



INTER-BANKING ELECTRONIC MONEY MARKET

Establishing Expected by the end of the Year

Until the end of this year, the Central Bank of Bosnia and Herzegovina (CBBH), in cooperation with commercial banks in BH, will complete the implementation of the project of platform of inter-banking electronic money market. According to the Manager of the Payments System Division **Đorđe Racković**, the idea for realization of such project came from commercial banks in BH, which have branches which, in specific moment of time have surplus, or shortage of assets – KM and foreign exchange. With the establishment of this trading platform, all commercial banks will be able to see demand and supply of money on the inter-banking market in BH, so they will be able to trade among themselves directly. As Racković stressed, the platform will integrate three individually established segments: segment of demand and supply of KM deposits, segment of inter-banking foreign exchange market and the segment of trading with KM cash. “The first segment is the segment of demand and supply of KM deposits. This means that the commercial bank which has surplus of deposits looks where it will invest it, for example, to the other bank which also provides the information on the demand on that same platform”, Racković said, adding that besides offering of the amount, the data will be also available on interest rates and period for which money is demanded, that is, supplied. After the insight in such detailed compiled information, banks will get into the direct contact with banks which they want to trade with. “They will get into contact with authorized persons who have the access to dealing service and who will be able to trade in real time. When they reach the agreement on the amount and conditions, such as interest, with the press of the button, they will put their electronic signature on the Contract, the deal is concluded and by the authority of the Contract, which will have to be previously signed by all of them, it will be valid, i.e. obligatory to all”, said Racković. After that, the payment order is created under the agreed conditions and assets are transferred through the RTGS. The second segment of the platform of the inter-banking electronic money market is the inter-banking foreign exchange market, where trading with the foreign currency cash will take place. Amounts,



Racković: Multiple benefits from the new platform

currencies and quotations under which it is being offered will be in the system. Finally, the third segment is the trading of KM cash, which is considered to be the most important part of this system. Namely, the existence of this platform will make possible for commercial banks to reduce expenses of the cash transports to and from the CBBH. Until now, the banks had to rely on the individual transports of cash to their branches, or on transports between their branches and the CBBH branches. The process will become much simpler with this platform, since the banks will provide the daily data on supply and demand for cash at the level of their branches. “Authorized person in the dealing in the Treasury of one commercial bank automatically has the status of all his/her branches every morning, as well as changes which take place during the day. The system is online all day. Responsible person, who is looking at his/her branches can see that, for example, one branch needs KM 100.000, the other needs KM 200.000, the third one has KM 500.000 surplus, but one branch is, for example, in Prijedor, the other one is in Tuzla and the third is in Mostar.

Continuation on Page 2

INTER-BANKING ELECTRONIC MONEY MARKET

Continuation from Page 1

So now, instead of expensive and risky transporting of cash for couple of hundreds of kilometers, this person simply looks into the system and looks into the status of demand and supply for the region where his/her branch is located. Where they find the appropriate offer, they will get into contact through the computer and will offer making of the deal”, Racković said. The proposal is to have these trades free from expenses, and that the only expenses would be paid by those who ask for funds in terms of payment of transport and security expenses to their branches. “Expenses of transports and security will cover distances of couple of hundreds of meters, which is a significant progress in

comparison with, in some cases, hundreds of kilometers of distances between remote branches. That can reduce total expenses of the transport, as well as risk of cash transporting around BH, which automatically reduces the possibility of the robbery”. The Internet will be used as the communication channel. It is expected that this system will become operational by the end of the year, since it is necessary, besides in CBBH, to make appropriate installations in all commercial banks. As a part of the project realization, the CBBH has recently announced the public bid for the procurement of the platform required for the establishing of the inter-banking money market, which should solve all issues related to hardware and software required for realization of this platform. The United States Agency for International Development (USAID) promised its financial help for realization of this project.

BANKING DIVISION

Investing in Securities through Portfolio Manager

Written by: Emina Ćeman, M.Sc.

