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INFO CBBH



In This Issue:

APPOINTMENT OF THE NEW CBBH GOVERNOR



NEWLY APPOINTED MEMBERS OF THE CBBH GOVERNING BOARD



MEETING WITH THE MEDIA REPRESENTATIVES



GOVERNOR SOFTIĆ MET WITH REPRESENTATIVE FOR ECONOMIC AFFAIRS OF THE USA EMBASSY



CAPITAL AND ALLOCATION OF THE CBBH PROFIT



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APPOINTMENT OF THE NEW CBBH GOVERNOR

Since August 11, 2015, the Central Bank of Bosnia and Herzegovina (CBBH) has the new Governor, Senad Softić, Ph.D. who replaced Kemal Kozarić, Ph.D. on that position.



The decision on the appointment of Senad Softić, Ph.D. as the Governor was made at the session of the CBBH Governing Board, held the same day, when, also newly appointed GB members: Ljubiša Vladušić, Ph.D., Trivo Marinković, M.Sc., Kemal Kozarić, Ph.D., Senad Softić, Ph.D. and Ankica Kolobarić, M.Sc. officially took over their duties. The mandate of Governor Softić and the members of the Governing Board, who were appointed by the Presidency of Bosnia and Herzegovina at the session held on July 13, is six years.

Kemal Kozarić, Ph.D. officially handed over the duty to newly appointed Governor Senad Softić, Ph.D. on August 12, 2015, and wished him luck and every success in the future endeavors. Governor Senad Softić, Ph.D. thanked to Kemal Kozarić, Ph.D. for the successful management of the CBBH, which, since its establishment, has built a reputation of successful and professional institution in Bosnia and Herzegovina. He also emphasized the important role of Kemal Kozarić, Ph.D. in management of the institution that has preserved the monetary stability and has worked on maintaining the financial stability.

In his first media presentation, Governor Softić said that the framework of monetary policy would not change, and that the main task of the CBBH would continue to be the maintenance of the monetary and financial stability in the country. The Governor announced the creation of a Strategic Plan and within it, the Strategic Goals of the CBBH for the next six-year period.

The CBBH starting position is good and the institution, according to the Governor, will try to keep it, with the support to the economic development, for which it is expected to be stronger in the coming years. The Governor mentioned the fact that the CBBH currently has been operating in unfavourable investment conditions for the CBBH, i.e. with the drastic reduction of the

relevant interest rates on the money market and the decrease of bonds yields' rates. "The CBBH will continue to introduce the European standards and to improve the process of work. Having in mind the adopted Reform Agenda and Bosnia and Herzegovina decisiveness on European integrations, the CBBH will have to be more active", too, " , said Governor Softić. He added that the CBBH would face very demanding criteria of the Maastricht Treaty, whose fulfilling has been a condition for all potential EU members to become a part of the Eurosystem, i.e. a single monetary area with a common currency.

KEMAL KOZARIĆ, Ph.D., AS A MEMBER OF THE GOVERNING BOARD, REMAINS ACTIVE IN THE CBBH

Kemal Kozarić, Ph.D., has officially handed over the duty of Governor to Senad Softić, Ph. D., a day after his appointment as the Governor, but he has stayed in the CBBH as a member of the Governing Board. Kemal Kozarić, Ph.D., performed the duty of the Governor since January 1, 2005 after taking over this position from Peter Nicholl. During the two terms as the Governor, he often emphasized the need to maintain the monetary stability, and the fact that the economy has to be a priority in relation to politics.

"I have really been trying to impose this mantra or the story that the economy should be in focus of all of those who make decisions. I have to be honest and say that I have not succeeded fully in that. The role of the Central Bank, among other things, is to provide advice and recommendations, to look ahead, to think and to try to give a recommendation to politicians and governments at all levels in which direction to go. We are trying to place an emphasis on the economy. Unfortunately, the political instability and turmoil at various levels have always put the economy on the second place", said Kozarić, Ph.D. in one of the last interviews that he gave, while he was the CBBH Governor.

