

CENTRAL BANK OF BOSNIA AND HERZEGOVINA

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

(unaudited)

in accordance with the requirements of International Accounting Standard 34

Sarajevo, 30 July 2019

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STATEMENT OF PROFIT OR LOSS

In thousands of KM (unaudited)	Note	For the period			
		01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	01/01-30/06 2018
Interest income		12,526	11,936	24,230	23,555
Interest expense		(6,249)	(6,088)	(12,245)	(11,758)
NET INTEREST INCOME	3	6,277	5,848	11,985	11,797
Fee and commission income		4,458	4,363	8,506	8,416
Fee and commission expenses		(159)	(152)	(314)	(314)
NET FEE AND COMMISSION INCOME	4	4,299	4,211	8,192	8,102
Net realised gains from sale of financial assets at fair value through other comprehensive income	5	-	-	143	233
Net foreign exchange gains / (losses)	6	51	179	93	(37)
Other income	7	701	673	755	1,133
OPERATING INCOME		11,328	10,911	21,168	21,228
Personnel expenses	8	(4,958)	(4,945)	(9,175)	(9,155)
Administrative and other operating expenses	9	(2,000)	(1,928)	(3,773)	(3,987)
Depreciation and amortisation		(590)	(532)	(1,190)	(1,055)
OPERATING EXPENSES		(7,548)	(7,405)	(14,138)	(14,197)
FINANCIAL RESULT BEFORE PROVISIONS FOR EXPECTED CREDIT LOSSES		3,780	3,506	7,030	7,031
Provisions for expected credit losses, net	10	(58)	(9,794)	9,638	(10,464)
NET PROFIT / (LOSS) FOR THE PERIOD	11	3,722	(6,288)	16,668	(3,433)

The selected notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of KM (unaudited)	Note	For the period			
		01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	01/01/-30/06 2018
NET PROFIT / (LOSS) FOR THE PERIOD		3,722	(6,288)	16,668	(3,433)
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	65,436	6,937	146,261	1,770
Net change in provisions for expected credit losses during the period recognized in profit or loss	24.1.1.	(26)	9,287	(7,687)	9,367
Transfer to profit or loss from sale	5	-	-	(143)	(233)
		65,410	16,224	138,431	10,904
Monetary gold					
Net change in fair value during the period	14	16,486	(841)	22,738	(2,606)
		16,486	(841)	22,738	(2,606)
Total other comprehensive income		81,896	15,383	161,169	8,298
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		85,618	9,095	177,837	4,865

The selected notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

STATEMENT OF FINANCIAL POSITION

In thousands of KM (unaudited)	Note	30 June 2019	As at 31 December 2018
ASSETS			
Foreign currency in cash		294,771	274,099
Deposits with foreign banks	12	2,946,385	2,911,448
Debt instruments at fair value through other comprehensive income	13	8,547,188	8,225,439
Monetary gold	14	232,734	209,996
Special Drawing Rights with the IMF		524	2,236
Dividend receivables		623	-
Other assets	15	9,169	10,554
Property and equipment		43,752	44,677
Intangible assets		1,418	1,342
Other investments		27,813	27,813
TOTAL ASSETS		12,104,377	11,707,604
LIABILITIES AND EQUITY			
LIABILITIES			
Currency in circulation	16	4,924,022	4,750,614
Deposits from banks	17	5,495,755	5,523,290
Deposits from the Government and other depositors	18	782,529	709,367
Provisions for liabilities and charges		1,204	1,259
Other liabilities	19	3,183	3,227
Total liabilities		11,206,693	10,987,757
EQUITY			
Initial capital		25,000	25,000
Reserves		856,016	694,847
Net profit for the period		16,668	-
Total equity	20	897,684	719,847
TOTAL LIABILITIES AND EQUITY		12,104,377	11,707,604

The selected notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of KM (unaudited)

	Initial capital	General reserves (Retained earnings)	Other reserves	Fair value reserves – financial assets at fair value through other comprehensive income	Provisions for expected credit losses	Fair value reserves – monetary gold	Total reserves	Profit for the period	Total equity
As 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	-	-	-	146,164	(7,733)	22,738	161,169	16,668	177,837
Net profit for the period	-	-	-	-	-	-	-	16,668	16,668
Other comprehensive income	-	-	-	146,164	(7,733)	22,738	161,169	-	161,169
<i>Net unrealised positive changes in fair value of debt instruments</i>	-	-	-	146,261	-	-	146,261	-	146,261
<i>Net realised positive changes in fair value of debt instruments transferred to profit or loss</i>	-	-	-	(97)	-	-	(97)	-	(97)
<i>Net unrealised positive changes in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	-	-	-	(7,687)	-	(7,687)	-	(7,687)
<i>Net realised positive changes in provisions for expected credit losses for debt instruments transferred to profit or loss</i>	-	-	-	-	(46)	-	(46)	-	(46)
<i>Net unrealised positive changes in fair value of monetary gold</i>	-	-	-	-	-	22,738	22,738	-	22,738
As at 30 June 2019	25,000	514,720	31,300	279,860	1,260	28,876	856,016	16,668	897,684

The selected notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

In thousands of KM (unaudited)

