

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2021**

(unaudited)

in accordance with the requirements of International Accounting Standard 34

Sarajevo, 28 April 2021

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FINANCIAL REPORTING RESPONSIBILITY

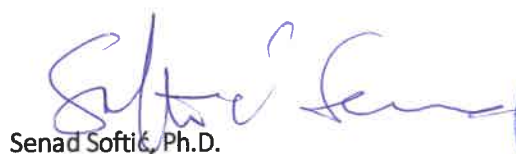
The Management of the Central Bank of Bosnia and Herzegovina is responsible for these condensed interim financial statements, which are prepared in accordance with the Law on the Central Bank of Bosnia and Herzegovina and International Accounting Standard 34: "Interim Financial Reporting".

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

The Governing Board is responsible for overseeing the Central Bank of Bosnia and Herzegovina financial reporting process whose implementation is also performed through the Audit Committee, formed as a body of the Governing Board. After reviewing the interim financial statements by the Audit Committee, the same are approved by the Governing Board and submitted to the Presidency of Bosnia and Herzegovina.

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

The accompanying condensed interim financial statements set out on pages 2 to 38 are approved by the Governing Board on 28 April 2021.



Senad Softić, Ph.D.

**Chairman of the Governing Board
Governor**



Edis Kovačević, M.Sc.

Head of Accounting and Finance Department

STATEMENT OF PROFIT OR LOSS (UNAUDITED)

In thousands of KM	Note	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Interest income		12,525	13,450
Interest expense		(9,463)	(7,064)
NET INTEREST INCOME	6	3,062	6,386
Fee and commission income		4,680	4,888
Fee and commission expense		(186)	(167)
NET FEE AND COMMISSION INCOME	7	4,494	4,721
Net realised gains from sale of debt instruments at fair value through other comprehensive income	8	2,023	1,578
Net foreign exchange gains	9	289	125
Other expenses / income	10	(4)	15
OPERATING INCOME		9,864	12,825
Personnel expenses	11	(4,341)	(4,249)
Administrative and other operating expenses	12	(2,195)	(1,913)
Depreciation and amortisation charge		(619)	(635)
OPERATING EXPENSES		(7,155)	(6,797)
FINANCIAL RESULT BEFORE PROVISIONS FOR EXPECTED CREDIT LOSSES		2,709	6,028
Provisions for expected credit losses, net (increase)	13	(84)	(54)
NET PROFIT FOR THE PERIOD	14	2,625	5,974

The selected notes on pages 9 to 38 are an integral part of these condensed interim financial statements.

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In thousands of KM	Note	01/01-31/03 2021	For the period 01/01 – 31/03 2020
NET PROFIT FOR THE PERIOD		2,625	5,974
Other comprehensive (loss) / income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Debt instruments at fair value through other comprehensive income			
Net change in fair value during the period	16	(66,681)	9,606
Net change in provisions for expected credit losses recognized in profit or loss during the period	5.1.1.	105	61
Reclassification to profit or loss from sale of debt instruments	8	(2,023)	(1,578)
		(68,599)	8,089
Monetary gold			
Net change in fair value during the period	17	(18,277)	13,370
		(18,277)	13,370
Total other comprehensive (loss) / income		(86,876)	21,459
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD		(84,251)	27,433

The selected notes on pages 9 to 38 are an integral part of these condensed interim financial statements.

STATEMENT OF FINANCIAL POSITION (UNAUDITED)

In thousands of KM	Note	31 March 2021	As at 31 December 2020
ASSETS			
Cash in foreign currencies		143,127	142,202
Deposits with foreign banks	15	3,162,873	3,832,072
Debt instruments	16	10,058,883	9,601,315
Monetary gold	17	273,284	291,561
Special Drawing Rights with the IMF	27	864	879
Other assets	18	13,352	12,671
Property and equipment		48,102	48,560
Intangible assets		1,136	1,234
Other investments		27,813	27,813
TOTAL ASSETS		13,729,434	13,958,307
LIABILITIES AND EQUITY			
LIABILITIES			
Banknotes and coins in circulation	19	6,222,255	6,172,457
Deposits from banks	20	5,654,783	5,901,142
Deposits from the Government and other public institutions	21	948,325	897,044
Provisions		1,390	1,414
Other liabilities	22	4,601	3,919
Total liabilities		12,831,354	12,975,976
EQUITY			
Initial capital		25,000	25,000
Reserves		870,455	957,331
Net profit for the period		2,625	-
Total equity	23	898,080	982,331
TOTAL LIABILITIES AND EQUITY		13,729,434	13,958,307

The selected notes on pages 9 to 38 are an integral part of these condensed interim financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

In thousands of KM

	Initial capital	General reserves (Retained earnings)	Other reserves	Fair value reserves for debt and equity instruments at fair value through other comprehensive income	Provisions for expected credit losses	Fair value reserves for monetary gold	Total reserves	Net profit for the period	Total equity
Balance at 1 January 2021	25,000	545,203	31,300	291,527	1,598	87,703	957,331	-	982,331
Total comprehensive loss for the period	-	-	-	(68,679)	80	(18,277)	(86,876)	2,625	(84,251)
Net profit for the period	-	-	-	-	-	-	-	2,625	2,625
Other comprehensive loss	-	-	-	(68,679)	80	(18,277)	(86,876)	-	(86,876)
Net unrealised negative changes in fair value for debt instruments	-	-	-	(66,681)	-	-	(66,681)	-	(66,681)
Net realised positive changes in fair value for debt instruments transferred to profit or loss	-	-	-	(1,998)	-	-	(1,998)	-	(1,998)
Net increase in provisions for expected credit losses for debt instruments recognised in profit or loss	-	-	-	-	105	-	105	-	105
Net release of provisions for expected credit losses transferred to profit or loss for debt instruments sold	-	-	-	-	(25)	-	(25)	-	(25)
Net unrealised negative changes in fair value for monetary gold	-	-	-	-	-	(18,277)	(18,277)	-	(18,277)
Balance at 31 March 2021	25,000	545,203	31,300	222,848	1,678	69,426	870,455	2,625	898,080

