



DECISION OF THE CBBH GOVERNING BOARD

Change of the level of the remuneration on the amounts above the required reserve

Based on the Decision of the Governing Board of the Central Bank of BH (CBBH), the level of the remuneration, which the CBBH pays to the commercial banks on the amount exceeding the Required Reserves (RR) level, will change as of January 1, 2004. This means that the RR rate remains the same - five percent; interest paid on the RR amount remains the same as well - two percent, but interest on the amount exceeding the RR level will, according to the new Decision, go down to one percent, which is in accordance with the present interest of the European Central Bank (ECB). The main reason for this new Decision is harmonization of the CBBH regulations with the regulations of the ECB, as well as eliminating of the negative effects of the previous remuneration policy. Although there are some countries in the World which do not oblige their commercial banks to hold RR, the RR is actually a quite common

instrument. All the countries in Europe which have the Currency Board Arrangement also have the RR. Central banks rarely pay remuneration on excess reserves. In Bulgaria, which is the country that has the Currency Board Arrangement, the RR rate is eight percent and remuneration is not paid above the income on the planned deposits denominated in euro. In Estonia, which is also the country that has the Currency Board Arrangement, the RR rate is 13 percent and the remuneration level is the level applied by the ECB. Lithuania, which has six percent RR rate, pays no remuneration either on required reserved, or on the assets exceeding the required amount. Remuneration policy

which was applied since June 1, 2003, according to which the CBBH paid remuneration on the total amount of funds of banks deposited on the reserve account over the settlement period, had negative effects, since it resulted in unnecessary accumulation of excess reserves. The reserves surplus, which was at KM 110 million at the beginning of June 2003, increased to KM 537 million at the beginning of December 2003. The CBBH does not expect any problems for the CBBH or for the commercial banks and expects that this Decision, which changes the remuneration policy for excess reserves, should help to invest the excess reserves into the economy.

The CBBH has informed the commercial banks in BH about its Decision. The Association of Banks of BH Federation reacted to this Decision by stating that this Decision is administrative and non-stimulating, as well as

that would cause BH banks extend their funds abroad. The Presidency of Association suggested re-examination of the new Decision of the CBBH or new solutions which would stimulate the commercial banks.

GOVERNING BOARD OF THE CBBH

Financial Plan for 2004 adopted

The Governing Board of the CBBH adopted the CBBH Financial Plan for 2004 during its meeting, held on December 5, 2003 in Sarajevo. According to this Plan, the projected total incomes of the CBBH will amount to KM 63.331.000, while the projected total expenditures will amount to KM 39.141.000. It is expected that the projected profit of the CBBH will amount to KM 24.190.000. KM 5.024.944 is provided for investments. Budget reserve for 2004, which is used for necessary, unforeseen or inadequately estimated expenditures, is planned in the amount of KM 1.000.000. The financial plan also provides KM 500.000 for loans to the CBBH employees. The Financial Plan is performed solely in accordance with the established objectives and with the amount of money which cannot exceed the plan for each item. Before the performance of each expenditure, it is necessary to determine whether the appropriate procedure, which is set out in the CBBH bylaw, was implemented.



Season's Greetings to all CBBH employees



Forecasts for 2004

According to the forecasts for 2004, the European Central Bank (ECB) interest rate will remain at two percent almost until the end of the year, when a modest increase by 25 basis points is expected. This was pointed out at the last meeting of the Investment Committee in 2004, which was held on December 22, 2003. Unlike the ECB, the Bank of England, which already has its interest rate set on 3, 75 percent, is planning to increase the rate to high 4, 50 percent, while the US Federal Reserves (the Central Bank of USA) will keep its benchmark rate at one percent until June, which would be increased to 1, 75 percent in the other half of the year after receiving confirmation

about the improvement of situation at the labor market. The ECB expects that the inflation rate will range from 1, 3 to 2, 3 percent in the next year, while in

