federation of BH, with the passive sub-balance excluded. Through such supplement of statistics, the users are provided with higher analytical usefulness of data and objective indicators on the current operations of banks in BH. Passive sub-balance includes the liabilities based on foreign loans and old foreign exchange savings of citizens until 31 March 1992 and it does not reflect the current operations of the bank, so this sub-balance in the privatization process will be taken over by the Ministry of Finance of FBH according to the Law on Initial Balance Sheets of Banks and the Law on Privatization, as it has been done for the previously privatized banks. The performed revision mainly influenced the decrease of loans to public companies in a foreign currency, decrease of foreign liabilities, decrease of other items of assets and liabilities on the basis of old foreign exchange savings, and in considerably lower amounts, on items of loans to the Entity Government, fixed assets, non-residents' deposits, shares and capital.

The data on the „complete“ balance sheet, with the included passive sub-balance, are still available at: [http://statistics.cbbh.ba:4444/Panorama/novaview/SimpleLogin\\_bs.aspx](http://statistics.cbbh.ba:4444/Panorama/novaview/SimpleLogin_bs.aspx)

## PUBLICATIONS AND WEB SERVICES

Monthly Economic Overview	Brief information about the latest trends in the macroeconomic environment, which has been published on the website of the CBBH since May 2013. The publication had previously been internal.
Bulletin	A quarterly publication which includes monetary and financial statistics, information on payment transactions, data on the real sector and balance of payments data of Bosnia and Herzegovina.
Annual Report	The publication contains the report on the operations of the CBBH throughout the year and the financial report, which the CBBH submits to the Presidency of Bosnia and Herzegovina and the Parliamentary Assembly of Bosnia and Herzegovina.
Financial Stability Report	The annual publication contains an assessment of the risks arising from the macroeconomic environment and trends in the financial system, as well as an assessment of the resistance of the system to the identified risks.
Special research topics	An occasional publication published on the website of the CBBH.
CBBH Monography	Jubilee publication on the occasion of the CBBH twenty years anniversary.
WEBSITE www.cbbh.ba e-mail: contact@cbbh.ba pr@cbbh.ba TWITTER@CBBIH	<p>The openness and transparency of the CBBH operations is considered very important for the credibility, public accountability and trust, which it enjoys among the population and by other institutions in Bosnia and Herzegovina and by international institutions. On the basis of the CBBH Rules of Procedure, the CBBH has an obligation to inform the public about its work by providing timely information, publishing reports, issuing official publications and organizing press conferences.</p> <p>The website of the CBBH has existed since 1998. It contains basic information on the CBBH, the Law on the CBBH, presents the banknotes and coins of Bosnia and Herzegovina, as well as numismatic issues of the CBBH. On the website, there are also numerous publications and statistical data (Annual Reports, Monthly Balance Sheets, Quarterly Bulletins, Financial Stability Reports, Balance of Payments of BH, Payment Operations Reports ...) and a list of all commercial banks in BH. The publications and statistical data are published in generally accepted formats, DOC, XLS and PDF. On this page, the latest exchange rates, which are updated daily, and other relevant news and press releases are published.</p> <p>The material is published in Bosnian, Croatian, Serbian and English. In order to increase openness and transparency and to reach the public, as much as possible, the CBBH has launched an official profile on the social network Twitter. On this profile, we publish the data, usually published on the website of the Bank, www.cbbh.ba, as well as additional information and data, which are estimated as relevant. The way of communication is adjusted to the targeted audience.</p>

**PUBLISHER:**

Central Bank of Bosnia and Herzegovina  
25 Maršala Tita St, 71000 Sarajevo  
Tel + 387 33 278 100  
[www.cbbh.ba](http://www.cbbh.ba)  
e-mail: [contact@cbbh.ba](mailto:contact@cbbh.ba)

**DTP:**

Štamparija Fojnica d.d.

**Printed by:**

Štamparija Fojnica d.d.

Publishing and copying for educational and  
non-commercial purposes is only allowed  
with the consent of the publisher

ISSN 1840-0051



9 771840 005005