The selected notes on pages 9 to 38 are an integral part of these condensed interim financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

In thousands of KM

	Initial capital	General reserves (Retained earnings)	Other reserves	Fair value reserves for debt and equity instruments at fair value through other comprehensive income	Provisions for expected credit losses	Fair value reserves for monetary gold	Total reserves	Net profit for the period	Total equity
Balance at 1 January 2020	25,000	537,295	31,300	211,373	1,343	50,230	831,541	-	856,541
Total comprehensive income for the period	-	-	-	8,087	2	13,370	21,459	5,974	27,433
Net profit for the period	-	-	-	-	-	-	-	5,974	5,974
Other comprehensive income	-	-	-	8,087	2	13,370	21,459	-	21,459
Net unrealised positive changes in fair value for debt instruments	-	-	-	9,606	-	-	9,606	-	9,606
Net realised positive changes in fair value for debt instruments transferred to profit or loss	-	-	-	(1,519)	-	-	(1,519)	-	(1,519)
Net increase of provisions for expected credit losses for debt instruments recognised in profit or loss	-	-	-	-	61	-	61	-	61
Net release of provisions for expected credit losses transferred to profit or loss for debt instruments sold	-	-	-	-	(59)	-	(59)	-	(59)
Net unrealised positive changes in fair value for monetary gold	-	-	-	-	-	13,370	13,370	-	13,370
Balance at 31 March 2020	25,000	537,295	31,300	219,460	1,345	63,600	853,000	5,974	883,974

The selected notes on pages 9 to 38 are an integral part of these condensed interim financial statements.

STATEMENT OF CASH FLOWS (UNAUDITED)

		For the period	
		01/01 – 31/03	01/01 – 31/03
	Note	2021	2020
In thousands of KM			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		2,625	5,974
Adjusted for:			
Interest income	6	(12,525)	(13,450)
Interest expense	6	9,463	7,064
Provisions for expected credit losses, net increase	13	84	54
Net realised (gains) from sale of debt instruments at fair value through other comprehensive income	8	(2,023)	(1,578)
Net foreign exchange (gains)	9	(289)	(125)
Income from grants	10	(1)	(18)
Provisions, net increase		1	3
Depreciation and amortisation charge		619	635
Net cash flows used in operating activities before changes in operating assets and liabilities		(2,046)	(1,441)
Changes in operating assets and liabilities			
Decrease / (increase) in term deposits with foreign banks		233,889	(135,043)
(Increase) / decrease in debt instruments		(524,249)	237,544
(Increase) in other assets		(332)	(591)
Increase in banknotes and coins in circulation		49,798	484,056
(Decrease) in deposits from banks		(245,013)	(570,121)
Increase / (Decrease) in deposits from the Government and other public institutions		51,281	(75,554)
Increase / (Decrease) in other liabilities		655	(791)
Payments from provisions		(25)	(59)
Interest received		11,179	12,313
Interest paid		(8,144)	(5,382)
Net cash from operating activities		(434,375)	(55,069)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, equipment and intangible assets		(63)	(428)
Net cash used in investing activities		(63)	(428)

The selected notes on pages 9 to 38 are an integral part of these condensed interim financial statements.

STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)

In thousands of KM		01/01 – 31/03 2021	For the period 01/01 – 31/03 2020
	Note		
Effects from changes in impairment for expected credit losses on cash and cash equivalents		(10)	18
Effects of exchange rate fluctuations on cash and cash equivalents held		318	138
Net (decrease) in cash and cash equivalents		(432,762)	(55,341)
Cash and cash equivalents at the beginning of the period		2,909,688	2,498,972
Cash and cash equivalents at the end of the period	24	2,476,926	2,443,631

The selected notes on pages 9 to 38 are an integral part of these condensed interim financial statements.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2021 (UNAUDITED)**1. GENERAL INFORMATION**

The Central Bank of Bosnia and Herzegovina (the “Central Bank”) is the supreme monetary authority of Bosnia and Herzegovina state (“BH”). Its status has been defined by the Law on the Central Bank of Bosnia and Herzegovina (the “Law on the Central Bank”), adopted by the Parliamentary Assembly of Bosnia and Herzegovina on 20 June 1997, according to the General Framework Peace Agreement in Bosnia and Herzegovina.

The Central Bank started its operations on 11 August 1997.

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

By its function, the Central Bank is not a profit institution but an institution that must ensure the achievement of the goals set by the Law on the Central Bank. Therefore, the Central Bank’s realised profit for a certain period is not used as a measure of the Central Bank’s performance. All activities and operations of the Central Bank are undertaken in order to achieve the legally set goals and objectives that is to preserve the stability of domestic currency in accordance with the Currency Board rule.