cent, while in 2005 it should range between 1, 9 and 2, 9 percent. At the end of November the CBBH has established correspondent relations with the French

to reduce the exposure to credit risk, according to the Investment Committee, a recommendation is to gradually reduce the level of invested assets in all foreign correspondent banks down to a level of net free foreign reserves of the CBBH. The CBBH's foreign reserves are stable and amount to KM 2, 650 billion. The new decision about the method of calculating remuneration on the required reserves of the commercial banks will become effective as of beginning of the next year. The Monitoring and Analysis Department will promptly inform the Investment Committee and other bodies of the CBBH about the effects of the new decision.

Alma Hasić



ECB: Interest rate remains the same in 2004

2005, it is expected that this rate will range between 1 and 2, 2 percent. The expected economic growth next year should range between 1, 1 and 2, 1 per-

cent, while in 2005 it should range between 1, 9 and 2, 9 percent. At the end of November the CBBH has established correspondent relations with the French

THE BANKING SECTOR IN 2003

Activities aimed at the stability and strengthening

The main characteristics of the banking sector operations in 2003 are continuation of the reforms processes which were directed towards stability and strengthening of the banking system. Success of the started reforms can be illustrated with the increase of the balance amount of banks, increase in the private capital, deposit capital, credit portfolio, as well as with the increase in savings. Besides increasing the nominal amounts in assets and liabilities categories, the quality of assets increased as well. It can be stated that reforms in the banking sector are

bringing this sector closer to the modern banking. New products and international standards are

banks, which is more than 50 percent of the total number of banks. Compared to the number

banks), the number of 19 banks is a very significant improvement. It is expected that the other banks will also fulfill the criteria and insure their deposits in accordance with the Law very soon. Privatization of banks has not been fully completed, so the end of this process is expected next year. At the beginning of 2003, 40 banks were operating in BH, but their number decreased to 37, which is the additional indicator of the BH banking sector stability. Twelve branches and three subsidiaries of commercial banks are operating in Brčko District.

Ljiljana Marjanović



Nineteen banks are members of the Deposit Insurance Program

increasingly present in the banking sector. The Deposit Insurance Scheme currently includes 19

of banks which were members of the Deposit Insurance Scheme at the beginning of this year (ten

BH expects a "passing" grade

After it has completed the first evaluation of measures for money laundering prevention in BH, Elected Committee of the Council of Europe Experts could soon publish its report and it is expected that BH will receive the "passing" grade. The first evaluation of the money laundering prevention measures in BH by this Committee was completed in November 2003, when members of the Committee held meetings with all relevant state and entity institutions. The Committee Delegation also visited the Central Bank of BH (CBBH), where CBBH representatives informed them about activities and measures undertaken in this domain. Namely, during 2003, responsible institutions in BH have started activities of connecting and exchange of the experiences with the international associations in the domain of money laundering. With its admission into the Council of Europe, BH automatically became the member of the Elected Committee of the Council of Europe Experts for the evaluation of measures for the prevention of money laundering. This Committee is made of three representatives of each

member country, representatives of the UN, IMF, World Bank, EBRD, Interpol and the World Association of bureaus that work on the prevention of money laundering. The headquarters of the Committee is in Strasbourg, which is also the place where Secretariat is located. The Committee holds three plenary meetings over one year and assesses the condition of measures in member countries as well as their improvement. Obligations of member countries are to sign and ratify all conventions which are adopted in this domain, as well as to observe 40 recommendations of the Working Group for the Financial Action. BH has not become yet the member of the World Association of Bureaus that work on the prevention of money launde-

ring, since it has not yet fulfilled certain conditions, such as adoption of the state-level Money Laundering Prevention Law and establishing of the Money Laundering Prevention Bureau. Only after it fulfils these conditions, which is expected to happen next year, BH will become the member of this Association. The CBBH has the coordinating role in activities in the field of the money laundering prevention, but as of recently it increasingly participates in these activities. Therefore, the Single Registry of Banks Accounts is being prepared, as one of the measures which should be used for money laundering prevention. Laws on the intelligence services and on prevention of money laundering, which should be adopted soon, pro-