	Initial capital	General reserves (Retained earnings)	Other reserves	Fair value reserves – financial assets at fair value through other comprehensive income	Provisions for expected credit losses	Fair value reserves – monetary gold	Total reserves	(Loss) for the period	Total equity
As at 1 January 2018	25,000	506,289	31,300	141,765	4,290	-	683,644	-	708,644
Total comprehensive income for the period	-	-	-	1,699	9,205	(2,606)	8,298	(3,433)	4,865
Net (loss) for the period	-	-	-	-	-	-	-	(3,433)	(3,433)
Other comprehensive income	-	-	-	1,699	9,205	(2,606)	8,298	-	8,298
<i>Net unrealised positive changes in fair value of debt instruments</i>	-	-	-	1,770	-	-	1,770	-	1,770
<i>Net realised positive changes in fair value of debt instruments transferred to profit or loss</i>	-	-	-	(71)	-	-	(71)	-	(71)
<i>Net unrealised negative changes in provisions for expected credit losses for debt instruments recognised in profit or loss</i>	-	-	-	-	9,367	-	9,367	-	9,367
<i>Net realised positive changes in provisions for expected credit losses for debt instruments transferred to profit or loss</i>	-	-	-	-	(162)	-	(162)	-	(162)
<i>Net unrealised negative changes in fair value of monetary gold</i>	-	-	-	-	-	(2,606)	(2,606)	-	(2,606)
As at 30 June 2018	25,000	506,289	31,300	143,464	13,495	(2,606)	691,942	(3,433)	713,509

The selected notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

STATEMENT OF CASH FLOWS

		For the period	
		01/01-30/06	01/01-30/06
	Note	2019	2018
In thousands of KM (unaudited)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		16,668	(3,433)
Adjusted for:			
Interest income	3	(24,230)	(23,555)
Interest expense	3	12,245	11,758
Provisions for expected credit losses, net	10	(9,638)	10,464
Net realised (gains) from sale of debt instruments at fair value through other comprehensive income	5	(143)	(233)
Net foreign exchange (gains) / losses	6	(93)	37
Income from grants		(59)	(69)
Provisions for liabilities and charges		7	(74)
Dividend income recognised in profit or loss	7	(623)	(589)
Depreciation and amortisation		1,190	1,055
Net cash flows from operating activities before changes in operating assets and liabilities		(4,676)	(4,639)
Changes in operating assets and liabilities			
Decrease in deposits with foreign banks		42,404	152,686
(Increase) in debt instruments at fair value through other comprehensive income		(161,766)	(689,539)
Decrease in other assets		1,327	1,065
Increase in currency in circulation		173,408	196,014
Increase in deposits		49,637	296,107
(Decrease) in other liabilities		6	(254)
Payments from provisions for liabilities and charges		(62)	(134)
Interest received		22	25
Interest paid		(3,684)	(4,019)
Net cash from operating activities		96,616	(52,688)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, equipment and intangible assets		(341)	(1,018)
Net cash used in investing activities		(341)	(1,018)
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution of profit to the state budget		-	(7,311)
Net cash used in financing activities		-	(7,311)

The selected notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

STATEMENT OF CASH FLOWS (CONTINUED)

		01/01-30/06 2019	For the period 01/01-30/06 2018
In thousands of KM (unaudited)	Note		
Effects from changes in impairment for expected credit losses on cash and cash equivalents		(1,167)	1,081
Effects of exchange rate fluctuations on cash and cash equivalents held		103	(11)
Net increase / (decrease) in cash and cash equivalents		<u>95,211</u>	<u>(59,358)</u>
Cash and cash equivalents at the beginning of the period		1,676,360	2,061,284
Cash and cash equivalents at the end of the period	21	<u>1,771,571</u>	<u>2,001,926</u>

The selected notes on pages 8 to 31 are an integral part of these condensed interim financial statements.

SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

1. GENERAL INFORMATION

The Central Bank of Bosnia and Herzegovina (the "Bank") was established in accordance with the Law on the Central Bank of Bosnia and Herzegovina (the "Law"), which was adopted by the Parliamentary Assembly of Bosnia and Herzegovina on 20 June 1997, according to the General Framework Peace Agreement in Bosnia and Herzegovina ("BH").

The Bank started its operations on 11 August 1997.

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

The objective of the Bank is to achieve and maintain the stability of the domestic currency (Convertible Mark) by issuing it according to the rule known as a "Currency Board".

According to the article 64 paragraph 2 of the Law, the Bank is obliged to prepare and submit preliminary (unaudited) financial statements for each quarter to the BH Presidency.

Governing Board of the Bank, consisting of five members, approves these condensed interim financial statements, while the Management of the Bank, consisting of four members, is responsible for the preparation. As at the date of approval of these condensed interim financial statements, members of the Governing Board and Management are:

Governing Board

Senad Softić Ph.D.	Chairman
Ankica Kolobarić M.Sc.	Member
Šerif Isović M.Sc.	Member
Trivo Marinković M.Sc.	Member
Ljubiša Vladušić Ph.D.	Member

Management

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 ("IAS 34"): "Interim financial reporting". Condensed interim financial statements do not include all the information required in the complete set of financial statements prepared in accordance with the International Financial Reporting Standards ("IFRSs") and should be read in conjunction with the latest audited financial statements of the Bank for the year ended on 31 December 2018 („annual statements”).

The selected notes of these condensed interim financial statements clarify events and transactions that are important for understanding the changes in the Bank's financial position and performance compared to the latest audited annual statements.

2.2. Basis of measurement

These condensed interim financial statements have been prepared on a historical cost, 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

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell 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 a liability, the 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.

More detailed disclosures on fair value measurement of financial assets and financial liabilities are presented in Note 25.

2.3. Functional and presentation currency

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

The official exchange rate of KM to the Euro (EUR) has been defined by the Law as KM 1.95583 = EUR 1. As required by the Law, the Bank is obliged to purchase and sell KM for EUR on demand, without any restrictions, within the BH territory, at the defined exchange rate.

