

CENTRALNA BANKA
BOSNE I HERCEGOVINE



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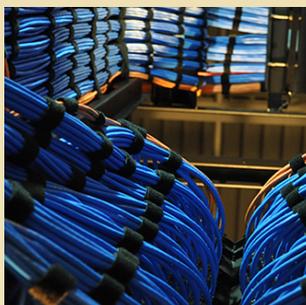
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20 YEARS ANNIVERSARY SINCE PUTTING THE CONVERTIBLE MARK IN CIRCULATION

The convertible mark celebrates 20 years of its putting in circulation as the legal tender in Bosnia and Herzegovina.

The first banknotes of KM were issued on 22 June 1998, after almost one year since the Central Bank of Bosnia and Herzegovina (CBBH) had started its operations. Since that day, citizens had on disposition the banknotes in denominations of 50 fening, 1 KM and 10 KM. A month later, on 27 July 1998; banknotes in denominations of 20 KM, 50 KM and 100 KM were put in circulation. The first coins of convertible mark were put in circulation on 9 December 1998. During this period, some of the first KM banknotes, denomination of 50 fening, 1 KM and 5 KM were removed from circulation and replaced by coins.

In period, when the KM was put in circulation, the currencies of foreign countries were in circulation in BH, out of which, the Deutsche Mark being accepted at the whole territory of BH. Very soon, KM started to prevail in cash transactions, and by the end of 1999, it became one and only legal tender.

Although, it does not reach this anniversary by the time being in circulation, it is necessary to mention the 200 KM denomination banknote, which was put in circulation on 15 May, 2002.

As of the last day of May 2018, the total value of the KM cash out of the CBBH vaults amounted to KM 4 452 111 578.60, i.e. there were 65 167 762 pieces of banknotes and 344 831 027 coins in circulation.

Firstly, the convertible mark was pegged to the Deutsche Mark by exchange rate 1 KM = 1 DEM. By withdrawing of Deutsche Mark, KM undertook exchange rate of DEM to euro – one convertible mark against 0.51129 euro, i.e. one euro against 1.95583 convertible mark.

All these years, one thing has been certain: the value of convertible mark in euro has never been jeopardized, the CBBH lets the local currency banknotes in circulation and withdraw them according to the Currency Board arrangement pursuant to the CBBH Law. Introduction of the convertible mark was not only the good move, but the decisive one in creation of the monetary system and maintenance of the currency stability.

In cash production, the CBBH follows the technical standards of the European Union countries as related to the quality, life cycle and banknotes' and coins' securities features. The KM banknotes and coins have been produced out of the high quality materials and the security features have been permanently upgraded in order to protect them from counterfeiting.

THE CBBH AND THE "JP BH POŠTA" D.O.O. SARAJEVO CELEBRATED THE CONVERTIBLE MARK JUBILEE



The Central Bank of Bosnia and Herzegovina (CBBH) and the "JP BH POŠTA" d.o.o. Sarajevo celebrated the 20th anniversary of the convertible mark (KM), the monetary unit of Bosnia and Herzegovina. The ceremony was held on 27 June, 2018, at the CBBH Head Office's premises in Sarajevo. On that occasion, the postal mark „20 years of convertible mark“, issued by the "JP BH POŠTA" d.o.o. Sarajevo, was promoted.

The postal mark was printed in the issue of 10 000 pieces, with a nominal value of KM 1.50. The author of this philatelic

edition is Tamer Lučarević, the designer of the "JP BH POŠTA" d.o.o. Sarajevo.

The "JP BH POŠTA" d.o.o. Sarajevo also issued the FDC envelope in the issue of 150 pieces with a nominal value of KM 2.00. In this way, as a socially responsible company, whose philatelic editions are largely dedicated to marking significant dates and jubilees in Bosnia and Herzegovina, the "JP BH POŠTA" d.o.o. Sarajevo contributed to marking 20 years of putting convertible mark in circulation, as the only monetary unit in our country.

The convertible mark is a legal tender in Bosnia and Herzegovina, and according to the Law on Central Bank of Bosnia and Herzegovina it is pegged to EUR, so every issued banknote has coverage in euro, in circulation are following KM banknotes with five different denominations: KM 10, KM 20, KM 50, KM 100 and KM 200. There are also KM coins in seven different denominations in circulation: F 5, F 10, F 20, F 50, KM 1, KM 2 and KM 5. International code for convertible mark is BAM.