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

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

The members of the key management of the Central Bank are:

Governing Board

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

1. GENERAL INFORMATION (CONTINUED)**Management**

Senad Softić Ph.D.	Governor
Ernadina Bajrović M.Sc.	Vice Governor
Milica Lakić Ph.D.	Vice Governor
Želimira Raspudić	Vice Governor

The members of the Audit Committee of the Central Bank are:

Audit Committee

Mila Gadžić Ph.D.	Chairman
Elvir Čizmić Ph.D.	Member
Radomir Repija	Member

2. BASIS OF PREPARATION**2.1. Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34"): "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The condensed interim financial statements do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the latest audited financial statements of the Central Bank for the year ended 31 December 2020 ("annual financial statements").

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

These condensed interim financial statements have been prepared using the going concern assumption. Extending of difficult circumstances in the Central Banks' operations, caused by the global pandemic of COVID-19, did not affect the adequacy of the assumption. For more information see Note 2.6.

The results of the Central Bank's business and operations for the reporting period and as at the reporting date presented in these condensed interim financial statements are not necessarily indicative of results of business and operations of the Central Bank expected for the year 2021.

2. BASIS OF PREPARATION (CONTINUED)**2.2. Basis of measurement**

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

Item	Basis of measurement
Financial assets at fair value through other comprehensive income	Fair value
Monetary gold	Fair value

2.3. Functional and presentation currency

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

2.4. Changes to IFRS

At the date of approval of these condensed interim financial statements, certain changes and interpretations of the existing standards are effective from 1 January 2021. Their implementation has no significant impact on condensed interim financial statements of the Central Bank.

2.5. Accounting policies

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

2.6. Significant accounting judgements and estimates

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

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

These financial statements have been prepared based upon conditions existing at 31 March 2021. Future conditions in the future may be different from those that resulted in the financial information disclosed in these financial statements.

The Central Bank continuously monitors and assesses the circumstances and undertakes appropriate measures to adjust its operations in response to the further deterioration of the epidemiological situation caused by the global pandemic of COVID-19.

2. BASIS OF PREPARATION (CONTINUED)**2.6. Significant accounting judgements and estimates (continued)**

Despite the deterioration of epidemiological conditions in the reporting period, all monetary operations of the Central Bank and its legal obligations have been performed without restrictions and interruptions, in a timely and orderly manner.

The Management takes into account the current uncertainty regarding the impact of global pandemic of COVID-19 in respect of potential material impact on Central Bank's overall financial position and performance.

3. CURRENCY BOARD ARRANGEMENT

The Law on the Central Bank defines the operational rule "Currency Board" to be used for issuing KM, according to which KM is issued only with a full coverage in net foreign currency reserves.

Article 31 of the Law on the Central Bank requires that the aggregate amount of its monetary liabilities shall at no time exceed its net foreign currency reserves.

Details of compliance with this rule are as follows:

In thousands of KM	31 March 2021	31 December 2020
Gross foreign currency reserves	13,639,031	13,868,029
Cash in foreign currencies	143,127	142,202
Deposits with foreign banks	3,162,873	3,832,072
Debt instruments	10,058,883	9,601,315
Monetary gold	273,284	291,561
Special drawing rights with the IMF	864	879
Liabilities to non-residents	2,165	1,688
Net foreign currency reserves (Gross foreign currency reserves less liabilities to non-residents)	13,636,866	13,866,341
Monetary liabilities	12,825,363	12,970,643
Banknotes and coins in circulation	6,222,255	6,172,457
Deposits from banks	5,654,783	5,901,142
Deposits from the Government and other public institutions	948,325	897,044
NET FOREIGN ASSETS (Net foreign currency reserves less monetary liabilities)	811,503	895,698

3. CURRENCY BOARD ARRANGEMENT (CONTINUED)

Net foreign assets are the Central Bank's main financial indicator of achieving and maintaining the stability of domestic currency in BH and its main financial performance measure. Being the part of gross foreign currency reserves, the amount of net foreign assets cannot be assumed as the amount available for fiscal purposes, but the amount that guarantees the stability of domestic currency and absorbs the potential financial risks arising from gross foreign currency reserves management. As at 31 March 2021, the net foreign currency reserves exceed monetary liabilities by KM 811,503 thousand providing complete stability of domestic currency (31 December 2020: KM 895,698 thousand).

Fluctuations in market prices of debt instruments and monetary gold dominantly affect the amount of net foreign assets. More information about changes in debt instruments and monetary gold is disclosed in Notes 16 and 17.

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

Fair value is the price that would be received to sell 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 takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

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

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

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

4.1. Financial assets measured at fair value

In thousands of KM

	31 March 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	10,058,883	-	-	10,058,883
Monetary gold	273,284	-	-	273,284
TOTAL	10,332,167	-	-	10,332,167

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

4.1. Financial assets measured at fair value (continued)

In thousands of KM

31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets				
<i>Financial assets measured at fair value through other comprehensive income</i>				
Debt instruments	9,601,315	-	-	9,601,315
Monetary gold	291,561	-	-	291,561
TOTAL	9,892,876	-	-	9,892,876