2. BASIS OF PREPARATION (CONTINUED)

2.4. Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires Management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, as well as to disclosure contingent assets and liabilities in these condensed interim financial statements and corresponding reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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 future periods if the change affects both current and future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis, and are based on the latest available reliable information and more experience in their implementation. Accordingly, the Bank has revised and changed the methodology for impairment of financial assets during the 2018 year in accordance with IFRS 9 and its compliance with practices in other central banks that apply IFRSs.

Starting from 1 January 2019, the Bank applies the new methodology for Probability of Default (PD) calculation which is one of three parameters for the expected credit loss calculation. From 1 January 2019, change in PD calculation is based on transitional matrices of rating agencies compared to 2018 when it was based on market indicators of credit risk i.e. Credit Default Swaps (CDS).

More information about PD calculation method in 2019 and the effects of calculation change is disclosed in Note 24.1 and 24.1.1.

2.5. Accounting policies

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

In the reporting period there were neither cyclic nor periodical operational activities in the Bank's operations, all activities were done according to the subject and time of realisation on a going concern basis.

The significant assumptions made by the Management that are used in applying the Bank's accounting policies and the key sources of estimation uncertainty are the same as those described in the annual statements, except for the change in accounting estimate described in Note 2.4.

2.6. Standards and Interpretations in issue not yet adopted

There were no significant amendments of existing standards and interpretations published by the International Accounting Standards Board that are not yet effective compared to those disclosed in the latest annual statements.

3. NET INTEREST INCOME

For the period

In thousands of KM

	01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	01/01/-30/06 2018
Interest income arising from:				
Debt instruments at fair value through other comprehensive income (Note 13)	10,001	10,501	20,196	20,707
Effects of negative deposit interest rates on deposits from local commercial banks	2,514	1,421	4,010	2,819
Deposits with foreign banks	7	7	16	13
Other financial assets at amortised cost	4	7	8	16
Total interest income	12,526	11,936	24,230	23,555
Interest expense arising from:				
Effects of negative interest rates - Debt instruments at fair value through other comprehensive income (Note 13)	(3,244)	(3,454)	(6,474)	(6,528)
Effects of negative interest rates - Deposits with foreign banks	(3,005)	(2,634)	(5,771)	(5,230)
Total interest expense	(6,249)	(6,088)	(12,245)	(11,758)
Net interest income	6,277	5,848	11,985	11,797

The average effective yield on debt instruments at fair value through other comprehensive income amounted to 0.33% in the period 01/01 - 30/06/2019 (In the period 01/01 - 30/06/2018 amounted to 0.37%).

The average negative effective interest rate on deposits with foreign banks amounted to 0.40% in the period 01/01 - 30/06/2019 (In the period 01/01 - 30/06/2018 amounted to 0.42%).

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.

Effects of negative interest rates from deposits with foreign banks include the amount of KM 4,594 thousand on term deposits and the amount of KM 1,177 thousand on demand deposits in the period 01/01 - 30/06/2019 (In the period 01/01 - 30/06/2018 included the amount of KM 4,116 thousand on term deposits and the amount of KM 1,114 thousand on demand deposits).

The base for calculation of interest on deposits from local commercial banks includes the total deposits of commercial banks on reserve accounts during the 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 rate of 10% is established to be applied by the Bank on the base for the required reserve calculation.

3. NET INTEREST INCOME (CONTINUED)

The Governing Board Decision as at 27 March 2019 amended the Decision on defining and maintaining the required reserves and defining the required reserves fee changing the amount of fee calculated at the exceed required reserves of banks. Starting from 1 May 2019, the fee on the amount exceeding required reserves is calculated by the rate that is applied on bank deposits by the European Central Bank. The Bank does not calculate fee on the required reserve amount.

Effects of negative interest rates on deposits from local commercial banks are result of the negative interest rate on the amount exceeding the required reserve which, in the reporting periods, amounted to 0.20% up to 30 April 2019, and to 0.40% from 1 May 2019.

4. NET FEE AND COMMISSION INCOME

	01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	For the period 01/01/-30/06 2018
In thousands of KM				
Fee and commission income:				
from local commercial banks	4,151	4,067	7,917	7,830
from services for the Government and other non-banking clients	307	296	589	586
	<u>4,458</u>	<u>4,363</u>	<u>8,506</u>	<u>8,416</u>
Fee and commission expenses:				
transactions with foreign banks	(159)	(152)	(314)	(314)
	<u>(159)</u>	<u>(152)</u>	<u>(314)</u>	<u>(314)</u>
Net fee and commission income	<u>4,299</u>	<u>4,211</u>	<u>8,192</u>	<u>8,102</u>

5. NET REALISED GAINS FROM SALE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	For the period 01/01/-30/06 2018
In thousands of KM				
Realised gains	-	-	143	233
Realised losses	-	-	-	-
Net realised gains from sale of financial assets at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>143</u>	<u>233</u>

As at 30 June 2019, net realised gains from sale of financial assets at fair value through other comprehensive income include net amount comprising from closing balance in fair value reserves in the amount of KM 97 thousand and in provisions for expected credit losses in the amount of KM 46 thousand for debt instruments at fair value through other comprehensive income (As at 30 June 2018 they included net amount comprising from closing balance in fair value reserves in the amount of KM 71 thousand and in provisions for expected credit losses in the amount of KM 162 thousand).