In July, i.e. in August 2006, the Central Bank of Bosnia and Herzegovina (CBBH) started the process of investing a part of its foreign exchange reserves in securities through two external portfolio managers. In order to provide an overview of what has been done in the previous period, the representatives of the BIS Asset Management visited the CBBH on 22 June 2007, and held a presentation on the CBBH portfolio and the market trends and the achieved results from the beginning of investment up to date for the Chairman of Investment Committee Vice Governor **Ljubiša Vladušić, M.Sc.**, Members of the Investment Committee, and Managers of Banking Division, Monitoring and Analysis Division and Accounting and Finance Division. In this text, we briefly state the basic information on the portfolio of the CBBH securities with the BIS and Dexia Asset Management. It should be noted that the CBBH has chosen *JP Morgan EMU Government bond Index 1-3 years* as a benchmark for the portfolio managed by external portfolio managers. This benchmark is broadly represented and it is mainly used for the portfolio of securities denominated in euro. Initially this index consisted of the securities of nine euro zone countries, but it was enlarged by two countries and now we have 11 countries whose securities are included in the index. Those are Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Holland, Portugal and Spain. This index includes the securities with maturities from

one to three years. The index is updated on monthly basis and each security with less than a year to maturity is excluded from the index. The percentage share of securities of EMU countries in JP Morgan 1-3 years index is in the graph. Germany has the highest share, with 25% of the total index amount. If we observe the period of the previous year, we can see that from the end of 2005 until today, the ECB increased the interest rate by 200 basis points and with the increase from June it amounts to 4%. In this period, when a constant growth of interest rates on the market was recorded, and consequently, the decrease of bond prices, the decision on investing in bonds with maturities up to three years proved to be correct, which was confirmed also by both portfolio managers. As an indicator of the vulnerability of bond prices, bond funds or other debt instruments, modified duration is used for the change of interest rate. This measure is reversely

In addition to portfolio diversification, an important reason for engaging an external portfolio manager is education of the CBBH staff for work, i.e. investing in securities. So, beside numerous conference meetings held by phone with both portfolio managers, there was a training of staff from Front, Back and Middle Office with both portfolio managers. Such kind of working visit to portfolio managers proved to be very useful and they should be continued in the future.

CBBH WEB SITE REDESIGNED

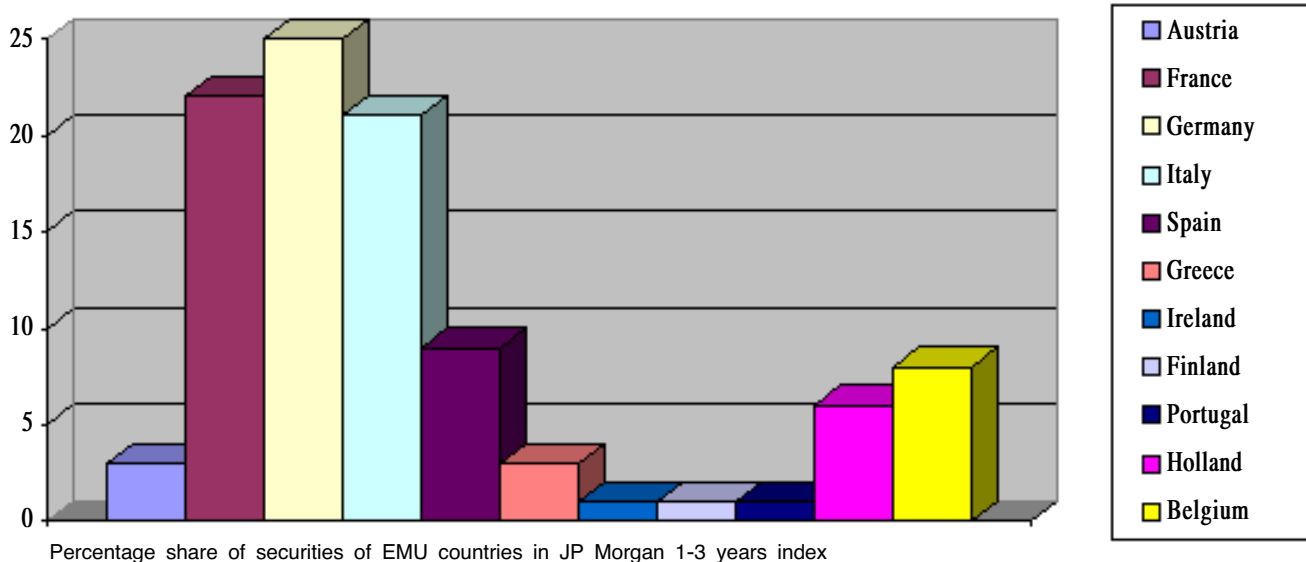
The redesigned web site of the Central Bank of Bosnia and Herzegovina (CBBH) will become available to users on June 27, 2007. The access to the site will be provided through the current link www.cbbh.ba, and the new design will completely replace the previous site which was used from September 2001. The redesign of the site includes the complete graphic redesign and replacement of the technology which was used by now during the web design. The largest improvement this design provides is a switch from the so-called "static" to "dynamic" PHP (*Hypertext Preprocessor*) web technology which will provide many benefits to the users of this site, such as the advanced search engine and possibility to print and save the documents from the