The CBBH Governor, Senad Softić, said that the convertible mark is marking a significant jubilee, 20 years since letting the first KM banknotes in circulation.

- One thing was certain for all these years – the value of the convertible mark, expressed in EUR, has never been questioned. The CBBH puts in and withdraws from the circulation the banknotes of domestic currency, convertible mark, while adhering strictly to the rule of Currency Board defined by the Law on Central Bank of Bosnia and Herzegovina. Therefore, we can say that the introduction of the convertible mark was not only good, but it was decisive step in creating the monetary system and maintaining the stability of the currency, Governor Softić said.



The General Manager of the “JP BH POŠTA” d.o.o. Sarajevo, Mirsad Mujić, also addressed to the attendees. He expressed the pleasure with the “JP BH POŠTA” d.o.o. Sarajevo support to this event.

In cooperation with the colleagues from the CBBH we decided to issue the postal mark dedicated to the convertible mark, whose introduction in the whole territory of Bosnia and Herzegovina has confirmed that stable monetary policy underpins any other stability in the country. This is significant event for Bosnia and Herzegovina and all its citizens. The “JP BH POŠTA” d.o.o. Sarajevo will continue to strive to be part of each success story, being positive and bringing the benefit to Bosnia and Herzegovina, as this jubilee is – said the General Manager of the “JP BH POŠTA” d.o.o. Sarajevo, Mirsad Mujić.

On this occasion, Mujić handed over to Governor Softić the first copies of the postal mark „20 years of convertible mark“.

The promotional spot related to the production of the KM banknotes issued in 2017 can be viewed on the CBBH's official YouTube channel, „Centralna banka Bosne i Hercegovine/Central Bank of Bosnia and Herzegovina“.

CBBH GOVERNOR AT THE 88TH ANNUAL GENERAL MEETING OF BIS BASEL



The Governor of the Central Bank of Bosnia and Herzegovina (CBBH), Senad Softić, Ph. D. is in Basel (Switzerland), where he is attending the 88th Annual General Meeting of the Bank for International Settlements (BIS).

The CBBH is one of 60 member / shareholding central banks of this institution and the Annual General Meetings of the Bank are opportunities to discuss Annual and Financial Reports, as well as other topics of interest from representatives of monetary authorities.

CBBH is a shareholder of BIS Basel since December 1997, and BIS itself has been established in 1930, making it the oldest international financial institution in the world.

Each year, during the Annual General Meeting, a special panel discussion is held on a topic that is currently in the focus of the banking community, and this year' focus was on the real effects of credit disruptions based on experiences from the last financial crisis. During this year's meeting, the 17th Annual BIS Conference entitled “10 years after the big financial crisis - what has changed” was held, and it attended by some of the greatest economic experts of today.

The BIS has several roles, two of which should be specially stressed – first, safe investment of foreign exchange reserves of member banks, and the second, to strengthen international financial cooperation, especially the dialogue between financial institutions on the topic of promoting financial stability. In addition to these activities, BIS is also the agent of central banks in international payment operations. In addition, in the course of its activities in the field of monetary and financial stability, it regularly publishes analyzes and data that serve member banks in their decision-making process.

VICE GOVERNOR RASPUDIĆ AT SUMMIT OF THE GOVERNORS OF CENTRAL BANKS AND MINISTERS OF FINANCE FROM THE REGION



In Bečići, Montenegro, the Summit of the Governors of Central Banks and Regional Finance Ministers organized by the magazine NIN was held from 14 to 16 June 2018, in which the Vice Governor of the Central Bank of Bosnia and Herzegovina (CBBH), Želimir Raspudić, also participated.

Opening the panel discussion of central bank governors of the region entitled "Monetary policy and stability of the banking systems of the countries of the region a decade after the bankruptcy of Lehman Brothers", Governor of the Central Bank of Montenegro, Radoje Žugić, emphasized that the proactive approach of central banks is necessary, especially after the economic crisis. According to his words, the financial system must continuously improve. Speaking of the trends in the Montenegrin banking sector, he mentioned a slight decline in the capital adequacy of banks, necessitating capitalization. Interest rates are the lowest in history, but still high, especially for the real economy.

Governor of the Bank of Albania, Gent Sejko said Albania has targeted inflation at around 3 percent, that the economy has

recorded a moderate growth in the post-crisis period, and that there is a high level of euroisation in this country.