6. NET FOREIGN EXCHANGE GAINS / (LOSSES)

	01/04-30/06	01/04-30/06	01/01-30/06	For the period
In thousands of KM	2019	2018	2019	01/01/-30/06
Gains from foreign exchange differences	185	304	319	390
Losses from foreign exchange differences	(134)	(125)	(226)	(427)
Net gains / (losses)	51	179	93	(37)

7. OTHER INCOME

	01/04-30/06	01/04-30/06	01/01-30/06	For the period
In thousands of KM	2019	2018	2019	01/01/-30/06
Dividend income	623	589	623	589
Income from grants	25	36	59	69
Other income	53	48	73	475
TOTAL	701	673	755	1,133

8. PERSONNEL EXPENSES

	01/04-30/06	01/04-30/06	01/01-30/06	For the period
In thousands of KM	2019	2018	2019	01/01/-30/06
Salaries	2,383	2,359	4,755	4,726
Taxes and contributions	1,355	1,340	2,703	2,684
Other employee benefits	1,214	1,246	1,710	1,749
Net provisions for severance payments	6	-	7	(4)
TOTAL	4,958	4,945	9,175	9,155

9. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	01/04-30/06	01/04-30/06	01/01-30/06	For the period
In thousands of KM	2019	2018	2019	01/01/-30/06
Maintenance costs	578	657	1,151	1,331
Expenses for production and design of banknotes and coins	438	437	876	875
Other administrative and operating expenses	984	834	1,746	1,781
TOTAL	2,000	1,928	3,773	3,987

10. PROVISIONS FOR EXPECTED CREDIT LOSSES, NET

In thousands of KM	01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	For the period 01/01/-30/06 2018
Gains from expected credit losses:				
from financial assets subsequently measured at fair value through other comprehensive income	105	4,708	7,877	5,695
from deposits with foreign banks	671	1,658	3,309	3,211
from other financial assets	-	10	5	20
from Special drawing rights with the IMF	-	1	1	1
	<u>776</u>	<u>6,377</u>	<u>11,192</u>	<u>8,927</u>
Losses from expected credit losses:				
from financial assets subsequently measured at fair value through other comprehensive income	(79)	(13,995)	(190)	(15,062)
from deposits with foreign banks	(753)	(2,164)	(1,358)	(4,309)
from other financial assets	(1)	(10)	(5)	(19)
from Special drawing rights with the IMF	(1)	(2)	(1)	(1)
	<u>(834)</u>	<u>(16,171)</u>	<u>(1,554)</u>	<u>(19,391)</u>
Net decrease / (increase) in provisions for expected credit losses	<u>(58)</u>	<u>(9,794)</u>	<u>9,638</u>	<u>(10,464)</u>

11. NET PROFIT / (LOSS) FOR THE PERIOD

In thousands of KM	01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	For the period 01/01/-30/06 2018
FINANCIAL RESULT BEFORE PROVISIONS FOR EXPECTED CREDIT LOSSES	3,780	3,506	7,030	7,031
Provisions for expected credit losses, net:				
Change in PD calculation	-	-	9,821	-
Additional net provisions during the period	(58)	(9,794)	(183)	(10,464)
	<u>(58)</u>	<u>(9,794)</u>	<u>9,638</u>	<u>(10,464)</u>
NET PROFIT / (LOSS) FOR THE PERIOD	<u>3,722</u>	<u>(6,288)</u>	<u>16,668</u>	<u>(3,433)</u>

The significant deviation of the quarterly and cumulative net profit / (loss) in the comparative reporting periods 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 on 1 January 2019. More information about the effects of this change is disclosed in Note 24.1.1.

Except for this change, the Bank's financial result before provisions for expected credit losses is unchanged compared to the same period last year. Both periods are influenced by negative conditions that the Bank's operations have been exposed to for an extended period of time.

12. DEPOSITS WITH FOREIGN BANKS

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

In thousands of KM	30 June 2019	31 December 2018
Term deposits:		
- EUR	2,329,821	2,118,444
Less impairment for expected credit losses	(457)	(2,064)
	<u>2,329,364</u>	<u>2,116,380</u>
Demand deposits:		
- EUR	609,843	788,997
- CHF	5,815	3,741
- USD	1,456	2,765
- GBP	34	36
Less impairment for expected credit losses	(127)	(471)
	<u>617,021</u>	<u>795,068</u>
TOTAL	<u>2,946,385</u>	<u>2,911,448</u>

Deposits with foreign banks, analysed by remaining maturity, are as follows:

In thousands of KM	30 June 2019	31 December 2018
Up to 1 month	1,147,319	777,266
From 1 to 2 months	289,851	349,106
From 2 to 3 months	582,069	583,230
From 3 to 4 months	96,857	155,532
From 4 to 12 months	213,725	253,310
Total	<u>2,329,821</u>	<u>2,118,444</u>
Impairment for expected credit losses	(457)	(2,064)
TOTAL	<u>2,329,364</u>	<u>2,116,380</u>

13. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt instruments at fair value through other comprehensive income are quality debt securities with a high degree of marketability and liquidity, with a credit rating from AAA to BBB. The portfolio includes short-term and long-term debt securities with a fixed interest rate, which are issued by the governments of other foreign countries. Debt instruments at fair value through other comprehensive income are denominated in EUR currency.