site in various formats. The interactivity of the site and the users will be improved with the options to subscribe to mailing lists, and the users of the exchange rate list will have the possibility to download it via RSS. The site will keep the current form of 4-language web portal - Bosnian, Serbian in Cyrillic, Croatian and English. Some changes in the content have been made as well, such as contacts for some departments and some of existing content has been expanded, including Statistics and Publications. Programming of the web application for the need of the CBBH has been done by the Sarajevo Company Team Consulting, which was selected after the public tender.

Press release

proportional, meaning that the interest rate growth causes the decrease of the instrument price. Higher modified duration means the higher vulnerability of the bond or a similar instrument, i.e. larger oscillation of the value of the share when interest rates change. Interest rate risk arises from the fact that the market value of the instrument with fixed yield changes depending on the change of interest rates in the market. The longer the bond maturity, the higher the accompanying risk of change of the instrument market value. When interest rates increase, a better result will be achieved by the portfolio with a shorter duration, and when interest rates fall, a better result will be achieved by the portfolio with a longer duration. All this proved to be correct on the CBBH portfolio. So, in case the investing in securities with maturity of 5 years were allowed, modified duration would be two times larger, it would be around minimum 3,00. Consequently, the portfolio would be more sensitive to changes of interest rates and unrealized losses would be doubled, i.e. return would be

decreased. Both portfolio managers, although they have the same guidelines for investment, which they adhere to, have different methods of approach. So, the BIS is more conservative and more focused on the expectations of events in the future, while Dexia Asset Management actively invests according to the conditions on the market. So, in the portfolio with the BIS, modified duration on 31 May 2007, was 1,659, while with Dexia Asset Management modified duration was 1,43. The benchmark modified duration was 1,73, which means that the portfolio managers are even more careful in their expectations regarding interest rate changes and economic development and consequently they apply the strategy of lower portfolio exposure to the oscillations on the market. Both portfolio managers exceeded the benchmark in their performance, so the BIS exceeded the benchmark by 0,13% and Dexia Asset Management by 0,17%. It needs to be stressed that Dexia AM started investing one month before the BIS.



