

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 MARCH 2020

(unaudited)

in accordance with the requirements of International Accounting Standard 34

Sarajevo, 29 April 2020

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**Responsibility of the Management and the Governing Board for the preparation and approval of the condensed interim financial statements**

The Management of the Central Bank of Bosnia and Herzegovina is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with International Accounting Standard 34: "Interim Financial Reporting". 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 involves the Audit Committee of the Central Bank of Bosnia and Herzegovina.

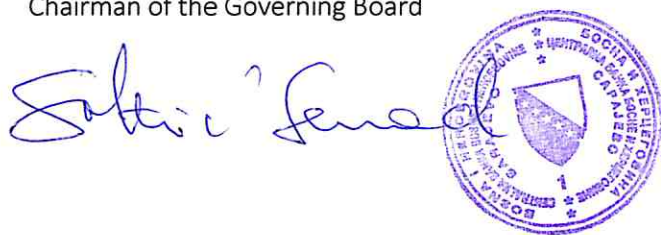
Accompanying unaudited condensed interim financial statements present fairly, in all material respects, the financial position, financial performance and cash flows of the Central Bank of Bosnia and Herzegovina as at the date of and for the periods presented in these condensed interim financial statements.

The Management is responsible for the submission to the Governing Board of its condensed interim financial statements, following which the Governing Board is required to approve the condensed interim financial statements for submission to the Presidency of the Bosnia and Herzegovina.

The accompanying condensed interim financial statements set out on pages 2 to 34 were approved by the Governing Board on 29 April 2020.

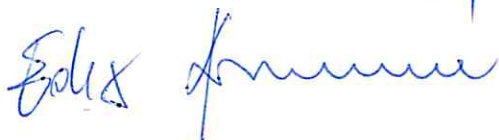
Senad Softić, Ph.D.

Chairman of the Governing Board

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Edis Kovačević, M.Sc.

Head of Accounting and Finance Department

The block contains a handwritten signature in blue ink, which appears to read "Edis Kovačević".

## STATEMENT OF PROFIT OR LOSS (UNAUDITED)

In thousands of KM	Note	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Interest income		13,450	11,704
Interest expense		(7,064)	(5,996)
<b>NET INTEREST INCOME</b>	<b>3</b>	<b>6,386</b>	<b>5,708</b>
Fee and commission income		4,888	4,048
Fee and commission expense		(167)	(155)
<b>NET FEE AND COMMISSION INCOME</b>	<b>4</b>	<b>4,721</b>	<b>3,893</b>
Net realised gains from sale of debt instruments at fair value through other comprehensive income	5	1,578	143
Net foreign exchange gains	6	110	42
Other income		64	55
<b>OPERATING INCOME</b>		<b>12,859</b>	<b>9,841</b>
Personnel expenses	7	(4,249)	(4,217)
Administrative and other operating expenses	8	(1,947)	(1,774)
Depreciation and amortisation charge		(635)	(600)
<b>OPERATING EXPENSES</b>		<b>(6,831)</b>	<b>(6,591)</b>
<b>FINANCIAL RESULT BEFORE PROVISIONS FOR EXPECTED CREDIT LOSS</b>		<b>6,028</b>	<b>3,250</b>
Provisions for expected credit losses, net (increase) / decrease	9	(54)	9,696
<b>NET PROFIT FOR THE PERIOD</b>	<b>10</b>	<b>5,974</b>	<b>12,946</b>

The selected notes on pages 9 to 34 are an integral part of these condensed interim financial statements.

## STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

In thousands of KM	Note	For the period	
		01/01 – 31/03 2020	01/01 – 31/03 2019
NET PROFIT FOR THE PERIOD	—	5,974	12,946
Other comprehensive 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	13	9,606	80,825
Net change in provisions for expected credit losses recognized in profit or loss during the period	24.1.1.	61	(7,661)
Reclassification to profit or loss from sale of debt instruments	5	(1,578)	(143)
		<u>8,089</u>	<u>73,021</u>
Monetary gold			
Net change in fair value during the period	14	<u>13,370</u>	<u>6,252</u>
		13,370	6,252
Total other comprehensive income		21,459	79,273
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>27,433</u>	<u>92,219</u>

The selected notes on pages 9 to 34 are an integral part of these condensed interim financial statements.



## STATEMENT OF FINANCIAL POSITION (UNAUDITED)

In thousands of KM	Note	31 March 2020	As at 31 December 2019
<b>ASSETS</b>			
Foreign currency in cash	11	139,804	322,599
Deposits with foreign banks	12	3,360,868	3,102,765
Debt instruments	13	8,689,475	8,917,413
Monetary gold	14	267,458	254,088
Special Drawing Rights with the IMF		2,978	230
Other assets	15	12,001	11,457
Property and equipment		48,219	48,314
Intangible assets		1,451	1,563
Other investments		27,813	27,813
<b>TOTAL ASSETS</b>		<b>12,550,067</b>	<b>12,686,242</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Currency in circulation	16	5,683,972	5,199,916
Deposits from banks	17	5,172,361	5,743,619
Deposits from the Government and other public depositors	18	805,121	880,675
Provisions for liabilities and charges		1,338	1,394
Other liabilities	19	3,301	4,097
<b>Total liabilities</b>		<b>11,666,093</b>	<b>11,829,701</b>
<b>EQUITY</b>			
Initial capital		25,000	25,000
Reserves		853,000	831,541
Net profit for the period		5,974	-
<b>Total equity</b>	20	<b>883,974</b>	<b>856,541</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,550,067</b>	<b>12,686,242</b>