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

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

In thousands of KM	30 June 2019	31 December 2018
Debt instruments	8,474,391	8,153,320
Accrued interest	72,797	72,119
TOTAL	8,547,188	8,225,439

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	01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	01/01-30/06 2018
Opening balance	8,298,348	7,922,217	8,225,439	7,473,857
Purchases during the period	685,843	969,592	1,600,043	2,279,317
Sales during the period	-	-	(209,178)	(176,583)
Interest income recognized during the period (Note 3)	10,001	10,501	20,196	20,707
Effects of negative interest rates recognized during the period (Note 3)	(3,244)	(3,454)	(6,474)	(6,528)
Maturities of instruments	(477,017)	(695,443)	(1,175,737)	(1,363,110)
Maturities of coupon	(32,179)	(31,005)	(53,362)	(50,085)
Net change in fair value during the period	65,436	6,937	146,261	1,770
Closing balance	8,547,188	8,179,345	8,547,188	8,179,345

14. MONETARY GOLD

The Bank holds monetary gold with the bank in Switzerland which is physically held in a vault at the Bank of England. The fair value of monetary gold is expressed in EUR, converted at the fixed rate of KM at the reporting date, and it is measured at the last bid price for one ounce of gold (Oz) at the reporting date quoted on Reuters.

Fair value of the monetary gold as at 30 June 2019 amounts to KM 232,734 thousand, representing 96,000 ounces of gold at KM 2,424 per ounce (31 December 2018: KM 209,996 thousand representing 96,000 ounces of gold at KM 2,187 per ounce).

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

In thousands of KM	01/04-30/06 2019	01/04-30/06 2018	01/01-30/06 2019	01/01-30/06 2018
Opening balance	216,248	202,093	209,996	203,858
Net change in fair value during the period	16,486	(841)	22,738	(2,606)
Closing balance	232,734	201,252	232,734	201,252

15. OTHER ASSETS

In thousands of KM	30 June 2019	31 December 2018
Prepaid expenses	5,643	6,811
Receivables from domestic banks	1,624	1,735
Numismatic collections	769	741
Other miscellaneous assets	560	596
Giro accounts	492	553
Loans to employees	84	122
Advances	2	1
Receivables from employee based on domestic currency deficit	600	600
Less impairment of other receivables	(600)	(600)
Less impairment for expected credit losses	(5)	(5)
TOTAL	9,169	10,554

As at 30 June 2019, prepaid expenses include expenditure of KM 4,943 thousand incurred on the production of banknotes and coins (31 December 2018: KM 5,816 thousand incurred on the production of banknotes and coins).

16. CURRENCY IN CIRCULATION

In thousands of KM	30 June 2019	31 December 2018
Opening balance	4,750,614	4,319,360
Increase in currency in circulation during the period	173,408	431,254
Closing balance	4,924,022	4,750,614

17. DEPOSITS FROM BANKS

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

In thousands of KM	30 June 2019	31 December 2018
Deposits of local commercial banks	5,495,227	5,522,701
Reserve accounts of organizational units of the Bank	492	553
Special deposit of local commercial banks – blocked funds	36	36
TOTAL	5,495,755	5,523,290

18. DEPOSITS FROM THE GOVERNMENT AND OTHER DEPOSITORS

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

In thousands of KM	30 June 2019	31 December 2018
Deposits for the budget of BH Institutions	467,655	494,575
Deposits of public institutions	149,833	125,501
Deposits of other governments and government institutions	110,166	89,286
Deposit account under the IMF transactions	52,854	5
Deposits for servicing BH foreign debt	2,021	-
TOTAL	782,529	709,367

19. OTHER LIABILITIES

In thousands of KM	30 June 2019	31 December 2018
IMF Accounts No. 1 and 2	1,638	1,628
World bank deposits	723	184
Accrued expenses and other liabilities	527	177
Supplies	185	1,036
Deferred income	108	167
Liabilities to employees	2	35
TOTAL	3,183	3,227

20. EQUITY

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

In thousands of KM	30 June 2019	31 December 2018
Initial capital	25,000	25,000
General reserves (Retained earnings)	514,720	514,720
Other reserves	31,300	31,300
Fair value reserves – debt and equity instruments at fair value through other comprehensive income	279,860	133,696
Provisions for expected credit losses (Note 24.1.1)	1,260	8,993
Fair value reserves - monetary gold	28,876	6,138
Net profit for the period	16,668	-
TOTAL	897,684	719,847

20. EQUITY (CONTINUED)

Increase in the fair value of the Bank's financial assets (debt instruments and monetary gold) in the reporting period is the result of an increase in the market prices of financial assets held by the Bank in its portfolio.

Increase in market prices for debt instruments is a consequence of the negative change in expectations in the Eurozone and US financial markets related to economic growth and reference interest rates of leading central banks.

Increase in the market price of monetary gold is a consequence of increased uncertainty in global financial markets and increased geopolitical risks.

21. CASH AND CASH EQUIVALENTS

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

In thousands of KM	30 June 2019	30 June 2018
Foreign currency deposits with maturity up to three months or less from the date of acquisition	859,088	1,131,457
Foreign currency demand deposits	617,148	623,933
Foreign currency in cash	294,771	245,978
Special Drawing Rights with the IMF	524	2,003
Giro accounts	492	919
Total	1,772,023	2,004,290
Impairment for expected credit losses	(452)	(2,364)
TOTAL	1,771,571	2,001,926

22. CURRENCY BOARD ARRANGEMENT

The Law defines the operational rule "Currency Board" to be used for issuing KM, according to which KM is issued only with the purchase of convertible foreign exchange currency with full coverage in net foreign currency reserves.

