

CENTRAL BANK OF BOSNIA AND HERZEGOVINA



ANNUAL REPORT
2003

Contents

Table of Contents

Introduction by the Governor	6
Legal status and responsibilities of the Central bank of Bosnia and Herzegovina	10
1. INTERNATIONAL ECONOMIC ENVIRONMENT	11
1.1 The world	11
1.2 Euro zone	11
1.3 Other currency boards in Europe	12
1.4 Region	13
2. REPORT ON THE STATE OF BiH ECONOMY	15
2.1 Gross domestic product, industrial production, employment and wages	15
2.2 Balance of payments	16
2.3 Public finance	17
2.4 Prices	19
2.5 Foreign public debt	20
2.6 KM exchange rate	20
3. ACTIVITIES OF THE CBBiH	22
3.1 Monetary policy and trends	22
3.2 Managing foreign currency reserves	30
3.3 CBBiH as banking and fiscal agent	31
3.4 Cash management	31
3.5 Payment operations	32
3.6 International cooperation	33
3.7 Control function at CBBiH	35
4. BANKING SECTOR	36
4.1 Institutional framework of the banking sector	36
4.2 Activities of the banking sector	38
4.3 Interest rates of commercial banks	41
5. FINANCIAL STATEMENTS	46
5.1 Independent auditors report	46
5.2 Balance sheet	47
5.3 Profit-and-loss statement	49
5.4 Statement of cash flows	50
5.5 Changes in equity	51
5.6 Notes	52
6. APPENDIX	73
6.1 Important events in 2003	73
6.2 Management and structure of CBBiH	74
6.3 Publications and web site	78
6.4 Abbreviations	79
7. STATISTICAL TABLES	80



Peter W. Nicholl, Governor
Chairman of the Governing Board

According to Article 64. of the Law on the Central Bank of Bosnia and Herzegovina ("Official Gazette of Bosnia and Herzegovina", No: 12/97), it is the commitment of the Central Bank of BiH to submit, within three months after the end of its financial year, to the Parliamentary Assembly of Bosnia and Herzegovina three documents as it follows:

- financial statement certified by its auditors,*
- report on its operations during the year, and*
- report on the condition of the economy.*

In accordance with the mentioned Article, the Annual Report of the Central Bank of Bosnia and Herzegovina for 2003 is prepared, including these reports.

The Annual Report of the Central Bank of Bosnia and Herzegovina for 2003 was discussed and adopted at 3th meeting of the Governing Board of the Central Bank of Bosnia and Herzegovina, held in Sarajevo on 26 March 2004.

Governing Board Chairman



Peter Nicholl, Governor

Introduction by the Governor

The year 2003 was another successful year for the Central Bank of Bosnia and Herzegovina (CBBiH). The key currency board requirements of full convertibility and full foreign exchange coverage of the CBBiH's KM liabilities were met at all times throughout the year. An important development was that the continuation of the currency board arrangement as the monetary policy framework for BiH received full political endorsement from the State Presidency and the State Parliaments during 2003 within the contexts of the passing of amendments to the CBBiH Law and the development of the country's medium term economic strategy (PRSP). This means citizens and businesses can continue to plan ahead with confidence that BiH will maintain a stable exchange rate against the Euro and continue to have low inflation.

Another significant event during 2003 was the appointment of a new Board and the reappointment of the Governor. The initial six-year term of the Board and Governor of the CBBiH expired on 10 August 2003. The Presidency took prompt decisions prior to that date and their decisions ensured that there was a high degree of continuity in the membership of the Governing Board and in the senior management of the Bank. Because of this, the transition to a new Board in August went very smoothly and the operations of the CBBiH continued unchanged. I was reappointed as Governor for a further period to 31 December 2004 and I want to thank the Presidency and the CBBiH Governing Board for their continued support for me as Governor. My successor as Governor, Kemal Kozaric, was also formally appointed at the same time which will enable the CBBiH to ensure a smooth transition to a new Governor at the end of 2004.

During 2003, changes were made to the reserve requirements the CBBiH imposes on commercial bank deposits. The changes, which took effect from 1 June 2003, contained some elements to improve the structure of the reserve requirement. But they also imposed some tightening of the reserve requirement as the banks were required to hold a higher level of deposits at the CBBiH. This was done in order to slow down the very rapid growth of bank credit, especially to the household sector, that had arisen during 2002 and early 2003.

In effect, this was the first monetary policy action the CBBiH had taken since it commenced its operations in 1997. It illustrated two important changes in the financial sector in BiH. First, it showed that the banking sector had improved and expanded to the point where its operations were having macro-economic consequences for BiH. Second, it illustrated that the CBBiH was no longer only a 'currency board' but was beginning to act like a 'central bank' also. This is a natural evolution which will continue. But the CBBiH will ensure that any new or expanded functions it takes on do not conflict with its core function, which is, and will continue to be, to maintain the integrity of the BiH currency board arrangements at all times.

The CBBiH continued to play a coordinating role in banking supervision in BiH. The banking sector consolidated and strengthened further during 2003, in part due to the strict application of prudential requirements on the banks. The banking sector again grew strongly during the year as citizens increasingly used the banking sector because of their growing confidence in its soundness. There was very good coordination and cooperation between the CBBiH and the two Entity Banking Agencies. Proposals to bring the banking supervision function under the CBBiH were discussed further during the year and the aim is to complete this process during 2004.

The CBBiH was also involved in a number of other policy and operational developments in 2003 that will have a positive impact on the BiH financial sector and economy. A National Capital Markets Council was set up under the chairmanship of the Governor to discuss and agree on a consistent strategy for further development of the capital markets in BiH. These markets currently play only a limited economic role in BiH. The CBBiH was actively involved in the discussions to improve the anti-money laundering policies in BiH. As part of this, the CBBiH agreed to set up a single register of commercial bank accounts and this project commenced in the last quarter of 2003. The CBBiH, acting as agent for the Council of Ministers, also commenced the process for getting the first formal sovereign credit rating for BiH during the year.

The Research and Statistics Department of the CBBiH also made considerable progress during 2003. A major international conference, titled 'The Monetary Policy Role of Currency Boards: History and Practice', was held in April 2003. It was an opportunity to learn about the experiences of other currency boards in Europe, such as Bulgaria and Estonia, and elsewhere, such as Argentina. All the currency boards operating in Eastern Europe had worked well. However, all these currency boards had successfully taken on other policy and financial functions without undermining the financial integrity and public confidence in their currency board. CBBiH speakers also participated in a large number of other conferences and seminars in BiH and abroad.

Significant improvements were made in the coverage and quality of the BiH monetary and balance of payments statistics, both of which are prepared by the CBBiH. The CBBiH will also prepare the statistics on government finances and the first figures for this will be published in 2004. Unfortunately, no progress was made during 2003 in improving the quality of other 'official' statistics. The poor quality of official statistics in BiH is now doing substantial damage to the country's economic prospects as the picture they present of the economic situation in BiH to the rest of the world is much worse than the actual economic situation within BiH.

The CBBiH's balance sheet gained further strength during 2003, even though its interest income from its foreign reserve portfolio fell quite sharply compared with 2002 because of the low level of interest rates in Europe that applied throughout the year. The level of 'free foreign exchange reserves' (ie those that are above the level necessary to fully cover the Bank's KM liabilities) grew from KM 118 m at the end of 2002 to KM 153 m at the end of 2003. The CBBiH again received an unqualified report from its external auditors for its financial operations and reports.

The CBBiH's foreign exchange reserves were KM 2.781 billion at the end of 2003, an increase of KM 316 million compared to 31 December, 2002. This was significant as it reversed a downward trend that had been evident following the surge in reserves that occurred during the Euro changeover period around the end of 2001. It is also significant in that it shows that even though BiH's current account deficit remains large, the deficit is being financed by other financial flows, such as a high level of repatriations by BiH citizens living abroad and by increased foreign direct investment. It is not being financed by running down the country's foreign reserves – indeed, these reserves grew quite substantially over 2003.

The CBBiH's internal operations were again carried out efficiently and effectively during 2003. The Bank's Strategic Plan for the year was fully implemented and the profit for the year was above the budgeted level due to a combination of income being above budget and expenses being kept below budget through good expenditure control. I want to thank the CBBiH Governing Board, senior management and staff for their very positive contributions to these good outcomes.

*Governing
Board*



Kemal Kozarić Mila Gadžić, Ph.D. Ljubomir Kovačević, Ph.D. Manojlo Corić
Member of the Board Member of the Board Member of the Board Member of the Board

*Vice
Governors*



Ljubiša Vladušić Kemal Kozarić Dragan Kovačević, MA
Vice Governor Vice Governor Vice Governor

Pravni status i odgovornosti Centralne banke Bosne i Hercegovine

*Legal status
and
responsibilities
of the
CB BiH*

The Central Bank of Bosnia and Herzegovina was founded in accordance with a law passed by the BiH Parliament on June 20, 1997, and it started operations on August 11, 1997. Main goals and tasks of the Central Bank, defined in the law, in accordance with the General Framework Agreement for Peace in Bosnia and Herzegovina, are the following:

- to achieve and preserve the stability of domestic currency (convertible mark) by issuing it with a full coverage in free convertible foreign assets, in accordance with the currency board arrangement and a fixed exchange rate: one convertible mark against one German mark. As of January 1, 2002, the KM is pegged to euro according to the following exchange rate: 1 EUR = 1.955830 KM, or 1 KM = 0.511292 EUR. Legal basis for pegging the KM to euro is found in the Law on Changes and Amendments to the Law on Central Bank of Bosnia and Herzegovina,
- to define and control the implementation of monetary policy of Bosnia and Herzegovina,
- to keep official foreign currency reserves and manage them in a safe and profitable manner,
- to maintain adequate payment and accounting systems,
- to coordinate activities of Entity banking agencies, responsible for issuing banking licenses and banking supervision,
- to receive deposits from institutions at the state level of Bosnia and Herzegovina, and deposits from the Entities and their public institutions based on a joint decision of the Entities, and deposits from commercial banks,
- to issue regulations and guidelines for the implementation of Central Bank activities, within authorities established by the Law,
- to participate in the work of international organizations that work toward strengthening financial and economic stability, and to represent Bosnia and Herzegovina in inter-governmental organizations on issues of monetary policy.

The highest body of the Central Bank is its Governing Board, responsible for establishing monetary policy and control of its implementation, organization and strategy of the Central Bank, in accordance with authorities prescribed by the Law. The Governing Board consists of the governor, who is also the chairman, and four members. Governor Peter Nicholl is the chief executive officer in charge of the everyday operations of the Central Bank. There is also the executive management of the Central Bank, consisting of the governor and three vice-governors (appointed by the governor with the approval of the Governing Board), whose task is the operational management of the CBBiH operations.

The operations of the Central Bank are conducted via the Central Office, three main units in Sarajevo, Mostar and Banja Luka, and branch offices in Pale and Brčko District.

1. INTERNATIONAL ECONOMIC ENVIRONMENT

1.1 The world

The year 2003 was characterized by an increased level of geopolitical risk in the world. Table T1.1.1 shows the trends of main economic indicators for selected regions of the world, with a note that the values for 2003 are still estimates. A higher annual GDP growth rate than in 2002 is projected for all regions bellow, apart from the Euro zone.

Table 1.1.1: Main economic indicators for selected regions

	GDP (%)		CPI (%)		Unemployment		Budget surplus/ deficit (% of GDP)		Current account balance (billions of USD)	
	2002	2003*	2002	2003*	2002	2003*	2002	2003*	2002	2003*
USA	2.4	2.6	1.6	2.1	5.8	6.0	-3.8	-6.0	-480.9	-553.3
European Union	0.9	0.5	2.3	2.0	8.4	9.1	-2.3	-3.0	61.2	62.4
Japan	0.2	2.0	-0.9	-0.3	5.4	5.5	-7.5	-7.4	112.7	121.1
Development countries	4.6	5.0	5.3	5.9	-	-	-3.8	-3.3	74.0	65.7
Transition countries	4.2	4.9	11.1	9.7	-	-	-1.7	-1.4	9.9	10.0

Source: IMF World Economic Outlook, September 2003

* Estimate

Due to an increased risk of deflation in the U.S., FED decreased the federal funds rate to 1% in June 2003, which is the lowest level in the last 41 years. As a result of such an action, and of an increase of fixed investments of the non-residents, GDP grew in the third quarter by 8.2% at the annual level. The official data shows that inflation is growing compared to the previous year, but the analysts think that FED would not increase the rates until the second half of 2004, i.e. not before inflation starts influencing consumption. Poor demand on the labor market kept the wages low and helped reduce basic inflation to the lowest level since 1996. The difference between the basic inflation and CPI is mostly the outcome of increased prices of raw oil. The U.S. dollar experienced a continued depreciation during the period, but the current account balance did not improve; exports grew, but imports grew even more in the last quarter of the previous year.

An important event in 2003 in terms of further liberalization of multilateral trade was a Doha round of negotiations organized by WTO in Cancun in September.

1.2 Euro zone

The economic activity in the Euro zone was, similarly to the U.S., slowed down in the first half of the previous year with a slight decrease of the GDP growth rate in the second quarter. That was the reason for a second reduction of the interest rates by ECB in a single half-year, which put the interest rate at the current 2%, while the deposit facility rate of the European Central Bank is lower by one percentage point. In the first half of the current year, the projections are that both personal consumption in the EU and investments will increase because of the historically low interest rates. The increase of available income as a result of Euro appreciation is mentioned as one of the reasons for the expected increase of private consumption.

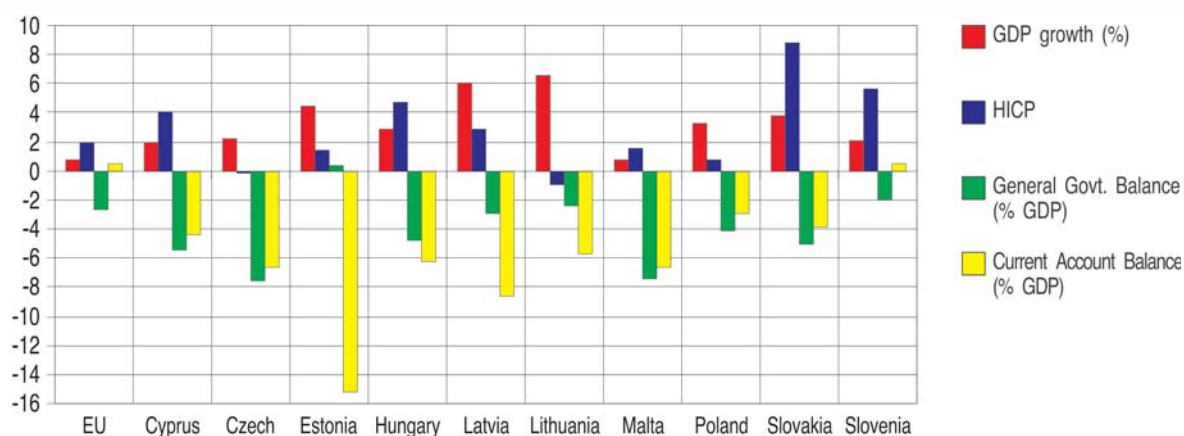
According to the Eurostat data, exports to the countries of Central and Eastern Europe and Asia grew a lot quicker than to other destinations, particularly regarding the capital goods, whose exports increased the most in the third quarter of 2003. The greatest increase of exports by EU15 in 2003 was to China and Turkey, by 17 and 15 percent, respectively. The EU financial account shows the net inflow of assets, mostly portfolio investments, caused by expectations of a further appreciation of euro, which was partly offset by direct investments abroad.

The annual EU inflation rate was 2%. Small fluctuations above that level were recorded in November and December 2003, and they were caused by an increase in the price of food (additional taxation of tobacco products in France) and energy products. Core inflation was unchanged at 2% in the given period. It is assumed that during 2004 HICP¹⁾ will be slightly under 2%, if there are no additional price shocks in the world markets.

In expectation of the EU enlargement where ten more countries will join the Union on May 1, 2004, the economic developments in countries were carefully monitored during 2003. Graph G1.2.1 shows the GDP growth, inflation and budget, and current account balances expressed in percentages of GDP in the EU and countries joining the EU in 2004 (AC-10).

¹⁾ Harmonized index of consumer prices (HICP) are used to estimate convergence of inflation as prescribed by Article 121 of the Amsterdam Agreement

GRAPH 1.1 Main Economic Indicators for EU and AC-10



Source: ECB Monthly Bulletin, February 2004

An average inflation rate for AC-10 was 2% in 2003, the same as in the EU. However, if we look at individual countries, 4 of 10 acceding countries had a lower inflation rate than the EU during 2003. The ECB forecast for 2004 is that liberalization of prices will create additional pressures on the inflation growth in some countries. The interest rates in most AC-10 countries are above those of the EU, and the exchange rates show significant deviation in countries whose exchange rate is more flexible vis-à-vis euro, which could cause significant changes of the trade balance between BiH and the EU. A rapid growth of GDP in AC-10 during 2003 is explained by an increase of personal and government expenditure, more so than by the net exports.

According to the Eurostat data, all AC-10 countries are far below the level of the EU and the Euro zone when GDPs per capita when adjusted for purchasing power parity.

1.3 Other currency boards in Europe

Countries in transition that have currency boards, Estonia and Lithuania, will join the EU in May of 2004. Bulgaria is expected to join the EU in 2007. As shown in graph G1.2.1, both Estonia and Lithuania have an inflation rate that is lower than the EU rate, and increase in prices is expected in those countries after accession. An increase of the inflation rate means there is a danger of a drop in real net disposable income of physical persons and a rise of the cost of foreign debt servicing, including higher interest rates, which would reflect unfavorably on consumption.

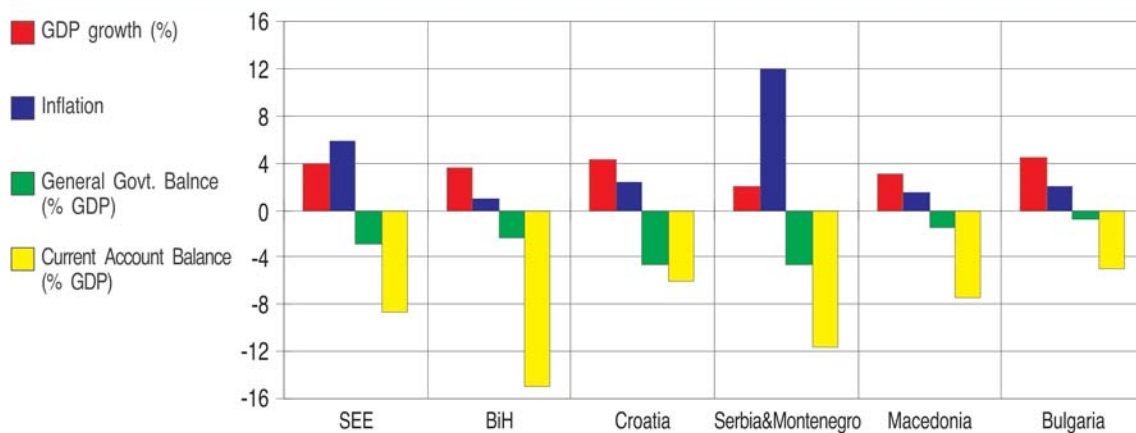
1.4 Region

The region of Southeast Europe shows the same trends in terms of the movement of indicators as do the AC-10 countries²⁾.

²⁾ All values are projected for 2003

The estimated average rate of GDP growth in 2003 is higher in SEE countries by 0.8 percentage points. Among selected SEE countries, estimates of GDP growth are higher compared to the previous year in Albania and Macedonia, while in other countries the growth rates follow the pattern of those in the EU. Inflation in all the countries is lower than in 2002, and the lowest recorded inflation was in BiH.

GRAPH 1.2 Main Economic Indicators for South-Eastern European Countries



Source: EBRD, Transition Report 2003

Foreign investments in 2003 were directed more at CEE and Baltic countries, than at SEE. However, the difference from the previous period is that the structure of capital inflow in the countries of central Europe has changed; there were fewer and fewer direct foreign investments while there was a growing issuance of bonds, which were mostly bought by non-residents. Regarding the destination of direct foreign investments, the situation is unchanged compared to the previous year; the majority of investments were going to Romania and Croatia, while the fewest were coming to BiH and Macedonia.

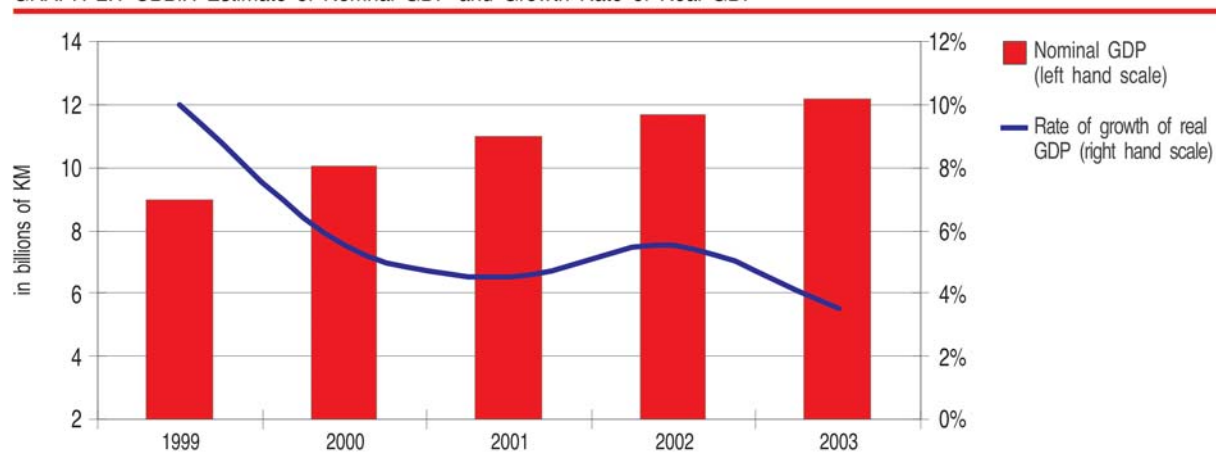
2. REPORT ON THE STATE OF BiH ECONOMY

2.1 Gross domestic product, industrial production, employment and wages

2.1.1 Gross domestic product

There are no precise data regarding the real gross domestic product (GDP) at the BiH level, which is why GDP is measured only in current prices and by using only the production approach. For that reason, the nominal GDP and the growth rate of real GDP in BiH were estimated for the period 1999–2003. Apart from that, the gray economy in BiH in 2003 was also estimated. The estimates are presented in tables 1 and 2.

GRAPH 2.1 CBBiH Estimate of Nomnal GDP and Growth Rate of Real GDP



Source: Table 2

The estimated GDP expressed in current prices in 2003 amounts to KM 12,170 million, and it is larger than the average estimated GDP in 2002 by 4.5%, while the estimated real GDP growth rate is about 3.5%. Small difference in values of nominal and real GDP is the result of an exceptionally low inflation rate which, in 2003, was at a negligible 0.6%. In the given period (1999 – 2003), the average estimated growth rate of real GDP was greater than 5%, which could be considered favorable considering the structural changes that BiH is undergoing.

2.1.2 Industrial production

The average industrial production growth rate in the Federation of Bosnia and Herzegovina (FBiH) in 2003, calculated on the basis of monthly industrial production indexes, amounts to 0.59%. At the same time, the volume of industrial production in 2003 shows a 4.8% growth compared to 2002. The volume of industrial production in December 2003 grew by 7.8% compared to December 2002 (Table 3).

The Republic of Srpska saw a negative average growth rate of 0.77% in 2003, calculated on the basis of monthly industrial production indexes. At the same time, the volume of industrial production in 2003 shows a 5.7% growth compared to 2002. The volume of industrial production in December 2003 grew by 0.9% compared to December 2002.

A common characteristic of both Entities in 2003 was growth of industrial production when compared to 2002. Such a trend of the industrial production index points at an unfinished privatization process and structural changes as necessary prerequisites for a quicker growth and development of industrial production.

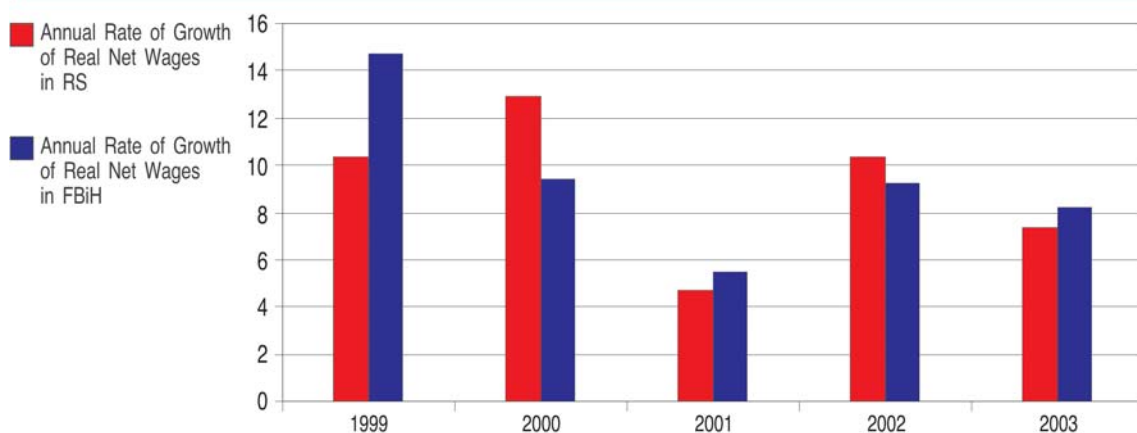
2.1.3 Employment and wages

Official data on employment trends published by the Entity statistics institutes do not show a significant change of unemployment rate in BiH in 2003. On December 31, 2003, a total number of registered employed persons in BiH was 634,046 and a total number of registered unemployed persons was 459,604 (Table 6).

The unemployment rate in BiH during 2003 fluctuated slightly between 41.0% and 42.0%, in FBiH between 43.0% and 44.0%, and in the RS between 36.5% and 37.2%. Official unemployment data should be taken with caution considering estimated volume of gray economy and the manner of registering employees, so that the real unemployment rate in BiH is estimated at around 20%.

When it comes to nominal amounts of net salaries in BiH, data shows that nominal net wages in FBiH were between KM 510 and 530, and in the RS between KM 369 and 394. In December 2003 compared to December 2002, an average net wages in FBiH increased by KM 40 or 8% (Table 7), while in the RS, an average net wage increased by KM 32 or 9% (Table 7). The movements of the nominal net wages amount between 2001 and 2003 (graph 2.2) corresponds to the movements of their real value due to an exceptional stability of prices, although if such wage increase should continue without an accompanying increase of labor force productivity, it may threaten the competitiveness of BiH economy.

GRAPH 2.2 Growth of Real Net Wages



Source: Tables 4 and 7

2.2 Balance of payments

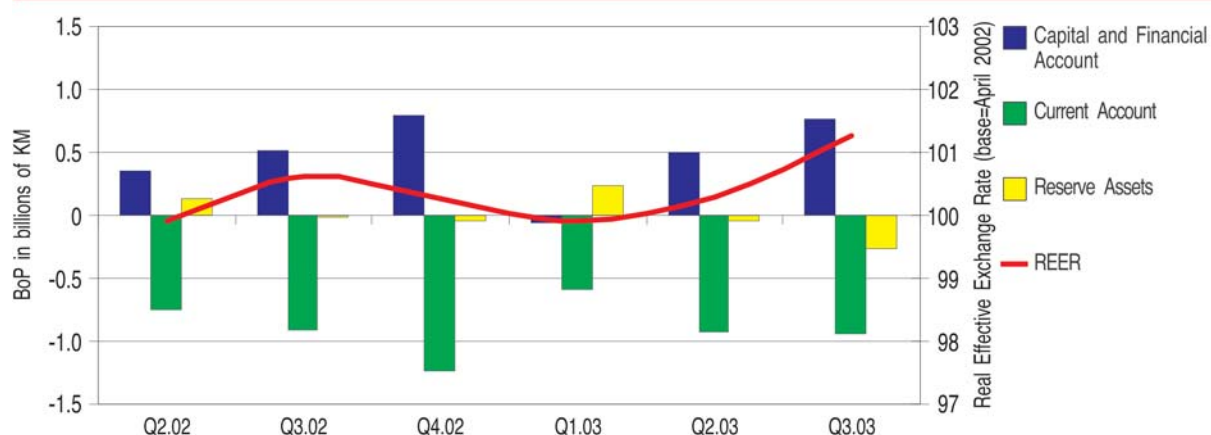
The balance of payments is the best indicator of the overall economic activity of one country with other countries, and Bosnia and Herzegovina is no exception. The balance of payments measures all economic transactions of the country with the rest of the world, or non-resident economic subjects, and that is why it is used to evaluate the successfulness of an individual economy (there are other indicators such as GDP, inflation, unemployment).

In the following chapter according to the available data, the analysis will include the balance of payments trends between the third quarter 2002 and the third quarter 2003, and the foreign trade trends for 2003.

Graph 2.3 represents three main components of the BiH balance of payments and the real effective exchange rate (REER). The real effective exchange rate³⁾ represents a weighted exchange rate average of the main BiH trade partners adjusted by the differences of relevant inflation, and it is a better indicator of the convertible mark value than any individual exchange rate.

³⁾ A detailed method for calculating REER can be found at www.cbbh.ba

GRAPH 2.3 Balance of Payments and KM Exchange Rate



Source: Table 21

Graph 2.3 clearly shows a significant current account deficit and illustrates a continuing foreign trade imbalance. This deficit is the main characteristic of BiH economy. By analyzing the data available for the given time period, the following may be concluded: the current account deficit in the third quarter of 2003 grew to 947 million from the third quarter of 2002, or by 4.24%. In absolute numbers, the current account deficit grew by KM 39 million, which is mainly caused by a greater deficit on items goods and income.

Due to impact of seasonal factors, a country's trade needs to be analyzed carefully, especially if the periods analyzed are shorter than a year.

In December 2003 with the influence of seasonal factors, the imports amounted to KM 817 million, while exports amounted to KM 217 million. By applying the MA⁴⁾ filter and calculation of seasonal factor, index it may be concluded that seasonality was such that it increased the value of imports in December by 12% and decreased the value of exports to 94% when compared to the outcome without seasonal influences. Therefore, assuming the absence of the seasonalities, imports in December amounted to KM 731 million and exports amounted to KM 229 mil-

⁴⁾ One of the models that can solve the problem of seasonal factors is the MA (moving average) filter, whose application helps remove the irregular and cyclical components from the series and obtain a smooth series. Methodology can be found at www.cbbh.ba

lion. If only the original series is analyzed, the following may be concluded: the third quarter of 2003 recorded 9.9% increase in exports and 7.2% increase in imports compared to the third quarter of 2002. The coverage of imports by exports in 2003 was 27%, which is two percentage points higher than in 2002. In 2003, the majority of goods were exported to Croatia, which represents about 18% of the total exports in 2003, followed by Serbia and Montenegro with 16.6% and Germany with 15.4%. Regarding types of products, the majority of exports were base metals products, followed by wood and wood products, machinery and mechanical appliances, and mineral products. Regarding imports in 2003, the majority were imported from Croatia which represents about 17.5% of the total imports in 2003, followed by Germany with 12.8% and Italy with 9.4%. Regarding types of products, the majority of imports were machinery and mechanical appliances, prepared foodstuffs, and mineral products. A detailed review is provided in Table 30.