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

In thousands of KM

31 March 2021

	Carrying amount	Fair value
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	143,127	143,127
Deposits with foreign banks	3,162,873	3,158,353
Special drawing rights with the IMF	864	864
Other financial assets	3,139	3,139
	<u>3,310,003</u>	<u>3,305,483</u>
<i>Financial assets measured at fair value through other comprehensive income:</i>		
Other investments	27,813	27,813
	<u>27,813</u>	<u>27,813</u>
Total	3,337,816	3,333,296
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	6,222,255	6,222,255
Deposits from banks	5,654,783	5,647,282
Deposits from the Government and other public institutions	948,325	947,067
Other financial liabilities	4,463	4,463
Total	12,829,826	12,821,067

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

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

In thousands of KM

31 December 2020

	Carrying amount	Fair value
Financial assets		
<i>Financial assets measured at amortised cost:</i>		
Cash in foreign currencies	142,202	142,202
Deposits with foreign banks	3,832,072	3,823,212
Special drawing rights with the IMF	879	879
Other financial assets	2,496	2,496
	<u>3,977,649</u>	<u>3,968,789</u>
<i>Financial assets measured at fair value through other comprehensive income:</i>		
Other investments	27,813	27,813
	<u>27,813</u>	<u>27,813</u>
Total	4,005,462	3,996,602
Financial liabilities		
<i>Financial liabilities measured at amortised cost:</i>		
Banknotes and coins in circulation	6,172,457	6,172,457
Deposits from banks	5,901,142	5,887,547
Deposits from the Government and other public institutions	897,044	894,977
Other financial liabilities	3,759	3,759
Total	12,974,402	12,958,740

5. FINANCIAL RISK MANAGEMENT

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

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

5.1. Credit risk

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

For the funds recorded in off-balance sheet records, the Central Bank is not exposed to credit risk, as all the risk, which may result from the investments of these funds, is to be borne contractually by the owners of these funds (see Notes 26 and 27).

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.1. Credit risk exposure

The following table presents the reconciliation between opening and closing balance of the loss allowance for financial assets in the reporting periods:

In thousands of KM

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1. Debt instruments								
As at 1 January	1,598	-	-	1,598	1,343	-	-	1,343
Increases in expected credit losses	172	-	-	172	128	-	-	128
Releases of expected credit losses	(17)	-	-	(17)	(19)	-	-	(19)
Releases due to debt instruments matured	(50)	-	-	(50)	(48)	-	-	(48)
<i>Net increase during the period</i>	<i>105</i>	-	-	<i>105</i>	<i>61</i>	-	-	<i>61</i>
Releases due to debt instruments sold	(25)	-	-	(25)	(59)	-	-	(59)
As at 31 March	1,678	-	-	1,678	1,345	-	-	1,345
2. Deposits with foreign banks								
As at 1 January	807	-	-	807	724	-	-	724
Increases in expected credit losses	1,149	-	-	1,149	810	-	-	810
Releases of expected credit losses	(58)	-	-	(58)	(100)	-	-	(100)
Releases due to derecognition of term deposits	(1,113)	-	-	(1,113)	(718)	-	-	(718)
As at 31 March	785	-	-	785	716	-	-	716

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.1. Credit risk exposure (continued)

	2021				2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
3. Special drawing rights with the IMF								
As at 1 January	-	-	-	-	-	-	-	-
Increases in expected credit losses	-	-	-	-	-	-	-	-
Releases of expected credit losses	-	-	-	-	-	-	-	-
As at 31 March	-	-	-	-	-	-	-	-
4. Other financial assets								
As at 1 January	5	-	613	618	5	-	600	605
Increases in expected credit losses	2	-	1	3	3	-	-	3
Releases of expected credit losses	(2)	-	-	(2)	(2)	-	-	(2)
As at 31 March	5	-	614	619	6	-	600	606
Total opening balance at 1 January	2,410	-	613	3,023	2,072	-	600	2,672
Total net increase / (release) in expected credit losses	58	-	1	59	(5)	-	-	(5)
Total closing balance at 31 March	2,468	-	614	3,082	2,067	-	600	2,667

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit risk (continued)

5.1.2. Credit risk concentration

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

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

In thousands of KM

Classes of financial instruments	31 March 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash in foreign currencies								
Gross carrying amount	143,127	-	-	143,127	142,202	-	-	142,202
Loss allowance	-	-	-	-	-	-	-	-
Carrying amount	143,127	-	-	143,127	142,202	-	-	142,202
Deposits with foreign banks								
Gross carrying amount	3,163,658	-	-	3,163,658	3,832,879	-	-	3,832,879
Loss allowance	(785)	-	-	(785)	(807)	-	-	(807)
Carrying amount	3,162,873	-	-	3,162,873	3,832,072	-	-	3,832,072
Debt instruments								
Gross carrying amount	10,058,883	-	-	10,058,883	9,601,315	-	-	9,601,315
Provisions for expected credit losses (recognized in other comprehensive income)	(1,678)	-	-	(1,678)	(1,598)	-	-	(1,598)
Carrying amount	10,058,883	-	-	10,058,883	9,601,315	-	-	9,601,315
Special drawing rights with the IMF								
Gross carrying amount	864	-	-	864	879	-	-	879
Loss allowance	-	-	-	-	-	-	-	-
Carrying amount	864	-	-	864	879	-	-	879
Other financial assets								
Gross carrying amount	3,144	-	614	3,758	2,501	-	613	3,114
Loss allowance	(5)	-	(614)	(619)	(5)	-	(613)	(618)
Carrying amount	3,139	-	-	3,139	2,496	-	-	2,496

5. FINANCIAL RISK MANAGEMENT (CONTUNUED)**5.1. Credit risk (continued)****5.1.2. Credit risk concentration (continued)****b) Maximum exposure to credit risk – Financial assets not subject to impairment**