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

22. CURRENCY BOARD ARRANGEMENT (CONTINUED)

Details of compliance with the rule are as follows:

In thousands of KM

	30 June 2019	31 December 2018
Gross foreign currency reserves	12,022,225	11,623,218
Foreign currency in cash	294,771	274,099
Deposits with foreign banks	2,946,385	2,911,448
Debt instruments at fair value through other comprehensive income	8,547,188	8,225,439
Monetary gold	232,734	209,996
Special Drawing Rights with the IMF	524	2,236
Dividend receivables	623	-
Liabilities to non-residents	2,361	1,812
Net foreign currency reserves		
(Gross foreign currency reserves less liabilities to non-residents)	12,019,864	11,621,406
 Monetary liabilities	 11,202,306	 10,983,271
Currency in circulation	4,924,022	4,750,614
Deposits from banks	5,495,755	5,523,290
Deposits from the Government and other depositors	782,529	709,367
 NET FOREIGN ASSETS		
(Net foreign currency reserves less monetary liabilities)	817,558	638,135

23. RELATED PARTY TRANSACTIONS

In the normal course of its operations, the Bank enters into transactions with related parties. Having in mind that the Bank has been established by a Legal Act passed by the BH Parliamentary Assembly and that the initial capital has been paid up by the BH Council of Ministers, transactions performed as part of regular operations of the Bank with the state and state institutions represent related party transactions.

According to the Law, the Bank acts as an agent for the BH state and for the other state institutions. The Bank receives deposits from the BH state and other state institutions and acts strictly on depositors behalf.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

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

In thousands of KM

30 June 2019	Exposure	Liabilities
State	-	535,904
<i>State institutions:</i>		
BH Indirect taxation authority	-	64,157
BH Deposit Insurance Agency	-	139,671
TOTAL	-	739,732

In thousands of KM

31 December 2018	Exposure	Liabilities
State	-	505,897
<i>State institutions:</i>		
BH Indirect taxation authority	-	45,635
BH Deposit Insurance Agency	-	90,975
TOTAL	-	642,507

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

Remuneration of key management members

The total remuneration of the members of the key personnel (members of Management and Governing Board) in the period 01/01 - 30/06/2019 amounted to KM 461 thousand, out of which KM 286 thousand was related to salaries and other remuneration and KM 175 thousand to taxes and contributions (In the period 01/01/ - 30/06/2018 out of total amount of KM 467 thousand the amount of KM 290 thousand was related to salaries and other remuneration and KM 177 thousand was related to taxes and contributions).

24. FINANCIAL RISK MANAGEMENT

Financial instruments which represent the 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 bank),
- Special drawing rights with the IMF,
- Debt instruments,
- Monetary gold,
- Equity instruments and
- Other financial assets (domestic banks' receivables, employees' loans and other receivables).

24.1. Credit risk

Credit risk is the risk of financial loss to the Bank if counterparty to a financial instrument fails to meet its contractual obligation and arises principally from the Bank's deposits with other banks and investments into debt instruments (foreign currency reserves). The management of this risk is performed through the selection of counterparties with sound credit ratings assigned by internationally recognized rating agencies, by limiting the maturity, and by controlling the volume and the dynamics of investment.

Composite credit rating is the average of current ratings assigned to a certain entity by at least two out of three rating agencies (Fitch, Standard and Poor's and Moody's). The credit ratings are monitored on a daily basis.

From 1 January 2019, the Bank applies a new PD calculation methodology based on transition matrices. PD represents an assessment of the probability that an issuer will not be able to meet its debt obligations. PD amounts are calculated on the 12-month and lifetime basis. Starting from 1 January 2019, PD estimates are based on historical default rate data according to transition matrices. Estimates are made in accordance with Regulation 575/2013 of the European Parliament and of the Council from 26 June 2013 (CRR), based on historical default rate data contained in corporate transition matrices. Certain adjustments to PD estimates, if necessary, are made for exposures to foreign countries (foreign central banks and governments). For foreign country exposure, the need and degree of estimated PD modification are determined by the relationship between the historical default rate (composite credit rating levels of BB+, BB, and BB-) and the estimated default probabilities for the corresponding equivalent composite credit ratings of countries. PD estimates by composite credit rating levels are additionally adjusted in accordance with the composite credit outlook, taking into account IFRS 9 requirements to include all reasonable and substantiated information, including those related to the forward-looking information. In the case of a positive outlook, estimated PD is reduced by a certain percentage, and in the case of a negative outlook, the estimated PD is increased by a certain percentage.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1. Credit risk (continued)

24.1.1. Credit risk exposure

The following table shows the reconciliation from the opening to the closing balance of the loss allowance for financial assets in the reporting periods:

In thousands of KM

	2019				2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1. Debt instruments at fair value through other comprehensive income								
As at 1 January	8,993	-	-	8,993	4,290	-	-	4,290
Change in PD calculation (Note 2.4)	(7,704)	-	-	(7,704)	-	-	-	-
Increases due to change in credit risk	190	-	-	190	15,062	-	-	15,062
Decreases due to change in credit risk	(70)	-	-	(70)	(5,288)	-	-	(5,288)
Decreases due to debt instruments matured	(103)			(103)	(407)			(407)
<i>Net (decrease) / increase during the period</i>	<i>(7,687)</i>	<i>-</i>	<i>-</i>	<i>(7,687)</i>	<i>9,367</i>	<i>-</i>	<i>-</i>	<i>9,367</i>
Decreases due to debt instruments sold	(46)	-	-	(46)	(162)	-	-	(162)
As at 30 June	1,260	-	-	1,260	13,495	-	-	13,495
2. Deposits with foreign banks								
As at 1 January	2,535	-	-	2,535	1,635	-	-	1,635
Change in PD calculation (Note 2.4)	(2,117)			(2,117)	-			-
Increases due to change in credit risk	1,358	-	-	1,358	4,309	-	-	4,309
Decreases due to change in credit risk	(34)	-	-	(34)	(1,325)	-	-	(1,325)
Decreases due to derecognition of term deposits	(1,158)	-	-	(1,158)	(1,886)	-	-	(1,886)
As at 30 June	584	-	-	584	2,733	-	-	2,733