The main trading partners of BiH in 2003 were the neighboring and the EU countries, whose total participation in foreign trade amounts to 79.4%. Table T2.2.1 provides a review of participation by major trade partners in foreign trade of Bosnia and Herzegovina in the period April 2002 – December 2003.

Table 2.2.1:

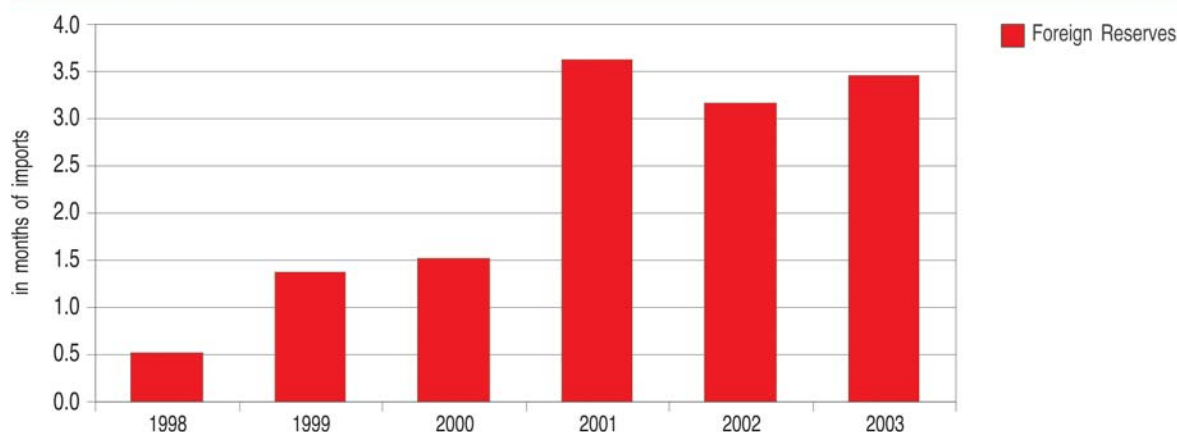
Country	Weight
EU*	0.39
Croatia	0.22
Serbia and Montenegro	0.16
Slovenia	0.12
Switzerland	0.07
Hungary	0.05

EU* includes: Austria, France, Italy and Germany

The capital and financial account amounted to KM 643 in the third quarter of 2003, which is around 1.1% more when compared to the second quarter of 2002. The capital account also represents the second largest item that is used to finance the current account deficit, whereas the item other investments finances the biggest part of the current account deficit.

A very favorable situation has been noted regarding international reserves item, where an analysis of the third quarter 2003 shows that international reserves increased by KM 252.6 million compared to the same quarter of the previous year (reserves are described more in detail in the part that deals with the financial sector). Foreign exchange reserves coverage in the months of imports is provided in graph 2.4.

GRAPH 2.4 CBBiH Reserves and Import Coverage



Source: Table 26

2.3 Public finances

During 2003 the Government at all levels continued implementing accountable fiscal policy directed to the stabilization of the macroeconomic situation in BiH. In accord to the provisions of Stand by arrangement of the International Monetary Fund, on 2003, there was the essential fiscal adjustment, as related to the costs so as to the incomes, so that the total fiscal balance should be improved from the deficit of 2,2% of the GDP in 2002 to the slight surplus on 2003 (the data on the execution of the budget were not available until the end of March, so we used data of the IMF) and this is a huge move forward, compared to 1999 when deficit was 9% of GDP. We expect that the budget of the BiH institutions has a deficit of KM 4,5 million, mostly as the effect of new institutions' establishment. Consolidated budget surplus at BH Federation level amounts to 1,4%, and in RS 2,1% of the estimated GDP in entities, while in Brčko District we expect the balanced budget. Planned funds of the IMF and EU are not available in the way it was planned, so the entities' budgets had to have the additional adjustment in order to stay within the planed framework. The indebting of the Governments was very limited and in none moment the agreed limits were over passed.

Treasury way of operations during 2003 was introduced in all 10 cantons in BH Federation and 5 municipalities (pilot project) in RS, so now the biggest part of the public incomes in BiH is processed in this way, which contributed to the further improvement of efficiency and transparency of public finances management. In order to have better collection of the incomes, we changed the place of tax collection for the high fees goods, which gave the positive results in the second half of 2003.

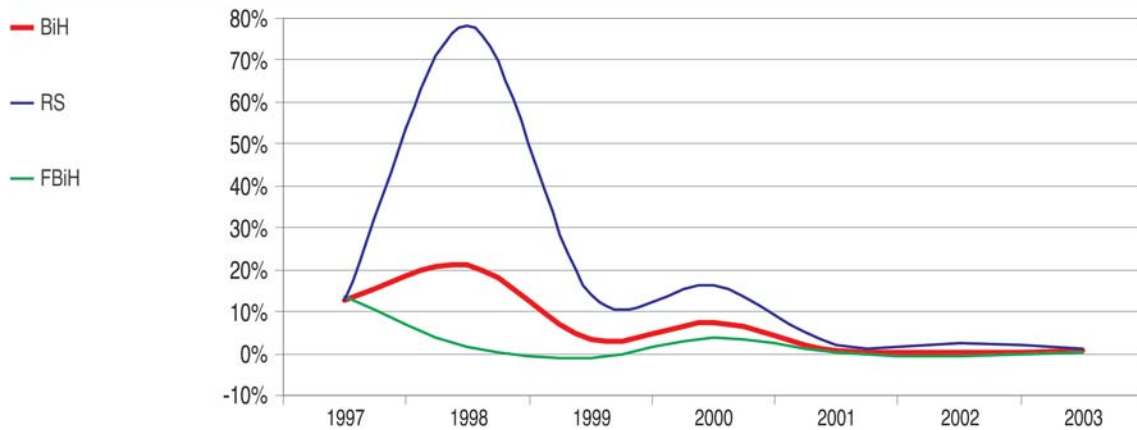
During 2003, the reforms of the fiscal system started by the adoption of the unified Administration for the Indirect Taxation: in this way two existing custom administrations will be unified, which should result in better collection of indirect taxes related to foreign trade through the introduction of unified register, and further steps represent the preparation for the introduction of value added tax. Discussions on solving the issue of internal debt significantly grew up and it was achieved the framework agreement on this problem, which will be very important for further fiscal consolidation in the coming years.

2.4 Prices

The currency board arrangement has given its full contribution to strengthening and stability of domestic currency and the stability of prices in 2003. Price stability in EMU contributed to a stable price movements in BiH, whereas the appreciation of euro against USD and other currencies influenced the appreciation of domestic currency. Due to an exceptionally low rate of inflation in BiH, the appreciation of domestic currency did not cause a weakening of competitiveness of domestic prices compared to the prices in neighboring countries, which have faced more unfavorable inflationary pressures than BiH.

The retail price index shows that there were no significant changes in general price levels during 2003 (Table 4). The year 2003 saw an average price increase of 0.6% compared to 2002. At the same time, inflation measured by the prices in December 2003 and December 2002 was also 0.6%.

GRAPH 2.5 Inflation in BiH



Source: Table 4

The FBiH recorded a small average increase of the general price level compared to 2002 in the amount of 0.1%, whereas prices in December 2003, when compared to December 2002, increased by 0.3%. The price increase in the period December 2002 – December 2003 was influenced by the increased prices of agricultural products by 7.6% and the price of services that increased by 0.4%, whereas the prices of industrial products decreased by 0.3%.

The retail price index in 2003 shows that there was a general increase of prices in the RS by 1.8%, while the prices in December 2003 compared to December 2002 increased by 1.3%. The price increase in the period December 2002 – December 2003 was influenced by the increased prices of industrial products, agricultural products and services, which in this period increased by 1.2%, 3.3% and 1.7%, respectively.

The cost-of-living index recorded a similar trend as the retail price index (Table T5). At BiH level in 2003, compared to 2002, the average cost of living increased by 1.0%, whereas the cost of living in December 2003 compared to the same month the previous year increased by 1.8%.

2.5 Foreign public debt

One of the most important items in BiH budget is the servicing of the foreign debt. In 2003, the foreign debt, which includes only the government debt without the private sector, amounted to KM 3,993 million. This amount comes from the data base of the Ministry of Finance and Treasury of Bosnia and Herzegovina. A total amount of the foreign debt in 2003 is reduced by 5.6% from 2002 (Table T25). The share of different currencies in the foreign debt expressed in percentages⁵⁾ shows that EUR participates with around 32%, SDR with around 33%, USD with around 21%, CUP with around 10%, and other currencies with around 4%.

Non-disbursed funds at the end of 2003 amounted to KM 830 million, where the share of SDR was around 51%, EUR was around 45% and the share of other currencies was around 4%, and these funds are related to the credit lines that are being implemented.

Obligations of Bosnia and Herzegovina regarding the foreign debt servicing are established in the 2003 Budget of BiH institutions and international obligations, and they amount to KM 324.4 million (with a correction factor of 5% or KM 15.4 million).

The plan was to repay KM 308.9 million (Table 24) in 2003, whereby the payment of the principal is KM 189.6 million, or 61.4%, and the payment of interest is KM 119.3 million, or 38.6%. Regarding creditors, the largest amount of the outstanding debt is to the IMF, which is budgeted to receive KM 98.9 million, and the World Bank – IBRD, which is budgeted to receive KM 95.0 million, totaling 62.8% of the funds necessary for foreign debt servicing in 2003. Apart from these institutions, other significant amounts necessary for debt servicing will go to the Paris Club member countries, which are budgeted to receive KM 61.8 million, while KM 10.8 million is budgeted to the World Bank – IDA, during 2003.

By the end of December 2003, all funds earmarked for the foreign debt servicing were paid, although there were differences between the payment plan and the serviced amount because of variations in the exchange rate between the currencies used for debt servicing and the KM during the given period.

2.6 KM exchange rate

The year 2003 saw some variations in the nominal exchange rate of KM (Table 31) with respect to the currencies outside of Euro zone, while the exchange rate with euro remained fixed. If we compare December with the previous month, it may be noted that the exchange rate appreciated against currencies of all major trade partners apart from the Swiss franc. Naturally, these changes are mainly the result of changes in the exchange rate between euro as the anchor currency and other currencies. If changes in KM exchange rate are viewed at the annual level, appreciation of KM exchange rate against currencies of all major trade partners is evident, and the greatest appreciation was recorded against USD, 17.1% more than in the same month last year, then against the Hungarian forint (10.6%), Serbian dinar (9.9%), British pound (8.5%), Swiss franc (5.6%), etc. Graph 2.6. shows movements of the real (REER) and nominal (NEER)⁶⁾ effective exchange rate index for KM compared to the base period – April 2002.

⁵⁾ SDR = Special Drawing Right; CUP = Currency Unit Pool, accounting units of IMF and the World Bank based on the exchange rates of main world currencies

⁶⁾ Explanations and methodology for the calculations of nominal, real, nominal effective and real effective exchange rates can be obtained from www.cbbh.ba

GRAPH 2.6 KM Nominal (NEER) and Real (REER) Effective Exchange Rate



Data analysis shows that there has been a decrease of index of nominal exchange rate, which is an indicator of appreciation of KM compared to the group of main trade partners in the given time period, whereas a decrease of real effective exchange rate shows a smaller appreciation of real effective KM exchange rate in the last two months of 2003. A decrease of REER is an indicator of decreasing competitiveness of the domestic economy on the markets of main trade partners. If we analyze 2003, it is evident that BiH economy has not changed its price competitiveness significantly, which is why BiH kept its position on the markets of main trade partners.

3. ACTIVITIES OF THE CENTRAL BANK

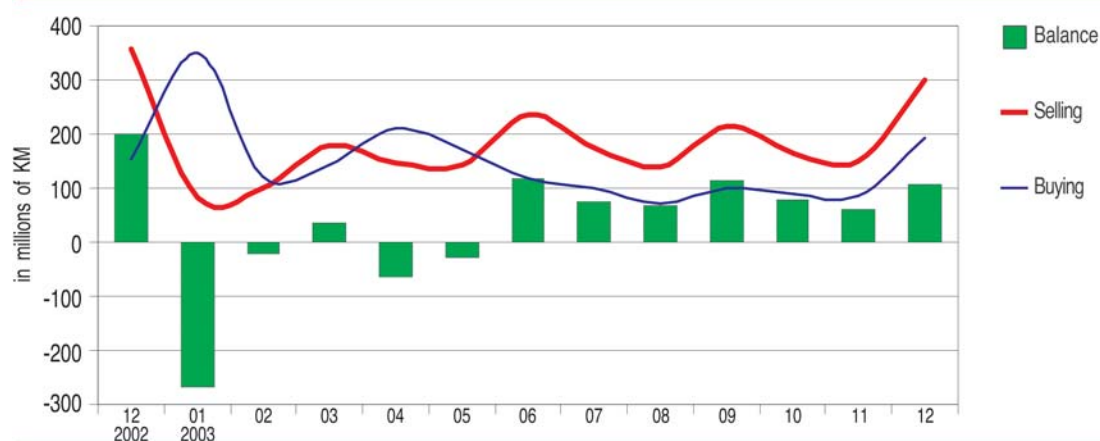
3.1 Monetary policy and trends

3.1.1 Foreign currency reserves and monetary base

3.1.1.1 The sale and purchase of KM

Excess purchase of KM by CBBiH in 2003 amounted to KM 274.9 million (Table 18).

GRAPH 3.1 Buying and Selling of KM



Source: Table 18

In the first five months of 2003, CBBiH mostly had an unfavorable balance of KM purchase and sale (which represents withdrawal of primary money), except in March, when the excess sale against purchase amounted to KM 37.1 million. The most unfavorable balance during the year was in January (KM 267.4 million), which is largely the effect of seasonal factors.

Since June 2003, CBBiH had a positive balance of KM sale and purchase at the end of each month, while the largest positive balance (KM 118.2 million) was recorded in June. Such trend is the result of the change in calculation and maintenance of required reserves for commercial banks which entered into force on June 1, 2003⁷⁾. In order to cover the increased average required reserves, and due to the tendency to hold large liquid reserves in their reserve accounts, banks sold part of their foreign assets to the Central Bank, and CBBiH therefore had a positive balance of KM sale and purchase. Banks were stimulated to do so by large remuneration that the Central Bank paid as of the beginning of June for the total amount of funds on reserve accounts.

⁷⁾ More about this change is found in the chapter on required reserves

However, the keeping of large and constantly growing liquid reserves by commercial banks in their accounts with the CBBiH, and the tendency to have a positive balance of KM sale and purchase by CBBiH in the second half of 2003, were also influenced by the Entity banking agencies' regulations regarding net open foreign currency position of the banks, and the regulations regarding the minimum standards for banks' liquidity risk management. Balances of banks from the FBiH showed in the beginning of June

2003 larger foreign currency assets than liabilities, more than it is allowed by the mentioned regulations regarding the open foreign currency position of banks. Gradual monthly harmonization was done by selling their foreign assets to CBBiH and keeping the domestic currency assets in their reserve accounts in the form of liquid reserves.

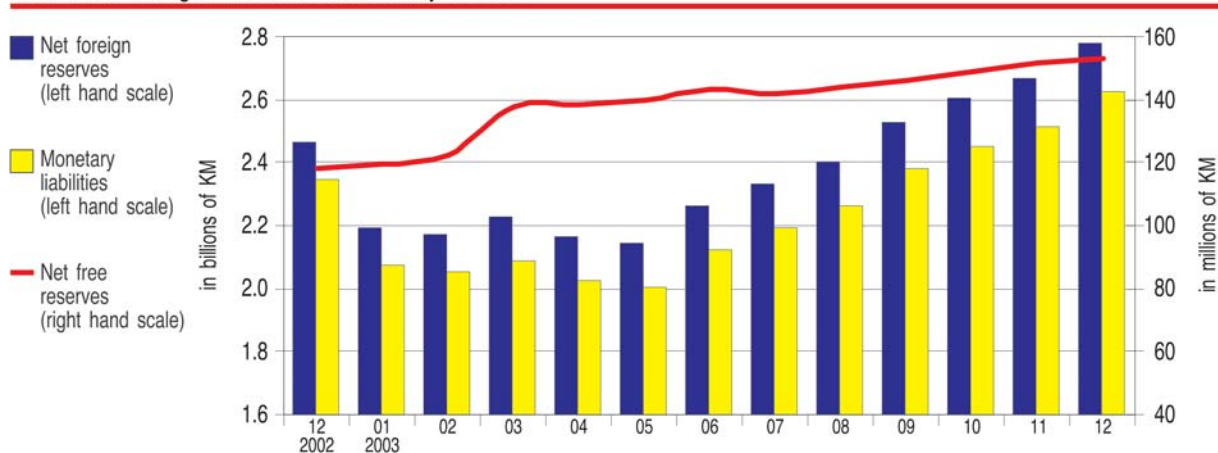
In order to protect the stability of banking and overall financial system, it is prescribed that banks must have a large percentage of maturity harmonization between assets and liabilities, with a maturity of up to one year. Since banks in BiH have a large share of short-term sources of assets in their overall assets, they keep a significant amount of their assets in the reserve accounts at CBBiH, more than the amount necessary to maintain required reserves, in order to satisfy the liquidity policy regulations. These funds are risk free investments, for which they received remuneration since the beginning of June, according to the rate determined on the basis of average interest rates on overnight deposits that the Central Bank earned in the market in the given period.

3.1.1.2 Foreign currency reserves

The positive balance of KM sale and purchase by the CBBiH and the income from investments during 2003 resulted in a record KM 2,779.6 million of net foreign currency reserves held by CBBiH at the end of 2003, which is an increase of KM 316.4 million, or 12.84% compared to the end of 2002 (Table T26). Monetary liabilities increased annually by KM 281.1 million, or 11.98%. Net free foreign currency reserves, as an excess coverage of monetary liabilities by foreign currency reserves increased annually by KM 35.2 million, or 29.80%, thanks to the investment income, which CBBiH earned in 2003.

If we view the structure of net foreign currency reserves of CBBiH, it may be noted that claims from non-resident banks grew the most, by KM 316.6 million or 13.19%, while other items saw little change.

GRAPH 3.2 Foreign Reserves and Monetary Liabilities



Source: Table 26

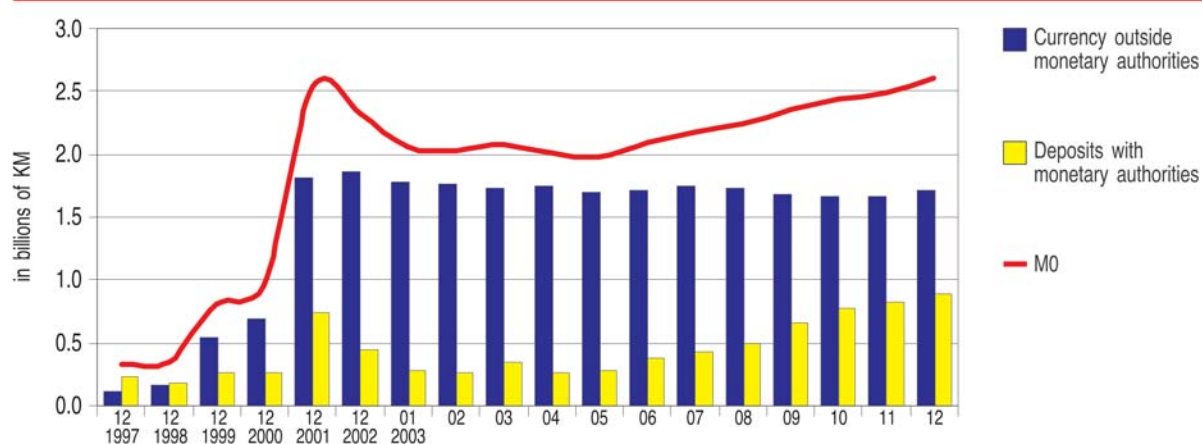
The dynamics of net foreign currency reserves in 2003 is fully harmonized with the dynamics of the balance of KM sale and purchase. The first five months saw mainly a negative trend of net foreign currency reserves, except in March, when they increased by 2.42%. A significant decline of net foreign currency reserves of CBBiH by 10.98% in January 2003 is the result of a negative balance of KM sale and purchase, which the CBBiH experienced because of seasonal factors. From June to the end of the year net foreign currency reserves of CBBiH continued to grow.

Net foreign currency reserves in 2003 mostly grew from one month to another. The exception was in July, when they recorded a slight decline.

3.1.1.3 Monetary base

Movements of the monetary base (primary money, reserve money) are also determined by the KM sale and purchase by CBBiH. The monetary base grew in 2003 by KM 289.3 million or 12.48%, which was the result of a positive balance of KM sale and purchase that CBBiH had in the given period (Table T8). Components of the monetary base showed the following movements: cash outside monetary authorities decreased by KM 146.8 million (7.86%), while other demand deposits with monetary authorities decreased by KM 1 million (34.48%). On the other hand, bank deposits with monetary authorities almost doubled, growing by KM 437.1 million, or 97.81%.

GRAPH 3.3 Movement of M0 and its Components



Source: Table 8

The mentioned movements of the monetary base components in 2003 caused significant changes in its structure. On the one hand, the share of cash outside monetary authorities that amounted to 80.60% at the end of 2002 decreased to 66.03% at the end of 2003. Such movements are mostly the result of a reduced amount of cash in circulation, while the cash in vaults stagnated.

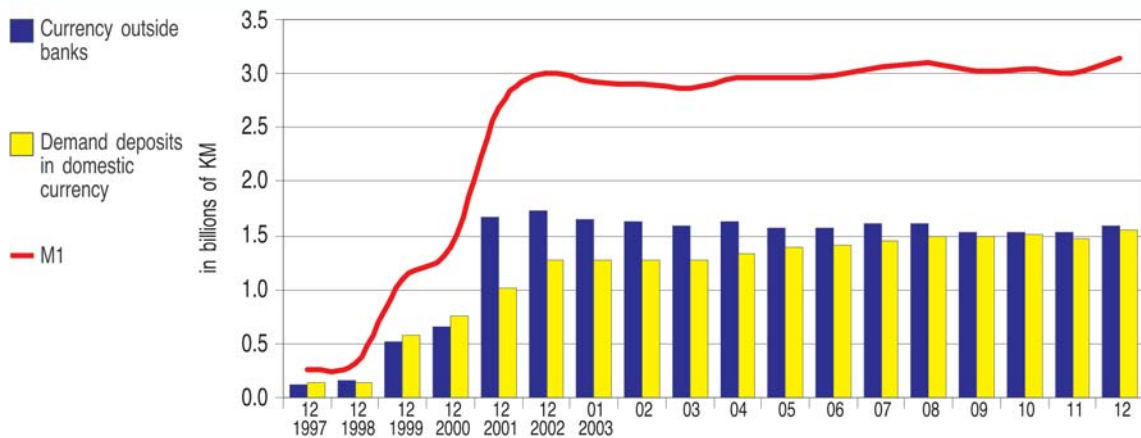
On the other hand, the share of bank deposits with monetary authorities increased from 19.28% to 33.90%, which is the result of the increased base for calculation of required reserves, as well as the result of the tendency of growing liquid reserves that banks keep on their reserve accounts with the Central Bank. The increase of bank deposits with monetary authorities was greatly influenced by changes in calculation and maintenance of required reserves that were introduced at the beginning of June.

3.1.2 Monetary aggregates

3.1.2.1 Monetary aggregate M1 (narrow money)

At the end of 2003, monetary aggregate M1 increased by KM 138.4 million or 4.60% from the end of the previous year (Table 8). Its components recorded opposite movements in the given period, while the cash outside banks decreased by KM 141.5 million or 8.16%. On the other hand, demand deposits in domestic currency increased by KM 279.8 million or 21.97%. As a result, the ratio of cash outside banks and demand deposits decreased significantly from the end of 2002 (1.36) to the end of 2003 (1.03), and their shares in the monetary aggregate M2 are almost equal.

GRAPH 3.4 Movement of M1 and its Components



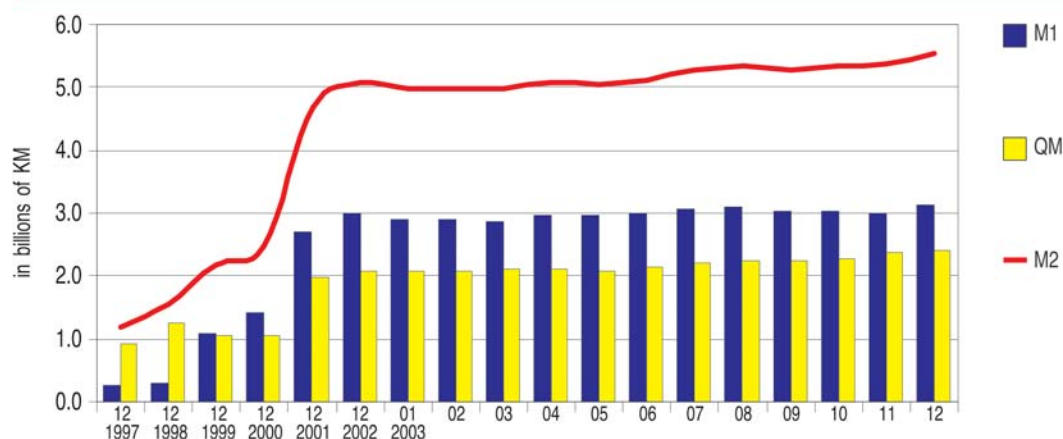
Source: Table 8

If we look at the monetary multiplier for M1 at the end of 2001 (1.30) and at the end of 2003 (1.21), we will notice that monetary multiplication slowed down in 2003. In the first five months of 2003, monetary multiplier for M1 recorded high and mostly growing values. The highest value (1.49) was recorded in May. Evident acceleration of monetary multiplication in relation to monetary aggregate M1 in the given period offset the reduction monetary base, and hence, it did not fully reflect in the movements of money measured by monetary aggregate M1. M1 rate of decrease was significantly more moderate. From June to November, monetary multiplier for M1 recorded a negative trend, i.e. there was a slowing down of monetary multiplication. Reasons for that were changes in calculation and maintenance of required reserves that were introduced at the beginning of June, as well as the tendency of banks to keep high and continuously growing liquid reserves in their reserve accounts.

3.1.2.2 Monetary aggregate M2 (broad money)

At the end of 2003, when compared to the end of 2002, monetary aggregate M2 increased by KM 481.6 million or 9.50% (Table 8). This increase is the result of an increase of its components: monetary aggregate M1 in the amount of KM 138.4 million or 4.60% and quasi money in the amount of KM 343.1 million or 16.62%.

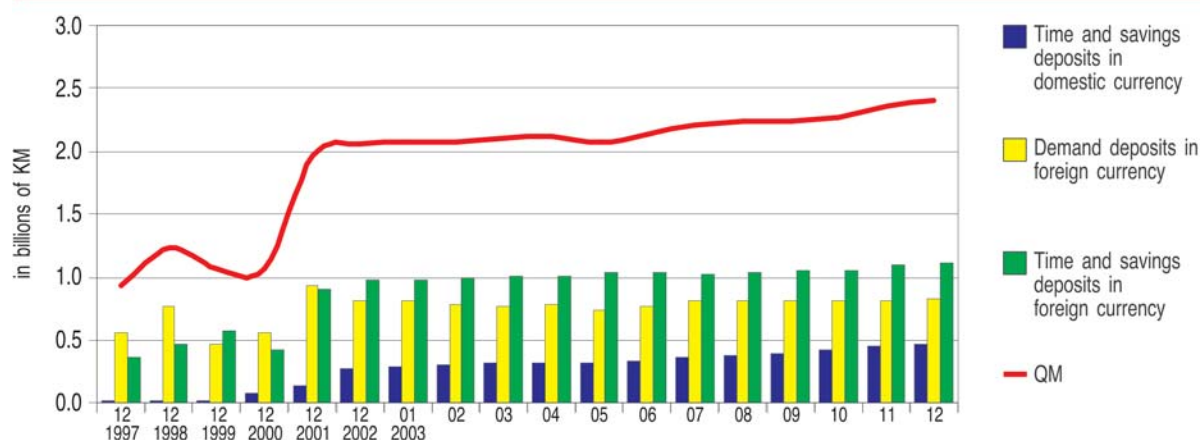
GRAPH 3.5 Movement of M2 and its Components



Source: Table 8

All three components of quasi money increased in 2003. Time and savings deposits in domestic currency increased by 69.80%, foreign currency demand deposits increased by 1.05%, and time and savings deposits in foreign currency increased by 14.83%.

GRAPH 3.6 Movement of QM and its Components



Source: Table 8

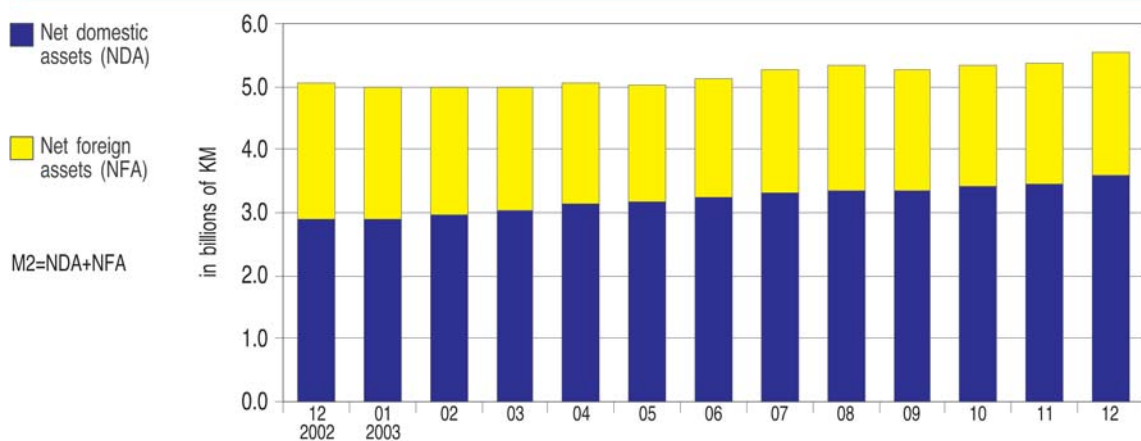
At the end of August 2003, thanks to a quicker growth, the value of domestic currency deposits was for the first time greater than the value of foreign currency deposits, and such a trend continued until the end of the year. It is evident that the stability of convertible mark, achieved through the currency board arrangement by pegging it to a reserve currency under a fixed exchange rate and the resulting low inflation led to the further increase in trust of the population in domestic currency.

Changes in the structure of monetary base in 2003 (increase of the share of bank deposits with CBBiH and the decline in the share of cash outside the monetary authorities), as well as changes in the structure of monetary aggregates (reduction of the balance between cash outside banks and demand deposits, as well as a dynamic growth of quasi money, primarily time and savings deposits in domestic currency) points at a growing trust in the domestic banking sector, i.e. an increasing share of transactions between economic agents is completed through the banking sector, via non-cash transfers.

At the end of 2003, compared to the end of 2002, there was a mild slowing down of multiplication of broad money, i.e. the value of monetary multiplier for M2 declined from 2.19 to 2.13. Dynamics of multiplication of broad money during 2003 were in line with the dynamics of monetary multiplication with respect to the monetary aggregate M1. Reasons for such movement of monetary multiplication are identical in both cases.

By analyzing the structure of monetary survey (table 9), it may be noted that the growth of monetary aggregate M2 in 2003 in the amount of KM 481.6 million was the result of a greater increase of net domestic assets in the amount of KM 689.4 million in relation to the decline of net foreign assets in the amount of KM 207.8 million.