Acknowledgment of the CBBH for the General Contribution to the Development of the Banking Sector



Winners of the "Golden BAM"

of KM 3.098.319.000, 00 and for the largest total capital in the amount of KM 200.279.000, 00. Like the year before, Hypo Alpe Adria Bank d.d. Mostar received the Golden BAM Award for the largest amount of share capital. In comparison with 2005, the Bank managed to increase the share capital by KM 20 million in 2006, so at the end of the last year, the share capital amounted to total of KM 140 million. UniCredit Zagrebačka banka d.d. Mostar performed the largest rate of return on share capital in 2006, which was 29, 93%. Turkish Ziraat Bank Bosnia d.d. Sarajevo also in 2006 was the bank with the largest ROA, with 3, 79%. This Bank won this category back in 2005. Bobar banka a.d. Bijeljina is the bank with the fastest growth of deposits in BH in 2006, with 115, 77%. Union banka d.d. Sarajevo is the largest bank in BH in 2006 with predominantly or exclusively local capital. Its assets in the last year were KM 163.422.000. Magazine "Banks in BH" has been issued since 1995 and each issue has 2.000 copies distributed around BH. That is specialized financial monthly magazine which follows the domain of banking, fiscal policy, insurance, capital markets, that is, money exchange and securities exchange, as well as, the general monetary policy.

Respected financial Magazine "Banks in BH", which is issued on the monthly basis, presented the Central Bank of Bosnia and Herzegovina (CBBH) with the Golden BAM Award for the general contribution to the development of the banking sector in BH. For the fifth year in the row, this magazine is presenting the Golden BAM Award to the most successful banks on the basis of the condensed auditors' reports. Ranking of the most successful banks is done in accordance with the well-established criteria: volume of bank's assets, volume of bank's assets in the bank with predominantly or exclusively local capital, volume of the total and volume of the share capital, return on assets and share capital, as well as, of deposits' growth. Together with the CBBH, which received award for the general contribution to development of the banking sector, the Golden BAM Award for 2006 was presented to Raiffeisen Bank d.d. Sarajevo, Hypo Alpe Adria Bank d.d. Mostar, UniCredit Zagrebačka banka d.d. Mostar, Turkish Ziraat Bank Bosnia d.d. Sarajevo, Bobar banka a.d. Bijeljina and to Union banka d.d. Sarajevo. The Raiffeisen Bank d.d. Sarajevo received two Golden BAM Awards, for the largest volume of bank's assets in the amount

While thanking on the award, Governor of the CBBH **Kemal Kozarić** stated that the banks are having difficulties to work in BH conditions, but also stressed that all financial institutions showed how professional they are and, together with the CBBH, they have shown that the profit can be made in BH. "The CBBH represents pillar of the banking sector, which provides support to the BH economy in general", Kozarić said. Minister of Finances and Treasury of BH **Dragan Vrankić** said at the ceremony that the capital knows no boundaries, nor colors, only conditions, so the task of this Ministry is to provide the conditions in order to have capital as a contributor of the general development, and the banking sector has always been an avant-garde of the development in BH. Head of the European Bank for Reconstruction and Development (EBRD) Office in BH **Giulio Moreno** stated that this institution, together with the CBBH, will continue to provide support to BH commercial banks.

ACKNOWLEDGMENT FOR THE CBBH GOVERNOR

Award for the Contribution to Monetary Stability and Support to the Financial Sector of BH

During the Ceremony which was held on June 27, 2007 in Sarajevo, representatives of the Consulting Company "Revikon" and the regional Business Magazine "Prizma" presented the Governor of the Central Bank of Bosnia and Herzegovina (CBBH) **Kemal Kozarić** with the award for the monetary stability and support to the financial sector of BH. While receiving this award, which was awarded for the first time this year, Kozarić stressed that this success is not only his own, but instead, it belongs to all the employees who, with their work, contributed to the successful performance of the CBBH in many years which resulted in full support of BH public which it has. During the same Ceremony, the "Crystal Prism" Awards were presented to the best bank and the best insurance company in BH, as well as to the most successful managers from those areas in 2006. The UniCredit Zagrebačka banka d.d.

was declared the best bank in BH, while the Sarajevo Insurance d.d. was declared the best insurance company. General Manager of the Hypo Alpe Adria Bank d.d. **Petar Jurčić** was declared the best manager in banking, while Director of the Croatia Insurance d.d. **Zlatan Luburić** was declared the best manager in insurance. This is the fifth year already the "Crystal Prism" is being awarded and the ranking for 2006 was performed on the basis of the audited financial reports of 27 commercial banks, which were provided by the Entities' Banking Agencies. As far as insurance companies are concerned, a total of 26 companies were examined, and the basic indicators were capital, assets, calculated premium, technical reserves and the net profit of the company. On the same day, "Revikon" and "Prizma" also organized the Round Table, where Governor Kozarić held the presentation on the price of money in BH.