The selected notes on pages 9 to 34 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 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 in 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 34 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 2019	25,000	514,720	31,300	133,696	8,993	6,138	694,847	-	719,847
Total comprehensive income for the period	-	-	-	80,728	(7,707)	6,252	79,273	12,946	92,219
Net profit for the period	-	-	-	-	-	-	-	12,946	12,946
Other comprehensive income	-	-	-	80,728	(7,707)	6,252	79,273	-	79,273
<i>Net unrealised negative changes in fair value for debt instruments</i>	-	-	-	80,825	-	-	80,825	-	80,825
<i>Net realised positive changes in fair value for debt instruments transferred to profit or loss</i>	-	-	-	(97)	-	-	(97)	-	(97)
<i>Net release of provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	-	-	-	(7,661)	-	(7,661)	-	(7,661)
<i>Net release of provisions for expected credit losses transferred to profit or loss for debt instruments sold</i>	-	-	-	-	(46)	-	(46)	-	(46)
<i>Net unrealised positive changes in fair value for monetary gold</i>	-	-	-	-	-	6,252	6,252	-	6,252
Balance at 31 March 2019	25,000	514,720	31,300	214,424	1,286	12,390	774,120	12,946	812,066

The selected notes on pages 9 to 34 are an integral part of these condensed interim financial statements.



## STATEMENT OF CASH FLOWS (UNAUDITED)

		01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
In thousands of KM	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the period		5,974	12,946
Adjusted for:			
Interest income	3	(13,450)	(11,704)
Interest expense	3	7,064	5,996
Provisions for expected credit losses, net increase / (decrease)	9	54	(9,696)
Net realised (gains) from sale of debt instruments at fair value through other comprehensive income	5	(1,578)	(143)
Net foreign exchange (gains)	6	(110)	(42)
Income from grants		(18)	(34)
Provisions for liabilities and charges, net increase		3	1
Depreciation and amortisation charge		635	600
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>(1,426)</b>	<b>(2,076)</b>
<b>Changes in operating assets and liabilities</b>			
(Increase) / decrease in term deposits with foreign banks		(135,043)	208
Decrease in debt instruments		237,544	7,916
(Increase) / decrease in other assets		(591)	757
Increase in currency in circulation		484,056	32,064
(Decrease) in deposits from banks, Government and other public depositors		(645,675)	(274,026)
(Decrease) in other liabilities		(791)	(727)
Payments from provisions for liabilities and charges		(59)	(23)
Interest received		12,313	11,207
Interest paid		(5,382)	(4,557)
<b>Net cash from operating activities</b>		<b>(55,054)</b>	<b>(229,257)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, equipment and intangible assets		(428)	(256)
<b>Net cash used in investing activities</b>		<b>(428)</b>	<b>(256)</b>

The selected notes on pages 9 to 34 are an integral part of these condensed interim financial statements.

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

In thousands of KM		01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
	Note		
Effect from changes in impairment for expected credit losses on cash and cash equivalents		18	1,253
Effects of exchange rate fluctuations on cash and cash equivalents held		123	70
Net (decrease) in cash and cash equivalents		(55,341)	(228,190)
Cash and cash equivalents at the beginning of the period		2,498,972	1,676,360
Cash and cash equivalents at the end of the period	21	2,443,631	1,448,170

The selected notes on pages 9 to 34 are an integral part of these condensed interim financial statements.

## SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2020 (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 assets. 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  $\text{KM } 1.95583 = \text{EUR } 1$ , prescribed by the Law on the Central Bank.

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.

In accordance with the article 64 paragraph 2 of the Law on the Central Bank, the Central Bank is obliged to prepare and submit the preliminary (unaudited) financial statements for each quarter of the year to the Presidency of Bosnia and Herzegovina.

As at the date of approval of these condensed interim financial statements, the members of the Governing Board, the Management and the Audit Committee are:

#### Governing Board

Senad Softić Ph.D.	Chairman
Ankica Kolobarić M.Sc.	Member
Šerif Isović M.Sc.	Member

#### Management

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

#### Audit Committee

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



## 2. BASIS OF PREPARATIONS

### 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 2019 ("annual statements").

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

The Central Bank's business and operations results for the reporting period and as at the reporting date presented in these condensed interim financial statements are not necessarily indicative of the business and operations results of the Central Bank expected for the 2020 year.

### 2.2. Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis, 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 2020. Their implementation has no significant impact on condensed interim financial statements of the Central Bank.