The Governor of the Central Bank of Kosovo, Fehmi Mehmeti, said that the growth of deposits in Kosovo indicates a growing confidence in the banking sector and that interest rates declined - the effective interest rate which was expressed by two digit number, now stands at 6.6 percent.

Macedonia, according to the Vice Governor of the National Bank of the Republic of Macedonia, Maja Kadijevka-Vojnovic, did not have a high level of non-performing loans in the banking sector, and a key challenge in the coming period is financing, given the region's low level of savings and low interest rates.

Vice Governor Raspudić emphasized that the CBBH does not have the role of the regulator, that 23 commercial banks operate in BH, that the banking sector has a significantly liquidity and a satisfactory level of capital adequacy. The interest rates in BH are a reflection of interest rates on the world market and they are at the lowest level so far, said the CBBH Vice Governor.



PROJECT "DATA CENTRE UPGRADE"

One of the strategic goals of the Central Bank of Bosnia and Herzegovina (CBBH) is the continuous replacement of the infrastructure, in order to ensure the continuous and reliable functioning of all critical IT services.

The IT Department recognized in due time the need to replace the already out of dated equipment and started an initiative to procure the equipment, which was supported by the Management and the Governing Board of the CBBH. After the purchase of the equipment and software necessary for the Upgrade of the Data Centre was approved, a comprehensive market analysis was undertaken in order ensure that the CBBH should obtain a good quality equipment under the most favorable conditions. The analysis identified the most critical elements of the system that needed to be replaced first, the current and upcoming needs of the CBBH were taken into account, and the equipment and software needed to be procured were specified, so that more equipment manufacturers could apply and be competitive in offering possible solutions. The contract was signed with the selected contractor on January 30, 2018 and the handover was done within the prescribed deadline, on June 18, 2018.

Within the project "Upgrade of Data Centre", which is one of the most important projects of the Information Technology Department in the last 5-6 years, new servers have been purchased that enable the improved functioning of the existing IT services, as well as the possibility of introducing new ones. Also, a new generation data storage device was



purchased, which not only facilitates a faster access to data, but also provides sufficient storage space for current and future needs, as well as more efficient data management. Reliability, efficiency and security of the system have been raised to a higher level, resulting in greater accessibility not only of key ones but of all IT services and the smooth running of all business processes within the CBBH.

In addition to the above-mentioned critical components of the data centre, the server and devices on which daily data backup is performed, have been purchased. The primary and secondary (replica of the primary one) devices for placing of the back-up data are arranged to provide:

- that the source and backup data are not in the same location and
- the availability of the backup data in the event of a malfunction of the primary device for placing backup data.

Also, within the project "Upgrade of Data Centre", the device was reconfigured and upgraded to newer versions of the software on the DR site. Namely, the hardware that was withdrawn from the primary site, which has been produced more recently than the hardware that was at that moment on the DR site, was moved to DR site and put into use. This has also enhanced the reliability, efficiency and security of the system.

Significant financial savings were made, which can be used for higher priority procurements that will additionally increase the security, reliability and efficiency of the CBBH information system.

GOVERNOR OF THE CBBH TALKED WITH SENIOR REPRESENTATIVES OF INTESA SANPAOLO BANK FROM MILAN



On 10 May, 2018, Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph.D. welcome in the Central Bank the senior representatives of Intesa Sanpaolo Bank from Milan.

The delegation featured the Chairman of the Board of Directors of this Bank, prof. Gian-Maria Gros-Pietro and Director of Intesa Sanpaolo International Banking Division Ignacio Jaquotot. Director of Intesa Sanpaolo Bank Bosnia and Herzegovina, Almir Krkalić. The CBBH Vice Governor, Ernadina Bajrović, M.A. attended the meeting, too.

The guests were interested in review and assessment of the Currency Board arrangement in BH, especially its role and influence on price stabilization mechanisms and monetary aggregates, in the current state of the International Monetary Fund (IMF) program in BH, and the trends in the compliance of the domestic financial and banking system with the European regulatory models and practices.

Governor Softić emphasized the fact that the Currency Board arrangement remains the most suitable solution for BH, which provides the basis for integration of the economic space in the monetary sphere and achieving of the macroeconomic stability. Since the introduction of the Currency Board until today, continuous positive developments of all relevant macroeconomic indicators and indicators, related to the banking sector in BH, have been recorded.