GRAPH 3.7 M2, Net Foreign Assets and Net Domestic Assets



Source: Table 9

The increase of net domestic assets in the given period was also the result of increased credit activities of commercial banks, primarily to households and private companies. This is why claims from the private sector increased by 36.33%, and from non-financial companies by 13.07%.

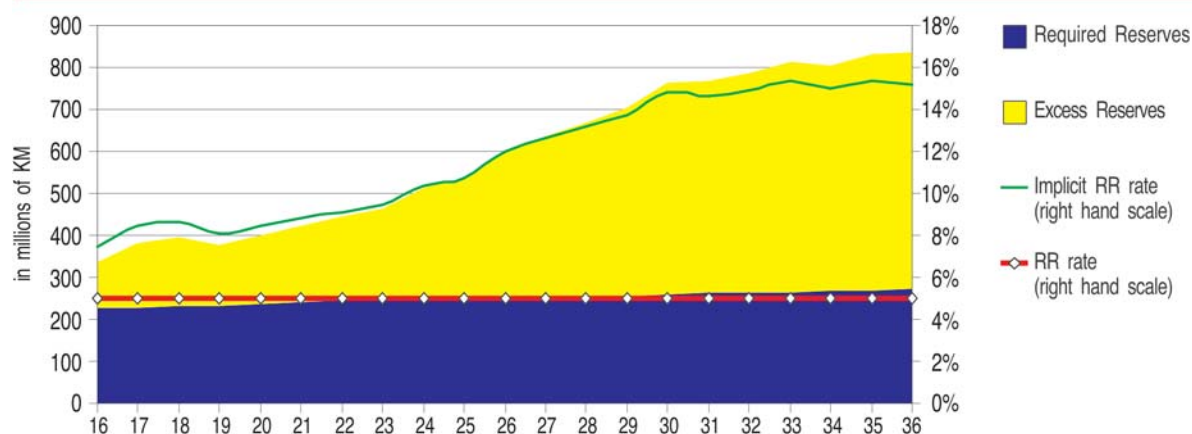
A decline in net foreign assets was caused by a greater increase of foreign liabilities of commercial banks in the amount of KM 643 million (Table 11) on one hand, compared to an increase of foreign assets of commercial banks in the amount of KM 118.8 million and foreign assets of CBBiH in the amount of KM 316.2 million, on the other (Table 10).

3.1.3 Required reserves

The instrument of required reserves is the only instrument of discretionary monetary policy currently available to CBBiH, and it experienced the most significant change in its history during 2003. Rules for calculation of required reserves changed on June 1, 2003 (16th maintenance period) with the aim of securing an equal treatment of domestic with foreign currencies, and in order to slow down rapid credit expansion recorded in 2002. The base was expanded to include liabilities in foreign currency, not only those in domestic currency. Cash in the vaults of commercial banks has been excluded from the eligible funds for maintenance of required reserves, mostly because of difficulties in controlling the reported amounts. The rate of required reserves was reduced from 10 to 5 percent, but because it is applied on a larger base the effect of monetary contraction is expected (total requirement is marginally larger than before the change). These changes enable a greater efficiency of monetary management of

CBBiH, and regulations are largely harmonized with the regulations of European Central Bank. Banks had no trouble adjusting to the new rules. Moreover, the excess reserves held by the banks rose dramatically from the introduction of the change to the end of 2003 (36th maintenance period).

GRAPH 3.8 Liquidity of Commercial Banks by Maintenance Periods



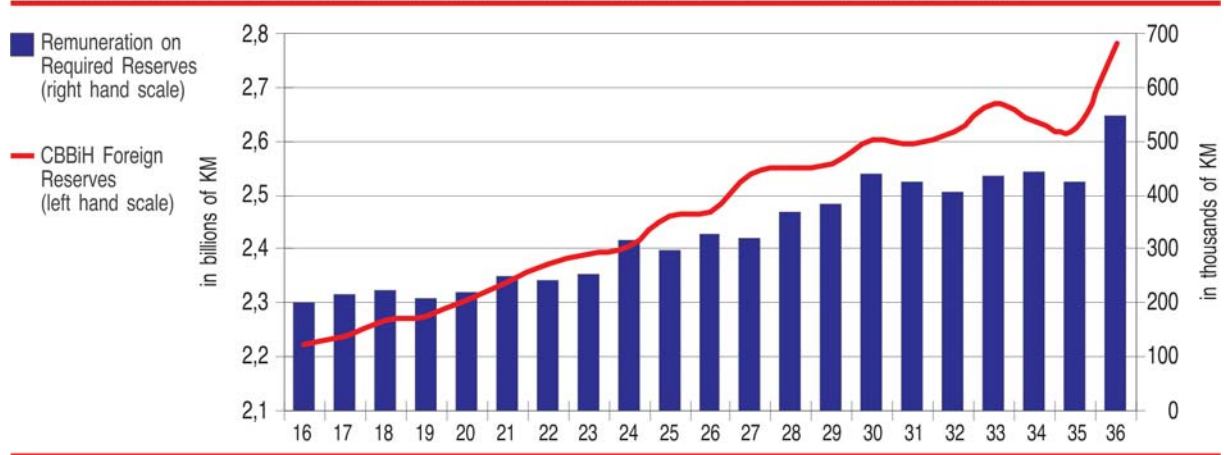
Source: Table 23

In the seven months since the required reserves regulations changed, a continuous growth of deposit base caused the growth of required reserves by 42%, from KM 193 million at the end of May to KM 275 million at the end of December 2003. However, the balances of reserve accounts grew at a quicker rate (190%), raising the excess reserves from KM 110 million to KM 560 million.

A good indicator of overall liquidity of the system is also the implicit rate of required reserves. The implicit rate of required reserves is calculated by dividing the total amount of reserves of commercial banks by the total deposit base. At the end of December 2003 (36th maintenance period) the implicit rate of required reserves was 15.2%, whereas after the change (16th maintenance period) it amounted to 7.4%. A comparison of real and implicit rate of required reserves shows that liquid reserves are three times larger than what is required, and they stayed at that level for two months now, which means that the required reserve rate of 5% is still not binding for business decisions of banks.

Under the old regulations (prior to June 1, 2003), remuneration was paid only for half of required reserves with CBBiH. According to new rules, remuneration is paid for the total amount in the reserve accounts of banks, regardless whether these reserves are required or excess. This practice was introduced with the aim of compensating banks for withdrawing cash as a possible means of maintaining required reserves. The remuneration rate, redefined every ten days, is the interest rate that CBBiH earns on the overnight deposits, and at the end of 2003 it amounted to 2%.

GRAPH 3.9 CBBiH Foreign Reserves and Remuneration on Required Reserves by Maintenance Periods



After the change in regulations regarding required reserves, the foreign currency reserves of CBBiH recorded a continuous growth during seven months (KM 634 million or 30%), which brought them to a historic record of KM 2,781 million. Primarily, this growth was caused by the previously mentioned spectacular growth of banks' reserve accounts. The reason for such a dramatic increase of reserve accounts can probably be attributed to remuneration that CBBiH paid for the total amount of the reserves, not just the amount that the banks are required to hold. Since the change of regulations in June, the base on which CBBiH paid remuneration grew by KM 740 million or 772%. The total remuneration paid in December amounts to KM 1.4 million, which is 7 times more than in May under the old regulations. Apart from that, the new methodology for calculation of net open foreign currency position of banks forces banks to keep the reserves in domestic currency denominations with CBBiH, instead of investing them in foreign currency with banks abroad.

Remuneration for required reserves should compensate banks for implicit tax that the required reserves represent in order for the required reserves as an instrument to be as neutral as possible from the allocation point of view. From the point of view of opportunity costs, it is proper to use the market rate for possible alternative bank investments as the rate of remuneration for required reserves. Analogous to that, a high remuneration for excess reserves should be avoided in order for the banks not to use it as an investment opportunity where some banks would offer lower remuneration for short-term deposits than the remuneration they receive from CBBiH for the excess reserves. The remuneration policy should compensate banks for required reserves but they should not profit from it. In other words, marginal costs of funds should not be lower than the marginal profit for investing in CBBiH, which was not the case by the end of 2003. It is evident that such a remuneration policy had negative distortive effects because it led to unnecessary accumulation of excess reserves (from KM 110 million in the beginning of June to KM 560 million at the end of December), which again resulted in slowing down the multiplication process and slowing down the growth of monetary aggregates despite the growth of monetary base.

In practice, central banks rarely pay remuneration on excess reserves. There are many economic arguments in favor of remuneration on required reserves, and many central banks do so, but remuneration is rarely paid on excess reserves. Some central banks pay remuneration on excess reserves or issue their own interest-bearing bonds. These interest rates are usually used to determine the floor rate in inter-bank

money market. By allowing profitable and risk-free investments, CBBiH slowed down the development of inter-bank money market. Currently, most banks are liquid and thereby on the same side of the market (the supply side). For all these reasons, beginning with January 1, 2004, the remuneration rate on excess reserves is equal to the deposit facility rate of ECB.

The ECB deposit facility rate is the interest rate commercial banks in the Euro zone receive on deposited excess funds. This rate is variable because it is always by one percentage point lower than the ECB's main refinancing rate. Currently the ECB deposit facility rate is 1%. By applying the new remuneration policy, distortive effects should be eliminated and regulations of CBBiH harmonized with the ECB regulations.

3.2 Managing foreign currency reserves

The foreign currency level is mostly determined by the balance of KM sale and purchase. Issuing domestic currency and withdrawing it from circulation is done based on the KM sale and purchase for EUR. The balance of sold and purchased KM shows the level of issued KM in circulation.

The foreign currency reserves consist of capital and special reserves, foreign currency as a coverage for issued KM, net free foreign currency reserves (income from the interest) and, since the end of 2002, SDR.

Table 3.2.1: Foreign reserve for period 31.12.1997 - 31.12.2003 in EUR

Year	Month	Cash	Investment	SDR	Gross foreign reserves
1997	12	3,149,450.60	70,536,142.70	-	73,685,593.30
1998	12	16,716,812.30	128,120,450.10	-	144,837,262.40
1999	12	42,707,865.70	399,933,839.80	-	442,641,705.50
2000	12	19,488,358.40	502,723,564.40	-	522,211,922.80
2001	12	411,534,443.70	967,179,388.30	-	1,378,713,831.90
2002	12	30,097,737.50	1,226,918,761.30	3,007,373.80	1,260,023,872.70
2003	12	30,224,456.10	1,388,764,503.60	2,722,514.20	1,421,711,473.90

Foreign currency reserves of the Central Bank are invested as money deposits with foreign banks of suitable rating, and in accordance with Guidelines on investing foreign currency reserves, passed by the Governing Board, and recommendations of the Investment Committee. Guidelines are meant to limit the risks under which the Central Bank of Bosnia and Herzegovina will manage its foreign currency portfolio. Guidelines cover four types of risk: foreign currency risk, credit risk, liquidity risk and the interest rate risk. Rules are defined for the mentioned types of risk regarding the level of their acceptability, with the goal of protecting the bank from possible risks with a maximum profit.

The foreign currency risk is defined as a risk of changing exchange rate that changes the value of foreign currency assets and liabilities. The total amount of gross foreign currency reserves, which may be held in currencies different than euro for transaction purposes, may not go over 50% of the total amount of unreduced capital and reserves of CBBiH. During 2003, kept 99.5% of its reserves in the pegged currency, i.e. EUR.

The credit risk is defined as a risk of unpaid claims or contractual obligations of the other side. Considering the condition that the CBBiH liabilities for issued convertible marks must always be 100% covered by foreign assets, the Central Bank, in order to avoid the credit risk, applies the following:

- limiting parties to the contract or instruments to only those of high standard, according to the assessment of rating agencies, i.e. F1- or better for investments of up to one month, AA- or better for investments of one month to one year. Investing for more than a year is not allowed;
- setting the limit in the amount of 20% of portfolio for concentrating assets with one party to the contract.

Investing through time deposits with banks whose rating is AA+ and AAA made up 75% of the total portfolio.

The interest rate risk is the risk that would change the net value of the portfolio in the situation of varying interest rates. Adjustment of the portfolio maturity is done according to the expected changes in the interest rates, based on available information from the money market.

The liquidity risk is defined as a lack of ability to fulfill the assumed obligations in a timely fashion. Adequate protection from the mentioned risk is achieved by continuous monitoring of obligations and a daily provision of available minimum amount of KM 15 million.

3.3 Central bank of BiH as banking and fiscal agent

Tasks related to credits and donations according to contracts concluded by the Government of Bosnia and Herzegovina with international financial institutions (EIB; European Community, Japanese government credit, etc.), were done in accordance with the Agent Agreements concluded between the CBBiH and the Ministry of Finance and Treasury.

CBBiH acted as a banking and fiscal agent of the Banking Agency of the Federation of Bosnia and Herzegovina in accordance with the signed contract.

Within the contract to perform as an agent with the BiH Deposit Insurance Agency, the work on investing assets in securities according to the agreement between the Deposit Insurance Agency and Deutsche Bank Asset Management continued.

In accordance with the contract between CBBiH and the Federal Ministry of Finance, the CBBiH acts as a banking and fiscal agent.

3.4 Cash management

When the Central Bank of Bosnia and Herzegovina started operations on August 11, 1997, the decision was made to issue KM as an official currency of Bosnia and Herzegovina by using the BiH dinar notes as KM according to the exchange rate 1 KM: 100 BHD. During 1998, the first quantities of KM were printed and issued. Monitoring of circulating cash and the analysis of spreading use of KM were the reasons to decide to make some more coins. In the year 2000, the CBBiH issued the 2 KM coin, and in 2003 the decision was made to coin additional 10 and 20 pfenning coins. Provision of cash to commercial banks was done through the treas-

ury of main units and branches of CBBiH located in Sarajevo, Banja Luka, Mostar and Brčko, strictly observing the currency board arrangement. CBBiH invests significant funds in maintaining the equipment of each vault, with the goal of improved and more efficient functioning. Special attention is paid to security measures when money is transported.

The Central Bank of BiH bought cash in foreign currency from commercial banks and took it abroad to the account of CBBiH. During 2003, the amount of EUR 335,298,680 and the amount of EUR 80,975 in other currencies were taken abroad.

Table 3.4.1: Cash in circulation **in KM**

Year	Banknotes in circulation	Destroyed banknotes	Counterfeits
1997	114,598,095	-	-
1998	167,458,839	-	40
1999	538,356,238	363,364	142,485
2000	695,887,615	8,405,863	230,204
2001	1,805,962,219	193,834,014	112,187
2002	1,868,650,806	92,531,914	41,698
2003	1,721,858,246	201,504,034	66,831

The value of destroyed bills was greatest in 2003 because the 0.50 KM bill was withdrawn and a great influx of tattered KM bills.

The value of forged bills was greatest in 2000, while the following two years saw a decline in forged bills. In 2003 there was a slight increase of forged bills, which is insignificant increase considering the total value of money in circulation. Central bank of BiH continued the process of education of the participants who work in cash payment systems in discovering of forged bills.

3.5 Payment operations

Payment operations are conducted efficiently through payment systems, RTGS's for settling transactions of great value and gyro clearing for large volumes of small value transactions. Banks have the possibility to perform gyro-clearing settlements three times a day.

On December 31, 2003, 35 commercial banks and the Central Bank of BiH were included in the payment system.

During 2003, a total of 17.7 million transactions were completed in the value of KM 24.3 billion. The participation of RTGS in total transactions (1.66%) and value (59.40%) is still evident. This is why the reduction of gyro clearing limit has been suggested from KM 20,000.00 to KM 10,000.00, and it should be implemented as of March 2004.

Table 3.5.1: Overview of payment systems transactions in 2003

	No. of transactions	Share in total number of transactions	Value in KM	Share in total value
RTGS	293,847	1.66 %	14,460,652,315.94	59.40 %
Gyro-clearing	17,427,404	98.34 %	9,882,173,257.94	40.60 %
TOTAL:	17,721,251	100.00 %	24,342,825,573.88	100.00 %

Some 37% of the number and value of transactions of total internal payment operations in Bosnia and Herzegovina are conducted through RTGS and the gyro clearing system, while some 63% are conducted within commercial banks — transactions of clients that have accounts with the same commercial bank. The greatest volume of payment operations in Bosnia and Herzegovina is concentrated in 10 largest banks.

Apart from regular payment operations, the most important activity in 2003 was installation, training and the start of functioning of the reserve payment system, situated in the Main Bank of the Republic of Srpska in Banja Luka, whereby the system risk was significantly reduced. Detailed instructions were also made for actions in unforeseen circumstances from a reserve location.

In cooperation with FSVC, a detailed analysis was conducted to determine the level of harmonization in functioning of the payment systems in Bosnia and Herzegovina with international rules for settlement. Assessments are very positive, but there is need to bring certain activities to the end. In that sense the Payment Council of BiH, which had already defined activities and duty holders, continued to function, which should result in the optimum harmonization with principles of international settlement.

CBBiH made a decision on changes of CBBiH fees for internal payment transactions, which was being applied as of March 1st 2004.

3.6 International cooperation

3.6.1 The role of CBBiH derived from BiH membership in IMF

Bosnia and Herzegovina became an IMF member in 1995. Originally, the quota (authorized capital) amounted to SDR 121.2 million, according to the distribution formula for the former Yugoslavia where 13.2% belonged to Bosnia and Herzegovina, and in 1999 it increased to SDR 169.1 million. The quota determines the maximum amount of funds that the member is obliged to provide to the IMF sources, that is the voting share when decisions are made, and the member's share in SDR allocation. The quota also decides the amount of financial aid that IMF can approve for the member.

During 2003, there were numerous contacts with the resident IMF office and IMF missions during their visits to CBBiH regarding the current financial arrangement and technical assistance. Regular annual consultations regarding Article IV of the IMF Statute were successfully completed in November 2003.

The first financial arrangement for BiH was approved in 1995 as aid in post-conflict situations in the amount of SDR 30 million, which was mostly used to pay inherited outstanding debt of the former Yugoslavia according to the mentioned distribution formula. After that, in 1998, the first Stand-by arrangement was concluded in the amount of SDR 60.6 million, which was later increased to SDR 94.42 million and successfully final-

ized in 2000. The second Stand-by arrangement was approved to BiH in August 2002, in the amount of SDR 67.6 million, and it supports decisions of BiH authorities aimed at continued macroeconomic stability, fiscal adjustments and structural changes. Reviews for the first three installments have been successfully completed, while the fourth installment in the amount of SDR 12 million was completed afterward in March 2004.

During 2003, CBBiH continued to send regularly the necessary statistical data regarding monetary trends and the balance of payment trends according to obligations referred to in Article VIII of the IMF Statute. Also, additional data regarding the current Stand-by arrangement have also been sent. The quantity and quality of data has been improved and they are regularly published in IMF publications.

As part of the regular participation of BiH in the work of IMF managing bodies, CBBiH representatives attended the annual IMF meeting in Doha and the meeting of our constituency. BiH offered to host the next meeting of our constituency and CBBiH started preparations for a successful organization of this meeting with representatives of 12 countries.

CBBiH, as an IMF depositary and the fiscal agent of BiH (since December 2002), manages the IMF deposit accounts and regularly services the obligations arising from the current arrangements between BiH and IMF. These tasks include the following:

- manages domestic currency accounts held by IMF, expressed in SDR
- provides the services of custody and the record of securities that BiH issued to cover its membership, and for obligations under the IMF arrangements
- payments of domestic currency from the IMF account, upon request and without delay, in the amounts and to the beneficiaries chosen by IMF on BiH territory.

The role of the fiscal agent does not incur any financial obligations by CBBiH. A detailed financial position of BiH in the IMF is described in the Financial Report of CBBiH for 2003. All liabilities to the IMF have been paid in a timely fashion, as was the case in the previous years.

3.6.2 Relations between CBBiH and the Bank for International Settlement (BIS)

On June 11, 2001, the Central Bank of Bosnia and Herzegovina became a member of the Bank for International Settlement (BIS), whose members are central banks of 50 countries. The Law on the Purpose and Use of the Property Share that BiH Was Awarded under the Succession Agreement that entered into force on May 30, 2002, awarded the CBBiH the ownership of 1,060 shares of the BIS whose nominal value is GF 2,500 (golden francs) per share. As of April 1, 2003, the nominal value of these shares is expressed as SDR 5,000, 25% of which is the authorized capital, and the rest is paid upon a call from BIS within 90 days. The value of shares in CBBiH books is expressed in the so-called fair value, i.e. according to the value of the number of shares in the total capital and reserves of BIS. The governor and the higher management of CBBiH participated at the annual assembly of BIS and its working groups for monetary policy.

3.6.3 Other

Within the succession negotiations, CBBiH was directly involved and closely cooperated with government institutions to achieve an agreement regarding outstanding debt and property of the former Yugoslavia, and also in negotiations regarding the clearing debt.

On the occasion of the sixth anniversary of the currency board in BiH, CBBiH successfully organized an international conference titled "The role of the currency board in monetary policy: History and practice." This conference attracted a significant number of guests from abroad and domestic experts. Conclusions of this symposium confirmed once again the suitability of this monetary regime for economic and other circumstances in BiH.

3.7 Control function at CBBiH

A regular control function has been established in the Central Bank, and it aims at controlling the business operations risk in accordance with the Law on CBBiH, and controlling proper application of general regulations referring to its operations.

The focus of internal audit and control is the examination of establishment and managing of official foreign currency reserves, particularly the application of guidelines of the Governing Board regarding investment of foreign currency reserves, regular control of the monthly balance sheet — assets and liabilities— published in the media, control of revenues and expenditures, sale and purchase of KM with commercial banks, control of application of the currency board rules, monitoring the effects and implementation of the calculation of required reserves, and other activities in the operations of CBBiH, in accordance with goals and tasks defined in the 2003 Operations Plan.

During 2003, Office of the Comptroller General audited organizational units of CBBiH and the main units of CBBiH, the Main Bank of RS CBBiH Banja Luka with its branch in Pale, and the branch of CBBiH in Brčko, particularly focusing on the high risk operations (sale and purchase of KM, reserve accounts and treasury operations). The audits performed in 2003 did not show serious omissions in operations, which leads to the conclusion that the business operations of the Central Bank are well organized and that the internal control system is efficient.

Comptroller General informed the Audit Committee and the Governing Board of audits and controls performed in a written report. These reports contain findings, conclusions and recommendations to remove omissions that may have been noticed and procedural deficiencies in business operations. Based on these recommendations the Governing Board adopted 132 measures that are binding for the bank management.

Based on the action plan to improve management of foreign currency reserves proposed by the IMF Technical Assistance Mission, a draft plan was made to separate tasks and functions of the Front Office, Middle Office and the Back Office, as well as a document defining operational risks.

Improvement of the internal audit and control systems remains an important task for CBBiH, performed through permanent monitoring of possible risks, organizing activities with clearly defined responsibilities, separating operational tasks and independent audit function, adopting even more efficient operational controls and procedures, and efficiently using the resources.

4. BANKING SECTOR

The banking sector dominates the financial system in Bosnia and Herzegovina, which is why it is the focus of the following chapter. Apart from the dominant role of the banking system in the process of financial intermediation, there is an evident trend of banks spreading into others, less developed segments of the financial system. The capital markets are still in early phases of development and do not represent an important source of financial intermediation. Stock exchanges in Banja Luka and Sarajevo have modest turnover. In the RS, banks have separate brokerage departments which are supervised by the RS Securities Commission. In FBiH, brokers are separate legal entities, and a couple of banks established their own brokerage departments. The FBiH Securities Commission has considered the possibility of applying the same approach as the RS because of the modest investment activities. The insurance sector is regulated by the Office for supervision of insurance companies in FBiH and a department of the RS Ministry of Finance. Several banks are interested in insurance companies, and some own leasing companies. Finally, micro-credit institutions are supervised by the Entity ministries of finance.

4.1 Institutional framework of the banking sector

The banking sector in BiH is mostly regulated by laws on banks that regulate the activities of commercial banks (at the Entity level); laws on banking agencies that define their goals, independence, responsibilities and accountability (at the Entity level); Law on Deposit Insurance (at the state level); and the Law on Central Bank of Bosnia and Herzegovina that awards the CBBiH the coordination role in banking supervision. Legal framework for banking in FBiH and RS, together with the Brčko District, is largely harmonized.

During 2002, there was a strengthening of the legal framework for the banking sector, and the implementation continued in 2003, with FBiH adopting significant amendments to the existing Law on Banks, and the RS adopting a whole new law. The changes include, among others, strengthening of bank management, establishing mandatory audit committees, protection of government deposits, diversification of sources of funds, and amendments containing measures against financing terrorism.

The increase of the minimum capital to KM 15 million (7.669 million euros) became a legal requirement as of December 31, 2002, and all banks had until May 2003 to fulfill this obligation, which they, except for one⁸⁾, did. This legal obligation is larger than the same obligation in the EU, which is 5 million euros. Gradual increase of minimum capital influenced a consolidation of the sector and a reduction of the number of banks from 55 at the end of 2000 to 40 at the end of 2002, and finally to 37 at the end of 2003.

During 2003, banking agencies reformed the existing regulations or started applying new regulations in three areas: (i) regulations regarding the calculation of core, supplemental and net capital, (ii) regulations regarding the net open foreign exchange position of banks, and (iii) regulations regarding the liquidity of banks.

The calculation of core, supplemental and net capital⁹⁾ was changed in order to achieve a greater consistency with the EU practice. With this change, the losses from the current year, the value of own stock, the amount of non-material property, will be excluded from the original capital, while the profit from the current year will be included in the supplemental capital only after an audit by an external auditor. It is possible that only a small number of banks will have a problem with application of

⁸⁾ PBS got an exception from the Banking Agency

⁹⁾ Net capital is defined as a sum of core and supplemental capital less deductions as defined by the banking agencies

new, stricter regulations on the capital. Considering that most prudential ratios refer to the net capital, this change makes the ratios stricter as well. In this case as well, the Agencies are optimistic that the banks will be able to observe stricter prudential ratios. The RS Banking Agency already requested banks' action plans by the end of September 2003, in order to remove potential capital shortages of banks and thereby enable them to become members of the deposit insurance program.

Banking agencies also changed the methodology for calculating the net open foreign exchange position of banks by including assets and liabilities indexed in foreign currency. The instructions allow the banks to have only two-way (symmetrical) currency clauses. This is a suitable approach because the value of one-way currency clauses is hard to evaluate and properly include in calculation of the net open foreign exchange position. Banking agencies will continue to monitor the reduction of shortage with potential use of penalties at their disposal.

The minimum prescribed requirements for cash, reserves with CBBiH and deposits with correspondent banks are generally observed, according to the banking agencies. Such liquid assets must on average satisfy 20% demand for demand deposits and short-term deposits in a ten-day period. Also, this ratio must never go under 10% in the same time period. While information regarding daily statements of accounts is gathered for both domestic and foreign currency, the ratio is calculated on the aggregate basis (domestic plus foreign currency). This ratio was usually observed because banks hold large amounts of cash– Bosnia and Herzegovina is still mainly a cash–payment dominated economy– while the remuneration for reserves held with CBBiH was quite high until the end of 2003, resulting in large amounts of excess reserves held by banks.

Apart from this, banks must observe limits on assets and liabilities distributed according to maturity buckets, both for contracted and for remaining maturity.¹⁰⁾ Banking agencies do react to breaches of liquidity regulations, but if a bank has liquidity support from another bank, such as a mother–bank, or if there is statistical evidence that the deposit base is stable, the enforcement of these regulations is more flexible. CBBiH cannot function as the lender of last resort, the money market in BiH is in its infancy, and contrary to most countries, banks in BiH do not have a portfolio of liquid domestic securities because market for such securities does not exist. For these reasons, regulations regarding the liquidity of banks must be strict in Bosnia and Herzegovina. Due to those reasons, the focus is on remaining rather than contracted maturity, because the latter is only of statistical interest.

Deposit insurance programs were initiated at the Entity level in 2001, although the Entity banking systems were not reformed at the time. The new state law on deposit insurance was adopted in August 2002, and it entered into force in October 2002. The application of the new law, together with accompanying bylaws, became mandatory for all banks on August 12, 2003. Criteria for membership in the insurance program are generally the same as prudential ratios required by the banking agencies, but all banks must fulfill the set criteria before they become members of the insurance program. Since a few banks could not fulfill the conditions for joining the program by the set deadline in August 2003, amendments to regulations were passed that softened some criteria that are not essential for joining. By August 12, 2003, 13 banks fulfilled the conditions for membership in the insurance deposit program, 15 banks did not fulfill the set criteria, while three banks could not be considered because they were not 90% privately owned. After this deadline, Deposit Insurance Agency and banking agencies ordered the banks to urgently create and implement action plans for fulfillment of prudential ratios necessary for membership.

¹⁰⁾ Assets with both contractual and remaining maturity of up to 90 days must amount to 100% of liabilities with contractual maturity of up to 90 days. The share of assets with maturity of 1–180 days should be 95% liabilities with the same maturity, while the share of assets with the maturity of 1–365 days should amount to 90% of liabilities with the same maturity. Division according to the remaining maturity is a lot more detailed (1–7 days, 8–15 days, 16–30 days, 31–90 days, 91–181 days, 181–265 days, 1–5 years, over 5 years)

At the end of 2002, 10 banks (all from FBiH) had its deposits insured by the Deposit Insurance Agency. By the end of 2003, 9 more banks were admitted as members (3 from RS and 6 from FBiH). According to the agency data, total deposits of the whole banking sector at the end of 2003 amounted to KM 5.2 billion. The share of savings of citizens in this amount is KM 1.9 billion. 19 banks with insured deposits have a 70% share of total deposits and an 84% share of the total savings of citizens. At the end of 2003, potential obligation of the Agency amounted to KM 484 million.

Banking supervision in BiH is continuously improved, but there are still significant challenges, before prudential regulations reach the level of best international practice. Technical assistance by USAID was of a major importance in this continuous process. Improved laws on banks were adopted in 2002, prudential regulations were improved and have been applied since 2003. A Memorandum of Understanding was signed between the banking agencies and CBBiH on cooperation and information exchange. Also in 2003, institutions responsible for banking supervision in Croatia and BiH signed a memorandum of understanding and cooperation in the field of supervision of bank operations. Such a memorandum was signed in 2001 with Slovenia, and in 2004 it is expected that similar memorandums will be signed with Austria, Turkey, Italy, and Serbia. Even so, there are still significant challenges, particularly regarding consolidated supervision and capital reservations for market risks.

Activities have been started and strategic directions underlined in order to unify banking supervision 'under umbrella' of CBBiH.

4.2 Activities of the banking sector

Table 4.2.1: Main indicators for the banking sector in BiH

	2000	2001	2002	2003 ¹⁾
Number of licensed banks	55	48	40	37
Number of employees in banks	6,986	7,315	7,519	7,684
Assets, percentage of estimated GDP	31.7	41.4	47.5	58.0
Assets per number of employee, thousands KM per employee	457	621	736	919
Net lending, growth during period	15.9	31.1	55.3	30.0
C-E non performing assets, percent of total classified assets and off-balance	10.9	8.7	6.0	4.9
B-E non performing assets, percent of total classified assets and off-balance	23.4	17.5	14.7	13.0
Net lending to deposit ratio	71.0	58.7	72.8	79.9
Net foreign assets, percent of total assets	-19.3	-3.6	-5.9	-11.9
Off-balance items, percent of total assets	20.6	14.6	16.8	11.2
Core capital, percent of liabilities	23.5	16.8	15.7	16.8 ²⁾
Average capital adequacy ratio, percent	28.4	25.1	20.6	19.8 ²⁾
Return before tax on average assets, percent	-1.5	-0.6	0.4	0.7 ²⁾
Return before tax on equity (core capital), percent	-5.8	-4.2	3.2	6.4 ²⁾
KM deposits, percent of estimated GDP	17.8	33.8	33.2	38.0
Broad money, percent of estimated GDP	25.7	44.6	44.2	45.7

Source: Banking Agencies of FBiH and RS; CBBH

¹⁾ Preliminary Data for 2003.