MAIN UNITS AND BRANCHES



MU Sarajevo



MU Mostar



MBRS Banja Luka



Brčko Branch



Pale Branch

MU SARAJEVO

During June, Banking Section performed 79 KM sale transactions, amounting to KM 175.903.035, 42 and 12 KM purchase transactions, totaling to KM 123.817.201, 24, so the balance was positive and amounted to KM 52.085.834, 18. Treasury Section has 111 incomings – receipts of cash in the vault, i.e. 1.827.193 pieces of banknotes and 881.000 coins pieces, with total value of KM 93.206.570, 00. In the same period the Section also has 72 outgoing - issuances, i.e. 1.822.200 pieces of banknotes and 1.173.000 pieces of coins in the total value of KM 70.706.550, 00. In the June period, all commercial banks (18 banks) met reserves requirement on the reserves accounts held with the Central Bank of BH. During that time, in the Section for Monitoring and Payments System, there were calculated KM 3.131.569, 71 in favor of the commercial banks for the fee of required reserves holdings. In the payments system in the Gyro clearing, through Sarajevo MU, 605.611 payments transactions were recorded totaling to KM 236.791.731, 37. From the Single Registry of Transaction Accounts and at the request of physical and legal entities 446 reports on the balance of business entities transaction accounts were issued and KM 2.230, 00 were charged.

MU MOSTAR

In June, Office of the Main Internal Auditor carried out the audit over Mostar MU operations. In the period from 1 June to 29 June Treasury Section had 70 incoming protocols in total value of KM 77.231.980, 00. During the same period 70 outgoing protocols in total value of KM 61.085.869, 65 were recorded. Section for Monitoring and Payments System accepted 112 requests for the issuance of data from the Single Registry of Transactions Account and issued confirmations. The total of 306.545 payments system transactions was performed, out of which 297.971 gyro clearing and 8.574 RTGS transactions. Banking Section performed 47 transactions, and so: 11 purchases in the value of KM 23.985.045. Out of that, seven transactions of KM 23.500.000 were on the foreign accounts and four transactions were performed as the cash transactions through the vault. The value of sale was KM 32.722.996 and it was performed through 36 transactions, out of these 19 in the value of KM 10.298.422 through the foreign currency accounts and 17 transactions in the value of KM 22.424.573 through vault. Commission was charged in the amount of KM 21.566.

MBRS BANJA LUKA

On June, Treasury Section performed 207 transactions. 142 incoming transactions were recorded and 65 outgoing ones. Total quantity of the received KM cash was 1.228.633 pieces of banknotes and 165.226 banknote pieces of the EUR cash. As for the minted money, the total of 576.000 coin pieces was received. The commercial banks were paid out 1.242.860 pieces

of banknotes and 648.000 pieces of coins. In the Section for Monitoring and Payments System, all activities in the reserves accounts and in the payments systems were carried out regularly. We processed 47 Requests on the Statements from Single Registry of the Transactions Accounts. The Section filled the vacancy of the Senior Staff member for Information Technology on this position, namely, since 11 June, new employee **Pavle Đukić** has been hired. In the MB RSCBBH Banja Luka, the positive trend of KM buying/selling continues. During June, 103 items were processed, out of that buying covers 36 items, amounting to KM 36, 6 million, and sale covers 67 items amounting to KM 116, 3 million, so the total net balance of KM buying/selling was KM 2,67 billion.

