

CENTRALNA BANKA  
BOSNE I HERCEGOVINE



ЦЕНТРАЛНА БАНКА  
БОСНЕ И ХЕРЦЕГОВИНЕ

# INFO CBBH



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## THE CBBH OPERATIONS IN 2015



The Central Bank of Bosnia and Herzegovina (CBBH) in 2015 successfully fulfilled all obligations defined by the CBBH Law. The full convertibility of the local currency was provided, and the Currency Board arrangement, ensured monetary stability which is extremely important in the current situation in the country. In complex and, from the investors' point of view, very unfavourable conditions in international markets, the CBBH has conducted a policy of management of foreign exchange reserves in a safe manner, while maintaining adequate capitalization. As an illustration, the average weighted interest rate on the foreign exchange reserves of the CBBH in 2015, was 12 times lower than the one recorded in 2008, while average yields on EUR denominated one-year and two-year bonds rated AAA have become negative. At the same time, remaining within the limits of the acceptable level of risk in the investment, and guided firstly by the principle of safety, and then profitability, the CBBH in 2015, recorded a profit in the amount of KM 31,377,906.94. Out of that amount, in accordance with Article 27 of the CBBH Law, the amount of KM 18,826,744.14 was transferred in the account of obligations to the budget of BH institutions. As part of its mandate, the CBBH has conducted activities to maintain appropriate financial infrastructure and payment transactions in the country and with foreign countries were carried out without problems. Also during 2015, the CBBH has completed all the obligations arising from its role of fiscal agent in servicing of foreign obligations. As the country's fiscal agent, all the necessary preparations were done for the missions of credit rating agencies, where the CBBH provided all the conditions and relevant information necessary for the work on the assessment of the country's rating, which in 2015, remained unchanged.

Considering the relatively low rates of economic growth, weak credit activity and continuation of the trend of deleverage of banks, the CBBH, taking into account the stability of the financial system in Bosnia and Herzegovina, decided in 2015, not to introduce negative rate of remuneration on funds above the required reserves, assuming by itself the costs resulting from such decisions. Therefore, the only change in the policy of required reserves in 2015 was setting lower limit on the

rate of remuneration on required reserves to 0%. Current macroeconomic framework is significantly different from the last modification of policy of required reserves in 2011, especially in relation to the period before 2008. The CBBH is closely monitoring the macroeconomic trends and systemic risks, and in 2016, the possible changes of the policy of reserve requirements will be discussed.

All possible changes of the CBBH policies are considered in the context of the current macroeconomic environment and expected trends, taking into account the potential impacts of regulatory changes in the financial sector. In this regard, the CBBH in 2015, in accordance with the competencies as defined by the law, regularly exchanged information on systemic risks and the views with the Entity Banking Agencies through the process of coordination of banking supervision, and also through the Standing Committee on the Financial Stability of Bosnia and Herzegovina.

Beside the regular publications, such as the Annual Report, Financial Stability Report, the quarterly Bulletin and Monthly Economic Surveys, in 2015, the CBBH, with the relevant national and international institutions, exchanged information on economic trends and systemic risks, through specialized reports and by extending the standard set of statistical data and by the publication of target texts through the media in order to inform and educate the general public. Bearing in mind the process of European integration of Bosnia and Herzegovina, the CBBH wants to confirm the commitment to further improve its business processes and work on introducing modern standards. In 2015, there was a change in the governing structure of the CBBH. On 11th August 2015, the mandate of the former members of the Governing Board expired, and the duty was taken over by the newly appointed members: Senad Softić, Ph. D., Kemal Kozarić, Ph.D., Ljubiša Vladušić Ph.D., Trivo Marinković M.Sc., and Ankica Kolobarić, M.Sc., who have among them, elected a new Governor of the CBBH for a period of six years. The newly appointed Governing Board of the CBBH adopted the Strategic Plan of the CBBH for the six-year mandate, which defines the mission, vision and common values.