²⁾ Data as of 30 September 2003

The banking sector in BiH grew rapidly in the last few years. Total assets grew from 32% of GDP at the end of 2000, to 58% at the end of 2003 (Table T4.3.1). When citizens exchanged their German marks for euros or KM, many decided to leave them deposited in the banking sector, which is a sign of an increased confidence. Foreign banks headquartered in FBiH received the most of these deposits. At the same time, the process of consolidating the banking sector continued, which is evident in the reduction of the number of banks and the increase of assets per employee. The privatization process was essentially finalized in 2002, with all banks in the RS being privately owned, while several banks in FBiH, some of which perform specialized functions, are still majority state-owned. According to preliminary data, the trend of profitable banking operations from 2002 continued in 2003.

However, one of the main weaknesses of the banking sector is its lack of uniformity. According to preliminary data of the banking agencies, at the end of December 2003 the total assets of banks were KM 5.8 billion in FBiH and KM 1.3 billion in RS (26% increase compared to the end of 2002 for FBiH and a 35% increase for RS). The largest bank in FBiH in terms of assets is larger than the entire banking sector in RS. Six largest banks in FBiH, including two largest foreign bank groups, already control over 60% of the total property in the banking sector. It may be expected that consolidation will continue in the next few years.

Table 4.2.2: Maturity structure of deposits and lending in thousands of KM

	31/12/2001		31/12/2002		31/12/2003 ¹⁾	
	Amount	Share	Amount	Share	Amount	Share
Demand deposits	2,148,903	65%	2,396,361	58%	2,679,691	51%
Short-term deposits	743,263	22%	780,712	19%	932,523	18%
Long-term deposits	431,078	13%	977,174	24%	1,620,746	31%
Total deposits	3,323,244	100%	4,154,247	100%	5,232,960	100%
Short-term loans	646,742	31%	848,470	26%	985,411	24%
Long-term loans	1,175,201	56%	2,151,227	67%	2,955,554	71%
Overdue loans	278,974	13%	215,007	7%	237,404	6%
Total lending	2,100,917	100%	3,214,704	100%	4,178,370	100%

Source: Banking Agencies of FBiH and RS

¹⁾ Preliminary Data

Commercial banks in BiH have lately experienced a rapid credit expansion, especially towards households. In 2002, net loans of banks increased by 55%, while net loans grew by 30% in 2003. Changes of regulations regarding required reserves that came into force on June 1, 2003 were partly initiated in order to slow down the significant credit expansion. However, according to some banks, the market for loans to households is showing the signs of saturation. Credit expansion is the result of increased deposits because of conversion of euro notes and a growing trust in the banking system. Other transition countries, particularly those that had the greatest progress in transforming their economies, also experienced rapid credit expansions, and as such, this should be viewed as a positive structural characteristic of transitional economies. A rule of thumb for mature market economies only is that a credit expansion of more than 15% often leads to problems, which means that caution is warranted in the coming years.

The credit growth is mostly financed by deposit growth but also by the growth of funding from abroad. Conversion of German marks into euros at the end of 2001 and the beginning of 2002 caused a significant increase of deposits (Table 5.3.2). Banks initially were not comfortable with deposits and they preferred to place deposits abroad. Since deposits remained in the system after conversion, and with

lower international interest rates, banks began domestic credit expansion, especially toward households. Consequently, net foreign liabilities of banks were reduced from 19.3% of their total assets at the end of 2000 to 3.6% of their total assets at the end of 2001. During 2002, net foreign liabilities of banks began to grow again and they amounted to almost 6% of the total assets, which additionally stimulated credit expansion. This trend continued in 2003 when net foreign liabilities of banks increased to 12% of the total assets

Lending to the households grew rapidly (119% in 2002 and 37% in 2003) because such lending is generally more diversified, less concentrated and easier to recover. This is the perception of both the banking agencies and the LRC¹¹⁾ credit bureau, which lately noted an improvement of credit culture. It is not unusual, especially if the structural reforms are late compared to the banking sector reforms, that loans to the households are the first to see an expansion. For example, this was the case in Croatia after its second banking crisis in 1989–99.

¹¹⁾ LRC credit bureau is a domestic institution that provides information on loans and other financial liabilities of physical and legal entities

Table 4.2.3: Structure of deposit and lending by sectors in thousands of KM

	31/12/2001		31/12/2002		31/12/2003 ¹⁾	
	Amount	Share	Amount	Share	Amount	Share
Government	401,339	12%	544,986	13%	665,171	13%
State-owned companies	415,072	12%	435,131	10%	641,146	12%
Private companies	663,243	20%	790,733	19%	748,164	14%
Non-profit organizations	150,109	5%	154,884	4%	166,019	3%
Banking institutions	108,162	3%	441,977	11%	842,613	16%
Citizens	1,445,864	44%	1,627,079	39%	1,963,488	38%
Other	139,455	4%	159,457	4%	206,359	4%
Total deposits	3,323,244	100%	4,154,247	100%	5,232,960	100%
Government	28,144	1%	44,667	1%	32,026	1%
State-owned companies	350,865	17%	359,981	11%	281,566	7%
Private companies	987,914	47%	1,304,305	41%	1,809,480	43%
Non-profit organizations	6,643	0%	3,414	0%	3,878	0%
Banking institutions	50,677	2%	47,369	1%	34,124	1%
Citizens	646,905	31%	1,417,615	44%	1,943,094	47%
Other	29,623	1%	37,353	1%	74,202	2%
Total deposits	2,100,771	100%	3,214,704	100%	4,178,370	100%

Source: Banking Agencies of FBiH and RS

¹⁾ Preliminary Data

Compared to the households, there is a perception that banks are less ready to lend to enterprises. The roots of this lie in a historically bad credit culture of companies, lack of adequate legal framework for registration of liens and realization of collateral and slow court procedures. On top of that, information about companies is not always reliable because of a poor application of accounting and audit standards. The whole process was not helped by a slow privatization. Structural changes should contribute to a reduction of interest rate spread between bank deposit and lending rates, especially for the business sector. Still however, lending to privately owned companies increased by 32% in 2002 and an additional 38% in 2003, which is a greater annual growth than for the households. The sum of loans to privately owned and public enterprises is still a leading category in the total sum of loans with 50% at the end of 2003.

Table 4.2.4: Classification of on and off-balance sheet items of banks, value adj. provisions in thousands of KM

	31/12/2001		31/12/2002		31/12/2003 ¹⁾				
	Aggregate exposure		Aggregate exposure		Aggregate exposure		Value adj. provisions		Value adj. provisions
	Amount	Share	Amount	Share	Amount	Share	Amount	Amount	Amount
A	4,114,756	82.5%	57,907	5,401,177	85.2%	74,142	6,769,693	87.0%	88,941
B	437,936	8.8%	34,694	554,616	8.7%	48,064	630,082	8.1%	52,664
C	206,378	4.1%	46,317	190,359	3.0%	50,366	194,103	2.5%	51,063
D	218,262	4.4%	118,843	183,213	2.9%	103,626	175,755	2.3%	96,180
E	10,313	0.2%	5,093	12,631	0.2%	12,631	8,974	0.1%	8,974
Total	4,987,645	100.0%	262,854	6,341,996	100.0%	288,829	7,778,607	100.0%	297,822

Source: Banking Agencies of FBiH and RS

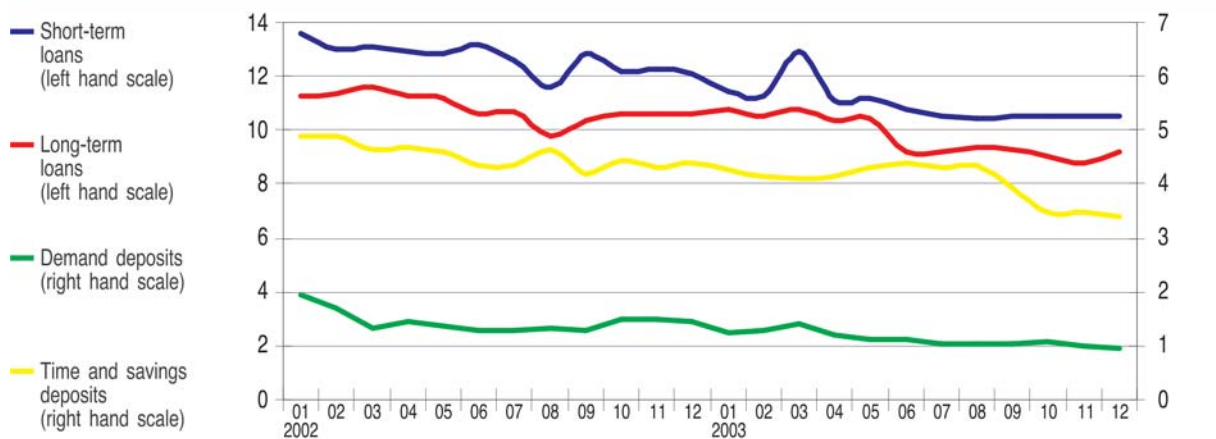
¹⁾ Preliminary Data

The composition of the credit portfolio and its quality represents one of the most important indicators of bank stability and successfulness of their operations (Table 4.2.3). At the end of 2003, the share of loans in group A was 87%, which means that it grew from 85.2% at the end of 2002. As a result of that, in the same period, the share of loans in group B–E fell from 14.7% to 13%, which represents a continuation of the satisfactory trend from the previous year.

4.3 Interest rates of commercial banks

In 2002, CBBiH started to collect data on average interest rates of commercial banks in BiH. These interest rates are weighted by the amount of credit or deposit only for new loans or deposits in every given month. Graph 4.1 shows movements of four types of interest rates and their continuous declining trend, where it is evident that interest rates for long-terms credits have been under 10% on average in the last seven months of 2003. Unfortunately, this data cannot be compared with earlier data on interest rates of commercial banks because of the fact that the previous records were simple arithmetic averages of lowest and highest interest rates that banks offered.

GRAPH 4.1 Interest rates of commercial banks



Greater competition of the banks with mainly foreign equity, successful reform of the banking sector, major increase of savings deposits, and, as a result, increased granting of loans, contributed jointly to the decline of interest rates. In spite of a declining trend, interest rates are bigger than the rates in the countries using the euro, to which our currency is nominally pegged.

Table 4.3.1: Average deposit and lending rates

	Deposit rates				Lending rates				Inflation rate
	2000	2001	2002	2003 ²⁾	2000	2001	2002	2003 ²⁾	2003
Euro area	3.45	3.49	2.80	1.89	6.60	6.83	6.14	5.51	2.00
BiH	14.67	6.07 ¹⁾	4.53	4.00	30.50	16.60 ¹⁾	12.69	10.87	1.00
Bulgaria	3.10	2.88	2.78	2.85	11.52	11.11	9.35	8.75	2.00
Estonia	3.76	4.03	2.71	2.22	7.43	7.78	6.70	5.51	1.40
Lithuania	3.86	3.00	1.70	1.19	12.14	9.63	6.84	5.90	-1.00
Croatia	3.74	3.23 ¹⁾	1.89	1.51	12.07	9.55 ¹⁾	12.84	11.61	2.40
Macedonia	11.18	9.97	9.89	7.65	18.93	19.35	18.36	16.51	1.50
Slovenia	10.05	9.81	8.24	5.59	15.77	15.05	13.17	10.76	5.70

Source: IMF *International Financial Statistics*

¹⁾ Break in Series

²⁾ Incomplete Data

Also, the interest rates are higher than in other countries that have currency boards pegged to euro, but the differences are decreasing. It is expected that interest rates will continue to decline with a continuation and acceleration of structural reforms in the real sector and strengthening of competition in the banking sector.

Auditors

report

AUDITORS REPORT

Independent Auditors' Report

Audit of the Financial Statements
as of December 31, 2003

**Central Bank of Bosnia and
Herzegovina, Sarajevo**

 **ERNST & YOUNG**

AUDITORS REPORT

Central Bank of Bosnia and Herzegovina

December 31, 2003

INDEPENDENT AUDITOR'S REPORT

To the Board of Governors of Central Bank of Bosnia and Herzegovina

We have audited the accompanying balance sheet of

Central Bank of Bosnia and Herzegovina

(the "Bank") as of December 31, 2003, and the related statements of profit and loss, cash flows and changes in equity for the year then ended.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

We conducted our audit in accordance with the International Standards on Auditing of the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.


AUDITORS REPORT

Central Bank of Bosnia and Herzegovina

December 31, 2003

In our opinion the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Bank at December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board.

Vienna, March 26, 2004

 **ERNST & YOUNG**

WIRTSCHAFTSPRÜFUNGS- UND
STEUERBERATUNGSGESELLSCHAFT MBH


ELISABETH GLASER
CERTIFIED PUBLIC ACCOUNTANT


FRIEDRICH O. HIEF
CERTIFIED PUBLIC ACCOUNTANT

5. FINANCIAL STATEMENTS

5.1 Independent Auditor's Report

To the Board of Governors of Central Bank of Bosnia and Herzegovina

We have audited the accompanying balance sheet of

Central Bank of Bosnia and Herzegovina

(the "Bank") as of December 31, 2003, and the related statements of profit and loss, cash flows and changes in equity for the year then ended.

These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

The financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

We conducted our audit in accordance with the International Standards on Auditing of the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Bank's management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the Bank at December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board.

Vienna, March 26, 2004

ERNST & YOUNG
WIRTSCHAFTSPRÜFUNGS- UND
STEUERBERATUNGSGESELLSCHAFT MBH

ELISABETH GLASER
certified public accountant

FRIEDRICH O. HIEF
certified public accountant

5.2 Balance Sheet

Central Bank of Bosnia and Herzegovina

Balance Sheet as at December 31, 2003

(in KM)

ASSETS	Notes	31/12/2003	31/12/2002
Foreign Assets		2,780,627,783	2,464,392,491
Foreign currency in cash	4	59,113,898	58,866,058
Short-term deposits with foreign banks	5	2,716,189,110	2,399,644,521
Special Drawing Rights in the IMF	3.11, 30	5,324,775	5,881,912
Domestic Assets		578,677	834,329
Giro accounts	6	578,677	834,329
Equity investments	7	27,806,290	27,806,290
Accrued interest and other assets	8	13,835,186	20,487,064
Fixed assets	9	30,999,111	25,520,801
TOTAL ASSETS		2,853,847,047	2,539,040,975

The financial statements have been approved by the Bank and signed on its behalf by:

Peter Nicholl
Governor

Sarajevo,
March 26, 2004

The accompanying notes are an integral part of these financial statements.

(continued)

Central Bank of Bosnia and Herzegovina

Balance Sheet
as at December 31, 2003

(in KM)

LIABILITIES	Notes	31/12/2003	31/12/2002
Convertible Marka in circulation	10	1,721,858,246	1,868,650,806
Domestic deposits		904,467,855	476,502,000
From banks	11	884,003,476	446,880,350
From the Government and other residents	12	20,464,379	29,621,650
Deferred income	13	7,002,626	9,708,249
Other liabilities	14	5,843,074	3,433,251
Capital and reserves		214,675,246	180,746,669
Subscribed capital	15	25,000,000	25,000,000
Capital from profit	16	106,316,305	92,257,641
Capital in shares	17	27,803,327	27,803,327
Reserves from grants	18	4,000,000	4,000,000
Profit reserves	19	51,555,614	31,685,701
TOTAL LIABILITIES AND CAPITAL		2,853,847,047	2,539,040,975
OFF-BALANCE SHEET ITEMS			
Third party securities and funds held with foreign banks	30	196,697,368	188,745,151
Total Gross Position of Government with the IMF	3.11, 30	650,449,162	742,348,506

The financial statements have been approved by the Bank and signed on its behalf by:

Peter Nicholl
Governor

Sarajevo,
March 26, 2004

The accompanying notes are an integral part of these financial statements.

5.3 Bilanca uspjeha**Central Bank of Bosnia and Herzegovina****Profit and Loss Statement
for the year ended December 31, 2003**

(in KM)

	Notes	2003	2002
INTEREST INCOME			
Interest income from bank deposits and similar income	20	57,812,300	78,287,011
INTEREST EXPENSE			
Interest on deposits	21	7,914,752	2,296,517
NET INTEREST INCOME			
		49,897,548	75,990,494
Net Foreign exchange difference gains / (losses)	22	92,690	(523,902)
Income from grants	23	2,715,605	2,264,598
Other income	24	4,439,399	4,693,452
OPERATING INCOME			
		57,145,242	82,424,642
OPERATING EXPENSE			
Salaries, and other personnel expenses		11,664,679	10,281,319
Administrative expenses		6,610,210	6,730,792
Depreciation		4,154,782	3,044,915
Other operating expenses	25	786,994	4,348,572
Total operating expenses		23,216,665	24,405,598
NET PROFIT BEFORE APPROPRIATION			
		<u>33,928,577</u>	<u>58,019,044</u>

The financial statements have been approved by the Bank and signed on its behalf by:

Peter Nicholl
Governor

Sarajevo,
March 26, 2004

The accompanying notes are an integral part of these financial statements.

5.4 Statement of Cash Flows

Central Bank of Bosnia and Herzegovina

Statement of Cash Flows
for the year ended December 31, 2003

(in KM)

	Notes	2003	2002
NET CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit before appropriation		33,928,577	58,019,044
Depreciation		4,154,782	3,044,915
Income from grants		(2,715,605)	(2,264,598)
Net cash flows from operating activities before changes in operating assets and liabilities		<u>35,367,754</u>	<u>58,799,361</u>
Changes in operating assets and liabilities:			
(Increase) / decrease in foreign investments		(658,650,958)	241,263,171
Decrease / (increase) of accrued interest and other assets		6,651,878	(7,605,169)
(Decrease) / increase in Convertible Marka in circulation		(146,792,560)	62,688,587
Increase / (decrease) in domestic deposits		427,965,855	(309,116,950)
New grants received		9,982	916,038
Increase / (decrease) in other liabilities		2,409,823	(28,671,273)
Net cash flows from operating activities		<u>(333,038,226)</u>	<u>18,273,765</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase of fixed assets, net		(9,633,092)	(9,596,318)
Net cash flows from investing activities		<u>(9,633,092)</u>	<u>(9,596,318)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(342,671,318)</u>	<u>8,677,447</u>
Cash and cash equivalents at the beginning of the year		2,138,269,824	2,129,592,377
Cash and cash equivalents at the end of the year	26	<u>1,795,598,506</u>	<u>2,138,269,824</u>
ADDITIONAL INFORMATIONS TO STATEMENT OF CASH FLOWS:			
Received interest		65,039,637	70,638,112
Paid interest		6,564,955	2,252,959
Received dividends		536,144	542,537

The accompanying notes are an integral part of these financial statements.

5.5 Changes in Equity

Central Bank of Bosnia and Herzegovina

Changes in Equity
for the year ended December 31, 2003

(in KM)

	Subscribed capital	Capital from profit	Capital in shares	Reserves from grants	Profit reserves	Current year profit	Total
As of 1 January 2002	25,000,000	65,924,298	26,565,179	4,000,000	0	0	121,489,477
Profit for the year 2002	0	0	0	0	0	58,019,044	58,019,044
Distribution of profit for the year	0	26,333,343	0	0	31,685,701	(58,019,044)	0
Changes of capital in shares	0	0	1,238,148	0	0	0	1,238,148
As of 31 December 2002	25,000,000	92,257,641	27,803,327	4,000,000	31,685,701	0	180,746,669
Profit for the year 2003	0	0	0	0	0	33,928,577	33,928,577
Distribution of profit for the year	0	14,058,664	0	0	19,869,913	(33,928,577)	0
As of 31 December 2003	25,000,000	106,316,305	27,803,327	4,000,000	51,555,614	0	214,675,246

The accompanying notes are an integral part of these financial statements.

5.6 Notes

Central Bank of Bosnia and Herzegovina

Notes to the Financial Statements for the year ended December 31, 2003

1. General information

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

The Central Bank of Bosnia and Herzegovina started operations on August 11, 1997.

The main objectives and tasks of the Central Bank of Bosnia and Herzegovina ("Bank") are:

- to define, adopt and control the implementation of monetary policy of Bosnia and Herzegovina through the issuance of local currency (Convertible Marka) with full coverage in free convertible foreign exchange assets;
- to keep and manage the official foreign exchange reserves of Bank in a safe and profitable manner;
- to implement the monetary policy in accordance with the Law on the Central Bank of Bosnia and Herzegovina;
- to establish and to maintain adequate payment and settlement systems;
- to coordinate the activities of the banking agencies, being in charge of issuing the banking licenses and supervising the banks;
- to accept deposits from the state and public institutions of Bosnia and Herzegovina and deposits from commercial banks;
- to issue provisions and guidelines for the performance of Bank operations, in accordance with the Law on the Central Bank of Bosnia and Herzegovina;
- to take part in the operations of international organizations working on strengthening the financial and economic stability of the country;
- to represent Bosnia and Herzegovina in international organizations regarding monetary policy issues.

The highest body of the Bank is the Governing Board, which is in charge of defining the monetary policy and the control of its implementation, organization and the strategy of the Bank in accordance with the Law on the Central Bank of Bosnia and Herzegovina.

The management of the Bank consists of a Governor and three Vice Governors appointed by the Governor with the approval of the Governing Board. Management is operationally leading the Bank's business.

According to the Law on the Central Bank of Bosnia and Herzegovina, the Governor, with the approval of the Governing Board, appoints the Comptroller General and three Deputies.

The Bank operates through its Main Office, three main units situated in Sarajevo, Mostar, and Banja Luka, and a branch in Brcko District. Within the main unit in Banja Luka there is a branch in Pale.

During 2003 the Governing Board, Management and General Comptroller Office members were:

Governing Board

Peter Nicholl, Governor
Manojlo Ćorić, Member
Jure Pelivan, Member (until August 11, 2003)
Kasim Omićević, Member (until August 11, 2003)
Kemal Kozarić, Member (from August 11, 2003)
Mila Gadžić, Member (from August 11, 2003)
Ljubomir Kovačević, Member (from August 11, 2003)

Management

Peter Nicholl, Governor
Kemal Kozarić, Vice Governor
Dragan Kovačević, Vice Governor
Ljubiša Vladušić, Vice Governor

General Comptroller Office

Jasmina Halilbegović, Comptroller General
Jasmina Novalija, Deputy Comptroller
Anto Salapić, Deputy Comptroller
Milosija Drakulić, Deputy Comptroller

As at December 31, 2003 the Bank had 264 employees (December 31, 2002: 250 employees).

2. Basis for preparation of financial statements and reporting currency

2.1. Basis for preparation of financial statements

The financial statements have been prepared in accordance with the Law of Bosnia and Herzegovina on the Central Bank of Bosnia and Herzegovina and the Law on Internal Payment Operations, and in accordance with International Financial Reporting Standards.

The Financial Statements have been prepared in accordance with the historical cost basis of accounting modified for the revaluation of certain items as disclosed below.

2.2. Reporting Currency

The financial statements are stated in the official national currency of Bosnia and Herzegovina – Convertible Marka (KM).

The official exchange rate to EUR has been defined by the Law on the Central Bank of Bosnia and Herzegovina as 1,955830 KM = 1 EUR. As required by the Law, the Bank is obliged to purchase and sell KM for EUR on demand, without any restrictions, within the territory of Bosnia and Herzegovina, at the defined exchange rate.

3. Summary of significant accounting policies

3.1. Revenue Recognition

Interest income is recognized on a time proportionate basis, taking account of the principal outstanding and the rate applicable. Interest is recognized on other financial assets when received. Other fees receivable or payable are recognized when earned. Dividend income is recognized when the right to receive payment is established.

3.2. Foreign Currency Translation

Transactions denominated in foreign currencies have been translated to KM at exchange rates applying on the settlement date of transactions. Assets and liabilities denominated in foreign currencies are translated into KM at foreign exchange rates applying at the Balance Sheet date. Gains and losses on translation are credited or charged to the Profit and Loss Statement.

3.3. Investments in deposits with foreign banks

Deposits with foreign banks are stated at cost less any provision for impairment.

3.4. Equity investments

The equity investments held during 2003 and 2002 are classified as available for sale and are initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, the equity investments whose fair value can be reliably determined are re-measured at fair value. Unrealized gains and losses on re-measurement to fair value are recognized in shareholders equity. Equity investments whose fair value cannot be reliably determined are valued by the acquisition cost, decreased by the losses due to decrease of value.

3.5. Fixed Assets

Fixed assets are recorded at historical cost less accumulated depreciation. Depreciation is calculated using the straight-line method. The following depreciation rates have been applied:

Software	20.0%
Other intangible assets	20.0%
Buildings	1.3%
Equipment	11.0% do 20.0%
Furniture	10.0% do 12.5%
Vehicles	15.5%

3.6. Grants

Grants related to assets, including non-monetary grants, are recorded at nominal value by recording the grant as deferred income, which is recognized as income in the Profit and Loss Statement proportionately to the expenses incurred (including depreciation over the useful life of the asset).

Capital donations received are recorded as reserves from grants within equity, in accordance with the Bosnia and Herzegovina Government's Decision and Central Bank of Bosnia and Herzegovina Governing Board's Decision.

3.7. Currency in circulation

The Central Bank of Bosnia and Herzegovina administers the issue and withdrawal of domestic bank notes and coins. The corresponding liability from the issued currency is recorded in the Balance Sheet.

3.8. Taxes

The Law on the Central Bank of Bosnia and Herzegovina exempts the Bank from all taxes and duties on its assets, property and income, and on its operations and transactions. Payroll taxes and other taxes on salaries are not covered by this exemption.

3.9. Trade and settlement date accounting

Purchases and sales of financial assets are recognised on the basis of their settlement date.

3.10. Cash and cash equivalents

Cash and cash equivalents for the purposes of the Cash Flow Statement is defined as cash in KM and foreign currencies, foreign currency sight deposits, SDRs in the IMF and foreign currency deposits with residual maturities of less than 3 months.

3.11. Financial arrangements of Bosnia and Herzegovina with the IMF

According to the financial arrangements made at the end of 2002 between Bosnia and Herzegovina and the IMF, the Balance Sheet of the Bank contains the following items related to Bosnia and Herzegovina's membership of the IMF: SDR Holdings, accrued interest on Special Drawing Rights ("SDRs") and the IMF No.1 account and IMF No.2 account. Other assets and liabilities items related to the IMF, belonging or being the responsibility of the Government, are recorded in a special Trust Fund within the off balance records.

4. Foreign currency in cash

Foreign currency in cash consists of:

	(in KM)	
	31/12/2003	31/12/2002
Cash in hand	38,938,956	58,865,593
Cash in transit	20,174,942	465
TOTAL	59,113,898	58,866,058

5. Short-term Deposits with Foreign Banks

Short-term deposits with foreign commercial banks on a geographical basis can be analyzed as follows:

(in KM)			
No.	Geographic analysis	31/12/2003	31/12/2002
1. Great Britain			
	Term deposits	985,174,946	1,330,059,091
	Sight deposits	24,877,041	49,221,523
	Total	1,010,051,987	1,379,280,614
2. Belgium			
	Term deposits	337,000,283	427,742,388
	Sight deposits	0	0
	Total	337,000,283	427,742,388
3. Holland			
	Term deposits	315,685,505	92,577,963
	Sight deposits	0	0
	Total	315,685,505	92,577,963
4. Austria			
	Term deposits	307,610,070	114,244
	Sight deposits	473,269	286,114
	Total	308,083,339	400,358
5. France			
	Term deposits	260,911,866	0
	Sight deposits	0	0
	Total	260,911,866	0
6. Germany			
	Term deposits	242,670,147	443,793,916
	Sight deposits	1,140,581	2,771,472
	Total	243,810,728	446,565,388
7. Sweden			
	Term deposits	173,514,231	0
	Sight deposits	0	0
	Total	173,514,231	0
8. Switzerland			
	Term deposits	65,543,487	51,950,729
	Sight deposits	1,587,684	1,127,081
	Total	67,131,171	53,077,810
	TOTAL TERM DEPOSITS	2,688,110,535	2,346,238,331
	TOTAL SIGHT DEPOSITS	28,078,575	53,406,190
	TOTAL	2,716,189,110	2,399,644,521

(in KM)

	Currency	31/12/2003		31/12/2002	
		Term deposits	Sight deposits	Term deposits	Sight deposits
TOTAL	USD	0	47,669	0	5,689,605
PER	EUR	2,688,110,535	26,488,793	2,346,238,331	46,639,258
CURRENCIES	Other	0	1,542,113	0	1,077,327
TOTAL		2,688,110,535	28,078,575	2,346,238,331	53,406,190

(in KM)

	31/12/2003	31/12/2002
Pledged sight deposits	586,730	1,893,355
Other sight deposits	27,491,845	51,512,835
Total sight deposits	28,078,575	53,406,190
Pledged term deposits	1,899,482	1,114,244
Other term deposits	2,686,211,053	2,345,124,087
Total term deposits	2,688,110,535	2,346,238,331
TOTAL	2,716,189,110	2,399,644,521

Term deposits with foreign commercial banks, analyzed by maturity date, are as follows:

(in KM)

Maturity	31/12/2003	31/12/2002
Up to 1 month	974,289,010	1,088,032,927
From 1 to 2 months	427,208,800	313,638,816
From 2 to 3 months	301,004,771	617,609,592
From 3 to 4 months	109,509,696	0
From 4 to 12 months	876,098,258	326,956,996
TOTAL	2,688,110,535	2,346,238,331

The interest rates on sight deposits ranged from 1.25 % to 2.80 % (2002: from 2.30 % to 3.30 %) during the year and on term deposits from 2.00 % to 2.80 % (2002: from 2.80 % to 3.70 %) during the year.

6. Domestic Assets

Giro accounts represent balances held by the Central Bank of Bosnia and Herzegovina to facilitate KM payments.

7. Equity investments

(in KM)

	31/12/2003	31/12/2002
Shares in BIS bank	27,803,327	27,803,327
Shares in SWIFT	2,963	2,963
TOTAL	27,806,290	27,806,290

8. Accrued interest and other assets

	(in KM)	
	31/12/2003	31/12/2002
Accrued interest on time deposits with foreign banks	12,253,323	19,669,780
Accruals	88,949	69,292
Other miscellaneous assets	1,492,914	747,992
TOTAL	13,835,186	20,487,064

9. Fixed Assets

	(in KM)							
	Software and other intangible assets	Land and buildings	Equipment and furniture	Vehicles	Advance payments	Other	Assets under construction	TOTAL
Cost value as of 01/01/2003	8,248,954	6,271,755	12,117,754	1,064,280	1,758,697	276,111	1,541,583	31,279,133
Additions	1,277,511	78,574	2,256,441	153,382	(1,689,146)	14,763	7,664,228	9,755,752
Disposals, sales and transfers	0	0	(273,344)	(158,211)	0	(28,253)	0	(459,808)
Cost value as of 31/12/2003	9,526,465	6,350,328	14,100,852	1,059,450	69,551	262,621	9,205,811	40,575,077
Accumulated depreciation as of 01/01/2003	2,922,396	43,841	2,496,476	249,104	0	46,515	0	5,758,332
Depreciation charge for 2003	1,861,091	110,961	1,981,259	169,676	0	31,796	0	4,154,782
Depreciation on disposals and sales	0	0	(233,547)	(96,047)	0	(7,554)	0	(337,148)
Accumulated depreciation as of 31/12/2003	4,783,487	154,802	4,244,188	322,733	0	70,756	0	9,575,966
Net book value as of 31/12/2003	4,742,978	6,195,526	9,856,664	736,718	69,551	191,864	9,205,811	30,999,111
Net book value as of 31/12/2002	5,326,557	6,227,913	9,621,279	815,176	1,758,697	229,596	1,541,583	25,520,801

The Bank has been provided with the right to use the premises located at 25, Marshal Tito Street. These premises are owned by the Government of Bosnia and Herzegovina.