By **Zijada Kovač**,
Head of Public Relations Section and
Danijela Golijanin,
the Public Relations Assistant

NEWLY APPOINTED MEMBERS OF THE CBBH GOVERNING BOARD



Senad Softić, Ph.D.,

Governor and Chairman of the Governing Board, is Doctor of Economics and has been working at the School of Economics and Business, University of Sarajevo, as part time professor. In the same time, he has been the Head of the Master Studies at Sarajevo School of Economics and Zagreb Faculty of Economics. From 1995 to 2007, he worked at Sarajevo Institute of Economics as a researcher – academic associate, and as a Head of the Center for Microeconomic Analysis, performing in the same time the duty of assistant professor – outsourced associate at the School of Economics and Business in Sarajevo. He worked as the researcher – expert associate from 1987 to 1995 at the Institute for the Organization and the Economics in Sarajevo. Within his professional career, he was Deputy Chairman of the Supervisory Board of the Investment Bank, later on being Development Bank of BH Federation.

Kemal Kozarić, Ph.D.,

the member of the Governing Board, is Doctor of Economics, with many years of experience in banking. From 1996 until early 2000, he was the Minister of Finance in the Sarajevo Canton Government and after that he was appointed as the Vice Governor of the Central Bank of Bosnia and Herzegovina. By Decision of the Presidency of Bosnia and Herzegovina on 20 May 2003, Kozarić, Ph.D. was appointed the member of the CBBH Governing Board, with the consent of the latter to continue carrying out his duties of the CBBH Vice Governor, too. As of January 1, 2005, he assumed the duties of the Governor and Chairman of the Governing Board of the CBBH. He was re-appointed to the CBBH Governing Board by the Presidency of Bosnia and Herzegovina on 10 June 2009 and the Governing Board re-appointed him for the Governor for the second mandate period, until 11 August, 2015.

Ankica Kolobarić, M.Sc.,

a member of the Governing Board, Master of Economics, has large experience in commercial banking. She attended the professional education for the bankruptcy and liquidation manager, she is an authorized external auditor and also an authorized internal auditor - specialist for banks and financial institutions, economy and budget institutions. She has been one of the co-founders of the Association of Internal Auditors of Bosnia and Herzegovina, recognized as the Institute of Internal Auditors of Bosnia and Herzegovina by the Global IIA, where she has been an active member and lecturer for ten years. From 1 July 2004, she was the Chief Audit Executive of the CBBH. From 1 June 2008, she performed the duty of the Vice Governor in charge of the CBBH Administration and Finance Sector, and from 1 July 2013, she has been appointed the Vice Governor in charge of the Sector for Statistics, Foreign Debt Servicing, European Integration and Payment Systems.

Ljubiša Vladušić, Ph. D.,

is a Doctor of Economics and Dean of the Faculty of Economics of the East Sarajevo University. During his career, he has performed various jobs and has been assigned at the responsible positions - in "Energoinvest" company on finance matters and interdisciplinary research; Director of Skenderija Youth House in Sarajevo, an official of the RS Government, at the positions of Deputy Director of the Directorate for Humanitarian Affairs, the Commissioner for Refugees and the Minister in the RS Government. From 1997 to 2009, he worked in the CBBH at the Vice Governor position. From 2004 to 2010, he was the Authorized Representative of Bosnia and Herzegovina in the Committee for the Distribution of Financial Assets and Liabilities of the former SFRY, under the Agreement on Succession Issues, Annex C. From 2010 to 2012, he was Advisor to the Governor for Financial Markets.

Trivo Marinković, M. Sc.,

has gained his master's degree in the project management field. He has started his professional career in 1978 in engineering and production company "Jelšingrad" Banja Luka, where he worked until 1986. He was the Chairman of the Plan and Development Board and the Chairman of the Finance Board of the Republic Assembly of SRBH – Associated Labour Council, and then the member of the Finance Board of the Federal Assembly of the SFRY - the Council of the Republics and the Provinces. From 1991 to 1992, he worked in the Federal Customs Administration of the SFRY, and from 1992 to 2004, in the Republic Customs Administration of Republika Srpska in various executive and manager positions. Since 2004, he has been employed in the Indirect Taxation Administration of BH as an Expert Adviser in the Director's Office, and as the Head of the European Integration Group.

By **Zijada Kovač,**
Head of Public Relations Section

MEETING WITH THE MEDIA REPRESENTATIVES



After taking over the duties of the Governor, and wishing in his future work to emphasize their importance, the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph.D. has organized a meeting with representatives of BH media in the premises of the Head Office.