### 2.5. Seasonality

During the reporting period, all the activities of the Central Bank were performed according to the subject and time of realization under the going concern principle.

During the March 2020, there was an increased withdrawal of KM and EUR currencies from the Central bank's vaults due to the global pandemic of the COVID-19 virus to which the Central Bank successfully responded in accordance with the Law on the Central Bank. This did not affect going concern accounting principle of the Central Bank.

## 2. BASIS OF PREPARATION (CONTINUED)

### 2.6. Accounting policies

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

#### Use of judgments 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.

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. Changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period or in the period of change and in future periods if the change affects both current and future periods.

Existing circumstances and assumptions about future actions of the Central Bank's operations may change in response to fluctuations in the Eurozone's financial markets and circumstances beyond the control of the Central Bank, especially given the uncertainty caused by the global pandemic of the COVID-19 virus.

#### Foreign currency transactions and exchange differences

Middle exchange rates of the most relevant currencies are provided below:

Middle exchange rate:	31 March 2020	31 December 2019	31 March 2019
	KM	KM	KM
CHF	1.850184	1.799126	1.749244
GBP	2.200034	2.29536	2.278725
USD	1.772548	1.747994	1.740837
SDR	2.436397	2.417171	2.416721



### 3. NET INTEREST INCOME

In thousands of KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Interest income arising from:		
Debt instruments (Note 13)	9,825	10,195
Effects of negative deposit interest rates on deposits from domestic commercial banks	3,618	1,496
Deposits with foreign banks	2	9
Other financial assets at amortised cost	5	4
<b>Total</b>	<b>13,450</b>	<b>11,704</b>
Interest expense arising from:		
Effects of negative interest rates from debt instruments (Note 13)	(3,256)	(3,230)
Effects of negative interest rates from deposits with foreign banks	(3,808)	(2,766)
<b>Total</b>	<b>(7,064)</b>	<b>(5,996)</b>
<b>Net interest income</b>	<b>6,386</b>	<b>5,708</b>

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

The base for the required reserve calculation for commercial banks consists of deposits and borrowings regardless of fund currency expressed. Also, 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.

In the period 01/01 – 31/03/2020, the fee on the amount exceeding required reserves is calculated by the rate equal the European Central Bank deposit facility rate.

In the period 01/01 – 31/03/2019, the fee on the amount exceeding required reserves was calculated by the rate equal to 50% of the European Central Bank deposit facility rate.

### 3. NET INTEREST INCOME (CONTINUED)

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.

The following table presents interest rates for domestic commercial banks on the amount exceeding the required reserves in the reporting periods:

Period	Interest rate	European Central Bank deposit facility rate
<b>2020</b>		
From 1 January to 31 March	(0.50)%	(0.50)%
<b>2019</b>		
From 1 January to 31 March	(0.20)%	(0.40)%

Effects of negative interest rates from deposits with foreign banks include the amount of KM 2,986 thousand on term deposits and the amount of KM 822 thousand on demand deposits in the period 01/01 – 31/03/2020 (in the period 01/01 – 31/03/2019: included the amount of KM 2,192 thousand on term deposits and the amount of KM 574 thousand on demand deposits).

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

The average effective yield on debt instruments amounts to 0.30% in the period 01/01 – 31/03/2020 (in the period 01/01 – 31/03/2019 amounted to 0.34%).

The average negative effective interest rate on deposits with foreign banks amounts to 0.48% in the period 01/01 – 31/03/2020 (in the period 01/01 – 31/03/2019 amounted to 0.39%).

### 4. NET FEE AND COMMISSION INCOME

In thousands KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Fee and commission income arising from:		
Services for domestic commercial banks	4,573	3,766
Services for the Government and other non-banking clients	315	282
<b>Total</b>	<b>4,888</b>	<b>4,048</b>
Fee and commission expenses arising from:		
Transactions with foreign banks	(167)	(155)
<b>Total</b>	<b>(167)</b>	<b>(155)</b>
<b>Net fee and commission income</b>	<b>4,721</b>	<b>3,893</b>

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

In thousands of KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Realised gains	1,578	143
Realised losses	-	-
<b>Net realized gains from sale of debt instruments at fair value through other comprehensive income</b>	<b>1,578</b>	<b>143</b>

The corresponding amounts of realised gains from released provisions for expected credit losses for debt instruments sold are presented in the Note 24.1.1.

**6. NET FOREIGN EXCHANGE GAINS**

In thousands of KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Gains from foreign exchange differences	269	134
Losses from foreign exchange differences	(159)	(92)
<b>Net foreign exchange gains</b>	<b>110</b>	<b>42</b>

**7. PERSONNEL EXPENSES**

In thousands of KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Salaries	2,380	2,372
Contributions and other fees on salaries	1,353	1,348
Other employee benefits	399	385
Contributions and other fees on other employees benefits	114	111
Provisions for severance payments, net increase	3	1
<b>TOTAL</b>	<b>4,249</b>	<b>4,217</b>

Personnel expenses include KM 823 thousand of defined pension contributions paid to the public pension funds in BH (01/01 – 31/03/2019: KM 812 thousand).