10. Convertible Marka in Circulation

Currency placed into circulation can be analyzed as follows:

	(in KM)	
	2003	2002
Convertible Marka currency placed into circulation - Opening Balance as of 01/01	1,868,650,806	1,805,962,219
Decrease / increase in Convertible Marka in circulation during the year	(146,792,560)	62,688,587
Convertible Marka currency placed into circulation - total - Balance as of 31/12	1,721,858,246	1,868,650,806

Of the total currency in circulation of KM 1,721,858,246 as at 31 December 2003, KM 465,692 is placed in circulation outside of Bosnia and Herzegovina.

11. Domestic Deposits from Banks

	(in KM)	
	31/12/2003	31/12/2002
Deposits of domestic commercial banks	883,366,962	446,046,021
Deposit accounts - blocked funds	57,248	0
Reserve accounts of organizational units of the Central Bank of Bosnia and Herzegovina	578,677	834,329
Other liabilities to banks for deposits received	589	0
TOTAL	884,003,476	446,880,350

Deposits of KM 883,366,962 from 37 domestic commercial banks are to meet obligatory reserve requirements, to settle payment obligations and for transactions between commercial banks and the Central Bank of Bosnia and Herzegovina.

Interest on the deposits of domestic commercial banks is accrued according to the Law on the Central Bank of Bosnia and Herzegovina, and the interest rate during the year 2003 ranged from 1.95 % to 2.75 % (2002: from 3.00 % to 3.30 %). The base for calculation of interest expense on these deposits has been changed during the year, as described in note 21.

12. Domestic Deposits from the Government and other residents

	(in KM)	
	31/12/2003	31/12/2002
Deposits for servicing foreign debts of BiH	10	0
Deposits for Budget of Institutions BiH	4,312,579	6,297,777
Deposit Accounts for IMF transactions	5,147,794	4,758,744
Other deposits of the Governments	9,133,224	15,652,070
Deposits of other residents	1,870,772	2,913,059
TOTAL	20,464,379	29,621,650

13. Deferred Income

Deferred income represents grants received in cash and fixed assets, and is recognized in the Profit and Loss Statement on a systematic basis over the period of use of the grant.

	(in KM)	
	2003	2002
Opening Balance as of 01/01	9,708,249	11,056,809
New grants received	9,982	916,038
Income from grants	(2,715,605)	(2,264,598)
Balance as of 31/12	7,002,626	9,708,249

14. Other Liabilities

	(in KM)	
	31/12/2003	31/12/2002
IMF Accounts No 1 and 2	1,026,033	1,121,439
Other liabilities towards foreign banks	430	0
Other liabilities to other non-residents	0	10
KM deposit of the UN mission	0	51,725
Suppliers	2,311,591	647,916
Accrued expenses and other miscellaneous liabilities	1,810,301	975,508
Liabilities to employees	694,719	636,653
TOTAL	5,843,074	3,433,251

15. Subscribed Capital

The Government of Bosnia and Herzegovina subscribed to 100% of capital with a nominal value of KM 25,000,000 on June 12, 1998.

16. Capital from profit

Capital from profit represents the net profits for the years from 1997 to 2002 and KM (14,058,664) from the net profit for 2003 allocated to capital in accordance with Article 27 of the Law on the Central Bank of Bosnia and Herzegovina. Article 27 determines that the net profit for the year must be allocated to capital if the amount of capital is lower than 5 % of total monetary liabilities.

17. Capital in shares

This amount represents the Bank's investment in the Bank of International Settlements, which was received at no cost in accordance with the Succession Agreement of former Yugoslavia.

18. Reserves from grants

Reserves from donations in the amount of KM 4,000,000 are donations received from the Government of Bosnia and Herzegovina on June 12, 1998.

Status of reserves from donations has been regulated by Decision of the Governing Board of the CBBiH with the approval of the Presidency of Bosnia and Herzegovina.

The right to utilise the reserves from donations falls within the competence of the Governing Board of the Central Bank of Bosnia and Herzegovina.

19. Profit reserves

Profit reserves represent part of net profit for the years 2002 and 2003 (KM 19,869,913) allocated to reserves in accordance with Article 27 Law of Bosnia and Herzegovina on the Central Bank of Bosnia and Herzegovina.

20. Interest income from bank deposits and similar income

	(in KM)	
	2003	2002
Interest on deposits of the Central Bank of Bosnia and Herzegovina	57,226,529	77,735,999
Dividends from equity investments	536,144	542,537
Other	49,627	8,475
TOTAL	57,812,300	78,287,011

21. Interest Expense on Deposits

Until May 31, 2003 the base for calculation of interest on commercial bank's deposits included only the Required Reserve. Since June 1, 2003 a new Decision of the Bank's business policy has been applied related to calculation of interest on commercial banks' deposits in the way that the base for calculation of interest includes the total deposits of commercial banks in the settlement period.

	(in KM)	
	2003	2002
Interest expense on commercial banks' deposits	7,914,752	2,296,517
TOTAL	7,914,752	2,296,517

22. Net Foreign exchange difference gains / (losses)

	(in KM)	
	2003	2002
Income from foreign exchange differences	944,409	7,597,744
Expenses from foreign exchange differences	851,719	8,121,646
TOTAL	92,690	(523,902)

23. Income from Grants

This balance represents income recognized on grants received mostly from USAID as compensation for expenses incurred in 2003 (see also note 13).

24. Other Income

	(in KM)	
	2003	2002
Commission income - services performed for the Government of BH and other non-bank residents	91,577	77,590
Penalty charges received from domestic commercial banks	342,792	671,759
Commission income from domestic commercial banks	2,921,592	3,830,757
Seignorage	971,316	0
Other miscellaneous income	112,122	113,346
TOTAL	4,439,399	4,693,452

25. Other operating expenses

	(in KM)	
	2003	2002
Commission expenses	14,513	19,131
Expenses for transactions with foreign banks	247,985	1,430,859
Expenses for production and design of banknotes and coins	524,496	2,898,582
TOTAL	786,994	4,348,572

26. Cash and Cash Equivalents

	(in KM)	
	31/12/2003	31/12/2002
KM cash held at organizational units of the Bank	578,677	834,329
Foreign currency in cash	59,113,898	58,866,058
Foreign currency sight deposits	28,078,575	53,406,190
SDR in the IMF	5,324,775	5,881,912
Foreign currency deposits with maturity under 3 months	1,702,502,581	2,019,281,335
TOTAL	1,795,598,506	2,138,269,824

27. Related Party Transactions

There were no transactions with members of the Governing Board or with other management members during the year.

In 2003, the Bank started extending funds through housing loans for employees, according to the Financial Plan and other enactments regulating the terms and conditions of allocating these funds. The following table shows the extent and terms of these transactions in 2003:

Total funds extended	836,156 KM
Outstanding as of December 31, 2003	822,808 KM
Annual interest rate	4 %
Average loan repayment period	14, 15 godina
Interest earned	18,076 KM

28. Clearing and distribution of Convertible Marka

Since January 5, 2001 the clearing operation in KM for local commercial banks has been carried out through the RTGS (Real Time Gross Settlement) and (Bulk) Gyro Clearing systems within the Bank and through reserve accounts of commercial banks opened with the Bank. Also, since January 5, 2001, the distribution of Convertible Marka for the whole country has been performed through the separate vaults of the Bank.

Domestic payments are executed by the licensed commercial banks that are participants of the interbank clearing system.

29. Risk Management

One of the integral elements of the business strategy of the Bank is risk management.

The Bank's risk management comprises of three levels: the Governing Board of the Bank, the Management and Investment Committee of the Bank.

29.1. Liquidity risk

Liquidity risk is associated with the ability to meet liabilities timely and efficiently. The Bank manages its liquidity risk by investing mainly in short-term deposits with foreign banks.

Maturity analysis as at December 31, 2003

	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Undefined Maturity	TOTAL
(in KM)						
ASSETS						
Foreign assets	1,795,019,829	985,607,954	0	0	0	2,780,627,783
Foreign currency in cash	59,113,898	0	0	0	0	59,113,898
Short-term deposits with foreign banks	1,730,581,156	985,607,954	0	0	0	2,716,189,110
SDR in the IMF	5,324,775	0	0	0	0	5,324,775
Domestic Assets	578,677	0	0	0	0	578,677
Giro accounts	578,677	0	0	0	0	578,677
Equity investments	0	0	0	0	27,806,290	27,806,290
Accrued interest and other assets	8,483,218	4,583,856	102,043	666,069	0	13,835,186
Fixed assets	0	0	0	0	30,999,111	30,999,111
TOTAL ASSETS	1,804,081,724	990,191,810	102,043	666,069	58,805,401	2,853,847,047
LIABILITIES						
Convertible Marka in circulation	1,721,858,246	0	0	0	0	1,721,858,246
Domestic deposits	904,467,855	0	0	0	0	904,467,855
From banks	884,003,476	0	0	0	0	884,003,476
From the Government and other residents	20,464,379	0	0	0	0	20,464,379
Deferred income	0	0	0	0	7,002,626	7,002,626
Other liabilities	5,763,439	79,635	0	0	0	5,843,074
Capital and reserves	0	0	0	0	214,675,246	214,675,246
Subscribed capital	0	0	0	0	25,000,000	25,000,000
Capital from profit	0	0	0	0	106,316,305	106,316,305
Capital in shares	0	0	0	0	27,803,327	27,803,327
Reserves from grants	0	0	0	0	4,000,000	4,000,000
Profit reserves	0	0	0	0	51,555,614	51,555,614
TOTAL LIABILITIES AND CAPITAL	2,632,089,540	79,635	0	0	221,677,872	2,853,847,047
NET POSITION	(828,007,816)	990,112,175	102,043	666,069	(162,872,471)	0

Maturity analysis as at December 31, 2002

	(in KM)					
	Up to 3 months	From 3 to 12 months	From 1 to 3 years	Over 3 years	Undefined Maturity	TOTAL
ASSETS						
Foreign assets	2,137,435,495	326,956,996	0	0	0	2,464,392,491
Foreign currency in cash	58,866,058	0	0	0	0	58,866,058
Short-term deposits with foreign banks	2,072,687,525	326,956,996	0	0	0	2,399,644,521
SDR in the IMF	5,881,912	0	0	0	0	5,881,912
Domestic Assets	834,329	0	0	0	0	834,329
Giro accounts	834,329	0	0	0	0	834,329
Equity investments	0	0	0	0	27,806,290	27,806,290
Accrued interest and other assets	19,342,642	1,144,422	0	0	0	20,487,064
Fixed assets	0	0	0	0	25,520,801	25,520,801
TOTAL ASSETS	2,157,612,466	328,101,418	0	0	53,327,091	2,539,040,975
LIABILITIES						
Convertible Marka in circulation	1,868,650,806	0	0	0	0	1,868,650,806
Domestic deposits	476,502,000	0	0	0	0	476,502,000
From banks	446,880,350	0	0	0	0	446,880,350
From the Government and other residents	29,621,650	0	0	0	0	29,621,650
Deferred income	0	0	0	0	9,708,249	9,708,249
Other liabilities	3,348,251	85,000	0	0	0	3,433,251
Capital and reserves	0	0	0	0	180,746,669	180,746,669
Subscribed capital	0	0	0	0	25,000,000	25,000,000
Capital from profit	0	0	0	0	92,257,641	92,257,641
Capital in shares	0	0	0	0	27,803,327	27,803,327
Reserves from grants	0	0	0	0	4,000,000	4,000,000
Profit reserves	0	0	0	0	31,685,701	31,685,701
TOTAL LIABILITIES AND CAPITAL	2,348,501,057	85,000	0	0	190,454,918	2,539,040,975
NET POSITION	(190,888,591)	328,016,418	0	0	(137,127,827)	0

29.2. Foreign exchange risk

The control and management of the foreign risk is provided by the Bank through the strict adherence to the provisions of the Law on the Central Bank of Bosnia and Herzegovina and the Guidelines of the Central Bank on investment of the foreign exchange reserves.

The above Acts precisely define 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 which 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 capital and the reserves of the Bank.

Net currency exposure as at December 31, 2003

	(in KM)				
	EUR	USD	Other foreign currencies	KM	TOTAL
ASSETS					
Foreign assets	2,773,688,430	61,678	6,877,675	0	2,780,627,783
Foreign currency in cash	59,089,102	14,009	10,787	0	59,113,898
Short-term deposits with foreign banks	2,714,599,328	47,669	1,542,113	0	2,716,189,110
SDR in the IMF	0	0	5,324,775	0	5,324,775
Domestic Assets	0	0	0	578,677	578,677
Giro accounts	0	0	0	578,677	578,677
Equity investments	2,963	0	0	27,803,327	27,806,290
Accrued interest and other assets	12,264,176	5,280	0	1,565,730	13,835,186
Fixed assets	0	0	0	30,999,111	30,999,111
TOTAL ASSETS	2,785,955,569	66,958	6,877,675	60,946,845	2,853,847,047
LIABILITIES					
Convertible Marka in circulation	0	0	0	1,721,858,246	1,721,858,246
Domestic deposits	0	0	0	904,467,855	904,467,855
From banks	0	0	0	884,003,476	884,003,476
From the Government and other residents	0	0	0	20,464,379	20,464,379
Deferred income	0	0	0	7,002,626	7,002,626
Other liabilities	405,090	0	1,026,033	4,411,951	5,843,074
Capital and reserves	29,000,000	0	0	185,675,246	214,675,246
Subscribed capital	25,000,000	0	0	0	25,000,000
Capital from profit	0	0	0	106,316,305	106,316,305
Capital in shares	0	0	0	27,803,327	27,803,327
Reserves from grants	4,000,000	0	0	0	4,000,000
Profit reserves	0	0	0	51,555,614	51,555,614
TOTAL LIABILITIES AND CAPITAL	29,405,090	0	1,026,033	2,823,415,924	2,853,847,047
NET CURRENCY EXPOSURE	2,756,550,479	66,958	5,851,642	(2,762,469,079)	0

There is no currency exposure of the EUR to the KM, as the exchange rate of the KM is linked to the EUR by the law as explained in note 2.2.

Net currency exposure as at December 31, 2002

	(in KM)				
	EUR	USD	Other foreign currencies	KM	TOTAL
ASSETS					
Foreign assets	2,451,571,487	5,764,938	7,056,066	0	2,464,392,491
Foreign currency in cash	58,693,898	75,333	96,827	0	58,866,058
Short-term deposits with foreign banks	2,392,877,589	5,689,605	1,077,327	0	2,399,644,521
SDR in the IMF	0	0	5,881,912	0	5,881,912
Domestic Assets	0	0	0	834,329	834,329
Giro accounts	0	0	0	834,329	834,329
Equity investments	2,963	0	0	27,803,327	27,806,290
Accrued interest and other assets	19,670,915	0	0	816,149	20,487,064
Fixed assets	287,298	0	0	25,233,503	25,520,801
TOTAL ASSETS	2,471,532,663	5,764,938	7,056,066	54,687,308	2,539,040,975
LIABILITIES					
Convertible Marka in circulation	0	0	0	1,868,650,806	1,868,650,806
Domestic deposits	0	0	0	476,502,000	476,502,000
From banks	0	0	0	446,880,350	446,880,350
From the Government and other residents	0	0	0	29,621,650	29,621,650
Deferred income	0	0	0	9,708,249	9,708,249
Other liabilities	938,498	1,032	1,264,665	1,229,056	3,433,251
Capital and reserves	29,000,000	0	0	151,746,669	180,746,669
Subscribed capital	25,000,000	0	0	0	25,000,000
Capital from profit	0	0	0	92,257,641	92,257,641
Capital in shares	0	0	0	27,803,327	27,803,327
Reserves from grants	4,000,000	0	0	0	4,000,000
Profit reserves	0	0	0	31,685,701	31,685,701
TOTAL LIABILITIES AND CAPITAL	29,938,498	1,032	1,264,665	2,507,836,780	2,539,040,975
NET CURRENCY EXPOSURE	2,441,594,165	5,763,906	5,791,401	(2,453,149,472)	0

29.3. Interest rate risk

The Bank is exposed to interest rate risk through the investment of foreign currency reserves. The Bank adopts economic policy 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. All term deposits bear fixed interest rates.

29.4. Credit risk

The bank is exposed to two forms of credit risk. The first arises from the potential default of the counterparty. The management of this risk is performed through the selection of counterparties with sound credit ratings, by limiting the maturity, and by controlling the volume and the dynamics of investment.

The second potential source of risk relates to IMF account No.1 and account No.2, to which are attached the obligations of Bosnia and Herzegovina with regard to its IMF membership, and the obligations arising from the credit arrangements of Bosnia and Herzegovina with the IMF, which, in case the relevant institutions of Bosnia and Herzegovina do not provide the funds for the settlement of these obligations in a timely manner, create a liability to the Bank, and a violation of the Provisions of the Law on the Central Bank of Bosnia and Herzegovina.

By strictly adhering to the Provisions of the Memorandum on the performance of the role of fiscal agent of Bosnia and Herzegovina to the IMF, the Bank creates conditions for the management of such risk. In case the relevant state institutions do not provide funds for the settlement of these obligations, the Bank has the authority, according to the Decision of the Bank's Governing Board on the provision of funds to the IMF, to direct all the funds from the deposit accounts of Bosnia and Herzegovina and sub-accounts of entities to the account for the settlement of the obligations.

29.5. Credit risk concentration

The deposits of the Bank with foreign banks in total amounted to KM 2,716,189,110 as of December 31, 2003 (2002: KM 2,399,644,521). The largest portion of these funds is invested in 7 foreign banks (2002: 5 foreign banks), with individual exposures in excess of total capital and reserves of the Central Bank of Bosnia and Herzegovina.

Individual credit risk concentration in excess of total capital and reserves of the Central Bank of Bosnia and Herzegovina:

31/12/2003			31/12/2002		
Bank rating	Deposits in KM	% of total deposits	Bank rating	Deposits in KM	% of total deposits
AA +	337,000,283	12.41	AA +	427,742,388	17.83
Aa2	307,494,876	11.32	AAA	413,977,944	17.25
AA +	299,037,327	11.01	AA	407,808,030	16.99
AA +	296,433,344	10.91	AA -	403,986,181	16.84
AAA	296,127,206	10.90	AA	237,257,685	9.89
AAA	260,911,866	9.61			
AAA	242,671,924	8.93			

The largest individual risk exposure as at December 31, 2003 amounts to KM 337,000,283 (2002: KM 427,742,388).

The management of the Bank believes that these kinds of investment do not expose the Bank to a high level of risk, since the investment policy of the Bank takes into account, besides the profitability requirement, the risk of the investment safety which is measured by the credit ratings of the banks in which the deposits are invested.

Total credit risk concentration of the Central Bank of Bosnia and Herzegovina:

Bank rating	31/12/2003		31/12/2003	
	Deposits in KM	% of total deposits	Deposits in KM	% of total deposits
AAA	866,793,384	31.91	467,007,102	19.46
AA +	1,018,513,031	37.50	718,879,172	29.96
AA	123,249,572	4.54	645,086,880	26.88
Aa2	307,494,876	11.32	0	0.00
AA -	398,554,484	14.67	496,613,898	20.69
A +	0	0.00	71,656,594	2.99
A1	371,044	0.01	400,358	0.02
A2	217,419	0.01	0	0.00
A -	995,300	0.04	517	0.00
TOTAL	2,716,189,110	100.00	2,399,644,521	100.00

30. Off-balance sheet items

The Central Bank of Bosnia and Herzegovina maintains certain accounts in foreign currencies related to agreements concluded between the Government of Bosnia and Herzegovina and foreign governments and financial organizations. As these accounts do not represent either assets or liabilities of the Central Bank of Bosnia and Herzegovina, they have not been included within the Bank's Balance Sheet.

Off-balance sheet items also include foreign currency accounts of the state institutions and agencies for which the Bank acts as an agent.

Off-balance sheet items consist of:

	(in KM)	
	31/12/2003	31/12/2002
Third party securities and funds held with foreign banks	196,697,368	188,745,151
Liability for third party securities and funds	196,697,368	188,745,151
Deposits of Non-residents	59,394,952	108,717,953
Deposits of USAID	59,312,129	108,322,198
Deposits of other Non-residents	82,823	395,755
Deposits of Residents	93,169,854	47,196,676
Deposits of the Central Government of BH	90,882,526	46,007,641
Deposits of the Central Government of BH on the basis of succession	59,788,336	12,732,250
Deposits of the Central Government of BH regarding the servicing of foreign debt	345,014	2,664,107
Deposits of the Central Government of BH regarding the budget of Government institutions	13,464,788	19,732,189
Other Deposits of the Central Government of BH	17,284,388	10,879,095
Deposits of other governments in BH	1,063,321	926,932
Deposits - Government of the Federation of BH	1,063,321	926,932
Deposits of other Residents	1,224,007	262,103
Deposits - Deposit Insurance Agency	87,514	262,032
Deposits - Banking Agency of the Federation of BH	3	71
Deposits - Retiring allowance from Germany	1,844	0
Deposit accounts of banks - blocked funds	1,134,646	0
Investments of Residents related to securities	44,132,562	32,830,522
Investments related to securities - Deposit Insurance Agency	44,132,562	32,830,522

Interest and fees on third party securities and funds

USAID Deposits

On the basis of the Agreement regarding financial assistance between Bosnia and Herzegovina and the United States of America for the financing of the reconstruction, special interest bearing accounts have been opened with the Bank of America. The Central Bank of Bosnia and Herzegovina does not charge and does not collect any interest or fees on these accounts.

Residents' Investments related to securities

The Bank enabled the Deposit Insurance Agency to invest in securities by opening cash and custodian accounts in the name of the Bank and the Deposit Insurance Agency. All transactions on the accounts are performed between the Agency and the Asset Manager. The Central Bank of Bosnia and Herzegovina does not charge interest or fees on such accounts.

Bosnia and Herzegovina IMF Membership

As depository for BH IMF membership, the Central Bank of Bosnia and Herzegovina maintains the IMF No.1 and No.2 accounts and provides a custodial service for the Government's Promissory Notes issued to support IMF membership and repurchase obligations. The Bank holds SDRs as part of its foreign exchange reserve management function. As fiscal agent, the Bank acts on behalf of the Government in dealing with the IMF but does not have any responsibility for assets and liabilities related to the Government's membership. The following Consolidated Position provides a summary of the BH position with the IMF:

Consolidated Position of BH IMF Membership as at 31 December, 2003

		(in KM)
Assets		
Quota	393,290,751	
SDR Holdings	5,317,300	
Accrued Interest on SDR Holdings	7,475	
Total Assets	398,615,526	
Liabilities		
IMF No.1 account		1,014,499
IMF No.2 account		11,534
Securities		601,879,171
Accounts Payable Charges		808,746
Accrued SDR Interest on SDR Allocation		126,195
Total Liabilities		603,840,145
Net Member Position with the IMF		
Government Obligations to the IMF arising principally from Repurchase and Currency Valuation Adjustments	252,859,669	
SDR Allocation	(47,635,050)	
Net Member Position	205,224,619	
	603,840,145	603,840,145
Total Consolidated Position - Assets and Liabilities		
SDR Allocation	47,635,050	47,635,050
IMF No.1 account	(1,014,499)	(1,014,499)
IMF No.2 account	(11,534)	(11,534)
Total Gross Position of Government with the IMF - Assets and Liabilities	650,449,162	650,449,162

The SDR Holdings, Accrued Interest on SDR Holdings, IMF No.1 account and IMF No.2 account reflect accounts held on the Balance Sheet of the Bank.

For the Consolidated Position of Bosnia and Herzegovina with the IMF, the gross position of the Government is decreased by the SDR Allocation and increased for the IMF No.1 and No.2 accounts.

**Consolidated Position of BH IMF Membership
as at 31 December, 2002**

(in KM)

Assets		
Quota	429,860,824	
SDR Holdings	5,869,581	
Accrued Interest on SDR Holdings	12,331	
Total Assets	435,742,736	
Liabilities		
IMF No.1 account		1,108,832
IMF No.2 account		12,606
Securities		689,054,836
Accounts Payable Charges		1,056,858
Accrued SDR Interest on SDR Allocation		172,425
Total Liabilities		691,405,557
Net Member Position with the IMF		
Government Obligations to the IMF arising principally from Repurchase and Currency Valuation Adjustments	307,727,208	
SDR Allocation	(52,064,387)	
Net Member Position	255,662,821	
	691,405,557	691,405,557
Total Consolidated Position - Assets and Liabilities		
SDR Allocation	52,064,387	52,064,387
IMF No.1 account	(1,108,832)	(1,108,832)
IMF No.2 account	(12,606)	(12,606)
Total Gross Position of Government with the IMF - Assets and Liabilities	742,348,506	742,348,506

31. Fair value of Financial Assets and Liabilities

Short-term deposits with and from banks approximate their fair value, as the deposits are short-term placements at market interest rates.

The carrying amounts of other financial assets and liabilities approximate their fair values, as there is currently a low inflation environment in Bosnia and Herzegovina.

32. Currency Board Rule

The Law of Bosnia and Herzegovina on the Central Bank of Bosnia and Herzegovina requires that the aggregate amount of its monetary liabilities shall at no time exceed the equivalent of its net foreign exchange reserves. Details of compliance with the rule are as follows:

	(in KM)	
	31/12/2003	31/12/2002
Foreign assets	2,780,627,783	2,464,392,491
Less Liabilities to non residents	1,026,463	1,173,174
Net foreign exchange reserves	2,779,601,320	2,463,219,317
Monetary liabilities	2,626,326,101	2,345,152,806
Net foreign assets (Net foreign exchange reserves minus monetary liabilities)	153,275,219	118,066,511

Appendix

6. APPENDIX

6.1 Important events in 2003

- 10 Feb. 2003 BiH Presidency adopted the Statement that confirmed the continuation of the currency board arrangement
- 11 Apr. 2003 Central Bank of BiH organized an international conference titled "The role of currency boards in monetary policy: History and practice"
- 23 Apr. 2003 Presidency of BiH adopted amendments to the Law on CBBiH – Article 36, referring to required reserves.
- 24 Apr. 2003 BiH Parliamentary Assembly adopted amendments to the Law on CBBiH – Article 36, referring to required reserves
- 7 May 2003 Governing Board of CBBiH adopted the decision to change the way in which required reserves in commercial banks are determined
- 15 May 2003 Capital Market Council established, with the goal of creating a comprehensive strategy for developing the capital market
- 20 May 2003 Presidency of BiH appointed Peter Nicholl, Kemal Kozarić, Manojlo Ćorić and Mila Gadžić to the new Governing Board of CBBiH because the six-year term was expiring for the then members of the Governing Board. The fifth member of the Governing Board was appointed later.
- 22 May 2003 Memorandum of Understanding and information exchange was signed by CBBiH Governor Peter Nicholl and directors of banking agencies of the FBiH and RS, Zlatko Barš and Dušanka Novaković
- 1 Jun. 2003 New rules regarding required reserves entered into force
- 25 Jun. 2003 CBBiH and Narodna banka of Serbia signed the Contract on purchase of convertible marks received through exchange operations on the Serbian territory
- 11 Aug. 2003 The mandate of current members of the Governing Board expired and the mandate of new members began. A constitutive session of the new Governing Board was held and the decision was made that Peter Nicholl should be reelected governor of CBBiH until December 31, 2004, and that the office of the governor should be assumed by the current vice-governor Kemal Kozarić on Jan. 1, 2005
- 26 Aug. 2003 Presidency of BiH appointed Ljubomir Kovačević as the fifth member of the Governing Board of CBBiH, whereby the Board became complete.
- 8 Oct. 2003 CBBiH announced that BiH would get the first sovereign credit rating in the first half of 2004, whose making was assigned to the U.S. company "Moody's."
- 5 Nov. 2003 Memorandum of understanding and cooperation in the field of supervision of bank operations, previously signed by the governor of Croatian central bank Željko Rohatinski, was signed by CBBiH Governor Peter Nicholl and director of FBiH and RS banking agencies Zlatko Barš and Dušanka Novaković.
- 5 Dec 2003 Governing Board of CBBiH adopted a decision to change the amount of remuneration that CBBiH pays to commercial banks for the assets above the required reserves

6.2 Management and structure of CBBiH

Central Bank consists of the Governing Board, the Management — consisting of the governor and three vice-governors— and staff. Organizational structure of the Central Bank enables a successful performance of duties defined in the Law on CBBiH.

Governing Board is the highest body of the Central Bank. Upon the expiration of the six year mandate of the Governing Board in the year 2003, the Presidency has appointed new Governing Board with six years mandate. The chairman of the new Governing Board is Peter Nicholl and the members are: Manojlo Čorić, whose mandate was extended, Mila Gadžić, Ljubomir Kovačević and Kemal Kozarić. The first session of the new Governing Board took place on 11.08.2003., when Peter Nicholl was re-elected for the position of the Governor. He will perform this duty until the end of year 2004, when Kemal Kozarić, vice-governor at present, will take over.

The Management, that consists of governor and three vice-governors, is authorized and responsible for operational management of current affairs and the implementation of tasks and goals set by the Law on CBBiH and the Strategic Plan, as well as by the decisions of the Governing Board. During 2003, the Management had 25 meetings.

During 2003, 15 persons were employed, 4 of them as temporary employees, and one person's employment ended, which left the Central Bank with 264 employees total. In terms of qualifications, there are 136 employees with university degrees, 28 with associate degrees, and 100 with secondary school diplomas and other qualifications.

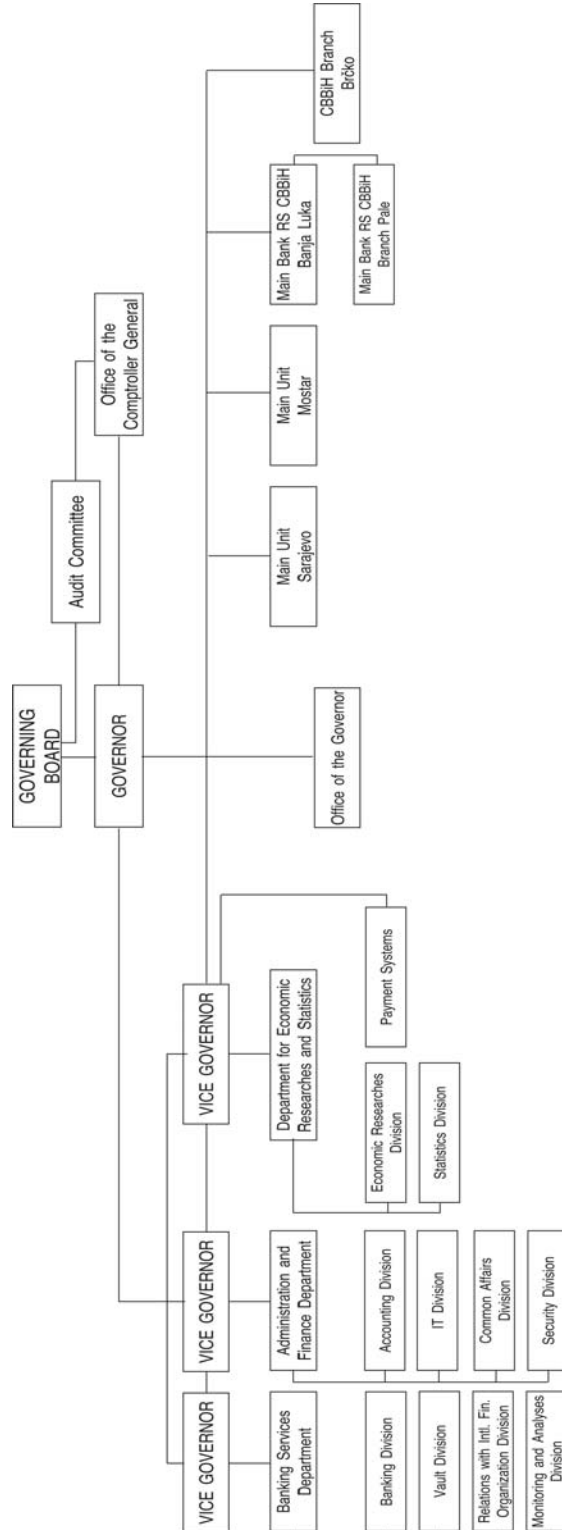
During the year CBBiH continued to work on professional development, equipping and motivating the staff.