vide establishment of the Financial Intelligence Unit, which is the office which would carry out all activities regarding the prevention of money laundering. This Unit will also join international associations and it will cooperate in the information exchange. Simultaneously, changes are being prepared in laws related to the criminal procedure, confidentiality and exchange of information, banking and registration of companies, as well as measures, such as training and informing of public, international cooperation and other operational measures that aim to establish a higher level of order in this domain in BH and synchronization with the European standards.

■ Sadik Kadrić

Term "money laundering", in the broader sense, means all activities that aim to put the money, which was acquired illegally, into the circulation with the coverage of its true origin. The purpose of this is to use that money later like the money which was acquired legally. Considering this, prevention

of money laundering means activities and measures that are being undertaken by some bodies or institutions in order to eliminate this process, or to reduce its effects. More significant activities in BH in this field, begun in 2002 with the establishment of the Working Group at the level of BH which aimed to

improve measures in the field of preventing money laundering, as well as of an organized crime in later stages. This working group is made of representatives of the responsible ministries, banks, CBBH, banking agencies, BH institutions involved in the prevention of money laundering and representatives of the international community.

IMF RECOMMENDATIONS

Main challenges still ahead

Although a significant progress has been made over the last several years, main challenges are still ahead. This was the statement of the International Monetary Fund (IMF) after the last session of negotiations with the representatives of the BH Government. Since 1995, the real GDP has tripled, merchandise exports increased nine times, while foreign reserves increased and now they provide four-months imports coverage. With the support of the Currency Board Arrangement, the inflation has stabilized, while the banking sector has been almost completely privatized. As a part of its recommendation to BH authorities, the IMF stated that 2004

would be a decisive year, which, if everything went well, would be remembered as the year during which the preparation for the main reforms was replaced with the implementation of those reforms. The four most important reforms should start soon: the new indirect taxation framework, solving of the internal claims issue, reform of defense and measures in accordance to the six-month Action Plan and Development Strategy (PRSP). Establishment of commercial courts and intensive training of judges and liquidation managers will be started with the help of the United States Agency for International Development (USAID). Also, urgent reforms

were recommended in the regulations for managing privatization-investment funds. Another issue which requires urgent attention is the revision of mechanisms for setup of salaries scale, in which special attention needs to be paid to the establishment of rules for the access to the labor market. According to the IMF recommendation, budgets for 2004 have to be planned in accordance with the current account deficit. Regarding the monetary area, policy should be continued in the same direction of strengthening of the newly created slowdown of credit growth. In that sense, the IMF supports the Decision of the CBBH to reduce the remuneration on

excess reserves as of January 1. The IMF also welcomed the CBBH's intention to keep the same level of the required reserve rate, which needs to be supervised and reacted on in accordance with development of events. Reforms of the banking regulations which began in 2003 are progressing. In cooperation with banking agencies, banks should implement plans through which they will adapt their foreign exchange exposure and liquidity ratios to upper limits. It is expected that, by the end of 2004, most of the commercial banks will join the Agency for Deposit Insurance of BH and those that fail to do so will lose their operating licenses.