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1. Credit risk (continued)

24.1.1. Credit risk exposure (continued)

	2019				2018			
	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	-	-	-	-	-	-	-	-
Change in PD calculation	-	-	-	-	-	-	-	-
Increases due to change in credit risk	1	-	-	1	1	-	-	1
Decreases due to change in credit risk	(1)	-	-	(1)	(1)	-	-	(1)
As at 30 June	-	-	-	-	-	-	-	-
4. Other financial assets								
As at 1 January	5	-	600	605	30	-	600	630
Increases due to change in credit risk	5	-	-	5	19	-	-	19
Decreases due to change in credit risk	(5)	-	-	(5)	(20)	-	-	(20)
As at 30 June	5	-	600	605	29	-	600	629
Total opening balance as at 1 January	11,533	-	600	12,133	5,955	-	600	6,555
Total change in PD calculation	(9,821)	-	-	(9,821)	-	-	-	-
Total net increases due to change in credit risk	137	-	-	137	10,302	-	-	10,302
Total closing balance as at 30 June	1,849	-	600	2,449	16,257	-	600	16,857

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 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	30 June 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Foreign currency in cash								
Gross carrying amount	294,771	-	-	294,771	274,099	-	-	274,099
Loss allowance	-	-	-	-	-	-	-	-
Carrying amount	294,771	-	-	294,771	274,099	-	-	274,099
Deposits with foreign banks								
Gross carrying amount	2,946,969	-	-	2,946,969	2,913,983	-	-	2,913,983
Loss allowance	(584)	-	-	(584)	(2,535)	-	-	(2,535)
Carrying amount	2,946,385	-	-	2,946,385	2,911,448	-	-	2,911,448
Debt instruments at fair value through other comprehensive income								
Gross carrying amount	8,547,188	-	-	8,547,188	8,225,439	-	-	8,225,439
Provisions for expected credit losses (recognized in other comprehensive income)	(1,260)	-	-	(1,260)	(8,993)	-	-	(8,993)
Carrying amount	8,547,188	-	-	8,547,188	8,225,439	-	-	8,225,439
Special drawing rights with the IMF								
Gross carrying amount	524	-	-	524	2,236	-	-	2,236
Loss allowance	-	-	-	-	-	-	-	-
Carrying amount	524	-	-	524	2,236	-	-	2,236
Other financial assets								
Gross carrying amount	2,493	-	600	3,093	2,693	-	600	3,293
Loss allowance	(5)	-	(600)	(605)	(5)	-	(600)	(605)
Carrying amount	2,488	-	-	2,488	2,688	-	-	2,688

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.1. Credit risk (continued)

24.1.2. Credit risk concentratiton (continued)

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

In thousands of KM	30 June 2019	31 December 2018
Carrying amount		
Monetary gold	232,734	209,996
Other investments	27,813	27,813
TOTAL	260,547	237,809

24.2. Market risk

The Bank monitors and manages both currency and interest rate risks as the basic market risk factors. Currency risk is a risk arising from decline of the value of the financial instruments denominated in foreign currency due to changes in exchange rates. The interest rate risk denotes a risk from reducing the market value of the financial instruments due to unfavourable movements of interest rates. The market risk management is performed by setting quantitative limits for foreign assets risk exposure acceptable for the Bank and they are monitored on a daily basis. 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 effect on the foreign reserves value, the Bank applies the Value at Risk (VaR) concept. VaR represents a statistical methodology for assessing the maximum change in the foreign reserves value arising from differences in the financial instruments prices and the foreign exchange rates given a certain level of confidence and a particular time horizon. The Bank, when calculating VaR, applies a level of confidence of 99% and a 10-day horizon, as recommended in the Basel II Standard.

The fluctuation of the prices of the instruments and the foreign exchange rates are determined according to the historical changes in the prices and the foreign exchange rates for instruments and currencies comprising the foreign reserves at the end of the month.

As at 30 June 2019, the exposure of the foreign exchange reserves managed by the Bank (VaR at a level of confidence of 99% for a 10-day horizon), in terms of fluctuations of the prices of instruments and foreign exchange rates against the KM equals to KM 31,132 thousands (2018: KM 37,739 thousand), or 0.26% of the total financial assets (2018: 0.32% of the total financial assets). VaR originates from the change in the prices of instruments in which the foreign reserves are invested, including change in the EUR price of monetary gold. There were no term deposits with foreign banks neither debt investments denominated in non-EUR currencies as at 30 June 2019, hence the Bank has no exposure to currency risk.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

24.2. Market risk (continued)

24.2.1. Foreign exchange risk

The Bank is exposed to currency risk through transactions in foreign currencies. This is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises activities related to deposits and debt instruments.

The control and management of the foreign exchange risk is based on the strict adherence to the provisions of the Law and the Guidelines of the Bank on investment of the foreign exchange reserves.

The above framework defines the limits for holding assets and liabilities in each foreign currency. The biggest part of monetary assets is held in EUR, and the maximum amount that can be held in other convertible currencies, subject to the changes in the market rate, must not exceed 50% of the total amount of the Bank's equity.

Taking into account the very low exposure to the foreign exchange risk due to holdings of major monetary assets in EUR currency, foreign exchange risk is not considered to be significant risk for the Bank.