As at 31 March 2020 the Central Bank has 367 employees (31 March 2019: 371 employees).

## 8. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

In thousands of KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Expenses for production and design of banknotes and coins	608	438
Maintenance costs	477	525
Other administrative and operating expenses	862	811
<b>TOTAL</b>	<b>1.947</b>	<b>1.774</b>

Maintenance costs mainly include expenses related to fixed tangible assets of the Central Bank as well as information and payment systems expenses.

Other administrative and operating expenses mainly include overhead costs, costs related to access to necessary services and telecommunication lines and other current expenses for performing Central Bank's business activities.

## 9. PROVISIONS FOR EXPECTED CREDIT LOSSES, NET (INCREASE) / DECREASE

In thousands of KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
Gains from expected credit losses arising from:		
Debt instruments:	67	7,772
<i>Change in PD calculation</i>	-	7,704
<i>Change in credit risk</i>	67	68
Deposits with foreign banks:	818	2,640
<i>Change in PD calculation</i>	-	2,117
<i>Change in credit risk</i>	818	523
Other financial assets:	2	4
<i>Change in credit risk</i>	2	4
Special drawing rights with the IMF:	-	-
<i>Change in credit risk</i>	-	-
	<b>887</b>	<b>10,416</b>
Allowance for expected credit losses arising from:		
Debt instruments	(128)	(111)
Deposits with foreign banks	(810)	(605)
Other financial assets	(3)	(4)
Special drawing rights with the IMF	-	-
	<b>(941)</b>	<b>(720)</b>
<b>Provisions for expected credit losses, net (increase) / decrease</b>	<b>(54)</b>	<b>9,696</b>



# 10. NET PROFIT FOR THE PERIOD

In thousands of KM	01/01 – 31/03 2020	For the period 01/01 – 31/03 2019
FINANCIAL RESULT BEFORE PROVISIONS FOR EXPECTED CREDIT LOSSES	6,028	3,250
Provisions for expected credit losses, net (increase) / decrease:		
<i>Change in PD calculation at 1 January 2019</i>	- -	9,821
<i>Additional net provisions during the period</i>	(54)	(125)
	(54)	9,696
NET PROFIT FOR THE PERIOD	5,974	12,946

The significant deviation of the net profit for the period compared to the comparative reporting period is a consequence of the application of different PD calculations in measuring the expected credit losses. The change in PD calculation resulted in a one-time recognition of gains from expected credit losses in the amount of KM 9,821 thousand in profit or loss and reductions in provisions for expected credit losses for the respective classes of financial assets as at 1 January 2019. For more information on the effects of this change see Note 24.1.1.

# 11. FOREIGN CURRENCY IN CASH

Foreign currency in cash relates to:

In thousands of KM	31 March 2020	31 December 2019
Cash in vaults per currency:		
- EUR	139,727	322,523
- CHF	40	39
- USD	20	20
- GBP	17	17
TOTAL	139,804	322,599

The decrease in EUR cash in the Central Bank's vaults is a consequence of a temporary increased demand for EUR currency by domestic commercial banks due to the COVID-19 virus.



## 12. DEPOSITS WITH FOREIGN BANKS

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

In thousands of KM	31 March 2020	31 December 2019
Term deposits:		
- EUR	2,502,328	2,308,476
Less impairment for expected credit losses	(570)	(495)
	<u>2,501,758</u>	<u>2,307,981</u>
Demand deposits:		
- EUR	850,775	784,914
- CHF	5,825	5,999
- GBP	2,100	2,220
- USD	556	1,880
Less impairment for expected credit losses	(146)	(229)
	<u>859,110</u>	<u>794,784</u>
<b>TOTAL</b>	<u><b>3,360,868</b></u>	<u><b>3,102,765</b></u>

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

In thousands of KM	31 March 2020	31 December 2019
Up to 1 month	1,244,653	1,184,603
From 1 to 2 months	349,582	155,675
From 2 to three months	541,959	272,789
From three to four months	366,134	192,865
From 4 to 12 months	-	502,544
<b>Total</b>	<u><b>2,502,328</b></u>	<u><b>2,308,476</b></u>
Less impairment for expected credit losses	(570)	(495)
<b>TOTAL</b>	<u><b>2,501,758</b></u>	<u><b>2,307,981</b></u>

Deposits with foreign banks include negative accrued interest in the amount of KM 2,607 thousand as at 31 March 2020 (31 December 2019: included negative accrued interest in the amount of KM 1,423 thousand).

### 13. DEBT INSTRUMENTS

Debt instruments are classified at fair value through other comprehensive income, composed of sovereign government bonds of Eurozone countries with a high degree of marketability and liquidity, with a credit rating from AAA to BBB. 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.