## 3,300 COUNTERFEITED BANKNOTES AND COINS OF ALL CURENCIES AND DENOMINATIONS REGISTERED IN 2015



In 2015, in the Central Bank of Bosnia and Herzegovina (CBBH), 3,330 pieces of counterfeit banknotes and coins of all currencies and denominations were registered, which is by 0.39% more than in 2014 and by 20.85% less compared to 2013. Out of that number, there were 1,207 pieces of counterfeit Convertible Mark banknotes, which is by 26.92% more than in 2014 and 1,853 pieces of counterfeit coins of Convertible Mark, which is by 14.88% more than in the previous year.

Regarding the denomination structure, most counterfeits were in the denomination of KM 20 (760 pieces or 62.97%), followed by KM 50 (238 pieces or 19.72%), and in the denomination of KM 100 (144 pieces or 11.93%). Out of the total number of counterfeit coins, the most common counterfeited denomination was KM 1 (1,395 pieces or 75.28%), followed by KM 5 (348 pieces or 18.78%) and the least counterfeited denomination was KM 2 (110 pieces or 5.94%).

In 2015, there were 187 pieces of counterfeit euro banknotes, which is by 36.39% less than in the previous year, and by 10.95% less than in 2013. In the denomination structure, the denomination of EUR 20 had the largest share of 56 pieces or 29.95%, followed by EUR 50 (52 pieces or 27.81%), and the denomination of EUR 100 (34 pieces or 18.18%).

Besides KM and EUR banknotes, 83 pieces of counterfeit banknotes in other currencies were registered during the previous year, of which 79 pieces of counterfeit US dollars, and 77 of them were in the denomination of USD 100.

## PAYMENT SYSTEMS OF BH IN 2015



### RTGS and Gyro Clearing Transactions

In 2015, there was an increase in the number of transactions in the payment systems of the Central Bank of Bosnia and Herzegovina, but at the same time there was a decrease of the value. The share of the number of RTGS transactions in the total transactions amounted to 2%, while the share in the value in 2015 amounted to 83%, slightly lower than a year earlier, when it amounted to 84%. The share of gyro clearing transactions in total number of transactions was 98%, and in the value it was 17%.

The first ten banks in BH payment system, in the total number of RTGS and gyro clearing inter-bank transactions, participated in 2015 with 67.44%, which is a decrease compared to the year before, when ten banks performed 67.8% of all transactions. In the total value of transactions, the first ten banks accounted for 73.34%, reducing their share in the value, because the year before the ten largest banks performed 75.57% of the total value of transactions. It is characteristic that commercial banks in the past year used more frequently the schedule for placing payment transactions stimulated by a lower tariff offered by the CBBH.

Through the clearing system of international payments with Serbia, there was the total of 9,637 orders, whose value was EUR 176,275,344 (EUR 131,046,506 in 2014). Four banks from Bosnia and Herzegovina participated in the system which is by far the cheapest and fastest payment system between the two countries.

### The Single Registry of Transactions Accounts

For the Single Registry of Transaction Accounts, the number of access points in 2015 was 1,265. These access points were used by commercial banks (29 banks), micro-credit organizations (nine MCOs), and leasing organizations and other institutions (the total of 70).

Organizational units of the CBBH in 2015 issued the total of 9,878 statements from the Single Registry of Transaction Accounts, Main Unit Sarajevo issued 7,103, Mostar Main Unit 1,905 and the Main Bank of the Republic of Srpska CBBH 870.

### The Central Registry of Credits

The data in the Central Registry of Credits were delivered by 29 commercial banks, 18 microcredit organizations and 15 leasing companies and special institutions.

### Organizational Charts of Banks

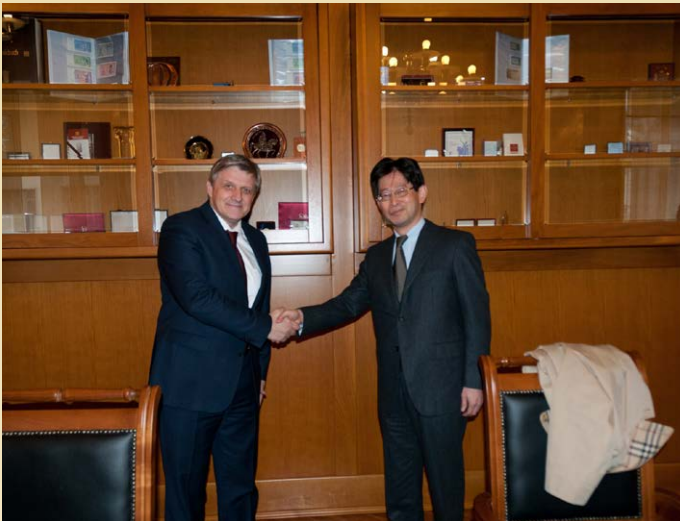
After four consecutive years of reducing the number of organizational forms, in 2015 there was an intensive growth of branches and subsidiaries, while at the same time, the number of the lowest form of organization - agencies or counters was reduced.