Number of employees in the period 1997 – 2003

31.12.1997.	31.12.1998.	31.12.1999.	31.12.2000.	31.12.2001.	31.12.2002.	31.12.2003.
80	106	157	194	241	250	264

Organization

of the **Organization structure of the CBBiH (chart)**
CBBiH



CBBiH MANAGEMENT as of 31 December 2003

*Governing
Board,
Management
and Control*

GOVERNING BOARD:

Mr. Peter Nicholl, Chairman
Mr. Manojlo Ćorić, Member
Ms. Mila Gadžić, Ph.D., Member
Mr. Ljubomir Kovačević, Ph.D., Member
Mr. Kemal Kozarić, Member

MANAGEMENT:

Mr. Peter Nicholl, Governor
Mr. Ljubiša Vladušić, Vice Governor
Mr. Dragan Kovačević, MA, Vice Governor
Mr. Kemal Kozarić, Vice Governor

CONTROL:

Ms. Jasmina Halilbegović, Comptroller General
Ms. Milosija Drakulić, Comptroller General Deputy
Ms. Jasna Novalija, Comptroller General Deputy
Mr. Anton Salapić, Comptroller General Deputy

*Senior
Staff*

CBBiH MANAGEMENT as of 31 December 2003

SENIOR STAFF:

Governing Board Secretary
Financial Markets Advisor
Banking Supervision Coordinator
Public Relations Coordinator

Ms. Ulfija Džubur
Ms. Petra Marković
Ms. Ljiljana Marjanović
Ms. Zijada Kulović

**Economic Research and Statistics Department,
managing team**

Mr. Amir Hadžiomeragić, MA
Ms. Snežana Janjić,
Mr. Vidosav Pantić, MA
Mr. Vedran Milisav
Ms. Zorica Vučićević

Payment Systems Division

Mr. Đorđe Racković

**Banking Services Department,
managing team**

Ms. Vasilija Arapović
Ms. Verica Božić
Ms. Feriha Imamović
Mr. Silvestar Lincender

**Administration and Finance Department,
managing team**

Ms. Anđa Bijeljac
Mr. Munib Brkić
Mr. Ninoslav Gregović
Mr. Nazif Husović, MA
Mr. Mehmed Šehić, MA
Mr. Dragan Šošić
Ms. Jasenka Žigić

**Main Unit Sarajevo,
director**

Mr. Sadik Kadrić

**Main Unit Mostar,
director**

Ms. Anka Musa

**Main Bank of Republika Srpska CBBiH Banja Luka,
director**

Ms. Mirjana Jaćimović

**MBRS Branch Office in Pale,
manager**

Mr. Marko Radović

**CBBiH Branch Office in Brčko Distrikt,
manager**

Mr. Mirzeta Arnautović

6.3. Publications and web site

<u>Monthly economic review</u>	Monthly information that covers trends in monetary, real and external sectors
<u>Bulletin</u>	Quarterly publication, includes monetary and financial statistics, data on payment transactions, real sector and the balance of payments of Bosnia and Herzegovina
<u>Annual report</u>	The publication contains the report on business operations of the Central Bank of BiH during the year and the financial report, which Bank sends to the Parliamentary Assembly of Bosnia and Herzegovina
WEB SITE www.cbbh.ba e-mail: contact@cbbh.ba	The web site of CBBiH has existed since 1998. It has basic data on CBBiH, the Law on CBBiH, presents the bills and coins of Bosnia and Herzegovina, and numismatic collections of CBBiH; the web site also contains numerous publications and statistics (annual report, monthly balance sheet, statistical bulletins, balance of payments of BiH, payment operations...), and the list of all commercial banks in BiH. Publications and statistics are published in generally accepted formats, DOC, XLS and PDF. The web site also has the latest exchange rate that is updated once a day, and other relevant news and public releases. All materials are published in Bosnian, Croatian, Serbian and English.

6.4. Abbreviations

ASYCUDA	Automated System for Customs Data
GDP	Gross domestic product
BiH	Bosnia and Herzegovina
CBBiH	Central Bank of Bosnia and Herzegovina
CEB	Central European and Baltic countries
CHF	Swiss franc
CIS	Commonwealth of Independent States
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EU	European Union
EUR	Euro
FBiH	Federation of Bosnia and Herzegovina
FED	Federal Reserves
GBP	British pound
KM	Convertible mark
MMF	International monetary Fund
RTGS	Real Time Gross Settlement
RS	Republika Srpska
U.S/USA	United States of America
SDR	Specijalna prava vučenja
SEE	South and East European countries
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USD	U.S. Dollar
*	note
...	data not available

7. STATISTICAL TABLES

CONTENTS:

Table 1:	Main Economic Indicators
Table 2:	Gross Domestic Product
Table 3:	Industrial Production Index
Table 4:	Retail Price Index
Table 5:	Cost of Living Index
Table 6:	Number of Registered Employed and Unemployed
Table 7:	Average Gross and Net Wages, Pensions and Consumer Basket
Table 8:	Monetary Aggregates
Table 9:	Monetary Survey
Table 10:	Balance Sheet of CBBiH
Table 11:	Analytical Accounts of Commercial Banks in BiH
Table 12:	Commercial Banks' Interest Rates
Table 13:	Total of deposits and loans
Table 14:	Structure of Demand Deposits by Sector
Table 15:	Structure of Time and Saving Deposits by Sector
Table 16:	Structure of Short term Loans by Sector
Table 17:	Structure of Long term Loans by Sector
Table 18:	Buying and Selling of KM
Table 19:	Average Reserve Requirements
Table 20:	Payments System Transactions
Table 21:	BiH Balance of Payments
Table 22:	Balance of payments – Current account
Table 23:	Balance of payments – Capital and financial account
Table 24:	Foreign Debt Servicing
Table 25:	Balance of foreign debt
Table 26:	Foreign Reserves of CBBiH
Table 27:	Foreign trade
Table 28:	Exports by Country of Destination
Table 29:	Imports by Country of Origin
Table 30:	Structure of exports and imports of goods
Table 31:	Average Exchange Rates
Table 32:	Budget Performance of BiH Institutions
Table 33:	FBiH Budget Performance
Table 34:	RS Budget Performance
Table 35:	Brčko District Budget Performance
Table 36:	Collected revenue of public funds on basis of contributions

Table 1
Selected Economic Indicators

	1999	2000	2001	2002	Preliminary 2003	Preliminary 2003* (GDP includes NOE)
Nominal GDP BiH (in millions of KM)¹⁾	8,990	10,050	10,960	11,650	12,170	16,770
Real GDP (growth rate in %)¹⁾	10.0	5.5	4.5	5.5	3.5	. . .
	(percent change)					
Retail prices growth rate in BiH²⁾	3.7	4.8	3.1	0.4	0.6	0.6
Federation of BiH	-0.9	1.2	1.7	0.2	0.1	0.1
Republika Srpska	15.1	13.6	6.5	1.7	1.8	1.8
	(as a percentage of GDP)					
Budget General Government ³⁾						
Revenues	57.7	53.7	49.7	48.0	46.7	33.9
Expenditures	65.5	60.7	53.1	50.3	46.3	33.6
Balance	-7.8	-7.0	-3.3	-2.2	0.4	0.3
External Debt	41.6	40.2	40.0	36.5	33.0	23.9
	(as a percentage of GDP)					
Money and Credit						
Broad Money (M2)	24.1	24.6	42.6	43.5	45.7	33.1
Credit to Non-Government Sector	30.5	29.7	30.2	36.2	42.2	30.1
Balance of Payments						
Gross Official Reserves						
in Millions of US Dollars	472	482	1,234	1,187	1,604	1,604
in Months of Imports of goods and services	1.3	1.4	3.4	3.0	3.4	3.4
Current Account Balance						
in Millions of KM	-2,016	-1,870	-2,665	-3,597	-3,607	-3,607
in Millions of US Dollars	-1,099	-883	-1,216	-1,753	-2,095	-2,095
as a percentage of GDP	-22.4	-18.6	-24.3	-30.9	-29.6	-21.5
Trade Balance ⁴⁾						
in Millions of KM	-6,052	-5,567	-6,470	-6,892	-6,777	-6,777
in Millions of US Dollars	-3,300	-2,627	-2,958	-3,341	-3,926	-3,926
as a percentage of GDP	-67.3	-55.4	-59.0	-59.2	-55.7	-40.4
External Debt Servicing⁵⁾						
in Millions of KM	159	198	178	237	254	254
in Millions of US Dollars	87	93	81	114	147	147
as a percentage of exports of goods and services	7.1	6.1	5.4	7.7	7.4	7.4

Note:

¹⁾ Estimates of BiH Central Bank

²⁾ Preliminary weighted data. Weights used represent FBiH and RS shares in BiH GDP for 2001

³⁾ Source: BiH authorities and IMF staff estimates

⁴⁾ Source: BiH Central Bank

⁵⁾ Source: BiH Ministry for Finance and Treasury

* GDP includes estimates of non-observed economy (NOE)

Table 2
Gross domestic product of Bosnia and Herzegovina

	1999	2000	2001	2002	2003
Nominal GDP (in millions KM)	8,990	10,050	10,960	11,650	12,170
Nominal GDP (in millions USD)	4,901	4,743	5,015	5,610	7,020
Nominal GDP including NOE (in millions KM)	...	...	...	...	16,770
Nominal GDP including NOE (in millions USD)	...	...	...	...	9,674
GDP per capita (in KM)	2,413	2,658	2,886	3,043	3,151
GDP per capita (in USD)	1,316	1,254	1,320	1,466	1,818
GDP including NOE per capita (in KM)	...	...	...	...	4,342
GDP including NOE per capita (u USD)	...	...	...	...	2,505
Real GDP (growth rate in %)	10.0	5.5	4.5	5.5	3.5
Population (in thousands)	3,725	3,781	3,798	3,828	3,862
Annual average exchange rate KM/USD	1.8343	2.1189	2.1856	2.0768	1.7335

Source: Central Bank of BiH

Note:

Gross Domestic Product is CBBH estimate. Population is estimate of the BiH Agency for statistics, excluding the year of 2003 that is the IMF estimate

Table 3
Index of industrial production

Year	Month	Month / previous month of current year		Month / the same month of previous year		Period / the same period of previous year	
		FBiH	RS	FBiH	RS	FBiH	RS
1998	12	...	...	115.4	115.5	123.8	123.0
1999	12	...	...	109.1	92.7	110.6	101.6
2000	12	...	...	105.7	103.5	108.8	105.6
2001	12	...	...	107.4	74.6	112.2	87.1
2002	12	...	...	113.9	119.4	109.2	97.5
2003	01	81.7	67.6	105.2	111.2	105.2	111.2
	02	98.8	109.1	104.4	96.7	104.8	103.4
	03	108.3	114.8	97.6	96.1	102.0	98.4
	04	107.2	99.3	105.2	107.5	102.8	100.9
	05	104.8	99.9	111.7	110.4	104.8	101.7
	06	96.2	112.8	105.5	114.0	104.9	104.3
	07	101.5	91.6	102.2	103.1	104.5	104.6
	08	110.0	96.1	108.3	102.3	105.0	105.5
	09	92.7	96.0	101.9	97.5	104.6	104.8
	10	101.3	119.1	96.2	113.7	103.7	106.0
	11	95.9	97.1	93.5	104.7	102.6	106.0
	12	113.0	98.4	107.8	100.9	104.8	105.7

Source: Federal office of statistics of FBiH and RS Institute of Statistics

Note:

Industrial production index for a period / the same period of previous year for December represents yearly index in comparison to previous year

Table 4
Retail Price Index

Year	Month	Month / previous month of current year			Month / the same month of previous year			Period / the same period of previous year		
		FBiH	RS	BiH	FBiH	RS	BiH	FBiH	RS	BiH
1998	12	...	...	...	101.8	178.1	121.2	105.1	137.2	113.3
1999	12	...	...	...	99.0	114.0	103.3	99.1	115.1	103.7
2000	12	...	...	...	104.0	116.1	107.5	101.2	113.6	104.8
2001	12	...	...	...	100.3	102.2	100.9	101.7	106.5	103.1
2002	12	...	...	...	99.3	102.4	100.2	99.8	101.7	100.4
2003	01	100.0	100.1	100.0	98.7	101.7	99.6	98.7	101.7	99.6
	02	100.2	100.2	100.2	99.2	102.0	100.0	99.0	101.9	99.8
	03	100.3	100.1	100.2	100.0	102.1	100.6	99.3	101.9	100.1
	04	99.7	98.9	99.5	100.7	102.6	101.3	99.7	102.1	100.4
	05	100.3	99.8	100.2	100.3	101.8	100.7	99.8	102.0	100.4
	06	99.6	99.9	99.7	100.7	101.7	101.0	99.9	101.8	100.5
	07	99.5	99.3	99.4	100.4	101.4	100.7	100.0	101.6	100.5
	08	99.5	100.0	99.6	99.8	101.7	100.4	100.0	101.6	100.5
	09	100.4	100.3	100.4	100.5	101.9	100.9	100.0	101.7	100.5
	10	100.6	102.1	101.0	100.5	102.2	101.0	100.1	101.8	100.6
	11	100.0	100.4	100.1	100.4	102.5	101.0	100.1	101.8	100.6
	12	100.2	100.1	100.2	100.3	101.3	100.6	100.1	101.8	100.6

Source: Federal office of statistics of FBiH and RS Institute of Statistics

Note:

1998 data for RS reflects price movements in YU dinars, while data from 1999 for prices are in KM. Price index for a period / the same period of previous year for December represents yearly index in comparison to previous year.

Price index for BiH level is calculated as a weighted average of monthly price indices of entities. Weights represent entities' shares in BiH GDP. Data for 2002 and 2003 are preliminary since these are weighted with GDP for 2001

Table 5
Cost of living index

Year	Month	Month / previous month of current year			Month / the same month of previous year			Period / the same period of previous year		
		FBIH	RS	BiH	FBIH	RS	BiH	FBIH	RS	BiH
1998	12	...	...	...	102.3	184.9	123.3	106.8	142.0	115.7
1999	12	...	...	...	99.5	119.3	105.2	99.3	121.4	105.6
2000	12	...	...	...	103.3	112.7	106.0	101.4	113.4	104.9
2001	12	...	...	...	101.5	105.4	102.6	102.1	105.9	103.2
2002	12	...	...	...	99.5	101.8	100.2	101.0	101.9	101.3
2003	01	100.3	100.2	100.3	98.3	101.4	99.2	98.3	101.4	99.2
	02	100.3	100.3	100.3	98.7	101.7	99.6	98.5	101.5	99.4
	03	100.3	100.6	100.4	100.0	102.5	100.7	99.0	101.9	99.8
	04	99.1	98.0	98.8	100.9	103.4	101.6	99.5	102.3	100.3
	05	100.7	100.5	100.6	100.6	102.0	101.0	99.7	102.1	100.4
	06	99.1	99.6	99.2	101.5	101.9	101.6	100.0	101.7	100.5
	07	98.9	97.7	98.5	101.2	101.3	101.2	100.2	101.2	100.5
	08	99.6	99.5	99.6	100.9	101.5	101.1	100.3	101.3	100.6
	09	100.4	101.5	100.7	101.4	102.7	101.8	100.4	101.5	100.7
	10	101.2	103.8	102.0	101.0	103.6	101.8	100.5	101.7	100.9
	11	100.6	101.3	100.8	100.9	103.8	101.7	100.5	101.9	100.9
	12	100.6	100.3	100.5	101.1	103.4	101.8	100.6	102.1	101.0

Source: Federal office of statistics of FBiH and RS Institute of Statistics

Note:

1998 data for RS reflects cost of living in YU dinars, while data from 1999 for cost of living are in KM. Living costs index for a period / the same period of previous year for December represents yearly index in comparison to previous year. Cost of Living index for BiH level is calculated as a weighted average of monthly living costs indices of entities. Weights represent entities' shares in BiH GDP. Data for 2002 and 2003 are preliminary since these are weighted with GDP for 2001

Table 6
Number of registered employed and unemployed persons

Year	Month	Number of employed persons			Number of unemployed persons			Unemployment rate (%)		
		FBiH	RS	BiH	FBiH	RS	BiH	FBiH	RS	BiH
1998	12	407,047	244,267	651,314	256,487	142,009	398,496	38.7	36.8	38.0
1999	12	410,104	220,786	630,890	261,793	147,497	409,290	39.0	40.0	39.3
2000	12	411,305	227,748	640,553	261,773	153,264	421,197	38.9	40.2	39.7
2001	12	405,689	219,954	625,643	269,004	137,949	422,155	39.9	38.5	40.3
2002	12	390,201	234,713	637,660	290,715	134,990	441,875	42.7	36.5	40.9
2003	01	386,397	234,713	633,856	292,040	136,101	444,327	43.0	36.7	41.2
	02	386,668	234,713	634,127	292,828	136,904	445,887	43.1	36.8	41.3
	03	387,134	234,685	634,732	293,204	135,265	443,718	43.1	36.6	41.1
	04	387,378	234,685	634,980	292,843	135,044	441,474	43.1	36.5	41.0
	05	387,502	234,685	635,095	292,626	134,798	442,420	43.0	36.5	41.1
	06	387,850	234,685	635,562	293,970	135,410	445,117	43.1	36.6	41.2
	07	387,832	234,685	634,135	297,477	136,363	450,266	43.4	36.8	41.5
	08	388,094	234,685	634,404	299,340	137,210	453,270	43.5	36.9	41.7
	09	387,542	234,685	634,089	302,269	138,186	457,588	43.8	37.1	41.9
	10	387,198	234,685	633,765	303,054	138,641	458,853	43.9	37.1	42.0
	11	387,679	234,685	634,430	303,454	139,070	459,576	43.9	37.2	42.0
	12	387,294	234,685	634,046	304,830	138,111	459,604	44.0	37.0	42.0

Source: Federal office of statistics of FBiH, RS Institute of Statistics, RS Employment Office for the number of unemployed persons in the RS, and Bureau of statistics of Brcko Distrikt

Note:

Data for BiH level for years consist data on employed and unemployed persons for Brcko District, except the number of employed persons for 2001. Since 2002 Brcko District Bureau of Statistics publishes data on number of employed persons on quarterly basis. For 2002 the officially published number of unemployed persons for the RS is decreased for the estimated number of unemployed persons in Brcko District. The number of unemployed persons in the RS is being updated twice a year (March and September). The unemployment rate represents the ratio between the total number of registered unemployed persons and the sum of registered unemployed and employed persons

Table 7
Average gross and net wages, pensions and consumer basket (in KM)

Year	Month	Gross wage				Net wage				Pensions			Consumer basket		
		FBiH	RS	Brčko	BiH	FBiH	RS	Brčko	BiH	FBiH	RS	Brčko	FBiH	RS	Brčko
1998	12	507	256	...	454	329	170	...	296	153	...	...	452	448	...
1999	12	551	314	...	503	374	216	...	343	174	87	...	440	361	...
2000	12	606	387	...	541	414	277	...	374	176	115	...	434	401	...
2001	12	652	444	792	652	444	309	504	443	170	105	...	438	432	...
2002	12	712	527	1,031	661	484	347	676	446	189	120	138	460	439	417
2003	01	750	586	1,075	705	510	386	704	476	188	120	139	457	458	418
	02	752	565	1,047	704	512	372	690	475	188	120	139	461	464	420
	03	759	564	1,036	701	516	371	684	473	188	120	139	460	469	414
	04	770	561	1,025	710	523	369	677	479	188	125	140	461	465	406
	05	772	567	1,041	713	525	373	688	481	188	125	144	458	476	419
	06	775	576	1,046	717	527	379	690	484	188	125	141	464	468	418
	07	781	569	1,052	720	531	374	694	486	188	136	148	454	445	405
	08	775	580	1,052	721	527	381	691	487	188	136	148	454	430	399
	09	775	571	1,047	722	527	376	691	488	199	136	153	458	452	413
	10	777	586	1,093	724	528	386	715	488	199	144	153	456	455	412
	11	777	599	1,065	738	528	394	704	499	199	151	161	457	472	413
	12	780	586	1,102	721	530	385	707	486	199	159	166	457	478	420

Source: BiH Agency for Statistics, Federal Office of Statistics of FBiH and RS Institute of Statistics

Note:

Gross and net wages for the BiH level does not include Brčko District wages.

Table 8
Monetary Aggregates (end of period, in millions of KM)

Year	Month	Monetary Aggregates (end of period, in millions of KM)												
		3	4	5	6	7	8	9	10	M0	M1	QM	M2	
1	2	Currency outside monetary authorities	Deposits with monetary authorities	Demand deposits with monetary authorities	Currency outside banks	Demand deposits in domestic currency	Time and savings deposits in domestic currency	Demand deposits in foreign currency	Time and savings deposits in foreign currency	11=3+4+5	12=6+7	13=9+10	14=12+13	
1997	12	114.6	223.0	0.0	112.5	139.2	9.6	553.7	363.3	337.6	251.7	926.5	1,178.2	
1998	12	167.5	174.6	0.0	162.5	147.5	8.0	782.1	467.0	342.0	310.0	1237.0	1,547.0	
1999	12	538.4	288.2	0.0	515.3	584.6	22.4	465.5	577.3	806.6	1099.9	1,065.1	2,165.0	
2000	12	695.9	265.5	0.1	651.7	750.0	77.9	559.5	428.2	961.5	1,401.7	1,065.6	2,467.3	
2001	12	1,806.0	735.6	2.2	1,673.9	1,018.4	140.9	928.5	907.7	2,543.8	2,692.3	1,977.0	4,669.3	
2002	12	1,868.7	446.9	2.9	1,794.4	1,273.3	272.2	871.1	974.4	2,318.4	3,007.6	2,063.7	5,071.3	
2003	01	1,782.5	273.1	1.8	1,644.2	1,273.0	279.2	811.3	985.5	2,057.5	2,917.2	2,076.1	4,993.3	
	02	1,761.9	266.4	1.5	1,631.9	1,271.7	295.0	786.3	997.6	2,029.8	2,903.6	2,078.9	4,982.4	
	03	1,727.8	340.6	1.3	1,590.6	1,280.9	319.6	774.2	1,015.4	2,069.8	2,871.5	2,103.3	4,974.8	
	04	1,746.5	257.1	1.5	1,627.0	1,326.3	321.8	784.9	1,009.4	2,005.2	2,953.3	2,116.1	5,069.4	
	05	1,691.9	285.1	1.5	1,573.5	1,383.1	315.6	731.2	1,038.7	1,978.6	2,956.6	2,085.5	5,042.1	
	06	1,708.8	383.3	1.4	1,576.1	1,414.3	326.4	772.1	1,036.5	2,093.5	2,990.5	2,165.0	5,125.4	
	07	1,750.3	422.6	1.5	1,607.7	1,449.4	362.9	819.9	1,028.4	2,174.4	3,057.2	2,211.2	5,268.4	
	08	1,738.2	502.7	1.4	1,608.0	1,493.0	383.0	818.2	1,039.8	2,242.3	3,101.0	2,241.0	5,342.0	
	09	1,685.1	665.0	1.9	1,540.7	1,466.2	393.2	810.1	1,046.7	2,332.1	3,026.9	2,250.0	5,276.9	
	10	1,663.3	771.2	1.5	1,539.9	1,504.8	419.7	807.2	1,054.6	2,436.0	3,044.7	2,281.4	5,326.1	
	11	1,669.5	824.0	1.3	1,533.0	1,467.2	454.1	817.3	1,096.1	2,494.8	3,000.3	2,367.4	5,367.7	
	12	1,721.9	884.0	1.9	1,592.9	1,553.1	462.2	825.7	1,118.9	2,607.7	3,146.0	2,406.8	5,552.9	

Note:

The currency outside monetary authorities is taken from the CBBH Analytical Accounts and it consists of currency in circulation outside the central bank (monetary authorities). Deposits and demand deposits with monetary authorities are deposits of commercial banks and other domestic institutional sectors (except for deposits of the central government) with the CBBH. The central government consists of the state government and entity governments. The currency outside banks consists of currency in circulation that is outside the central bank as well as commercial banks. Demand deposits in the domestic currency are taken from the Monetary survey (table 09). They consist of deposits of noncentral government (cantons, municipalities, social funds), deposits of non financial enterprises and private sector. Time and saving deposits in the domestic currency, demand deposits in foreign currency and time and saving deposits in foreign currency are taken over from the Monetary survey (table 09). They consist of deposits of noncentral government, deposits of non financial enterprises and private sector. Reserve money M0 (primary money or monetary base) is taken from the CBBH Analytical Accounts (table 10). It consists of cash outside monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for deposits of the central government) with monetary authorities. Monetary aggregate M1 comprises cash outside banks and demand deposits in domestic currency of all domestic institutional sectors (except for deposits of the central government). Monetary aggregate QM (quasi money) is defined in the same way as the corresponding item in the Monetary survey (table 09). It consists of time and savings deposits in domestic currency, demand deposits in a foreign currency and time and savings deposits in a foreign currency of all domestic institutional sectors (except for deposits of the general and entity governments).

Table 9
Monetary Survey (end of period, in millions of KM)

Year	Month	ASSETS										
		Foreign Assets (Net)			Domaci krediti				Total			
		Foreign assets	Foreign liabilities	4	5 = 3-4	6	7	8	9	10 = 6+7+8+9	11 = 5+10	
		Claims on Central Government (net)	Claims on Non-central Government	Claims on Non-financial enterprises	Claims on Private Sector							
1997	12	1,157.8	-1,513.8	-356.0	-187.9	4.8	2,171.0	134.8	2,122.7	1,766.7		
1998	12	1,170.5	-1,605.8	-435.4	-180.9	8.6	2,546.8	260.9	2,635.4	2,200.0		
1999	12	1,714.3	-1,519.4	194.9	-159.1	16.6	2,467.2	277.2	2,601.9	2,796.8		
2000	12	1,982.2	-1,577.3	404.9	-129.0	9.3	2,584.4	398.7	2,863.4	3,288.3		
2001	12	4,087.0	-1,556.5	2,530.6	-318.7	25.4	2,601.8	704.3	3,012.8	5,543.3		
2002	12	3,960.9	-1,794.8	2,166.0	-385.1	28.7	2,714.7	1,505.8	3,864.1	6,030.2		
2003	01	3,853.1	-1,743.7	2,103.4	-380.9	24.7	2,694.8	1,533.9	3,872.6	5,976.0		
	02	3,789.2	-1,761.2	2,008.0	-362.6	23.5	2,741.7	1,574.2	3,976.9	5,984.9		
	03	3,732.7	-1,789.1	1,943.6	-352.7	21.5	2,785.7	1,628.5	4,082.9	6,026.5		
	04	3,763.2	-1,826.0	1,937.2	-359.8	21.8	2,819.2	1,700.8	4,182.0	6,119.3		
	05	3,706.1	-1,829.0	1,877.2	-354.6	20.4	2,806.8	1,766.5	4,239.1	6,116.3		
	06	3,862.6	-1,964.4	1,898.1	-368.5	20.6	2,809.4	1,828.3	4,289.8	6,187.9		
	07	3,988.2	-2,020.0	1,968.2	-398.0	20.9	2,875.9	1,889.9	4,388.7	6,356.9		
	08	4,049.6	-2,040.7	2,008.9	-400.9	24.3	2,907.0	1,923.4	4,453.8	6,462.8		
	09	4,031.1	-2,088.5	1,942.6	-457.6	21.0	2,920.5	1,967.4	4,451.2	6,393.8		
	10	4,088.4	-2,177.3	1,911.1	-462.2	23.6	2,953.0	2,013.8	4,528.2	6,499.4		
	11	4,130.5	-2,229.4	1,901.1	-465.9	23.6	3,016.2	2,040.4	4,614.3	6,515.4		
	12	4,395.9	-2,437.7	1,958.2	-454.3	27.7	3,069.4	2,052.9	4,695.6	6,653.8		

Note:

The monetary survey represents the consolidated data from the Analytical Accounts of Monetary Authorities¹⁾ and the Analytical Accounts of Commercial Banks (Table 11). Foreign assets (net) represent the difference between total foreign assets and total foreign liabilities of the monetary authorities and commercial banks. Domestic credit represent commercial banks' claims on all domestic institutional sectors, but it should be noted that claims on central government are presented in net amounts, i.e. they are reduced by the deposits of central government with the CBBH and with BIH commercial banks.

¹⁾ Until November 1999, the Analytical Accounts of Monetary Authorities included the data of the Analytical Accounts of the CBBH and the appropriate data of the Payment Bureaus of Sarajevo and Mostar on deposits in foreign currency, and since December 1999, it has included only the data of the CBBH Analytical Accounts.