There is no single supervisory model for all countries

There is no single supervisory model to be appropriate and efficient for all countries. This was the message of the global conference "Aligning Financial Supervisory Structure with Country Needs", which was organized in Washington D.C. by the World Bank (WB) on December 4 and December 5, 2003. The Conference gathered financial supervisors from around 60 countries as well as the staff from the WB and International Monetary Fund (IMF). Participants from Bosnia and Herzegovina were Directors of Banking Agencies, **Dužanka Novaković** and **Zlatko Barš**, as well as **Renata Barić** from the Central Bank of Bosnia and Herzegovina (CBBH). The topics of the conference proved to be relevant and of great interest both for countries that recently have undergone an institutional change in supervision and for those which, like BH, are yet to

face reorganization of supervision. As without financial stability there is no sound and developed

supervision in Great Britain, Hungary, Estonia as well as interesting, although solitary example

"talk and share" as stressed by **Stefan Ingves**, Director of Monetary and Financial Systems Department, IMF. Key elements for selection of efficient model of supervision and its successful implementation are: needs and size of financial sector of a country, strong management team, quick implementation of supervision reform and, above all, appropriate level of political independence of a regulator as stressed in the speech by **Howard Davies**, former Chairman of Financial Services Authority (FSA), United Kingdom. Therefore, in countries with a political system in which it is difficult to ensure independence of a regulatory body from the government or the governing political party, it may be that the most efficient model is the one with a central bank having the role of a regulator.



economy, selecting the right supervisory model is an important strategic decision for a government or financial authorities of any country. Through presentations and speeches of distinguished financial experts and academics and active involvement of participants, the conference has attempted to provide an answer to a question how to select the most appropriate regulation and structure of supervision to suit the country needs. The participants had the opportunity to hear the experiences of the integration process of financial

of El Salvador where supervision reform has gone into other direction, towards disintegration of mega regulator into separate regulatory bodies. Although following establishment of single financial regulator in Great Britain, a form of integrated or unified financial supervisor has been a growing trend, the main message of the conference is that there is no single supervisory model to be appropriate and efficient for all the countries. Supervision reform can be efficient only if there is consensus among all the parties involved i.e. the principle

■ Renata Barić

COINS

New volume of 10 and 20 fening coins

The Central Bank of BH (CBBH) has decided to have additional quantities of coins in denominations of 10 and 20 fening minted. The plan is to mint ten million pieces of coins for each denomination (10 and 20 fening).

Coins will keep the existing design which will only require engraving of the new year of minting. Minting of 10 and 20 fening coins will be carried out on the basis of the Decision of the Governing Board of the CBBH. In order to obtain bids, the CBBH has announced the tender, which was closed on December 31, 2003.



Iranian bankers in Sarajevo

With the aim to gather information about the possibilities for investing in the BH banking system

Bank's business network in Europe and Asia. During the meeting in the CBBH, guests were interested in



and possible opening of the branch of bank in our country, General Director and Governing Board member of the Iranian "Saman" Bank visited the CBBH on December 12, 2003, where they met with Vice Governor **Dragan Kovačević**. Arrival of Iranian bankers to Sarajevo is the part of the expansion policy of "Saman"

rights and obligations of banks' founders in BH, legal framework for the banking system, as well as in the coordination of CBBH with the banking agencies. Vice Governor Kovačević stressed that the CBBH is directly responsible for maintenance of the payments system of BH, that it sets out the reserve requirement, which BH commercial

banks have to deposit in BH, and added that in that process the CBBH has a very good coordination with the banking agencies that are directly involved in the supervision of banks. Vice Governor pointed out that the CBBH's role in the BH banking system has been clearly defined in the CBBH Law and, after guests' question, added that the CBBH Law prevents the CBBH from acting as a lender of last resort. Kovačević added that the clear and good legal framework has helped the successful reform of the banking system. The fact that strong foreign banks have entered the BH banking market means that the banking system of BH has transformed itself through the reforms process into the investment-attractive area. In addition to questions regarding the general role of the CBBH in the banking sector, Iranian guests were also interested in the monetary policy in BH. They were especially interested in the future of the Currency Board

Arrangement in BH. "We think that the Currency Board Arrangement will stay the way it is until we enter the European Union (EU) and accept the euro", said Vice Governor and invited Iranian bankers to come and invest in BH. Representatives of the "Saman" Bank were very pleased with the situation in the BH banking system and announced that the expert team from their bank would come to BH soon, in order to work out the technical details regarding the opening of their branch. The "Saman" Bank is a very young bank, which exists for only three years and is one of four private-owned banks in Iran. The bank operates in accordance with the modern principles of world banking and its services include on-line banking. During their visit, Iranian bankers also met with representatives of the Ministry of Finances and Treasury of BH, Banking Agency of the BH Federation and representatives of several commercial banks in BH.