BRČKO BRANCH

During June, all regular jobs were performed in time, those related to the accounting, general and administrative jobs. Compared to May 2007, during June the recorded value index of the KM outgoing was 116, 95, while the index of KM value incomings was lower, 74, 92. All work processes in relation to the CBBH enactments were completed and related to the proceeding part of all documents. We performed the activities for the issuance of the necessary licenses for the realization of the upgrading project of the motor generator station, and also the initiative was started related to the performance of the technical review of the building after the realization of the Project of reconstruction and upgrading of the building of the CBBH Branch in Brčko. During this month, the general medical examination of this Branch staff members were completed, as well as, the activities related to the hiring of employees in the Security Section. **Ljubica Petrović**, student of the III year of the Faculty of Economics in Brčko, has completed internship training in the Branch.

PALE BRANCH

During June, 2007 in the Branch of the RS Main Bank in Pale, 28 transactions of the KM buying selling were carried out, out of that KM sale covers 21 transactions amounting to KM 7, 7 million and the KM purchase covers seven transactions, amounting to KM 2, 5 million. Compared to the same period of the previous month the number of the KM sale and purchase decreased by 15 index points. The number of the KM sale decreased by 46 index points, and the number of KM sale transactions increased by 5%. However, balance between KM sale and purchase increased by KM 5, 2 million, i.e. 1, 5%. Number of the KM deposits decreased by 25 index points, and the number of KM payments out decreased by 23 index points. Compared to the previous period, number for the received requests in CAS increased by 13%, and the number of the inter banking transfers increased by 50%. Deposits of the commercial banks in KM increased by 4% and deposits in other currencies increased by 0, 4%. The average balance in the reserves accounts of the commercial banks increased by 6% and all banks met the reserves requirement.

EDUCATION

Larger Number of Seminars and Conferences Organized by Central Banks

During June 2007, 28 employees of the Central Bank of Bosnia and Herzegovina (CBBH) attended total of 20 seminars and one conference. Out of that number, 14 seminars were held abroad and six in BH. It is especially worth mentioning the trainings which were attended by the Front, Back and Middle Office employees, which were held in Basle in organization of the BIS. Also, organized by the BIS, as well as by the National Bank of Turkey, a seminar was held on regional workshop on payments systems, with the focus on the role which central banks have in changes which take place in payments systems and how that development in the Region affects global trends. The National Bank of Turkey also organized the II Conference entitled “*Creating the New Global Image: Increasing Influence of Growing Markets on the World’s Economy*”. One of the seminar’s organizers was the Bank of France, which organized the Seminar on payments systems, with the focus on technical and legal aspects of payments systems and their adaptation and implementation. The National Bank of Poland organized very interesting Seminar on the topic “*Control and Assets Management*”, which covered a large spectrum of topics related to operations of Treasury Division. The Seminar on the Human Resources

Management was held in Prague in organization of the Czech National Bank (CNB). The Seminar covered wide range of topics which cover organization and Human Resources Management in the CNB, employment, education and development, adaptation process and the social policy. The Seminar on Public Relations was held in organization of the Deutsche BundesBank, which covered the large spectrum of items connected with communicating in central bank, communicating in the Euro system, campaigns, projects and research, media relations... The Basle II, banks’ deposit insurance and other actualities from the banking domain were topics of the VI International Seminar for Bankers and Financial Experts which was held in Miločer in the organization of the Economic Faculty – Ljubljana University. Finally, the seminar which covered operational risk in banks with the focus on IT risk management was held in Budapest in organization of the BACEE and ISACA. Regarding seminars which were held in BH, it is worth mentioning that in Neum and Bihać seminars were held from the domain of the internal audit, employment legislation of the entities and District, as well as those on the developments in the civil and trade legislation and legal practice.