Table 9
Monetary Survey (end of period, in millions of KM)

Year	Month	LIABILITIES											
		Broad Money (M2)						Quasi Money (QM)					
		Money (M1)			Demand deposits in domestic currency			Time and savings deposits in domestic currency			Time and savings deposits in foreign currency		
		3	4	5 = 3+4	6	7	8	9=6+7+8	10=5+9	11	12=10+11		
1997	12	112.5	139.2	251.7	553.7	9.6	363.3	926.5	1,178.2	588.5	1,766.7		
1998	12	162.5	147.5	310.0	762.1	8.0	467.0	1,237.0	1,547.0	653.1	2,200.0		
1999	12	515.3	584.6	1,099.9	465.5	22.4	577.3	1,065.1	2,165.0	631.8	2,796.8		
2000	12	651.7	750.0	1,401.7	559.5	77.9	428.2	1,065.6	2,467.3	801.0	3,268.3		
2001	12	1,673.9	1,018.4	2,692.3	928.5	140.9	907.7	1,977.0	4,669.3	874.0	5,543.3		
2002	12	1,734.4	1,273.3	3,007.6	817.1	272.2	974.4	2,063.7	5,071.3	958.9	6,030.2		
2003	01	1,644.2	1,273.0	2,917.2	811.3	279.2	985.5	2,076.1	4,993.3	982.7	5,976.0		
	02	1,631.9	1,271.7	2,903.6	786.3	295.0	997.6	2,078.9	4,982.4	1,002.4	5,984.9		
	03	1,590.6	1,280.9	2,871.5	774.2	313.6	1,015.4	2,103.3	4,974.8	1,051.8	6,026.5		
	04	1,627.0	1,326.3	2,953.3	784.9	321.8	1,009.4	2,116.1	5,069.4	1,049.8	6,119.3		
	05	1,573.5	1,383.1	2,956.6	731.2	315.6	1,038.7	2,085.5	5,042.1	1,074.2	6,116.3		
	06	1,576.1	1,414.3	2,990.5	772.1	326.4	1,036.5	2,135.0	5,125.4	1,062.5	6,187.9		
	07	1,607.7	1,449.4	3,057.2	819.9	362.9	1,028.4	2,211.2	5,268.4	1,088.5	6,356.9		
	08	1,608.0	1,493.0	3,101.0	818.2	383.0	1,039.8	2,241.0	5,342.0	1,120.8	6,462.8		
	09	1,540.7	1,486.2	3,026.9	810.1	393.2	1,046.7	2,250.0	5,276.9	1,116.9	6,393.8		
	10	1,539.9	1,504.8	3,044.7	807.2	419.7	1,054.6	2,281.4	5,326.1	1,113.3	6,439.4		
	11	1,533.0	1,467.2	3,000.3	817.3	454.1	1,096.1	2,367.4	5,367.7	1,147.7	6,515.4		
	12	1,592.9	1,553.1	3,146.0	825.7	462.2	1,118.9	2,406.8	5,552.9	1,101.0	6,653.8		

Note:

Money supply M2 - see notes from table T08

Money M1 - see notes from table T08

Quasi money QM - see notes from table T08

Item Other includes bonds, restricted deposits, counterpart funds, government funds for lending and other items (net), while Other items (net) are unallocated items of liabilities reduced by the unallocated items of assets

Table 10
Balance sheet of CBBiH (end of period, in millions of KM)

Year	Month	ASSETS				LIABILITIES							Total
		Foreign Assets	Claims on Private Sector	Total	Reserve Money			Foreign Liabilities	Central Government Deposits	Capital Accounts	Other		
					Cash	Outside monetary authorities	6					7		8	9	10	11	12=7+...+11
1	2	3	4	5 = 3+4	6	7	8	9	10	11	12=7+...+11		
1997	12	144.1	0.0	144.1	114.6	170.1	0.0	0.1	1.4	-27.5	144.1		
1998	12	283.3	0.0	283.3	167.5	236.0	0.0	7.3	29.5	10.3	283.3		
1999	12	865.9	0.0	865.9	538.4	806.6	0.1	9.1	33.7	16.4	865.9		
2000	12	1,021.5	0.0	1,021.5	695.9	961.5	0.2	10.3	58.5	-9.0	1,021.5		
2001	12	2,723.1	0.2	2,723.2	1,806.0	2,543.8	30.0	48.7	120.9	-20.1	2,723.2		
2002	12	2,492.2	0.2	2,492.4	1,868.7	2,318.4	1.2	26.7	180.7	-34.7	2,492.4		
2003	01	2,222.0	0.1	2,222.1	1,782.5	2,057.5	1.4	16.0	185.4	-38.2	2,222.1		
	02	2,203.6	0.2	2,203.7	1,761.9	2,029.8	1.1	22.7	188.7	-38.5	2,203.7		
	03	2,256.3	0.1	2,256.4	1,727.8	2,069.8	1.1	19.2	193.5	-27.1	2,256.4		
	04	2,193.1	0.2	2,193.3	1,746.5	2,005.2	1.1	19.7	196.2	-28.9	2,193.3		
	05	2,174.2	0.2	2,174.4	1,691.9	1,978.6	1.1	26.2	199.2	-30.6	2,174.4		
	06	2,295.0	0.2	2,295.2	1,708.8	2,093.5	1.1	28.6	202.2	-30.2	2,295.2		
	07	2,364.8	0.1	2,365.0	1,750.3	2,174.4	1.1	18.4	204.9	-33.7	2,365.0		
	08	2,432.7	0.1	2,432.9	1,738.2	2,242.3	1.1	16.8	207.3	-34.5	2,432.9		
	09	2,558.1	0.1	2,558.2	1,685.1	2,352.1	1.1	30.1	209.9	-34.8	2,558.2		
	10	2,633.4	0.2	2,633.5	1,663.3	2,436.0	2.1	18.5	211.4	-34.4	2,633.5		
	11	2,697.0	0.1	2,697.2	1,669.5	2,494.8	1.1	21.8	213.6	-34.1	2,697.2		
	12	2,808.4	0.2	2,808.6	1,721.9	2,607.7	1.0	18.6	214.7	-33.4	2,808.6		

Note:

The CBBH foreign assets comprise foreign currency in CBBH vault, foreign currency deposits with foreign banks, SDR holdings and long-term foreign securities. Reserve money (primary money or monetary base) is comprised of cash outside monetary authorities, deposits of commercial banks and deposits of other domestic sectors (except for the central government) with monetary authorities. The currency outside monetary authorities consists of currency in circulation outside the central bank (monetary authorities). The CBBH foreign liabilities are comprised of short-term liabilities towards non-residents, deposits of non-residents and other short-term liabilities towards non-residents and liabilities towards the IMF (Account 1 and 2). Capital accounts are comprised of the initial capital and reserves, shares and the accumulated profits of the bank since its establishment. Item Other include other demand deposits in foreign currency and other items net which are unallocated items of liabilities reduced by the unallocated items of assets

Table 11
Analytical Accounts of Commercial Banks in BiH (end of period, in millions of KM)

Year	Month	ASSETS							Total
		Reserves	Foreign Assets	Claims on General Government	Claims on Non-financial enterprises	Claims on Non-financial enterprises	Claims on Non-financial enterprises	8=3+...+7	
1	2	3	4	5	6	7	8	9	
1997	12	239.5	657.8	133.8	2,171.0	134.8	3,336.9		
1998	12	207.6	604.6	113.0	2,546.8	260.9	3,733.0		
1999	12	274.7	848.4	36.7	2,467.2	277.2	3,904.3		
2000	12	287.4	960.7	33.8	2,584.4	398.7	4,265.0		
2001	12	871.9	1,364.0	32.9	2,601.8	704.3	5,574.9		
2002	12	595.2	1,468.7	60.7	2,714.7	1,505.8	6,345.0		
2003	01	436.1	1,631.1	53.5	2,694.8	1,533.9	6,349.4		
	02	411.0	1,565.6	64.8	2,741.7	1,574.2	6,357.4		
	03	483.9	1,476.4	60.6	2,785.7	1,628.5	6,435.1		
	04	392.2	1,570.1	59.9	2,819.2	1,700.8	6,542.2		
	05	424.5	1,531.9	58.0	2,806.8	1,766.5	6,587.7		
	06	536.9	1,567.6	56.6	2,809.4	1,828.3	6,798.7		
	07	583.2	1,623.4	55.9	2,875.9	1,869.9	7,028.3		
	08	654.1	1,616.8	57.9	2,907.0	1,923.4	7,159.3		
	09	832.0	1,473.0	47.1	2,920.5	1,967.4	7,240.1		
	10	928.1	1,455.1	49.7	2,953.0	2,013.8	7,399.7		
	11	986.3	1,433.5	49.5	3,016.2	2,040.4	7,525.9		
	12	1,040.2	1,587.5	46.6	3,069.4	2,052.9	7,796.5		

Note:

Analytical Accounts of commercial banks includes Analytical Accounts of commercial banks covered by Main Unit Sarajevo, Main Unit Mostar, Main Bank RS, Brčko District (from July 2001 until November 2002), NBRFS (until December 1998) and the NBBH (until November 2002). Mutual claims and liabilities among the commercial banks have been consolidated.

Banks' reserves consist of cash in the banks' vaults and banks' deposits with the Central Bank. Foreign assets of commercial banks include: foreign currency checks, claims on non-resident banks, claims on non-resident non-banking institutions, foreign securities and other short-term and long-term claims on non-resident banks. Claims on general government include claims on all levels of government: the state government, entity governments, cantons governments, municipality governments and claims on social security funds. Claims on non-financial enterprises include claims on non-financial public enterprises, private companies and cooperatives and non-for-profit organizations. Claims on private sector include short-term and long-term claims on non-banking financial institutions, households and others. Balance sheets of deposit money banks in addition to active sub-balance sheets include data from passive sub-balance sheets as well. Passive sub-balance sheets include liabilities arising from old foreign currency loans as well as liabilities arising from frozen foreign currency deposits which occurred until 31 March 1992. These liabilities will be taken over, in the process of privatization, by entity Ministries of Finance in accordance with the entity Laws on Opening Balance Sheets of Enterprises and Banks and entity Laws on Privatization.

Table 11
Analytical Accounts of Commercial Banks in BiH (end of period, in millions of KM)

Year	Month	LIABILITIES										Total	
		Central Government Deposits	Other Demand Deposits in Domestic Currency	Other Demand Deposits in Foreign Currency	Time and Savings Deposits in Domestic Currency	Time and Savings Deposits in Foreign Currency	Foreign Liabilities	Capital Accounts	Other	11=3+...+10			
1997	12	233.6	139.2	448.5	9.6	363.3	1,513.8	1,043.4	-414.4				3,336.9
1998	12	222.2	147.5	637.9	8.0	467.0	1,605.8	1,310.9	-666.2				3,733.0
1999	12	170.1	584.6	465.5	22.4	577.3	1,519.3	1,257.0	-692.0				3,904.3
2000	12	143.2	749.9	554.5	77.9	428.2	1,577.1	1,096.2	-362.0				4,265.0
2001	12	277.5	1,016.2	928.5	140.9	907.7	1,526.5	1,118.8	-341.1				5,574.9
2002	12	390.3	1,270.3	817.1	272.2	974.4	1,793.7	1,213.6	-886.5				6,345.0
2003	01	393.7	1,271.2	811.3	279.2	985.5	1,748.3	1,222.7	-362.6				6,349.4
	02	381.2	1,270.2	786.3	285.0	997.6	1,760.1	1,228.0	-361.0				6,357.4
	03	372.6	1,279.6	774.2	313.6	1,015.4	1,788.0	1,229.3	-337.7				6,435.1
	04	378.3	1,324.7	784.9	321.8	1,009.4	1,824.9	1,250.5	-352.2				6,542.2
	05	366.1	1,381.6	731.2	315.6	1,038.7	1,827.9	1,263.1	-336.4				6,587.7
	06	375.9	1,413.0	772.1	326.4	1,036.5	1,963.4	1,227.2	-315.7				6,798.7
	07	414.6	1,447.9	819.9	362.9	1,028.4	2,018.9	1,240.1	-304.5				7,028.3
	08	417.8	1,491.6	818.2	383.0	1,039.8	2,039.6	1,282.7	-313.3				7,159.3
	09	453.7	1,484.3	810.1	393.2	1,046.7	2,087.4	1,288.8	-324.2				7,240.1
	10	469.8	1,503.3	807.2	419.7	1,054.6	2,175.2	1,290.8	-320.8				7,399.7
	11	470.0	1,465.9	817.3	454.1	1,096.1	2,228.4	1,304.2	-310.1				7,525.9
	12	454.7	1,551.2	825.7	462.2	1,118.9	2,436.7	1,319.3	-372.2				7,796.5

Note:

Items of demand deposits in domestic and foreign currency, time and savings deposits in the domestic and foreign currency, bonds and restricted deposits represent liabilities of banks towards all the levels of governments, non-banking financial institutions, non-financial public enterprises, non-financial private enterprises and cooperatives, non-profit organizations, households and others. Foreign liabilities of commercial banks include: short-term and long-term liabilities towards non-resident banks and non-resident non-banking institutions and other short-term and long-term liabilities towards non-residents. Capital accounts include stock capital, reserves, profit or loss in the current year, unallocated profit and reservations for potential credit losses. Item Other includes bonds, restricted deposits, Counterpart funds, Government credit funds and Other items (net), which are unallocated items of liabilities reduced by the unallocated items of assets

Table 12
Commercial Banks' Interest Rates (in percent, annual basis)

Year	Month	Short-term Lending Rates	Long-term Lending Rates	Demand Deposits Rates	Time and Savings Deposits Rates	Remuneration Rate on Required Reserves with CBBiH
1	2	3	4	5	6	7
2002	12	12.07	10.59	1.44	4.38	3.07
2003	01	11.42	10.74	1.23	4.26	2.77
	02	11.28	10.53	1.27	4.14	2.74
	03	11.51	10.67	1.30	4.17	2.65
	04	11.14	10.33	1.21	4.13	2.51
	05	11.20	10.42	1.12	4.31	2.51
	06	10.77	9.18	1.11	4.39	2.15
	07	10.56	9.17	1.04	4.29	2.04
	08	10.43	9.33	1.03	4.33	2.03
	09	10.54	9.27	1.05	3.94	1.96
	10	10.52	9.01	1.06	3.49	1.97
	11	10.51	8.82	1.01	3.46	1.94
	12	10.54	9.18	0.96	3.40	2.01

Note:

Since January 2002 IMF methodology for calculation of average interest rates of commercial banks is used. The table shows average monthly interest rates of commercial banks on short-term and long-term credits extended to private enterprises and cooperatives, and on households' demand, time and savings deposits in KM on annual basis. Data on commercial banks' lending rates are obtained on the basis of regular reports of commercial banks. The base for calculation of the weighted average are amounts of loans which were, with the associated interest rate, realized in the reporting period. Data on commercial banks' deposit rates are obtained on the basis of amounts of the collected deposits with the associated interest rate

Table 13
Total of deposit and loans (end of period, in millions of KM)

Year	Month	Deposits			Loans		Total of loans
		Demand deposits	Time and saving deposits	Total of deposits	Short - term loans	Long - term loans	
1	2	3	4	5(3+4)	6	7	8(6+7)
1997	12	784.2	598.3	1,382.5	956.7	1,482.9	2,439.6
1998	12	991.1	678.7	1,669.8	1,028.2	1,892.6	2,920.8
1999	12	1,116.9	712.1	1,829.0	852.3	1,928.9	2,781.2
2000	12	1,401.2	568.0	1,969.2	878.3	2,138.6	3,017.0
2001	12	2,112.4	1,209.3	3,321.7	913.3	2,425.7	3,339.0
2002	12	2,323.4	1,430.5	3,753.9	1,097.8	3,183.3	4,281.1
2003	01	2,309.7	1,449.1	3,758.8	1,039.5	3,242.8	4,282.2
	02	2,272.3	1,482.1	3,754.4	1,081.3	3,299.4	4,380.8
	03	2,235.2	1,540.8	3,776.0	1,117.4	3,357.4	4,474.8
	04	2,299.2	1,541.1	3,840.3	1,141.6	3,438.4	4,580.0
	05	2,298.2	1,562.6	3,860.8	1,144.6	3,486.8	4,631.4
	06	2,376.8	1,577.0	3,953.8	1,200.5	3,493.8	4,694.3
	07	2,472.7	1,620.9	4,093.6	1,162.4	3,659.3	4,821.7
	08	2,503.4	1,665.1	4,168.5	1,160.9	3,727.5	4,888.3
	09	2,566.0	1,654.0	4,220.0	1,169.8	3,765.2	4,935.0
	10	2,554.6	1,719.9	4,274.5	1,176.8	3,839.8	5,016.5
	11	2,520.0	1,806.5	4,326.5	1,223.4	3,882.7	5,106.1
	12	2,604.2	1,829.0	4,433.2	1,252.2	3,916.7	5,168.9

Note:

Total of deposits represent liabilities of CBBiH and commercial banks of BiH towards all institutional sectors in domestic and foreign currency.
Total of loans represent claims of CBBiH and commercial banks of BiH to all domestic institutional sectors in domestic and foreign currency.

Table 14
Structure of Demand Deposits by Sector (end of period, in millions of KM)

Year	Month	DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													
		State government deposits	Entity governments' deposits	Deposits of cantonal governments	Deposits of municipal governments	Deposits of Social Security Funds	Nonbank financial institutions	Nonfinancial public enterprises	Nonfinancial private enterprises and cooperatives	Nonprofit organisations	Households	Other deposits	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13		
1997	12	0.0	91.4	17.3	15.1	8.9	11.0	204.8	221.8	63.8	136.1	14.0	784.2		
1998	12	0.5	81.1	19.2	11.2	4.4	15.2	235.6	299.1	70.8	240.6	13.4	991.1		
1999	12	8.8	57.9	54.4	14.6	19.6	44.4	285.9	298.6	101.4	158.9	72.3	1,116.9		
2000	12	12.5	79.2	50.2	29.9	25.1	35.7	334.0	394.1	107.3	236.9	96.2	1,401.2		
2001	12	17.7	147.8	86.3	35.6	60.4	55.1	333.4	569.9	88.7	697.2	20.4	2,112.4		
2002	12	57.4	175.7	62.0	58.2	50.8	72.3	397.1	544.5	105.9	789.6	10.1	2,323.4		
2003	01	58.2	167.1	67.8	61.6	57.2	68.7	419.3	508.3	103.6	789.0	8.8	2,309.7		
	02	42.3	172.0	68.0	63.0	50.1	66.1	433.3	458.9	102.5	806.1	10.1	2,272.3		
	03	44.5	135.6	70.4	65.8	50.3	66.4	434.4	456.0	101.1	800.9	9.8	2,235.2		
	04	42.8	145.3	80.5	64.3	52.7	69.8	446.5	472.0	97.1	815.3	13.0	2,289.2		
	05	35.3	148.7	81.8	72.2	50.3	67.8	439.7	478.2	100.3	813.7	10.2	2,298.2		
	06	36.4	154.0	74.5	64.6	50.3	69.1	456.8	508.2	112.5	840.9	9.4	2,376.8		
	07	45.3	158.1	87.9	67.4	48.3	74.7	473.9	548.2	99.9	855.3	13.9	2,472.7		
	08	40.4	151.8	90.3	72.9	49.6	84.2	486.8	550.5	111.7	854.1	11.0	2,503.4		
	09	45.3	224.3	104.0	70.8	48.2	83.9	492.4	529.8	106.9	850.6	9.8	2,566.0		
	10	47.6	195.0	107.4	71.7	47.4	88.8	508.0	518.6	108.2	853.0	8.9	2,554.6		
	11	41.8	193.7	103.9	71.8	58.3	89.6	510.7	508.3	102.2	847.9	11.9	2,520.0		
	12	47.8	177.6	95.0	67.7	70.0	92.9	516.0	519.5	105.6	903.9	8.3	2,604.2		

Note:

Deposits of domestic institutional sectors represent liabilities of CBBH and commercial banks towards all institutional sectors. Deposits on the BH level represent deposits with CBBH, deposits with commercial banks covered by Main Unit Sarajevo, Main Unit Mostar, Main Bank RS, Brčko District (from July 2001 until November 2002), deposits with NBRB (until December 1998), deposits with NBBH (until November 2002) and deposits with the Payment Bureaus of Sarajevo and Mostar (until November 1999). Demand deposits represent liabilities of commercial banks by transaction account and demand deposits in domestic and foreign currency.

Table 15
Structure of Time and Saving Deposits by Sector (end of period, in millions of KM)

Year	Month	DEPOSITS OF ALL DOMESTIC INSTITUTIONAL SECTORS													Total
		State government deposits	Entity governments' deposits	Deposits of cantonal governments	Deposits of municipal governments	Deposits of Social Security Funds	Nonbank financial institutions	Nonfinancial public enterprises	Nonfinancial private enterprises and cooperatives	Nonprofit organisations	Households	Other deposits	14 = 3+...+13		
1997	12	0.0	225.5	24.7	5.9	5.8	17.6	40.6	128.3	10.7	137.3	1.9	598.3		
1998	12	0.5	203.3	3.9	7.1	6.3	22.1	38.1	178.1	12.4	206.3	0.6	678.7		
1999	12	0.4	112.1	10.8	1.6	2.8	19.1	43.5	255.6	18.8	245.9	1.7	712.1		
2000	12	5.3	56.5	18.0	4.4	7.6	29.7	42.8	86.8	25.8	285.5	5.6	588.0		
2001	12	10.6	150.2	33.5	4.2	8.5	36.9	60.0	120.7	18.4	750.1	16.2	1,209.3		
2002	12	23.3	160.6	41.2	12.6	4.2	87.8	59.1	182.9	21.7	831.7	5.3	1,430.5		
2003	01	23.3	161.0	37.0	13.3	4.2	91.8	62.9	174.1	22.8	853.6	5.2	1,449.1		
	02	23.3	166.3	42.2	13.3	4.3	97.0	63.0	174.6	24.4	868.4	5.3	1,482.1		
	03	23.3	188.5	43.7	14.6	4.6	99.4	77.8	178.8	23.1	881.1	6.0	1,540.8		
	04	23.3	186.6	41.6	16.2	4.4	103.0	82.1	166.9	24.3	886.9	5.8	1,541.1		
	05	30.3	178.0	43.1	25.3	4.5	98.1	96.3	164.9	21.5	895.1	5.6	1,582.6		
	06	30.3	183.8	42.7	29.2	4.1	99.2	95.1	168.0	19.9	899.6	5.0	1,577.0		
	07	30.3	199.3	54.3	26.7	4.1	97.6	102.8	169.5	20.7	910.1	5.4	1,620.9		
	08	37.3	205.0	49.5	25.7	4.1	99.9	90.7	191.1	21.4	934.4	6.0	1,665.1		
	09	37.3	176.8	49.7	25.0	4.2	105.5	107.9	172.0	20.7	950.0	5.0	1,654.0		
	10	37.0	208.7	49.8	25.8	4.1	108.3	115.1	173.3	17.9	974.7	5.2	1,719.9		
	11	37.0	219.3	58.3	26.5	5.9	103.9	123.7	199.7	19.0	1,006.6	6.6	1,806.5		
	12	29.1	218.8	54.3	22.4	4.2	103.6	130.7	195.4	20.1	1,044.4	6.0	1,829.0		

Note:

Notes from table T1.4 applicable for all items.

Time and saving deposits represent liabilities of commercial banks by time and saving deposits up to three month, from three month to one year, from one year to three year and in a three year in domestic and foreign currency.

Table 16
Structure of Short-terms Loans by Sector (end of period, in millions of KM)

CLAIMS ON ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	Claims on central government	Claims on Entity governments	Claims on cantonal governments	Claims on municipal governments	Claims on Social Security Funds	Claims on nonbank financial institutions	Claims on nonfinancial public enterprises	Claims on nonfinancial private enterprises and cooperatives	Claims on nonprofit organizations	Claims on households	Other claims	Total
1997	12	0.0	129.0	3.0	1.4	0.3	2.7	202.1	516.6	3.4	66.9	31.0	966.7
1998	12	0.0	104.5	4.5	2.6	1.5	0.4	199.8	535.9	6.2	42.7	130.2	1,028.2
1999	12	0.1	20.0	8.4	2.5	5.7	1.1	189.2	548.6	2.6	61.6	12.4	852.3
2000	12	0.7	23.9	1.9	7.2	0.2	3.2	246.6	469.5	33.4	88.3	3.6	878.3
2001	12	0.0	7.5	13.3	8.8	3.4	11.6	215.2	544.5	22.5	84.1	2.5	913.3
2002	12	8.6	23.3	13.7	9.5	5.5	15.3	210.5	655.9	13.2	135.1	7.2	1,097.8
2003	01	9.0	19.8	12.8	9.6	2.4	16.0	204.4	628.9	11.2	117.1	8.3	1,039.5
	02	15.1	26.2	12.2	9.3	2.0	12.9	197.1	667.9	11.4	118.0	9.2	1,081.3
	03	15.1	24.1	11.8	8.7	0.9	14.6	199.2	694.2	12.9	125.4	10.4	1,117.4
	04	15.1	23.0	11.5	9.4	1.0	19.0	188.3	719.0	13.5	131.7	10.1	1,141.6
	05	14.4	23.3	11.0	8.8	0.6	21.6	188.3	725.4	7.8	119.0	24.5	1,144.6
	06	14.1	21.9	11.1	9.4	0.0	15.9	175.1	763.6	8.7	155.9	24.6	1,200.5
	07	14.1	20.9	11.1	9.8	0.0	22.5	177.1	740.8	8.7	131.2	26.1	1,162.4
	08	14.4	19.2	14.1	10.2	0.1	20.6	163.4	745.8	9.0	137.0	27.2	1,160.9
	09	7.0	19.1	10.0	11.0	0.0	20.9	157.9	763.2	9.1	143.8	27.7	1,169.8
	10	7.0	19.1	9.8	13.8	0.0	23.3	155.8	762.8	9.0	147.7	28.4	1,176.8
	11	7.0	18.9	9.7	13.8	0.0	24.2	159.4	802.5	9.4	149.9	28.5	1,223.4
	12	0.6	18.4	10.5	17.1	0.0	24.9	160.9	830.9	7.6	153.6	27.6	1,252.2

Note:

Claims on domestic institutional sectors represent claims of CBBH and commercial banks towards all institutional sectors. Loans at the BH level include loans extended by commercial banks covered by Main Unit Sarajevo, Main Unit Mostar, Main Bank RS, Bičko District (from July 2001 until November 2002), bans with NBRS (until December 1998) and NBBH (until November 2002).

From December 1997 Privredna banka Sarajevo excluded amount of 1,385 millions KM from claims on nonfinancial public enterprises.

Deviations in the Claims of nonfinancial public enterprises and Claims from nonfinancial private enterprises and cooperatives are result of the application of new Chart of Accounts for banks in the RS at the beginning of 2002. Total of claims on all level government and funds (short-term and long term) are shown in Table 16 (columns 3,4,5,6,7) in total amount because source data by term are not available. Short terms loans represent claims of commercial banks on all domestic institutional sector up to one year in domestic and foreign currency.

Table 17
Structure of Long-terms Loans by Sector (end of period, in millions of KM)

CLAIMS ON ALL DOMESTIC INSTITUTIONAL SECTORS													
Year	Month	3	4	5	6	7	8	9	10	11	12	13	14 = 3+...+13
1997	12	-	-	-	-	-	5.6	897.0	518.1	3.4	54.0	4.8	1,482.9
1998	12	-	-	-	-	-	5.0	900.2	778.4	0.7	204.8	3.3	1,892.6
1999	12	-	-	-	-	-	5.2	814.0	900.8	2.1	206.4	0.4	1,928.9
2000	12	-	-	-	-	-	7.8	1,426.5	405.4	3.1	295.9	0.0	2,186.6
2001	12	-	-	-	-	-	8.4	1,215.6	598.3	5.7	597.8	0.0	2,425.7
2002	12	-	-	-	-	-	12.4	1,044.2	786.3	4.5	1,321.2	14.6	3,183.3
2003	01	-	-	-	-	-	14.2	1,029.2	817.1	3.9	1,363.6	14.7	3,242.8
	02	-	-	-	-	-	14.4	1,030.7	828.6	6.0	1,405.0	14.6	3,239.4
	03	-	-	-	-	-	13.4	1,033.0	843.0	3.4	1,449.9	14.7	3,357.4
	04	-	-	-	-	-	13.2	1,030.6	864.3	3.4	1,520.3	6.5	3,438.4
	05	-	-	-	-	-	12.0	999.2	882.9	3.3	1582.9	6.5	3,486.8
	06	-	-	-	-	-	15.8	1028.7	829.9	3.4	1609.5	6.5	3,493.8
	07	-	-	-	-	-	14.9	1031.7	914.0	3.4	1688.7	6.5	3,659.3
	08	-	-	-	-	-	15.0	1048.2	937.2	3.4	1717.1	6.5	3,727.5
	09	-	-	-	-	-	16.1	1,038.2	948.5	3.6	1,752.3	6.6	3,765.2
	10	-	-	-	-	-	16.2	1,033.8	988.0	3.5	1,791.7	6.6	3,839.8
	11	-	-	-	-	-	15.4	1,025.1	1,015.8	3.8	1,815.9	6.6	3,882.7
	12	-	-	-	-	-	15.4	1,012.0	1,054.1	3.9	1,827.2	4.2	3,916.7

Note:

Notes from table T16 applicable for all items.

Total of claims on all level government and funds (short-term and long term) are shown in Table 16 (columns 3,4,5,6,7) in total amount because source data by term are not available. Long terms loans represent claims of commercial banks on all domestic institutional sector in one year in domestic and foreign currency.