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

In thousands of KM	31 March 2020	31 December 2019
Sovereign government bonds	8,610,975	8,848,981
Accrued interest	78,500	68,432
<b>TOTAL</b>	<b>8,689,475</b>	<b>8,917,413</b>

The analysis of fair value changes of debt instruments at fair value through other comprehensive income during the reporting periods is provided in the following table:

In thousands of KM	01/01 - 31/03 2020	For the period 01/01 - 31/03 2019
Opening balance	8,917,413	8,225,439
Purchases during the period	507,190	914,200
Sales during the period	(316,129)	(209,178)
Interest income recognized during the period (Note 3)	9,825	10,195
Effects of negative interest rates recognized during the period (Note 3)	(3,256)	(3,230)
Maturities of debt instruments	(413,698)	(698,720)
Maturities of coupons	(21,476)	(21,183)
Net change in fair value during the period	9,606	80,825
<b>Closing balance</b>	<b>8,689,475</b>	<b>8,298,348</b>

Significant deviations of net changes in fair value during the period for debt instruments are a consequence of the different conditions and movements in market prices to which the Central Bank was exposed in comparative reporting periods. The spread of global pandemic of the COVID-19 virus has been volatile in the direction of a fall in market prices of debt instruments held by the Central Bank relative to the comparative reporting period in which they occurred.

These changes are dominant reason for the deviation of the quarterly total comprehensive income of the Central Bank in the reporting periods.

#### 14. MONETARY GOLD

As at 31 March 2020, fair value of monetary gold amounts to KM 267,458 thousand, representing 96,000 ounces of gold at KM 2,786 per ounce (31 March 2019: KM 254,088 thousand, representing 96,000 ounces of gold at KM 2,647 per ounce).

Analysis of fair value changes in monetary gold in the reporting periods is provided in the following table:

In thousands of KM	01/01 - 31/03 2020	For the period 01/01 - 31/03 2019
Opening balance	254,088	209,996
Net change in fair value during the period	13,370	6,252
Closing balance	267,458	216,248

#### 15. OTHER ASSETS

In thousands KM	31 March 2020	31 December 2019
Prepaid expenses	7,810	7,539
Receivables from domestic banks	2,265	1,833
Numismatics collection	804	840
Other miscellaneous assets	555	620
Giro accounts	528	575
Loans to employees	45	55
Receivables from employee based on domestic currency deficit	600	600
Less impairment of other receivables	(600)	(600)
Less impairment for expected credit losses	(6)	(5)
<b>TOTAL</b>	<b>12,001</b>	<b>11,457</b>

As at 31 March 2020, prepaid expenses include expenditures of KM 7,245 thousand incurred on the production of banknotes and coins (31 December 2019: KM 6,973 thousand incurred on the production of banknotes and coins).

#### 16. CURRENCY IN CIRCULATION

In thousands of KM	31 March 2020	31 December 2019
Opening balance	5,199,916	4,750,614
Increase in currency in circulation during the period	484,056	449,302
Closing balance	5,683,972	5,199,916

The significant increase of currency in circulation is caused by the temporary increased demand for cash due to the COVID-19 virus which prompted commercial banks to withdraw cash from Central Bank's vaults.



## 17. DEPOSITS FROM BANKS

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

In thousands of KM	31 March 2020	31 December 2019
Deposits of domestic commercial banks	5,171,800	5,743,011
Reserve accounts of organizational units of the Central Bank	528	575
Special deposits of domestic commercial banks - blocked funds	33	33
<b>TOTAL</b>	<b>5,172,361</b>	<b>5,743,619</b>

The average balance of the reserve accounts of domestic commercial banks, calculated for the last ten day settlement period in March 2020, amounts to KM 5,154,621 thousand out of which KM 2,705,192 thousand is related to required reserves of commercial banks and KM 2,449,429 thousand is related to amount exceeding the required reserves (The average balance of the reserve accounts of domestic commercial banks, calculated for the last ten day settlement period in December 2019, amounted to KM 5,670,600 thousand out of which KM 2,693,462 thousand was related to required reserves of commercial banks and KM 2,977,138 thousand was related to amount exceeding the required reserves).

Deposits from banks include negative accrued interest in the amount of KM 1,137 thousand as at 31 March 2020 (31 December 2019: included negative accrued interest in the amount of KM 1,304 thousand).

## 18. DEPOSITS FROM THE GOVERNMENT AND OTHER PUBLIC DEPOSITORS

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

In thousands of KM	31 March 2020	31 December 2019
Deposits for the budget of BH institutions	510,164	553,745
Deposits of other public institutions	186,394	176,640
Deposits of other governments and government institutions	108,558	150,285
Deposit account under the IMF transactions	5	5
<b>TOTAL</b>	<b>805,121</b>	<b>880,675</b>

## 19. OTHER LIABILITIES

In thousands of KM	31 March 2020	31 December 2019
IMF accounts No. 1 and 2	1,670	1,657
Suppliers	714	2,095
Accrued expenses and other liabilities	664	224
World Bank deposits	196	52
Deferred income	51	69
Liabilities to employees	6	-
<b>TOTAL</b>	<b>3,301</b>	<b>4,097</b>

## 20. EQUITY

The structure of the equity is presented in the following table:

In thousands of KM	31 March 2020	31 December 2019
Initial capital	25,000	25,000
Reserves	853,000	831,541
<i>General reserves (Retained earnings)</i>	537,295	537,295
<i>Other reserves</i>	31,300	31,300
<i>Fair value reserves for debt and equity instruments at fair value through other comprehensive income</i>	219,460	211,373
<i>Provisions for expected credit losses (Note 24.1.1)</i>	1,345	1,343
<i>Fair value reserves for monetary gold</i>	63,600	50,230
Net profit for the period	5,974	-
<b>TOTAL</b>	<b>883,974</b>	<b>856,541</b>



## 21. CASH AND CASH EQUIVALENTS

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

In thousands of KM	31 March 2020	31 March 2019
Foreign currency deposits with maturity up to three months or less from the date of acquisition	1,441,676	547,712
Foreign currency demand deposits	859,256	614,090
Foreign currency in cash	139,804	286,166
Special drawing rights with the IMF	2,978	30
Giro accounts	528	538
<b>Total</b>	<b>2,444,242</b>	<b>1,448,536</b>
Less impairment for expected credit losses	(611)	(366)
<b>TOTAL</b>	<b>2,443,631</b>	<b>1,448,170</b>

## 22. 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 2020	31 December 2019
<b>Gross foreign currency reserves</b>	<b>12,460,583</b>	<b>12,597,095</b>
Foreign currency in cash	139,804	322,599
Deposits with foreign banks	3,360,868	3,102,765
Debt instruments	8,689,475	8,917,413
Monetary gold	267,458	254,088
Special drawing rights with the IMF	2,978	230
 Liabilities to non-residents	 1,866	 1,709
<b>Net foreign currency reserves</b> (Gross foreign currency reserves less liabilities to non-residents)	<b>12,458,717</b>	<b>12,595,386</b>
 <b>Monetary liabilities</b>	 <b>11,661,454</b>	 <b>11,824,210</b>
Currency in circulation	5,683,972	5,199,916
Deposits from banks	5,172,361	5,743,619
Deposits from the Government and other public depositors	805,121	880,675
 <b>NET FOREIGN ASSETS</b> (Net foreign currency reserves less monetary liabilities)	 <b>797,263</b>	 <b>771,176</b>

## 23. RELATED PARTIES TRANSACTION

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 transaction. 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.

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

In thousands of KM

31 March 2020	<u>Liabilities</u>
State	483,480
<i>State institutions:</i>	
BH Indirect Taxations Authority	95,074
BH Deposit Insurance Agency	<u>177,195</u>
<b>TOTAL</b>	<b><u>755,749</u></b>

In thousands of KM

31 December 2019	<u>Liabilities</u>
State	546,735
<i>State institutions:</i>	
BH Indirect Taxations Authority	85,844
BH Deposit Insurance Agency	<u>165,033</u>
<b>TOTAL</b>	<b><u>797,612</u></b>

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 (members of the Management and the Governing Board), in the period 01/01 – 31/03/2020, amounts to KM 178 thousand, out of which KM 111 thousand is related to salaries and other remuneration and KM 67 thousand is related to taxes and contributions (In the period 01/01 – 31/03/2019, out of the total amount of KM 220 thousand KM 136 thousand was related to salaries and other remunerations and KM 84 thousand was related to taxes and contributions).

## 24. FINANCIAL RISK MANAGEMENT

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

- Foreign currency in cash,
- Deposits with foreign banks (central banks, commercial banks and BIS),
- Debt instruments,
- Monetary gold,
- Special drawing rights with the IMF,
- Other financial assets (domestic banks' receivables, employees' loans and other receivables) and
- Other investments.

### 24.1. Credit risk

Credit risk represents 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. The management of this 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, 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 i 27).



24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1. Credit risk (continued)

24.1.1. 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

	2020				2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>1. Debt instruments</b>								
As at 1 January - stated	1,343	-	-	1,343	8,993	-	-	8,993
Change in PD calculation at 1 January (Note 9)	-	-	-	-	(7,704)	-	-	(7,704)
As at 1 January - restated	1,343	-	-	1,343	1,289	-	-	1,289
Increases due to change in credit risk	128	-	-	128	111	-	-	111
Decreases due to change in credit risk	(19)	-	-	(19)	(7)	-	-	(7)
Decreases due to debt instruments matured	(48)	-	-	(48)	(61)	-	-	(61)
<i>Net increase / (decrease) during the period</i>	61	-	-	61	(7,661)	-	-	(7,661)
Decreases due to debt instruments sold	(59)	-	-	(59)	(46)	-	-	(46)
As at 31 March	1,345	-	-	1,345	1,286	-	-	1,286
<b>2. Deposits with foreign banks</b>								
As at 1 January - stated	724	-	-	724	2,535	-	-	2,535
Change in PD calculation at 1 January (Note 9)	-	-	-	-	(2,117)	-	-	(2,117)
As at 1 January - restated	724	-	-	724	418	-	-	418
Increases due to change in credit risk	810	-	-	810	605	-	-	605
Decreases due to change in credit risk	(100)	-	-	(100)	(19)	-	-	(19)
Decreases due to derecognition of term deposits	(718)	-	-	(718)	(503)	-	-	(503)
As at 31 March	716	-	-	716	501	-	-	501