During the unofficial conversation with the journalists who report on the CBBH operations, the Governor stressed the importance



of continuing the so far successful cooperation with the media. During the meeting, the views on the current economic situation in BH and the region were exchanged, and the journalists were particularly interested in the Governor's view of the CBBH and the future activities in the following period.

By **Danijela Golijanin**,
Public Relations Assistant

GOVERNOR SOFTIĆ MET WITH REPRESENTATIVE FOR ECONOMIC AFFAIRS OF THE USA EMBASSY



will continue the policy of Currency Board arrangement, with maintenance of monetary and financial stability. He also pointed very good cooperation of the CBBH with the US Embassy in BH and expressed his willingness to continue the cooperation, in particular with the Economic Department of the USA Embassy in BH. This meeting was followed by the other meetings with diplomatic representatives in the country, who want to be informed about the future activities of the CBBH.

One of the first meetings that the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph.D. had, after taking over the duty, was the meeting with the representative of the USA Embassy for Economic Affairs in Bosnia and Herzegovina John Silson, who visited the CBBH on 28 August 2015. Governor Softić briefly informed the guest about the CBBH operations, emphasized that this institution

By **Zijada Kovač**,
Head of Public Relations Section

CAPITAL AND ALLOCATION OF THE CBBH PROFIT

Conducting their issuing function and other operations, after covering the costs of their operations, central banks make the so-called issuing premium, which is partly or fully distributed to the institution in charge of the state budget, and represents the revenue of the state budget. The manner of the profit distribution should be defined by law, and in cases when such legal or statutory solutions do not exist, the profit allocation should be determined by the highest bodies of a central bank solely on a professional basis.

Recently, the allocation of the net profit of central banks and the modalities are mainly regulated by legal solutions, in which it is a preferred option that a part of the central bank net profit should be allocated to general and other reserves of a central bank, in order to strengthen the capital and reserves of the central bank, and the other part of the net profit should be allocated to the state budget. Legal solutions differ from country to country. For the covering of possible losses, the common solution is that excess expenses over revenues should be covered from the central bank reserves up to the available amount, and if these resources are not sufficient coverage, then there is an obligation of the state budget for covering.

In the calculation of the net profit in the profit and loss statement for a financial year, central banks should particularly take care of the categories of realized and unrealized gain, as only realized gain can be allocated to the state budget. Unrealized gains or losses are mainly reflected in the held financial assets measured at fair value, due to price changes, as well as foreign exchange differences.

Capital is usually defined as the remaining part of the entity's assets after deducting all of its liabilities. On December 31, 2014, capital and reserves of the CBBH amounted to the total of BAM 585.04 million. According to the law, if the CBBH realizes net profit in any year, it is allocated by the Governing Board, using the following order of priorities:

- a part of the net profit is allocated to the account of the CBBH general reserves, so that the amount of the initial capital and the general reserves should be equivalent to the amount of 5% of the total amount of monetary liabilities presented in the CBBH accounts for the end of that financial year;
- the remaining part of the net profit shall be distributed in a way that the Governing Board by its decision, should allocate 40% to the increase of the capital and reserves for the CBBH general reserves, and 60% should be paid by the CBBH to the account of the institution in charge of the budget of BH, in the period of four months after the end of the budget year;
- Net unrealized gain is allocated to the valuation reserve account, which is kept in the balance sheet of the CBBH.

In each financial year, the CBBH has recorded a positive financial result, and has achieved the total net profit in the amount of BAM 921.88 million, out of which BAM 402.16 million has been allocated to the state budget, and the remaining part to the CBBH general reserves.

Although making a profit is not the primary goal of central banks, but the monetary stability and the security of investments, the recorded profits and the amount of capital and reserves of the CBBH reflect its successful operations, even in the last five years despite the negative effects of the global financial crisis, but also the reasonable and prudent solutions in legislation in the areas that define the capital and reserves and profit allocation. Generally speaking, for all central banks, an adequate amount of capital and reserves of a central bank can serve as the so-called buffer to absorb and mitigate shocks in possibly unexpected and unforeseen events that may occur beyond the control and influence of a central bank.



By Ninoslav Gregović, Ph.D.
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