"The CBBH has completely fulfilled one of its basic functions - it has achieved and maintained the stability of the domestic currency, while the external stability is ensured by the successful maintenance of the fixed exchange rate and regular servicing of the external debt of BH, which the CBBH performs as a fiscal agent of the state," said Governor Softić.

Regarding the compliance of financial and banking regulations with European regulatory models and practices, the Governor emphasized that the Laws on Banks in both BH Entities have been adopted over a year ago and that they have been harmonized, as much as possible, with the EU Directives and the Basel Principles. Current activities are focused on developing of the strategy for the implementation of Basel III.

The guests expressed their content with this meeting, stating that the presented information are useful for the planning of future activities.

PRELIMINARY FINDINGS OF THE BILATERAL ASSISTANCE PROGRAM BETWEEN THE CBBH AND SECO PRESENTED



On 28 June 2018, the Central Bank of Bosnia and Herzegovina (CBBH) held the wrap-up meeting and presentation of the second phase preliminary findings of the Bilateral Assistance and Capacity Building Program (BCC) mission, as part of the CBBH cooperation with the Swiss Secretariat for Economic Affairs (SECO) of the Swiss Government.

SECO approved the continuation of the Central Banks' Assistance and Capacity Building Program (BCC) for the period 2018-2022, which will be implemented in partnership with the Institute for International and Development Studies, Geneva. In order to prepare the Program and strategic planning of activities and results in a five-year period, the Technical Mission of the Geneva Institute for International and Development Studies, headed by BCC Program Manager was visiting the CBBH from 26 to 28 June 2018.

The purpose of the mission was to analyze and identify the CBBH needs on technical assistance. By the end of the year, there will be signed the Memorandum of cooperation with the defined priority areas and business functions of the CBBH to be included in the Program.

The first phase of the CBBH Bilateral Assistance and Capacity Building Program with SECO for the period from 2014 to 2017, has been successfully completed, within the framework of which the overall development goals have been achieved in the field of monetary policy, statistics and human resources management.

STUDENTS FROM AUSTRIA VISITED THE CBBH



International students of the Master Studies entitled "European Studies-EU Project Management" at the University of Applied Sciences in Eisenstadt, Austria visited the Head Office of the Central Bank of Bosnia and Herzegovina (CBBH) during their stay in BH, on June 15, 2018.

As part of the visit to the CBBH, Vice Governor in charge of Monetary Operations, Foreign Exchange Reserves and Cash Management, Milica Lakić, Ph. D. held a presentation on the basic tasks and operations of the CBBH. A particular emphasis was placed on the forthcoming challenges of the CBBH in the process of Bosnia and Herzegovina's accession to the European Union.

Presentation was attended by an expert on European Integration and Neighborhood Policy, dr. Arnold Kammel, professor of the University of Applied Sciences in the city of Eisenstadt, Member of the Governing Board of the CBBH Ljubiša Vladušić, Ph. D. and employees of the European Integrations Department of the CBBH.

After the presentation, the students had the opportunity to see the CBBH permanent exhibition of the banknotes in the Head Office of the CBBH, with a professional explanation of the Cash Services Section's employees in the Cash Management Department.

A SERIES OF EDUCATIONAL CLASSES ON FINANCIAL MANAGEMENT FOR THE PUPILS OF THE THIRD SARAJEVO GYMNASIUM

At the initiative of professors and educators of the Third Gymnasium from Sarajevo, the Central Bank of Bosnia and Herzegovina (CBBH), in cooperation with and with the support of the European Fund for Southeast Europe – Development Facility (EFSE), organized the education for 172 third grade pupils of this school during May this year.

Following the visit of the pupils of this school to the CBBH, during which they learned about the work and the importance of the CBBH, and gained knowledge on money, financial products and financial management, the pupils and professors showed interest in organizing a series of educational classes in this school. The aim was to teach the third grade pupils how to deal with money at their earliest possible age.

The classes were held by the representatives of the CBBH and the Association for Responsible Personal Finance Management "U plusu".

According to feedback, pupils' comments were quite positive, and the knowledge they gained would be useful for them in their everyday life.



REPRESENTATIVES OF THE CBBH AT THE FIRST CYBER FORUM OF BANKERS IN BH



Representatives of the Central Bank of Bosnia and Herzegovina (CBBH) attended the first Cyber Forum of Bankers, organized by the Association of Banks of Bosnia and Herzegovina (UBBH) and with the technical support of the CBBH, on 5 June 2018.