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1. Credit risk (continued)

24.1.1. Credit risk exposure (continued)

	2020				2019			
	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 due to change in credit risk	-	-	-	-	-	-	-	-
Decreases due to change in credit risk	-	-	-	-	-	-	-	-
As at 31 March	-	-	-	-	-	-	-	-
4. Other financial assets								
As at 1 January	5	-	600	605	5	-	600	605
Increases due to change in credit risk	3	-	-	3	5	-	-	5
Decreases due to change in credit risk	(2)	-	-	(2)	(5)	-	-	(5)
As at 31 March	6	-	600	606	5	-	600	605
Total opening balance at 1 January	2,072	-	600	2,672	11,533	-	600	12,133
Total change in PD calculation	-	-	-	-	(9,821)	-	-	(9,821)
Total net (decrease) / increase in credit risk	(5)	-	-	(5)	80	-	-	80
Total closing balance at 31 March	2,067	-	600	2,667	1,792	-	600	2,392



## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.1. Credit risk (continued)

#### 24.1.2. 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 recognized:

In thousands of KM

Classes of financial instruments	31 March 2020				31 December 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Foreign currency in cash</b>								
Gross carrying amount	139,804	-	-	139,804	322,599	-	-	322,599
Loss allowance	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>139,804</b>	<b>-</b>	<b>-</b>	<b>139,804</b>	<b>322,599</b>	<b>-</b>	<b>-</b>	<b>322,599</b>
<b>Deposits with foreign banks</b>								
Gross carrying amount	3,361,584	-	-	3,361,584	3,103,489	-	-	3,103,489
Loss allowance	(716)	-	-	(716)	(724)	-	-	(724)
<b>Carrying amount</b>	<b>3,360,868</b>	<b>-</b>	<b>-</b>	<b>3,360,868</b>	<b>3,102,765</b>	<b>-</b>	<b>-</b>	<b>3,102,765</b>
<b>Debt instruments</b>								
Gross carrying amount	8,689,475	-	-	8,689,475	8,917,413	-	-	8,917,413
Provisions for expected credit losses (recognized in other comprehensive income)	(1,345)	-	-	(1,345)	(1,343)	-	-	(1,343)
<b>Carrying amount</b>	<b>8,689,475</b>	<b>-</b>	<b>-</b>	<b>8,689,475</b>	<b>8,917,413</b>	<b>-</b>	<b>-</b>	<b>8,917,413</b>
<b>Special drawing rights with the IMF</b>								
Gross carrying amount	2,978	-	-	2,978	230	-	-	230
Loss allowance	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>2,978</b>	<b>-</b>	<b>-</b>	<b>2,978</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>230</b>
<b>Other financial assets</b>								
Gross carrying amount	3,139	-	600	3,739	2,827	-	600	3,427
Loss allowance	(6)	-	(600)	(606)	(5)	-	(600)	(605)
<b>Carrying amount</b>	<b>3,133</b>	<b>-</b>	<b>-</b>	<b>3,133</b>	<b>2,822</b>	<b>-</b>	<b>-</b>	<b>2,822</b>

## 24. FINANCIAL RISK MANAGEMENT (CONTUNUED)

### 24.1. Credit risk (continued)

#### 24.1.2. Credit risk concentration (continued)

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

In thousands of KM	31 March 2020	31 December 2019
Carrying amount		
Monetary gold	267,458	254,088
Other investments	27,813	27,813
<b>TOTAL</b>	<b>295,271</b>	<b>281,901</b>

### 24.2. Market risk

Market risk is the risk that changes of prices on the market, such as interest rates, financial assets prices and foreign exchange rates, will affect the Central Bank's income or the value of investment in financial assets. Basic market risks, which Central Bank follows and manages, are foreign exchange risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return.

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 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% and 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 in foreign currency reserves portfolio are taken into account, respectively foreign exchange risk, interest rate risk and price risk. As at 31 March 2020, 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 242,098 thousand (31 December 2019: KM 76,418 thousand), which represents 1.94% of the total financial assets (31 December 2019: 0.61% of the total financial assets).

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

In thousands of KM	31 March 2020	31 December 2019
Currency risk	283	277
Interest rate risk	204,312	67,443
Risk of change in EUR prices of the monetary gold	37,503	8,698
<b>Total VaR</b>	<b>242,098</b>	<b>76,418</b>

## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 24.2. Market risk (continued)

#### 24.2.1. 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.

#### 24.2.2. Interest rate risk

Interest rate risk is the risk of changes in market value of the financial assets due to the adverse 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. The longer the maturity of financial instruments in which foreign currency reserves are invested, the greater the associated risk of changes in their market value is. Maximum term for investing deposits with foreign banks is one year, while maximum term of investing debt instruments with fixed income is ten years.

### 24.3. Liquidity risk

Liquidity risk refers to the possible difficulties in liquidating a portion of assets quickly, when it is necessary, mostly when market conditions are unfavorable or when there is no opportunity to obtain the appropriate price of the financial asset on financial market.