In the end of 2015, banks had the total of 335 branches and 397 subsidiaries, while 141 agencies or counters as called in some banks, were operative. The general trend is related to the number of organizational forms in the Entities outside of the Entity headquarters of the bank.

### Interbank and Intrabank Transactions

During 2015, 39,086,648 interbank payments, and 63,167,655 intrabank payments were realized. In percent, in the total number of transactions, 38% interbank transactions were carried out through the CBBH payment systems - RTGS and Gyro clearing, as opposed to 62% of orders placed within banks. Observing the value, in 2015, KM 85, 105,843,766 was realized by orders among banks and KM 99, 693,850,375 within banks.

## PROTOCOL AND WORKING MEETINGS IN THE CBBH



In the beginning of 2016 working and protocol meetings were organized in the Central Bank of Bosnia and Herzegovina (CBBH).

On 26th January 2016, the regular meeting of the Standing Committee for Financial Stability was held, during which the current situation in the banking sector was discussed, and it was concluded that the banking sector as a whole is stable and that the savings increase reflects the preservation of public confidence in banks. On the other hand, credit growth is still weak and banks are expected to increase lending, especially when it comes to lending to economy, which is necessary to support new investment cycles in BH.

On 5th February 2016, the CBBH Governor Senad Softić, Ph. D. held a working meeting with representatives of the Association



of Banks of Bosnia and Herzegovina (UBBiH), led by the Chairman of the UBBiH Milan Radović. During the meeting, the need to strengthen coordination among all the participants in the financial and banking system was emphasized - the CBBH, Entity Banking Agencies, the Deposit Insurance Agency of Bosnia and Herzegovina and the commercial banks in the territory of Bosnia and Herzegovina through UBBiH, within its competence, with the purpose of creating a more favorable environment, and the better functioning of the system and making good quality regulations and solutions. Participants of the meeting agreed that, with purpose of transparency and unique functioning of the banking and financial system, the existence of the Single Registry of Transaction Accounts and the Central Registry of Credits is of key importance. It was emphasized that it is necessary that these registries should be completed, with updated information.

The High Representative Mr. Valentin Inzko visited the Central Bank of Bosnia and Herzegovina on 9th February 2016, and in conversation with Governor Softić, expressed full and unquestionable support of the Office of the High Representative to the CBBH.

"Political independence and autonomy are key ingredients of success of the CBBH and the example that should be followed by other institutions in their work, at all levels. The attitude towards this institution must be based precisely on the respect of these principles, as a protective mechanism for its efficient and effective functioning, and thus the monetary and financial stability of the state itself," said the High Representative and added: "This institution is a pillar of the country and an example to others how institutions need to work independently, in the interests of the state and citizens, with the aim of further development of the country."

The Italian and Japanese Ambassadors in BH also visited the CBBH. During a conversation, held on 22nd February 2016, with the Ambassador of Italy to BH, H.E. Mr. Ruggero Corrias, the CBBH Governor emphasised that the economic relations between BH and Italy, especially in the field of foreign trade and investment, in the last two years significantly improved. In particular, they emphasized the role and importance of the commercial banks operating in BH, with their mother banks being in Italy. The Governor said that the commercial banks in BH, in general, are more focused on lending to the households and budget, and their more active participation in lending to the economy would be desirable.

Ambassador of Japan to BH, H.E. Kazuya Ogawa, when visiting the CBBH, stressed that BH has great potential that has not been used, and the desire that bilateral relations, investment and foreign trade of BH and Japan should to be intensified.