EMPLOYMENT

Three New Staff Members in June



Edin Suljević

A new employee, Graduate Engineer in Electro-Technical Sciences **Edin Suljević** was employed into the IT Department in the Administration and Finance Sector in June. He was employed for the definite period of time of one year and will have a status of trainee. Also, in the Main Bank of Republika Srpska of the Central

Bank of BH, **Pavle Đukić** was employed as the Senior Associate for IT in the Monitoring and Payments Transactions Section and **Drago Pejić** was hired to post Senior Associate for Treasury Operations in the Treasury Operations Section. All those employees started working on June 11, 2007.

Collective Insurance of the CBBH Employees

The Central Bank of Bosnia and Herzegovina has signed the Contract on the collective combined insurance against accidents for the period from March 15, 2007 until March 15, 2008 with the Insurance Company Triglav BH Insurance d.d. Sarajevo Branch for all its staff members employed permanently or temporarily, as well as members of the Governing Board and Auditing Committee. The annual insurance premium per employee is KM 120. The insured amounts per person are as follows:

- In case of death due to accident: KM 130.000, 00
- In case of death due to illness: KM 9.500, 00
- In case of permanent disability: KM 260.000, 00
- Daily compensation for staying in hospital due to accident: KM 17, 00
- Costs of treatments because of accidents up to amount of KM 10.000, 00
- Daily compensation for sick leave caused by accident: KM 10, 00

Insurance covers accidents which may occur on the working place and outside of the working place, which means 24 hours. In case of

an injury during the accident, which causes temporary working disability, the insured person, besides the specific amount which he/she gets on the basis of estimate with the insurance company on the basis of degree of injury, will also get an amount for each day of hospital stay and every day of leave from work during the sick leave which occurred as the consequence of accident. General conditions for insurance of persons against accidents and forms for reporting of an accident can be found in the Human Resources Management Division for employees of the Head Office, while for employees of the Main Units and Branches those can be found with the employee responsible for Human Resources Management of that particular organizational unit. Senior Associate for Human Resources in the Human Resources Management Division **Edina Čobo** (e-mail: ecobo@cbbh.ba, telephone: 033 278 120) is in charge for coordination of collective insurance of employees. The Human Resources Management Division maintains records on paid compensations for accidents so, in any case of eventual accident which requires procedure of insurance company, it is required to inform colleagues in the Human Resources Management Division on procedure and outcome of the procedure.

Haša Mulaosmanović Retires



On June 2, 2007, our colleague **Haša Mulaosmanović** reached 40 years in service, by which she fulfilled the conditions for retirement. Haša Mulaosmanović was born on November 26, 1946 in Sarajevo and it is worth mentioning that she spent her entire career working in the National Bank of BH and the Central Bank of BH (CBBH). Over the last seven years,

she was in the Financial-Bookkeeping Section of the Accounting and Finance Division on the post Accountant – Cashier, followed with the work on the post of Independent Officer – Cashier. She did her jobs in responsible and devoted manner, and she readily accepted and successfully implemented all upgrades which were introduced in work. Even after the official retirement, Haša accepted continuation of her engagement in the CBBH for a certain period of time in order to provide continuity in work. The entire CBBH wishes her good health and happy days in retirement.

**CENTRALNA BANKA
BOSNE I HERCEGOVINE**



**ЦЕНТРАЛНА БАНКА
БОСНЕ И ХЕРЦЕГОВИНЕ**

Publisher: Central Bank of BH; **Address:** Maršala Tita 25, 71000 Sarajevo; **Prepared by:** Public Relations Section of the CBBH;

Web page: <http://www.cbbh.ba>; **E-mail:** contact@cbbh.ba; **Contact phone:** (033) 278-123; **Editor:** Zijada Kovač **DTP editor:** Almir Salihović;

Contributors: Almir Salihović, Danijela Golijanin, Ema Mundžehasić (proofreader), Daria Dragaš, Vildana Popovčević (proofreader - English version), Emadina Bajrović, Anđa Bijeljac and Adela Lincender (Articles on employment and education); **Printing:** Sevdal Handžić, Common Affairs Division of the CBBH; **The CBBH Newsletter is issued on monthly basis**



Monthly Balance Sheet (Temporary) as of 31st May, 2007
Explanation

Monthly Balance Sheet is being issued to provide information on the Central Bank of Bosnia and Herzegovina operations pursuant to the Currency Board rule, and to release some particular information as defined by the Law on the Central Bank of Bosnia and Herzegovina.