The legal and technical aspects of the implementation of the electronic signature and electronic document in BH were

discussed at the Forum. The representatives of banks were informed about the procedures and the current situation regarding the establishment of a certification body necessary for the full implementation of electronic signature and electronic document in BH. On this occasion, it was estimated that digital services in BH banking recorded a continuous growth and that the banking sector has the capacity to respond to market demands, and that it is necessary for all segments of authorities to be more actively involved in the creation of an information society.

The first Cyber Forum was established as an informal body of the UBBH that will deal with aspects of digitization in banking with a special focus on cyber security, and it was attended by representatives of the CBBH, and also by representatives of the 22 commercial banks, the Ministry of Communications and Transport of BH, the Agency for the Protection of Personal Data of BH, the Federal Ministry of Transport and Communications and the Banking Agency of Republika Srpska.

AMBASSADORS OF SLOVENIA AND JAPAN IN AN INAUGURAL VISIT TO THE CBBH



On 24 May, 2018, the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) Senad Softić, Ph.D. met, in their separate inaugural visits, the Ambassador of Slovenia to BH, H.E. Zorica Bukinac and the Ambassador of Japan to BH, H.E. Hideyuki Sakamoto.

Governor Softić exchanged information with the ambassadors about the situation in BH, economy and financial sector, as well as about the current and planned activities of the CBBH.

During the visits, Governor Softić, Ph.D. used the opportunity to inform the ambassadors on the latest macroeconomic indicators for BH, as well as, on the model and implementation of the monetary policy.

Governor Softić emphasized the fact that the Currency Board arrangement remains the most appropriate option for BH, and that from the introduction of the Currency Board to nowadays, there have been continuously recorded positive developments of all relevant macroeconomic indicators and the indicators related to the BH banking sector.

During the discussions, the Governor informed the guests on the activities related to the cooperation with the IMF and the obligations that the CBBH took over in the process of Euro-Atlantic Integration of BH.



THE CBBH WAS ONE THE FIRST INSTITUTIONS TO START ORGANIZING THE VACATION TIME STUDENT TRAINING

The Central Bank of Bosnia and Herzegovina (CBBH) was one of the first institutions in BH that organized the vacation time training for students. The organization of vacation time student training was started in the CBBH shortly after the establishment of the institution, however, in the last ten years, the interest in such training is quite high and exceeds the capacities of the CBBH.

Every year, the CBBH receives from 80 to 100 applications, and 40-50 students are selected for the vacation time training. The criterion is primarily the average grade, so the best students are admitted for such training. The average grade must be above 7, and most often these are the excellent students with an average over 9. Also, only students of the third or fourth year of undergraduate studies are admitted to training. For many of them, the vacation time training is a compulsory subject at the faculty.

To conduct the vacation time training, the CBBH admits students from all over Bosnia and Herzegovina and distributes them to its organizational units (Sarajevo, Mostar, Banja Luka, Brčko, Pale) in accordance with their requirements and places of residence.

The training is carried out in the period from April to October of the current year, and the duration of the training is 20 working days. The CBBH is one of the few institutions that provides the paid vacation time training, and it also pays for students' insurance if it has not been provided by their faculty.

Each student is assigned a mentor who is in charge of delegating tasks in the field of his / her department and monitoring of student's work. Each student, on their arrival in the CBBH on the first day of the training, attends the presentation of the Human Resources Department on the history and establishment of the CBBH, the organization, goals

and tasks of the CBBH, as well as review of the obligations and rules of conduct of students during the vacation time training.

The CBBH mostly admits students of economics, lawyers are welcome, but also other students, if their average grade is extraordinary, who think that the knowledge acquired in this institution will be useful for them later in their business career.

Feedback from economics and law students says that they have used knowledge from their books for the first time in the CBBH and that they appreciate most the fact that they gain an impression of what the future holds for them once they start working in an organization themselves.

Each student is obliged to submit a training journal in which s/he should describe not only the organization of the CBBH, and the departments in which s/he had the training, but also all the tasks and everything learned during the 20 working days. The journals are submitted to the mentor and archived at the Human Resources Department. The Human Resources Department submits to each student a decision on the performance of vacation time training, and also the confirmation of the performed vacation time training upon its completion.