In thousands of KM	31 March 2021	31 December 2020
Carrying amount		
Monetary gold	273,284	291,561
Other investments	27,813	27,813
TOTAL	301,097	319,374

Concentration per credit rating

Tables below present an analysis of the Central Bank's concentration per credit rating for deposits with foreign banks and debt instruments of the Central Bank as at reporting dates:

Deposits with foreign banks		In thousands of KM
Credit rating	31 March 2021	31 December 2020
AAA	1,057,063	1,743,280
AA+	-	-
AA	605,689	722,841
AA-	-	-
A+	341,159	391,013
A	1,050,433	875,542
A-	1,095	-
II ¹	1,093	410
BBB+	106,341	98,986
TOTAL	3,162,873	3,832,072

¹ International institutions

5. FINANCIAL RISK MANAGEMENT (CONTUNUED)**5.1. Credit risk (continued)****5.1.2. Credit risk concentration (continued)**

Credit rating	Debt instruments	
	31 March 2021	In thousands of KM 31 December 2020
AAA	2,154,518	2,164,263
AA+	1,382,591	1,283,772
AA	3,370,785	3,170,119
AA-	1,291,766	1,269,603
A+	-	-
A	-	-
A-	1,247,735	1,095,368
BBB+	-	-
BBB	-	-
BBB-	611,488	618,190
TOTAL	10,058,883	9,601,315

5.2. Market risk

Market risk is the risk of change in the market value of financial assets and instruments due to the changes in the financial markets conditions.

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

As at 31 March 2021, the exposure of the Central Bank's foreign currency reserves, including fluctuations of the prices of financial instruments and foreign exchange rates against the KM, equals to KM 74,378 thousand (31 December 2020: KM 61,117 thousand), which represents 0.54% of the total financial assets (31 December 2020: 0.44% of the total financial assets).

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

In thousands of KM	31 March 2021	31 December 2020
Interest rate risk	58,211	44,722
Risk of change in EUR price of the monetary gold	15,828	16,097
Foreign exchange risk	339	298
Total VaR	74,378	61,117

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.1. Foreign exchange risk

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

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

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

5.2.2. Interest rate risk

Interest rate risk is the risk of changes in market value of the financial assets due to the unfavourable movements of interest rates. Interest rate risk is managed by determining the acceptable term duration and maturity of financial instruments in which Central Bank invests. Maximum term for investing deposits with foreign banks is one year, while maximum term of investing debt instruments with fixed income is ten years.

5.3. Liquidity risk

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

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.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)**5.3. Liquidity risk (continued)**

Tables below present the maturity of the financial liabilities of the Central Bank based on the remaining period from the reporting date to the contractual maturity date.

31 March 2021

In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without specified maturity	Total
Banknotes and coins in circulation	6,222,255	-	-	-	-	6,222,255
Deposits from banks	5,654,783	-	-	-	-	5,654,783
Deposits from the Government and other public institutions	948,325	-	-	-	-	948,325
Other financial liabilities	4,463	-	-	-	-	4,463
TOTAL FINANCIAL LIABILITIES	12,829,826	-	-	-	-	12,829,826

31 December 2020

In thousands of KM	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Without specified maturity	Total
Banknotes and coins in circulation	6,172,457	-	-	-	-	6,172,457
Deposits from banks	5,901,142	-	-	-	-	5,901,142
Deposits from the Government and other public institutions	897,044	-	-	-	-	897,044
Other financial liabilities	3,759	-	-	-	-	3,759
TOTAL FINANCIAL LIABILITIES	12,974,402	-	-	-	-	12,974,402

6. NET INTEREST INCOME

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Interest income arising from:		
Debt instruments (Note 16)	8,634	9,825
Effects of negative deposit interest rates on deposits from domestic commercial banks	3,891	3,618
Financial assets at amortised cost	-	7
Total	12,525	13,450
Interest expense arising from:		
Effects of negative interest rates from debt instruments (Note 16)	(4,814)	(3,256)
Effects of negative interest rates from deposits with foreign banks	(4,649)	(3,808)
Total	(9,463)	(7,064)
Net interest income	3,062	6,386

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

As at reporting dates the unique required reserve ratio of 10% is established to be applied by the Central Bank on the required reserve base.

The Central Bank does not calculate fee on the required reserve amount while the calculation of fee on the amount exceeding the required reserve is linked to the European Central Bank deposit facility rate.

Effects of negative interest rates on deposits from domestic commercial banks are the result of the negative interest rate on the amount exceeding the required reserve. In the reporting periods, the negative interest rate on the amount exceeding required reserve for domestic commercial banks amounted to 0.50%.

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

6. NET INTEREST INCOME (CONTINUED)

Effects of negative interest rates from deposits with foreign banks include the amount of KM 3,524 thousand on term deposits and the amount of KM 1,125 thousand on demand deposits in the period 01/01 – 31/03/2021 (in the period 01/01 – 31/03/2020 it included the amount of KM 2,986 thousand on term deposits and the amount of KM 822 thousand on demand deposits).

The average effective yield on debt instruments amounts to 0.24% in the period 01/01 – 31/03/2021 (in the period 01/01 – 31/03/2020 amounted to 0.37%).

The average negative effective interest rate on deposits with foreign banks amounts to 0.54 % in the period 01/01 – 31/03/2021 (in the period 01/01 – 31/03/2020 amounted to 0.48%).