Some of specific features of the Balance Sheet as of 31st May are as follows :

On 31st May, the Bank met all requirements of the Currency Board rule as mentioned in the Article 31 of the Law. Status of Net Foreign Assets exceeds its Monetary Liabilities in Konvertibilna Marka (KM) by KM thousands 292,166 This has been shown in the item Net Foreign Exchange Assets minus Monetary Liabilities.

Foreign Assets mainly consist of deposits held with the foreign banks.

The Balance Sheet also shows structure of the currencies holdings, differentiating them by EUR and other currencies.

The Bank's foreign investments incur income for the Bank.

Monetary liabilities, represent to larger extent the liability of the Bank for KM currency in circulation (KM thousands 2,157,234) and resident banks, deposits (KM thousands 3,174,886).

Capital and reserves reflect initial capital, reserves, shares, and accumulated profit of the Bank since the beginning of its operation on 11th August 1997.

As depositary for membership of Bosnia and Herzegovina in the IMF, the Bank presents IMF accounts No.1 and No.2 as foreign liabilities in its Balance Sheet and holds securities of the Government of Bosnia and Herzegovina related to the membership. Acting in the same time also as fiscal agent on behalf of the Government in its relationship with the IMF, the Bank records the funds and liabilities of the Government related to the membership in the trust accounts separated from Balance Sheet. By consolidation of all accounts related to the membership of Bosnia and Herzegovina in the IMF, liability as net member position in the amount of KM thousands 16,482 is calculated.

The Bank also maintains certain accounts in foreign currencies in terms of agreements concluded between the Government of Bosnia and Herzegovina and foreign governments and financial organisations, as well as foreign currency accounts of the state institutions and agencies for which the Bank acts as an agent. As these accounts does not appear to be either assets or liabilities of CBBH, they have not been included in the above mentioned balance sheet. Total amount of funds held in on these accounts was KM thousands 477,268.

Any inquiry referred to the Monthly Balance Sheet can be addressed to the Accounting and Finance Section in Sarajevo, contact phone # (033) 27 81 19, fax # (033) 27 82 94. Media representatives can contact Public Relations Office, phone # (033) 27 81 23, fax # (033) 27 82 96.

The Central Bank of Bosnia and Herzegovina is independent monetary institution of BH and has no organisation relations with any commercial bank.

Monthly Balance Sheet (Temporary) as of 31st May, 2007
(amounts in thousands KM)

ASSETS		Total Amount	EUR	Other Currencies
1	Foreign Exchange Assets	5.751.050	5.747.449	3.601
1.1	Cash	36.930	36.880	50
1.2	Short term deposits	5.315.841	5.312.566	3.275
1.3	SDR in the IMF	276	0	276
1.4	Security investments	398.003	398.003	0
2	Other Assets	56.782		
TOTAL ASSETS (1 + 2)		5.807.832		

LIABILITIES		Total Amount
3	Monetary Liabilities	5.457.883
3.1	Currency in Circulation	2.157.234
3.2	Credit Balances of Resident Banks	3.174.886
3.3	Credit Balances of Other Residents	125.763
4	Liabilities to Non Residents	1.001
5	Other Liabilities	1.992
6	Capital And Reserves	346.956
TOTAL LIABILITIES (3+4+5+6)		5.807.832

Net Foreign Assets minus Monetary Liabilities (1 - 3 - 4)	292.166
--	----------------


M.A. Ankica Kolobaric
Main Internal Auditor



M.A. Kemal Kozaric
Governor
Sarajevo (date) 25.06.2007.