24.2.2. Interest rate risk

The Bank's exposure to market risk for changes in interest rates is concentrated in its investment portfolio. The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest bearing liabilities mature or re-price at different time or in different amounts.

The Bank is exposed to interest rate risk through investment of foreign currency reserves. The Bank manages its foreign currency reserves with the aim to minimize interest rate risk. The investments bear different interest rates, depending on the time period of the investment, with the maximum term of investment being one year for deposits and ten years for debt instruments.

24.3. Liquidity risk

Liquidity risk refers to the possible difficulties in liquidating a portion of assets quickly, possibly in a situation where market conditions are unfavorable and also with adverse price movement.

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 Bank foreign exchange 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

25.1. Financial assets measured at fair value

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

The following table analyses financial assets measured at fair value at reporting dates, by the level in the fair value hierarchy. These amounts are based on the values recognised in the statement of financial position using the quoted prices on active markets that correspond to hierarchy level 1 at the reporting dates.

In thousands of KM

30 June 2019

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Debt instruments	8,547,188	-	-	8,547,188
Monetary gold	232,734	-	-	232,734
TOTAL	8,779,922	-	-	8,779,922

In thousands of KM

31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Debt instruments	8,225,439	-	-	8,225,439
Monetary gold	209,996	-	-	209,996
TOTAL	8,435,435	-	-	8,435,435

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

	30 June 2019
	Carrying amount
	Fair value
Financial assets	
<i>Financial assets measured at amortized cost:</i>	
Foreign currency in cash	294,771
Deposits with foreign banks	2,946,385
Special Drawing Rights with the IMF	524
Dividend receivables	623
Other financial assets	2,488
<i>Other investments</i>	27,813
Total	3,272,604
	3,264,481
Financial liabilities	
<i>Financial liabilities measured at amortized cost:</i>	
Currency in circulation	4,924,022
Deposits from banks	5,495,755
Deposits from the Government and other depositors	782,529
Other financial liabilities	2,593
Total	11,204,899
	11,189,600

In thousands of KM

31 December 2018

	Carrying amount	Fair value
Financial assets		
<i>Financial assets measured at amortized cost:</i>		
Foreign currency in cash	274,099	274,099
Deposits with foreign banks	2,911,448	2,904,460
Special Drawing Rights with the IMF	2,236	2,236
Other financial assets	2,688	2,688
<i>Other investments</i>	27,813	27,813
Total	3,218,284	3,211,296
Financial liabilities		
<i>Financial liabilities measured at amortized cost:</i>		
Currency in circulation	4,750,614	4,750,614
Deposits from banks	5,523,290	5,512,943
Deposits from the Government and other depositors	709,367	708,038
Other financial liabilities	2,893	2,893
Total	10,986,164	10,974,488

26. BOSNIA AND HERZEGOVINA MEMBERSHIP WITH THE INTERNATIONAL MONETARY FOND

According to arrangements concluded between BH and the IMF signed in December 2002, the Bank is designated as a fiscal agent and depository for the BH membership with the IMF. The Bank's role as a fiscal agent is specific due to "Currency Board" arrangement. The Bank acts on behalf of BH in dealing with the IMF but does not have any responsibility for assets and liabilities related to the membership.

The 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 Bank also provides a custody service for BH promissory notes issued to support IMF membership and repurchase obligations that are recorded off-balance.

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

In thousands of KM

	30 June 2019	31 December 2018
Quota	633,643	629,809
Special drawing rights with the IMF	524	2,236
TOTAL ASSETS	634,167	632,045
IMF account No.1	1,584	1,575
IMF account No.2	54	53
Securities	985,379	1,042,166
SDR allocation	384,406	382,080
Accrued interest on SDR allocation	709	685
Accounts of payable charges	1,245	1,601
TOTAL LIABILITIES	1,373,377	1,428,160
BH NET POSITION WITH THE IMF	739,210	796,115

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

27. OFF-BALANCE SHEET ITEMS

The Bank maintains certain accounts in foreign currencies related to agreements concluded between the governments of Bosnia and Herzegovina and foreign governments and financial organizations. As these accounts do not represent either assets or liabilities of the Bank, they have not been included within the 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 Bank acts as an agent.

Off-balance sheet items consist of:

In thousands of KM	30 June 2019	31 December 2018
Deposits of USAID	2,497	3,042
Deposits of non-residents	2,497	3,042
Deposits of the Council of Ministers of BH:	7,706	30,964
<i>Deposits of the Council of Ministers of BH on the basis of succession</i>	45	44
<i>Deposits of the Council of Ministers of BH regarding the servicing of foreign debt</i>	6,617	9,227
<i>Deposits of the Council of Ministers of BH regarding the Budget of BH institution</i>	1,019	1,543
<i>Other deposits of the Council of Ministers of BH</i>	25	20,150
Deposits of other residents:	15,925	4,048
<i>Deposits - Retirement allowance from Germany</i>	299	12
<i>Deposit accounts of banks</i>	15,626	4,036
Deposits of residents	23,631	35,012
Investments related to securities – Deposit Insurance Agency of BH	44,492	37,499
Investments of residents related to securities	44,492	37,499
TOTAL	70,620	75,553

28. POST-REPORTING DATE EVENTS

Up to the date of approval of these condensed interim financial statements, there were no significant events that would have an impact on the Bank's financial statements.

29. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been approved by the Governing Board of the Bank on 30 July 2019.

Head of Accounting and Finance Department


Edis Kovačević M.Sc.

 Chairman of the Governing Board

Senad Softić Ph.D.