7. NET FEE AND COMMISSION INCOME

In thousands KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Fee and commission income arising from:		
Services for domestic banks	4,300	4,573
Services for the Government and other non-banking clients	380	315
Total	4,680	4,888
Fee and commission expenses arising from:		
Custody and other expenses for debt instruments	(176)	(157)
Transactions with foreign banks	(8)	(8)
Other fee and commission expenses	(2)	(2)
Total	(186)	(167)
Net fee and commission income	4,494	4,721

Lower transaction volume in the Central Bank's payment systems caused less generated fees and commission income from services for domestic banks regarding the comparative reporting period.

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

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Realised gains	2,023	1,578
Realised losses	-	-
Net realized gains from sale of debt instruments at fair value through other comprehensive income	2,023	1,578

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

9. NET FOREIGN EXCHANGE GAINS

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Net unrealised foreign exchange gains	309	110
Net realised foreign exchange (losses) / gains	(20)	15
Net foreign exchange gains	289	125

10. OTHER EXPENSES / INCOME

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Other income	33	32
Income from grants	1	18
Net effects of numismatic collections value adjustments	(38)	(35)
TOTAL	(4)	15

11. PERSONNEL EXPENSES

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Salaries	2,443	2,380
Contributions and other fees on salaries	1,391	1,353
Other employee benefits	398	399
Contributions and other fees on other employees benefits	108	114
Provisions for severance payments, net increase	1	3
TOTAL	4,341	4,249

11. PERSONNEL EXPENSES (CONTINUED)

Personnel expenses include KM 835 thousand of defined pension contributions paid to the public pension funds in BH (01/01 – 31/03/2020: KM 823 thousand).

The average number of employees in the reporting period amounts to 371 (01/01 – 31/03/2020: 368 employees).

12. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Expenses for production and design of banknotes and coins	796	608
Payment systems maintenance expenses	415	347
IT infrastructure expenses	193	174
Maintenance expenses	55	75
Other administrative and operating expenses	736	709
TOTAL	2,195	1,913

13. PROVISIONS FOR EXPECTED CREDIT LOSSES, NET (INCREASE)

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Gains from release in provisions for expected credit losses:		
Deposits with foreign banks	1,171	818
Debt instruments	67	67
Other financial assets	2	2
Special drawing rights with the IMF	-	-
	1,240	887
Losses from increase in provisions for expected credit losses:		
Deposits with foreign banks	(1,149)	(810)
Debt instruments	(172)	(128)
Other financial assets	(3)	(3)
Special drawing rights with the IMF	-	-
	(1,324)	(941)
Provisions for expected credit losses, net (increase)	(84)	(54)

14. NET PROFIT FOR THE PERIOD

In thousands of KM	01/01-31/03 2021	For the period 01/01 – 31/03 2020
Operating income	9,864	12,825
Operating expenses	(7,155)	(6,797)
FINANCIAL RESULT BEFORE PROVISIONS FOR EXPECTED CREDIT LOSSES	2,709	6,028
Provisions for expected credit losses, net (increase)	(84)	(54)
NET PROFIT FOR THE PERIOD	2,625	5,974

Investing and reinvesting of foreign currency reserves continue in extremely unfavorable and deteriorating conditions of negative interest rates and yields on the Eurozone financial markets. The European Central Bank deposit facility rate has been negative for many years, being the key determinant of the level of market interest rates and yields on the Eurozone financial markets.

The composition of invested foreign currency reserves, on the other hand, must ensure guaranteed convertibility of domestic currency and the implementation of monetary operations of the Central Bank at any time. In doing so, the Central Bank must strictly take into account the legal requirements regarding the high liquidity of foreign currency reserves and adequate investment safety, ie exposure to financial risks.

These unfavorable circumstances together with the allowed legal framework for investing foreign currency reserves affect the generated interest income and expenses of the Central Bank and are the main reason for the decline of operating income in the reporting period regarding the comparable one.

This note is presented for the purpose of understanding the decline of presented amounts for financial disclosure purposes, and not for the purpose of measuring the financial performance of the Central Bank for a particular period. The Central Bank is not a profit-oriented institution but the supreme monetary authority in BH. The financial measure of the successful performance of the Central Bank is the compliance with the Currency Board arrangement (Note 3).

15. DEPOSITS WITH FOREIGN BANKS

Deposits with foreign banks are invested foreign currency reserves held by the Central Bank on the accounts of foreign central and commercial banks.

Term and demand deposits with foreign banks, analyzed by the type of currency, are as follows:

In thousands of KM	31 March 2021	31 December 2020
Term deposits:		
- EUR	2,496,660	2,391,656
Less impairment for expected credit losses	(659)	(628)
	2,496,001	2,391,028
Demand deposits:		
- EUR	656,627	1,430,953
- CHF	6,518	7,089
- GBP	2,167	2,080
- USD	1,686	1,101
Less impairment for expected credit losses	666,998	1,441,223
	(126)	(179)
	666,872	1,441,044
TOTAL	3,162,873	3,832,072

Deposits with foreign banks include negative accrued interest in the amount of KM 2,125 thousand as at 31 March 2021 (31 December 2020: included negative accrued interest in the amount of KM 1,939 thousand).