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.



## 25. 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.

### 25.1. Financial assets measured at fair value

In thousands of KM

31 March 2020

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Debt instruments	8,689,475	-	-	8,689,475
Monetary gold	267,458	-	-	267,458
<b>TOTAL</b>	<b>8,956,933</b>	<b>-</b>	<b>-</b>	<b>8,956,933</b>

In thousands of KM

31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Debt instruments	8,917,413	-	-	8,917,413
Monetary gold	254,088	-	-	254,088
<b>TOTAL</b>	<b>9,171,501</b>	<b>-</b>	<b>-</b>	<b>9,171,501</b>



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

### 25.2. Financial assets and financial liabilities not measured at fair value

In thousands of KM

	Carrying amount	31 March 2020 Fair value
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost:</i>		
Foreign currency in cash	139,804	139,804
Deposits with foreign banks	3,360,868	3,353,760
Special drawing rights with the IMF	2,978	2,978
Other financial assets	3,133	3,133
	<u>3,506,783</u>	<u>3,499,675</u>
<i>Financial assets at fair value through other comprehensive income:</i>		
Other investments	27,813	27,813
	<u>27,813</u>	<u>27,813</u>
<b>Total</b>	<u>3,534,596</u>	<u>3,527,488</u>
 <b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Currency in circulation	5,683,972	5,683,972
Deposits from banks	5,172,361	5,161,193
Deposits from the Governments and other public depositors	805,121	803,383
Other financial liabilities	2,602	2,602
<b>Total</b>	<u>11,664,056</u>	<u>11,651,150</u>

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

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

In thousands of KM

31 December 2019

	Carrying amount	Fair value
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost:</i>		
Foreign currency in cash	322,599	322,599
Deposits with foreign banks	3,102,765	3,094,695
Special drawing rights with the IMF	230	230
Other financial assets	2,822	2,822
	<u>3,428,416</u>	<u>3,420,346</u>
<i>Financial assets at fair value through other comprehensive income:</i>		
Other investments	27,813	27,813
	<u>27,813</u>	<u>27,813</u>
<b>Total</b>	<u>3,456,229</u>	<u>3,448,159</u>
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Currency in circulation	5,199,916	5,199,916
Deposits from banks	5,743,619	5,729,302
Deposits from the Governments and other public depositors	880,675	878,480
Other financial liabilities	3,816	3,816
<b>Total</b>	<u>11,828,026</u>	<u>11,811,514</u>

## 26. BH MEMBERSHIP WITH THE INTERNATIONAL MONETARY FUND

According to arrangements concluded between BH and the IMF signed in December 2002, 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.

## 26. 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 bellow:

In thousands of KM

	31 March 2020	31 December 2019
Quota	646,132	641,034
Special drawing rights with the IMF	2,978	230
<b>TOTAL ASSETS</b>	<b>649,110</b>	<b>641,264</b>
IMF account No.1	1,615	1,603
IMF account No.2	55	54
Securities	953,303	945,780
SDR allocation	391,983	388,890
Accrued interest on SDR allocation	301	506
Accounts of payable charges	746	912
<b>TOTAL LIABILITIES</b>	<b>1,348,003</b>	<b>1,337,745</b>
<b>BH NET POSITION WITH THE IMF</b>	<b>698,893</b>	<b>696,481</b>

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.

## 27. 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.

## 27. OFF-BALANCE SHEET ITEMS (CONTINUED)

Off-balance sheet items consist of:

In thousands of KM	31 March 2020	31 December 2019
Deposits of USAID	2,497	2,497
Deposits of non-residents	2,497	2,497
Deposits of the Council of Ministers of BH:	17,214	10,582
<i>Deposits of the Council of Ministers of BH on the basis of succession</i>	47	46
<i>Deposits of the Council of Ministers of BH regarding the servicing of foreign debt</i>	15,252	8,641
<i>Deposits of the Council of Ministers of BH regarding the Budget of BH institutions</i>	1,638	1,622
<i>Other deposits of the Council of Ministers of BH</i>	277	273
Deposits of other residents:	24,325	15,305
<i>Deposits - Retirement allowances from Germany</i>	209	5
<i>Deposit accounts of banks</i>	24,116	15,300
Deposits of residents	41,539	25,887
Investments related to securities – Deposit Insurance Agency of BH	64,335	70,356
Investments of residents related to securities	64,335	70,356
<b>TOTAL</b>	<b>108,371</b>	<b>98,740</b>

## 28. POST-REPORTING DATE EVENTS

As at 22 April 2020, the IMF funds were transferred to the Central Bank's accounts in the total amount of approximately EUR 333 million or SDR 265.2 million based on the approved loan to the BH under the Rapid Finance Instrument ("RFI") arrangement to mitigate the economic consequences of the COVID-19 virus.

Except as disclosed above, there were no events in the period between 31 March 2020 and the date of approval of these condensed interim financial statements that would require adjustment or are material but do not require adjustment.