Table 18
Buying and Selling of KM (in thousands of KM)

Year	Month	Selling	Buying	Balance	Cumulative Balance
1	2	3	4	5(3-4)	6
1997		71,484	71,160	324	324
1998		382,193	319,508	62,685	63,009
1999		1,136,535	577,983	558,552	621,561
2000		1,413,730	1,287,796	125,934	747,495
2001		3,758,768	2,141,044	1,617,724	2,365,219
2002		3,665,370	3,907,317	-241,947	2,123,272
2003		2,026,594	1,751,730	274,864	2,398,136
2003	01	81,826	349,268	-267,442	1,855,830
	02	100,554	121,518	-20,964	1,834,866
	03	180,168	143,058	37,110	1,871,976
	04	147,133	211,624	-64,491	1,807,485
	05	141,835	170,950	-29,115	1,778,370
	06	236,996	118,747	118,249	1,896,619
	07	174,151	99,251	74,900	1,971,519
	08	137,730	69,819	67,911	2,039,430
	09	214,594	99,886	114,708	2,154,138
	10	164,854	87,563	77,291	2,231,429
	11	148,333	87,342	60,991	2,292,420
	12	298,420	192,704	105,716	2,398,136

Table 19
Average Reserve Requirements (in thousands of KM)

Year	Month	Deposit Base for Required Reserve Calculation	Average Reserve Requirement	Average Cash in Banks' Vaults	Average Balance on the Reserve Accounts	Total Funds for Reserve Maintenance	Balance
1	2	3	4	5	6	7=5+6	8=7-4
1998		131,976	13,198	3,678	38,350	42,028	28,830
1999		288,950	28,895	8,468	107,506	115,974	87,079
2000		709,104	70,910	27,709	232,435	260,143	189,233
2001		979,952	97,995	97,995	242,144	340,140	242,144
2002		1,510,313	151,031	142,928	317,169	460,097	309,065
2003	01	1,760,077	176,008	150,639	315,732	466,371	290,363
	02	1,780,133	178,013	139,151	268,204	407,355	229,342
	03	1,793,916	179,392	136,388	255,625	392,013	212,621
	04	1,852,989	185,299	126,914	257,757	384,671	199,372
	05	1,915,748	191,575	128,700	272,793	401,493	209,918
	06	4,553,863	227,693	-	372,028	372,028	144,335
	07	4,727,702	236,385	-	399,386	399,386	163,001
	08	4,911,084	245,554	-	474,514	474,514	228,959
	09	5,011,096	250,555	-	590,484	590,484	339,929
	10	5,111,640	255,582	-	711,223	711,223	455,641
	11	5,272,477	263,624	-	790,131	790,131	526,508
	12	5,412,567	270,628	-	823,223	823,223	552,595

Note:

From 1 June, 2003 (16th maintenance period) the following changes were made to the calculation of required reserves: the base for calculation of required reserves was expanded to include foreign currency deposits in addition to deposits in KM, required reserves ratio was reduced from 10% to 5%, and cash holdings in banks' vaults was eliminated as an eligible asset for maintenance of required reserves. Remuneration is calculated on the entire balance of reserve accounts at a rate which is determined on the basis of average interest rates, during the same period, which CBBH receives on overnight deposits

Table 20
Payments System Transactions (in millions of KM)

Year	Month	RTGS		GYRO CLEARING		TOTAL	
		No of transactions	Amount	No of transactions	Amount	No of transactions	Amount
1	2	3	4	5	6	7=3+5	8=4+6
2001		332,622	9,701	11,583,600	7,144	11,916,222	16,845
2002		257,691	13,520	15,269,148	8,990	15,526,839	22,510
2003		293,847	14,460	17,427,404	9,883	17,721,251	24,342
2003	01	18,640	1,000	1,137,037	640	1,155,677	1,640
	02	18,594	1,061	1,228,492	646	1,247,086	1,707
	03	20,871	1,078	1,392,575	746	1,413,446	1,824
	04	22,271	1,163	1,460,890	819	1,483,161	1,982
	05	22,333	1,099	1,423,743	789	1,446,076	1,888
	06	24,451	1,221	1,469,658	813	1,494,109	2,034
	07	27,920	1,268	1,633,387	895	1,661,307	2,163
	08	25,960	1,219	1,433,248	838	1,459,208	2,057
	09	28,676	1,272	1,562,208	915	1,590,884	2,187
	10	30,321	1,324	1,569,507	939	1,599,828	2,263
	11	23,585	1,152	1,335,906	793	1,359,491	1,946
	12	30,225	1,602	1,780,753	1,050	1,810,978	2,652

Table 21
Balance of payments Bosnia and Herzegovina (in millions of KM)

Year	Current account			Capital and Financial account		Net errors and omissions			
	Goods	Services	Income	Current transfers	Total		Capital account	Financial Account	Total
1998	-5,482	375	751	2,432	-1,924	766	636	1,401	522
1999	-6,052	309	715	2,486	-2,544	946	1,110	2,055	488
2000	-5,567	345	669	2,249	-2,303	862	638	1,500	803
2001	-6,470	381	692	2,546	-2,851	504	1,627	2,130	720
2002	-7,023	288	524	2,668	-3,544	566	2,010	2,576	967
2002 Q1	-1,534	53	145	697	-639	153	271	423	216
2002 Q2	-1,713	74	136	747	-757	180	480	660	97
2002 Q3	-1,789	101	132	648	-908	135	501	636	272
2002 Q4	-1,987	60	112	576	-1,239	99	758	857	382
2003 Q1	-1,432	52	129	669	-581	86	172	258	323
2003 Q2	-1,841	80	99	733	-929	214	455	670	259
2003 Q3	-1,902	118	108	729	-947	145	498	643	304

Note:

The BiH Balance of Payments was prepared in accordance with the IMF methodology (Balance of Payments Manual, fifth edition), and the detailed information can be found on the web

Table 22
Current account (in millions of KM)

Year	Current account - total			Goods		Services		Income		Current transfers	
	Credit	Debit	Balance	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
1998	5,191.2	7,114.9	-1,923.7	1,168.1	6,650.6	739.1	363.9	846.7	95.6	2,437.2	4.9
1999	5,577.3	8,120.8	-2,543.5	1,526.9	7,579.4	724.1	415.6	835.2	120.4	2,491.0	5.4
2000	6,343.0	8,646.4	-2,303.4	2,491.4	8,058.0	763.8	418.5	832.3	163.0	2,255.4	6.8
2001	6,724.4	9,575.0	-2,850.6	2,480.4	8,949.9	823.6	442.9	865.8	173.6	2,554.6	8.5
2002	6,514.7	10,058.2	-3,543.5	2,296.5	9,319.3	788.0	499.9	704.1	180.5	2,726.1	58.5
2002 Q1	1,520.5	2,159.8	-639.3	469.0	2,002.8	163.7	110.8	178.9	34.4	708.8	11.8
2002 Q2	1,693.4	2,449.9	-756.5	554.8	2,267.9	195.9	121.5	181.5	45.9	761.2	14.6
2002 Q3	1,690.3	2,598.7	-908.4	611.8	2,400.7	238.2	137.6	176.3	44.7	664.0	15.6
2002 Q4	1,610.5	2,849.8	-1,239.4	660.9	2,647.9	190.2	130.0	167.4	55.4	592.1	16.5
2003 Q1	1,537.9	2,119.2	-581.2	530.0	1,961.6	160.2	108.1	161.7	32.7	686.1	16.7
2003 Q2	1,795.8	2,724.9	-929.0	680.2	2,521.3	211.2	131.5	154.0	54.9	750.4	17.2
2003 Q3	1,822.2	2,769.1	-946.9	672.3	2,573.9	255.4	137.6	144.9	36.8	749.6	20.7

Note:

The BH Balance of Payments was prepared in accordance with the IMF methodology (Balance of Payments Manual, fifth edition), and the detailed information can be found on the web site <http://www.cbbh.ba> under statistics.

Table 23
Capital and financial account (in millions of KM)

Year	Capital account			Financial account			Total
	Credit	Debit	Balance	Direct investment	Other investment	Reserve assets	
1998	765.8	0.0	765.8	117.4	666.1	-148.0	635.5
1999	945.6	0.0	945.6	324.5	1,372.7	-587.6	1,109.6
2000	862.4	0.0	862.4	310.1	492.8	-164.9	638.0
2001	503.5	0.0	503.5	274.2	3,018.1	-1,665.4	1,626.9
2002	566.0	0.0	566.0	604.3	1,161.0	245.1	2,010.4
2002 Q1	152.5	0.0	152.5	140.8	-37.7	167.6	270.6
2002 Q2	179.7	0.0	179.7	129.7	218.3	132.1	480.2
2002 Q3	135.0	0.0	135.0	108.4	408.2	-15.2	501.4
2002 Q4	98.8	0.0	98.8	225.5	572.1	-39.4	758.2
2003 Q1	86.4	0.0	86.4	181.7	-246.4	236.4	171.7
2003 Q2	214.4	0.0	214.4	66.1	428.0	-38.8	455.2
2003 Q3	145.3	0.0	145.3	118.3	647.3	-267.8	497.8

Note:

The BiH Balance of Payments was prepared in accordance with the IMF methodology (Balance of Payments Manual, fifth edition), and the detailed information can be found on the web site <http://www.cbbh.ba> under statistics.

Table 24
Foreign Debt Servicing (in thousands of KM)

	Repayment plan 2003			Achieved in 2003. (interest + principal) At the end of December
	Principal	Interest	Total	
1. World Bank-IDA	0	10,782	10,782	9.528
2. World Bank -IBRD	55,023	40,010	95,033	71.276
3. IMF	92,770	6,143	98,913	94.535
4. EBRD-European Bank for Reconstruction and Development	11,320	4,777	16,097	15.667
5. EUROFIMA	60	1,417	1,477	1.425
6. Paris Club	22,135	39,629	61,764	41.628
7. London Club	0	7,880	7,880	7.868
8. IFAD - International Fund for Agriculture Development	0	316	316	276
9. European Investment Bank	0	1,756	1,756	1.831
10. Saudi Development Fund	2,995	1,123	4,118	3.920
11. Other Bilateral	1,232	3,803	5,035	714
12. CEB - Council of European Bank for Development	4,052	356	4,408	4.414
13. European Community - European Commission	0	1,349	1,349	1.095
TOTAL	189,587	119,341	308,928	254.179

Source: Ministry for Finance and Treasury of BiH

Table 25
Foreign Debt of BiH Government sector by creditors (in thousands of KM)

Creditor	Foreign debt at the end of period					Undisbursed as the end of 2003
	1999	2000	2001	2002	2003	
Public Creditors						
International and regional organisations						
European Investment Bank*	1,915	1,009	0	0	0	0
European Investment Bank	0	0	7,371	43,133	118,657	192,428
European Bank for Reconstruction and Development	55,256	89,311	108,113	99,281	86,727	175,174
World Bank - IDA	962,658	1,097,846	1,256,873	1,321,357	1,264,035	357,945
World Bank - IBRD*	1,035,250	1,089,746	1,197,610	1,009,257	845,078	0
European Development Bank *	24,837	20,262	16,209	12,157	8,105	0
European Development Bank	9,517	10,392	10,936	9,258	7,722	0
International Fund for Agriculture Development	33,178	39,246	40,065	38,912	36,330	19,163
International Monetary Fund	181,378	220,644	245,714	260,850	208,751	0
European Company for the Financing of Railroad Rolling Stock	28,988	29,877	30,409	30,751	29,302	0
European Community/Commission	19,558	19,558	39,117	39,117	39,117	39,117
Government and Government agencies						
Sweden	10,246	9,927	7,992	7,174	5,987	0
Spain	0	0	0	0	3,177	7,523
Saudian Development Fund	34,977	43,030	47,523	48,022	45,686	5,952
Belgium	4,844	6,182	6,361	7,171	8,608	5,932
Paris Club*	1,071,947	1,094,088	1,094,223	1,038,057	982,752	0
Japan	0	0	0	6,306	40,453	19,661
OPEC Fund	0	0	0	0	783	7,043
Private Creditors						
London Club*	261,919	261,919	261,919	261,919	261,919	0
Total	3,736,468	4,033,037	4,370,433	4,232,721	3,993,188	829,938

Source: BiH Ministry of Finance and Treasury Data base.

Note:

Debt balance obtained by recalculation of currency in which the loan is denominated into KM according to the exchange rate of CBBiH valid for the given date.

Undisbursed funds are amounts not yet withdrawn from the agreed total loan amount.

* Debt created before 1992.

Table 26
Foreign Reserves of CBBiH (end of period, in millions of KM)

Year	Month	Gross foreign reserves							Net Foreign Reserves	Monetary Liabilities	Net Free Reserves
		Gold	Holdings of SDR	Foreign Exchange in CBBiH Vault	Claims on Nonresident Banks	Other	8-3+...+7	9				10	11=9-10
1997	12	0.0	0.0	6.2	138.0	0.0	144.1	144.1	160.3	-16.2	
1998	12	0.0	0.0	32.7	250.6	0.0	283.3	283.3	253.9	29.4	
1999	12	0.0	0.0	83.5	782.2	0.0	865.7	865.7	836.7	29.0	
2000	12	0.0	0.0	38.1	983.2	0.0	1,021.4	1,021.4	973.2	48.0	
2001	12	0.0	0.0	804.9	1,891.6	0.0	2,696.5	2,696.5	2,591.6	75.0	
2002	12	0.0	5.9	58.9	2,399.6	0.0	2,464.4	2,463.2	2,345.2	118.1	
2003	01	0.0	1.2	21.2	2,171.7	0.0	2,194.2	2,192.8	2,073.4	119.3	
	02	0.0	9.0	21.5	2,145.3	0.0	2,175.8	2,174.7	2,052.5	122.2	
	03	0.0	1.5	26.7	2,200.2	0.0	2,228.5	2,227.4	2,089.0	138.4	
	04	0.0	3.1	34.6	2,127.6	0.0	2,165.3	2,164.2	2,024.9	139.4	
	05	0.0	1.5	30.9	2,114.1	0.0	2,146.4	2,145.4	2,004.7	140.6	
	06	0.0	9.1	25.9	2,232.1	0.0	2,267.2	2,266.1	2,122.1	144.1	
	07	0.0	2.9	33.0	2,301.0	0.0	2,337.0	2,336.0	2,192.8	143.2	
	08	0.0	1.5	42.8	2,360.6	0.0	2,404.9	2,403.8	2,259.1	144.8	
	09	0.0	9.2	30.7	2,490.4	0.0	2,530.3	2,529.2	2,382.1	147.1	
	10	0.0	2.6	35.2	2,567.8	0.0	2,605.5	2,603.5	2,454.5	149.0	
	11	0.0	1.1	34.0	2,634.1	0.0	2,669.2	2,668.2	2,516.6	151.6	
	12	0.0	5.3	59.1	2,716.2	0.0	2,780.6	2,779.6	2,626.3	153.3	

Note:

Gross foreign reserves consist of balance sheet positions of short-term foreign assets of the CBBH (gold, CBBH SDR holdings, foreign exchange in the CBBH vault, short-term foreign exchange deposits with non-resident banks and other). Net foreign reserves represent a difference between gross foreign reserves and liabilities to non-residents. Monetary liabilities include money outside monetary authorities and deposits of residents with monetary authorities. Net free reserves represent a difference between net foreign exchange reserves and monetary liabilities of the CBBH.

Table 27
Foreign trade (in millions KM)

Year	Month	Exports of goods	Imports of goods	Trade balance	Coverage exports/imports in %
1	2	3	4	5(3-4)	6=(3/4)x100
1998		1,168	6,651	-5,483	17.6
1999		1,527	7,579	-6,053	20.1
2000		2,491	8,058	-5,567	30.9
2001		2,480	8,950	-6,470	27.7
2002		2,296	9,319	-7,023	24.6
2003		2,585	9,628	-7,043	26.8
2003	01	132	546	-414	24.2
	02	186	639	-452	29.2
	03	212	778	-566	27.2
	04	231	807	-575	28.6
	05	208	936	-728	22.2
	06	242	778	-536	31.1
	07	243	898	-655	27.1
	08	201	785	-584	25.6
	09	228	891	-663	25.6
	10	261	936	-675	27.9
	11	224	818	-594	27.4
	12	217	817	-600	26.6

Source: CBBiH balance of payments statistics

Note:

Here the most recent source data is used for export and import of goods and In the value of exports and imports have been included the adjustments to the coverage and valuation that were done for balance of payments dissemination purpose.

Table 28
BiH exports by country of the destination (in thousands KM)

Year	Month	Austria	France	Croatia	Italy	Hungary	Germany	Slovenia	Serbia and Montenegro	Switzerland	Other countries	Total
1999		62,316	11,538	202,375	269,301	7,087	144,235	96,440	244,408	114,577	223,342	1,375,619
2000		74,194	12,521	173,413	515,014	7,921	262,061	150,614	464,820	240,321	364,051	2,264,930
2001		83,190	24,256	247,278	412,797	9,510	328,378	175,634	466,386	242,854	265,243	2,255,526
2002		83,640	41,723	313,266	248,396	12,933	262,698	174,258	421,059	229,993	311,237	2,099,203
2003		87,555	24,553	422,670	317,272	14,624	362,817	227,953	391,542	219,113	294,750	2,362,849
2003	01	5,552	1,118	16,849	19,544	113	19,776	10,637	13,434	14,072	19,503	120,598
	02	6,250	1,909	22,336	27,443	721	34,149	17,337	21,283	20,801	18,068	170,297
	03	7,449	1,532	28,406	27,211	1,468	25,032	29,808	30,011	18,038	24,791	193,746
	04	7,468	1,875	35,571	27,378	1,108	25,864	21,095	32,475	21,231	36,940	211,005
	05	8,362	1,910	35,250	31,197	1,057	25,528	20,349	35,836	12,340	18,021	189,850
	06	6,424	3,393	37,127	39,461	1,239	36,032	15,024	33,086	20,634	28,780	221,200
	07	7,627	3,073	42,316	34,846	1,679	30,600	20,095	38,287	21,213	22,856	222,592
	08	6,556	2,169	34,743	18,143	1,134	30,742	11,674	37,096	13,978	27,908	184,143
	09	6,290	1,838	42,345	24,121	824	35,516	14,279	37,400	21,152	24,325	208,090
	10	9,021	1,963	42,564	23,339	920	34,075	41,399	41,107	23,388	20,513	238,289
	11	9,462	1,316	41,629	23,613	1,203	35,075	14,789	37,808	17,587	22,057	204,539
	12	7,094	2,457	43,534	20,976	3,158	30,428	11,467	33,719	14,679	30,988	198,500

Source: CBBH balance of payments statistics

Note:

Here the most recent source data is used for exports of goods and in the value of exports have not been included the adjustments to the coverage and valuation done for balance of payments dissemination purpose.

Table 29
BiH Imports by country of origin (in thousands KM)

Year	Month	Austria	France	Croatia	Italy	Hungary	Germany	Slovenia	Serbia and Montenegro	Switzerland	Other countries	Total
1999		288,118	70,030	1,020,151	978,755	296,611	633,553	753,158	384,395	94,450	1,528,691	6,047,912
2000		368,070	93,567	953,134	704,214	307,729	805,186	998,717	439,282	128,543	1,784,167	6,582,609
2001		416,642	98,212	1,104,538	957,233	411,652	772,527	945,602	523,827	226,925	1,874,272	7,331,430
2002		463,792	134,567	1,330,043	789,764	491,428	998,531	906,329	697,856	149,000	2,206,814	8,168,124
2003		358,726	153,481	1,441,091	772,192	510,496	1,059,253	765,502	652,443	139,883	2,370,269	8,223,336
2003	01	21,381	9,289	85,511	38,867	27,375	58,407	46,635	24,339	9,982	144,860	466,646
	02	28,178	9,421	90,417	56,153	28,172	62,455	50,656	44,745	6,853	169,137	546,187
	03	27,993	9,958	118,068	64,266	31,687	81,175	62,282	51,359	12,380	205,022	664,190
	04	28,133	13,178	129,280	60,844	43,696	90,239	68,174	55,124	11,857	188,546	689,071
	05	31,830	22,399	124,573	75,261	50,840	91,093	71,254	56,832	14,886	260,360	799,328
	06	24,444	14,195	107,763	70,995	44,131	93,098	63,516	54,804	10,319	181,261	684,526
	07	31,249	13,586	143,083	72,897	54,419	98,207	77,528	56,910	11,449	206,939	766,267
	08	29,392	11,849	130,006	41,948	49,324	90,810	67,003	62,987	10,752	176,698	670,769
	09	34,561	12,882	136,369	69,647	46,142	97,678	75,376	69,806	12,620	205,407	760,508
	10	33,237	12,540	150,593	78,788	48,176	109,082	70,257	66,501	14,096	215,838	799,108
	11	37,622	11,399	116,962	69,144	47,238	90,950	57,710	54,515	13,455	199,651	698,646
	12	30,686	12,785	108,466	73,382	39,296	96,059	55,111	54,521	11,234	216,550	698,090

Source: CBBH balance of payments statistics

Note:

Here the most recent source data is used for imports of goods and in the value of imports have not been included the adjustments to the coverage and valuation done for balance of payments dissemination purpose.

Table 30
 Structure of exports and imports of goods

Commodity group	Exports of Goods		Imports of Goods	
	Amount in millions KM	Percentage distribution	Amount in millions KM	Percentage distribution
Animals & animal products	17.1	0.74	277.4	3.64
Vegetable products	37.6	1.62	438.0	5.75
Animal or vegetable fats	1.0	0.04	96.6	1.27
Prepared foodstuff	86.1	3.71	1,022.3	13.42
Mineral products	221.0	9.53	856.3	11.24
Chemical products	48.2	2.08	723.6	9.50
Plastic and rubber	39.5	1.70	373.6	4.91
Hides & skins	59.8	2.58	29.8	0.39
Wood & wood products	398.9	17.20	82.2	1.08
Wood & pulp products	57.0	2.46	254.1	3.34
Textile & textile articles	131.7	5.68	288.5	3.52
Footwear, headwear	96.3	4.15	80.6	1.06
Articles of stone, plaster, cement, asbestos	22.5	0.97	315.3	4.14
Pearls, precious metals and articles thereof, prec. or semi-prec. stones	0.2	0.01	4.1	0.05
Base metals & articles thereof	498.3	21.48	594.5	7.81
Machinery & mechanical appliances	286.1	12.34	1,269.4	16.67
Transportation equipment	104.2	4.49	619.7	8.14
Instruments measuring, musical	22.0	0.95	110.7	1.45
Arms and ammunition; parts and accessories thereof	15.9	0.69	3.3	0.04
Miscellaneous	176.1	7.59	195.9	2.57
Works of art, collectors' pieces and antiques	0.0	0.00	0.0	0.00
Unclassified	0.0	0.00	0.0	0.00
Total	2,319.5	100.00	7,616.0	100.00

Note:

- Sources of these data are Customs Administration of Federation of BiH, Customs Administration of Republika Srpska and Customs Service of Brčko District, and for that reason total exports and imports differ from those shown in balance of payments statistics, the later including various adjustments.
- The customs statistics may differ in total from the foreign trade statistics published by the entity and Brčko District statistical offices.
- Data on exports and imports of goods are classified in accordance with World Trade Organization's Harmonized System codes.

Table 31
Average Exchange Rates of KM

Year	Month	Country		Croatia	Hungary	Slovenia	Switzerland		UK	USA	Serbia and Montenegro
		Abbr.	Unit				CHF	GBP				USD	CSD
1998		EMU									
		EUR	1	HRK	HUF	SIT	CHF	GBP	USD	USD	CSD
			1	100	100	100	1	1	1	1	100
1998			1,9720	...	...	1,0608	1,2147	2,9182	1,7614		...
1999			1,9558	...	0,7187	1,0095	1,2270	2,9670	1,8343		...
2000			1,9558	25,6172	0,7529	0,9492	1,2558	3,2069	2,1189		...
2001			1,9558	26,1937	0,7627	0,8975	1,2952	3,1466	2,1856		...
2002			1,9558	26,4078	0,8052	0,8658	1,3332	3,1126	2,0768		3,2069
2003			1,9558	25,8632	0,7726	0,8365	1,2869	2,8297	1,7335		3,0094
2003	01		1,9558	26,0838	0,8148	0,8480	1,3388	2,9804	1,8458		3,1589
	02		1,9558	25,7906	0,7974	0,8455	1,3326	2,9295	1,8136		3,1191
	03		1,9558	25,5236	0,7969	0,8437	1,3313	2,8669	1,8123		3,0758
	04		1,9558	25,8940	0,7967	0,8420	1,3079	2,8401	1,8042		3,0480
	05		1,9558	25,9390	0,7960	0,8396	1,2913	2,7504	1,6994		3,0066
	06		1,9558	25,9557	0,7510	0,8371	1,2693	2,7819	1,6747		3,0038
	07		1,9558	26,0861	0,7410	0,8344	1,2640	2,7958	1,7197		3,0037
	08		1,9558	26,0312	0,7527	0,8323	1,2703	2,7983	1,7557		2,9995
	09		1,9558	26,0916	0,7656	0,8315	1,2635	2,8095	1,7473		2,9759
	10		1,9558	25,7626	0,7651	0,8300	1,2634	2,8005	1,6721		2,9476
	11		1,9558	25,7001	0,7547	0,8284	1,2553	2,8240	1,6715		2,9139
	12		1,9558	25,4993	0,7407	0,8264	1,2581	2,7873	1,5936		2,8679

Table 32
Budget Performance of BiH Institutions (in thousands of KM)

	Budget 2003	Actual January-September 2003		Actual as proportion of budget (%)
		Amount	Structure (%)	
1	2	3	4	5=(3/2)x100
I. TOTAL REVENUE	205,496	146,369	100.0	71.2
A) Revenue transferred from 2002 budget	6,091	10,925	7.5	179.4
B) Non - tax revenue (own revenue)	39,700	43,099	29.4	108.6
1) Duties and fees	25,000	31,310	21.4	125.2
2) Revenue of self activities	3,200	2,107	1.4	65.8
3) Special fees and duties	11,500	9,682	6.6	84.2
C) Current grants in cash	30,036	9,821	6.7	32.7
D) Transfers from entities' budgets	87,000	65,247	44.6	75.0
1) Federation of BiH (2/3)	58,000	43,497	29.7	75.0
2) Republic Srpska (1/3)	29,000	21,750	14.9	75.0
E) Transfers from Brcko District BiH	3,900	4,700	3.2	120.5
F) Extraordinary revenue	972	2,667	1.8	274.4
G) Revenue from succession by determination	1,430	0	0.0	0.0
H) Fixed revenue for special programmes	767	3,664	2.5	477.7
TOTAL (A-H)	169,896	140,123	95.7	82.5
I) CIPS REVENUE	35,600	6,246	4.3	17.5
II. TOTAL EXPENDITURES	205,496	129,517	100.0	63.0
A) Current expense	150,836	101,742	78.6	67.5
B) Current Grants	2,500	155	0.1	6.2
C) Capital purchase	9,623	1,206	0.9	12.5
D) Programme of special determination	8,484	5,544	4.3	65.3
TOTAL - BUDGET USERS (A-D)	171,443	108,647	83.9	63.4
E) Programme of special determination-direct transfers from UTA	3,324	6,435	5.0	193.6
F) Reservations	729	5,336	4.1	732.0
TOTAL FOR ADMINISTRATIVE FUNCTIONS (A-F)	175,496	120,418	93.0	68.6
PROGRAMME CIPS	30,000	9,099	7.0	30.3
III. BALANCE (I-II)	0	16,852	...	...

Source: Ministry for Finance and Treasury of BiH

Table 33
FBiH Budget Performance (in thousands of KM)

1	Budget 2003	Actual January-September 2003		Actual as
	2	Amount	Structure (%)	proportion of budget (%)
		3	4	5=(3/2)x100
REVENUE AND FINANCING (A+B+C+D+E)	1,217,400	764,270	100.0	62.8
I. TOTAL REVENUE (A+B+C+D)	1,133,100	726,497	95.1	64.1
A) Tax Revenue	1,008,400	660,146	86.4	65.5
1) Tax imposed on income of individual and enterprise	18,000	11,337	1.5	63.0
2) Excises	486,800	303,212	39.7	62.3
3) Import custom on international trade and transactions	503,600	345,597	45.2	68.6
B) Non-tax revenue	100,000	51,682	6.8	51.7
4) Duties, fees and income for performing public services	52,200	29,736	3.9	57.0
5) Fines of non-tax nature	6,000	5,745	0.8	95.8
6) Revenue from enterprenures activity and assets	41,800	16,201	2.1	38.8
C) Capital revenue	0	0	0.0	...
D) Current Grants	24,700	14,669	1.9	59.4
E) Financing	84,300	37,773	4.9	44.8
II. TOTAL EXPENDITURES	1,217,400	754,761	100.0	62.0
A) Expense	1,210,500	748,883	99.2	61.9
Current expense	1,169,885	729,024	96.6	62.3
1) Wages and fees on employees expense	331,938	221,272	29.3	66.7
2) Contributions of employer and other contributions	31,196	20,653	2.7	66.2
3) Goods and services	103,762	60,167	8.0	58.0
4) Current grants	458,690	295,002	39.1	64.3
5) Interest and other fees	244,300	131,930	17.5	54.0
Total Capital purchase	40,615	19,859	2.6	48.9
B) Current reserves	6,900	5,878	0.8	85.2
III. BALANCE (I-II)	-84,300	-28,264	...	...

Source: Ministry of Finance of Federation BiH

Table 34
RS Budget Performance (in thousands of KM)

1	Budget 2003 2	Actual January-September 2003		Actual as proportion of budget (%) 5=(3/2)x100
		Amount 3	Structure (%) 4	
REVENUE AND FINANCING (A+B+C+D)	999,740	726,160	100.0	72.6
I. TOTAL REVENUE (A+B+C)	938,740	707,272	97.4	75.3
A) Source revenues	910,520	686,152	94.5	75.4
1. Tax imposed on trade of products and services	260,000	209,438	28.8	80.6
2. Excise	196,700	150,649	20.7	76.6
3. Salaries tax	78,669	60,573	8.3	77.0
4. Income and profit tax	24,184	20,240	2.8	83.7
5. Property tax	16,598	14,255	2.0	85.9
6. Customs duties and special tax on imported goods	163,000	108,354	14.9	66.5
7. Fees, duties and income for performing public duties	80,960	62,229	8.6	76.9
8. Fines	10,182	8,792	1.2	86.3
9. Other	80,226	51,623	7.1	64.3
B) Special revenues	20,721	13,092	1.8	63.2
C) Current grants and subsidies	7,500	8,028	1.1	107.0
D) Financing	61,000	18,888	2.6	31.0
E) Foreign support to projects	282,755	0	0.0	0.0
II. TOTAL EXPENDITURES	999,740	704,536	100.0	70.5
A) Domestic budget expense	850,740	615,245	87.3	72.3
Current expense	812,398	594,611	84.4	73.2
1. Wages and compensations for employees	332,714	250,143	35.5	75.2
2. Tax and contributions on other individual income	21,356	11,073	1.6	51.8
3. Material and services costs	119,211	95,144	13.5	79.8
4. Current grants	308,305	231,851	32.9	75.2
5. Expense - internal transactions	0	659	0.1	-
6. Lending to individuals and non-profit organizations	16,612	0	0.0	0.0
7. Budget reserve	14,200	5,741	0.8	40.4
Capital expense	38,342	20,634	2.9	53.8
B) Statutory expense	149,000	89,291	12.7	59.9
8. Grants to other levels of government	29,000	21,750	3.1	75.0
9. Foreign debt repayment	120,000	67,541	9.6	56.3
III. BALANCE (I-II)	-61,000	2,736	...	...

Source: Ministry of Finance of Republika Srpska

Table 35
Brčko District Budget Performance (in thousands of KM)

	Budget 2003	Actual January-September 2003		Actual as proportion of budget (%) 5=(3/2)x100
		Amount	Structure (%)	
1	2	3	4	5
REVENUE AND FINANCING (I+IV)	172,298	160,750	100.0	93.3
I TOTAL REVENUES (A+B+C)	167,498	160,750	100.0	96.0
A) Taxes	90,186	101,626	63.2	112.7
1) Excises	22,690	52,537	32.7	231.5
2) Custom duties	23,401	14,696	9.1	62.8
3) Tax on benefits of corporations	44,095	34,393	21.4	78.0
B) Non-tax revenue and subventions	41,362	32,162	20.0	77.8
4) Fines	3,000	1,562	1.0	52.1
5) Fees, taxes and other revenues	38,362	30,600	19.0	79.8
C) Credit repayment receipts	35,950	26,963	16.8	75.0
II. TOTAL EXPENDITURES	172,298	91,573	100.0	53.1
1) Gross wages	63,969	34,441	37.6	53.8
2) Materijal costs	56,401	36,542	39.9	64.8
3) Equipment	8,680	1,931	2.1	22.2
4) Transfers and subsidies	19,935	11,958	13.1	60.0
5) Costs of fix assets supply	9,753	1,388	1.5	14.2
6) Investments	11,107	3,478	3.8	31.3
7) Budget reserve	2,452	1,835	2.0	74.8
III. BALANCE (I-II)	-4,800	69,177	...	...
IV. FINANCING	4,800	0	0.0	0.0

Source: Government of Brčko District (Department for Budget and Finance).

Table 36
Collected revenue of public funds on basis of contributions (in thousands of KM)

	January-December 2002	Structure (%)	January-September 2003	Structure (%)
Federation of BiH				
1) Contributions for pension - disability insurance	691,704	55.1	525,697	55.0
2) Contributions for health care	495,061	39.4	377,791	39.6
3) Contributions for unemployment	69,348	5.5	51,481	5.4
TOTAL (1+2+3)	1,256,113	100.0	954,969	100.0
Republic of Srpska				
1) Contributions for pension - disability insurance	296,823	58.4	174,714	55.5
2) Contributions for health care	176,390	34.7	119,828	38.1
3) Contributions for unemployment	8,682	1.7	6,693	2.1
4) Public Fund for Children Care	26,484	5.2	13,555	4.3
TOTAL (1+2+3+4)	508,379	100.0	314,790	100.0
Brcko District				
1) Contributions for health care	10,504	100.0	7,472	100.0
UKUPNO	10,504	100.0	7,472	100.0

Source: Ministry of Finance of FBH, Ministry of Finance of RS and Government of Brcko District (Department for Budget and Finance)

Note:

Contributions of Brcko District for pension - disability insurance, for unemployment and contributions for children care are being paid to respective entities' Funds.

Publication and photo-copying for educational and non-commercial purposes
are allowed with acknowledgment.

PUBLISHER

Central Bank of Bosnia and Herzegovina
25, Maršala Tita Str.
71000 Sarajevo
tel. (387 33) 663 630
faks (387 33) 278 299
www.cbbh.ba
e-mail: contact@cbbh.ba