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

In thousands of KM	31 March 2021	31 December 2020
Up to one month	709,956	1,032,703
From one to two months	565,295	253,800
From two to three months	1,067,059	525,637
From three to four months	154,350	96,154
From four to twelve months	-	483,362
Total	2,496,660	2,391,656
Less impairment for expected credit losses	(659)	(628)
TOTAL	2,496,001	2,391,028

15. DEPOSITS WITH FOREIGN BANKS (CONTINUED)

In thousands of KM	31 March 2021	31 December 2020
Foreign central banks	1,690,000	2,375,955
Foreign commercial banks	1,473,658	1,456,924
Less impairment for expected credit losses (Note 5.1.1)	(785)	(807)
TOTAL	3,162,873	3,832,072

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

16. DEBT INSTRUMENTS

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

Analytical structure of debt instruments at fair value through other comprehensive income is as follows:

In thousands of KM	31 March 2021	31 December 2020
Coupon debt instruments	8,303,303	8,589,935
Discount debt instruments	1,755,580	1,011,380
TOTAL	10,058,883	9,601,315

Provisions for expected credit losses for debt instruments recognized in other comprehensive income amount to KM 1,678 thousand as at 31 March 2021 (31 December 2020: KM 1,598 thousand).

16. DEBT INSTRUMENTS (CONTINUED)

Movements in debt instruments at fair value through other comprehensive income in the reporting periods is provided in the following table:

In thousands of KM	For the period	
	2021	2020
As at 1 January		
Purchases during the period	9,601,315	8,917,413
Sales during the period	1,252,622	507,190
Interest income recognized during the period (Note 6)	(284,941)	(316,129)
Effects of negative interest rates recognized during the period (Note 6)	8,634	9,825
Maturities of debt instruments	(4,814)	(3,256)
Maturities of coupons	(422,244)	(413,698)
Net unrealised change in fair value during the period	(25,008)	(21,476)
As at 31 March	(66,681)	9,606

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

Debt instruments, analysed by their remaining contractual maturity, are as follows:

In thousands of KM	31 March	31 December
	2021	2020
Up to 3 months	766,918	422,511
From 3 to 12 months	2,689,772	2,382,176
From 1 to 3 years	1,609,292	1,750,147
Over 3 years	4,992,901	5,046,481
TOTAL	10,058,883	9,601,315

17. MONETARY GOLD

As at 31 March 2021, fair value of monetary gold amounts to KM 273,284 thousand, representing 96,000 ounces of gold at KM 2,847 per ounce (31 December 2020: KM 291,561 thousand, representing 96,000 ounces of gold at KM 3,037 per ounce). Monetary gold is denominated in EUR.

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

In thousands of KM	For the period	
	01/01 - 31/03 2021	01/01 - 31/03 2020
Opening balance	291,561	254,088
Net unrealized change in fair value during the period	(18,277)	13,370
Closing balance	273,284	267,458

18. OTHER ASSETS

In thousands KM	31 March 2021	31 December 2020
Receivables from domestic banks	2,031	1,756
Giro accounts	761	411
Receivables from employee based on cash deficit	600	600
Other miscellaneous financial assets	366	347
Total	3,758	3,114
Less impairment for expected credit losses	(619)	(618)
Total other financial assets	3,139	2,496
Prepaid expenses	9,012	8,933
Numismatic collections	947	986
Other miscellaneous nonfinancial assets	254	256
Total other nonfinancial assets	10,213	10,175
TOTAL	13,352	12,671

As at 31 March 2021, prepaid expenses include expenditures of KM 7,986 thousand incurred on the production of banknotes and coins (31 December 2020: KM 7,860 thousand incurred on the production of banknotes and coins).

19. BANKNOTES AND COINS IN CIRCULATION

In thousands of KM	31 March 2021	31 December 2020
Banknotes and coins in circulation at 1 January	6,172,457	5,199,916
Net increase during the period	49,798	972,541
Banknotes and coins in circulation	6,222,255	6,172,457

20. DEPOSITS FROM BANKS

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

In thousands of KM	31 March 2021	31 December 2020
Deposits of domestic commercial banks	5,653,989	5,900,698
Reserve accounts of organizational units of the Central Bank	761	411
Special deposits of domestic commercial banks - blocked funds	33	33
TOTAL	5,654,783	5,901,142

Deposits from domestic commercial banks include negative accrued interest in the amount of KM 1,346 thousand as at 31 March 2021 (31 December 2020: KM 1,302 thousand).

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

In thousands of KM	31 March 2021	31 December 2020
Required reserve	2,774,321	2,727,364
Amounts exceeding the required reserve	3,100,702	3,038,133
UKUPNO	5,875,023	5,765,497

21. DEPOSITS FROM THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

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

In thousands of KM	31 March 2021	31 December 2020
Budgetary deposits of BH institutions	590,322	579,869
Other deposits of public institutions and agencies in BH	244,710	231,805
Other deposits of domestic governments and government institutions	112,967	85,047
Deposit account under the IMF transactions	326	323
TOTAL	948,325	897,044

22. OTHER LIABILITIES

In thousands of KM	31 March 2021	31 December 2020
Suppliers	1,977	1,932
IMF Accounts No. 1 and 2 (Note 27)	1,616	1,587
World bank deposits	549	101
Accrued liabilities for current period costs	319	135
Other financial liabilities	2	4
Total other financial liabilities	4,463	3,759
Non-financial liabilities on various bases	91	106
Collected and deferred income	47	54
Total other nonfinancial liabilities	138	160
TOTAL	4,601	3,919

23. EQUITY

The structure of equity is presented in the following table:

In thousands of KM	31 March 2021	31 December 2020
Initial capital	25,000	25,000
Reserves	870,455	957,331
<i>General reserves (Retained earnings)</i>	<i>545,203</i>	<i>545,203</i>
<i>Other reserves</i>	<i>31,300</i>	<i>31,300</i>
<i>Fair value reserves for debt and equity instruments at fair value through other comprehensive income</i>	<i>222,848</i>	<i>291,527</i>
<i>Provisions for expected credit losses</i>	<i>1,678</i>	<i>1,598</i>
<i>Fair value reserves for monetary gold</i>	<i>69,426</i>	<i>87,703</i>
Net profit for the period	2,625	-
TOTAL	898,080	982,331

24. CASH AND CASH EQUIVALENTS

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

In thousands of KM	31 March 2021	31 March 2020
Foreign currency deposits with maturity up to three months or less from the date of acquisition	1,665,860	1,441,676
Foreign currency demand deposits	666,998	859,256
Cash in foreign currencies	143,127	139,804
Special drawing rights with the IMF	864	2,978
Giro accounts	761	528
Total	2,477,610	2,444,242
Less impairment for expected credit losses	(684)	(611)
TOTAL	2,476,926	2,443,631

25. RELATED PARTIES TRANSACTIONS

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

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

In thousands of KM

31 March 2021	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
ASSETS				
Other assets	1	1	-	2
TOTAL	1	1	-	2
LIABILITIES				
Deposits from depositors	520,023	227,444	131,332	878,799
TOTAL	520,023	227,444	131,332	878,799
INCOME				
Fee and commission income	4	3	1	8
TOTAL	4	3	1	8

25. RELATED PARTIES TRANSACTIONS (CONTINUED)

In thousands of KM

31 December 2020	BH Ministry of Finance and Treasury	BH Deposit Insurance Agency	BH Indirect Taxation Authority	Total
ASSETS				
Other assets	25	1	1	27
TOTAL	25	1	1	27
LIABILITIES				
Deposits from depositors	527,159	214,696	122,622	864,477
TOTAL	527,159	214,696	122,622	864,477
INCOME				
Fee and commission income	35	12	4	51
TOTAL	35	12	4	51

In executing its functions of the banker, the depository and the fiscal agent prescribed by the Law on the Central Bank, the Central Bank also maintains certain bookkeeping and executes transactions for the State and state institutions that are recorded off-balance. More information about these off-balance records is disclosed in Notes 26 and 27.

The Central Bank considers that it has an immediate related party relationship with its key management personnel, close family members of the key management personnel and entities controlled, jointly controlled or significantly influenced by the key management personnel and their close family members.

Remuneration of the key management members

The total remuneration of the key management members, in the period 01/01 – 31/03/2021, amounts to KM 244 thousand, out of which KM 140 thousand is related to salaries and other remuneration and KM 84 thousand is related to taxes and contributions (In the period 01/01 – 31/03/2020, out of the total amount of KM 188 thousand, the amount of KM 117 thousand was related to salaries and other remunerations and KM 71 thousand was related to taxes and contributions).

26. OFF-BALANCE SHEET ITEMS

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

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

26. OFF-BALANCE SHEET ITEMS (CONTINUED)

Analitical structure of the off-balance sheet items is presented in the following table:

In thousands of KM	31 March 2021	31 December 2020
Deposits of USAID	2,497	2,497
Deposits of non-residents	2,497	2,497
Deposits of the Council of Ministers of BH:	13,440	8,556
<i>Deposits of the Council of Ministers of BH on the basis of succession</i>	42	41
<i>Deposits of the Council of Ministers of BH regarding the servicing of external debt</i>	11,605	6,738
<i>Deposits of the Council of Ministers of BH regarding the Budget of BH institutions</i>	1,532	1,528
<i>Other deposits of the Council of Ministers of BH</i>	261	250
Deposits of other residents:	11,733	13,459
<i>Deposits - Retirement allowances from Germany</i>	219	-
<i>Deposit accounts of banks</i>	11,514	13,459
Deposits of residents	25,173	22,015
Cash account – Deposit Insurance Agency of BH	55,305	73,684
Total – State institutions	55,305	73,684
TOTAL	82,975	98,196

BH Ministry of Finance and Treasury is the institution that acts on behalf of Council of Ministers of BH and state in deposit management and coordination. As at 31 March 2021 the total of these funds amount to KM 15,937 thousand (31 December 2020: KM 11,053 thousand).

27. BH MEMBERSHIP WITH THE INTERNATIONAL MONETARY FUND

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

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

27. BH MEMBERSHIP WITH THE INTERNATIONAL MONETARY FUND (CONTINUED)

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

In thousands of KM

	31 March 2021	31 December 2020
Quota	625,100	614,046
Special drawing rights with the IMF	864	879
TOTAL ASSETS	625,964	614,925
IMF account No.1	1,563	1,535
IMF account No.2	53	52
Securities	1,534,915	1,520,009
SDR allocation	379,223	372,517
Accrued interest on SDR allocation	39	65
Accounts of payable charges	1,582	1,670
TOTAL LIABILITIES	1,917,375	1,895,848
BH NET POSITION WITH THE IMF	1,291,411	1,280,923

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

28. EVENTS AFTER THE REPORTING PERIOD

There were no events in the period between 31 March 2021 and the date of approval of these condensed interim financial statements that would require adjustment or are material but do not require adjustment.