POSITIVE ESTIMATE OF THE PAYMENT SYSTEM OF BH

Payment system in BH is evaluated as extremely successful efficient and compliant with the Core Principles for systematically important payment systems of the Bank for International Settlements (BIS) in Basel. This is one of the main conclusions of the "Report on BH payment systems" and compliance analysis with international standards, which was presented during the session of the BH Payments Council (NPC), which was held on December 4, 2003, in the CBBH in Sarajevo. The Report was made by the Financial Services Volunteer Corps and its consultant **Leonard Femelius**, who had been previously engaged in the payment system reform. Even with positive estimate, members of the NPC agreed that the existing payment system needs to be continuously upgraded and modernized in order to continue to function in accordance with international standards and principles. So the NPC decided that two working groups would be established: the Working Group for Legal Issues, which would discuss the relevant legal framework, suggest necessary changes, amendments and harmonization, set implementation deadlines, while the other group, the Operational Working Group, would deal with technical issues, operational and other rules in the payment systems as well as its implementation in practice. The

Report also suggested setup of the Disaster Recovery Plan for operations in contingencies, which the CBBH has already fully implemented. The high priority in the Report was given to the establishment of the Single registry of transaction bank accounts. The draft proposal of such registry was presented to the NPC. Members of the Council, especially Bank Associations' representatives stressed that the establishment of the registry as one of the key tasks in providing the efficient functioning of the payment system in the country. The NPC will intensify work in future in order to provide continuance of the successful process of improving the payment system in BH, which will be significantly fostered by the existence of Banking Associations of BH Federation and RS, which will provide full representation of the banking sector in discussions on all relevant issues in the payment system domain. Another conclusion reached at the NPC meeting is that the special web page will be installed which will serve as a portal through which the general public will be informed about the NPC's work as well as all other document in the field of payment systems.

PRESENTATION OF GOVERNOR NICHOLL AT THE LONDON CONFERENCE

The stability of the KM has been an important element in increasing the level of foreign direct

investment coming into BH, said the Governor of the Central Bank of BH (CBBH) **Peter Nicholl** during his presentation to the participants of the Second Business Conference in London, which was held today, December 9, 2003. Organizers of this conference were Foreign Investment Promotion Agency (FIPA) and the Embassy of the Great Britain in BH. According to the data which Governor presented, foreign direct investments over the first six months of this year were more than KM 247 million. "We think that these figures actually understate the amount of foreign investment that has come into BH over the last few years. The CBBH recently initiated a survey of 900 companies in order to try and get more up to date and accurate data on foreign investment into BH", the CBBH Governor said. During his presentation, Governor Nicholl focused on the commercial banking sector and stated that BH has an improving banking sector. The strong growth in bank credit led the CBBH in June 2003 to take its first ever monetary policy action related to the reserve requirements. Competition in the banking sector is now very real, helped by the arrival of some good foreign banks. Proportionately, foreign investment in the banking sector has been higher than in any other sector in BH, Governor Nicholl said. Bank interest rates on lending have fallen substantially

under the pressure of increased competition, but are still relatively high. They have fallen steadily since 2001, when they were over 20 percent, so the average short term rate in August 2003 was 10, 43 percent and the average long term lending rate was 9, 33 percent. "I expect this downward trend in interest rates to continue", Governor said. He stated that payments system reform, minimum capital requirements, deposit insurance, competition that was created with the arrival of foreign banks and privatization of government owned banks were the main changes that have brought improvement in the BH banking sector. The BH banking system has still not completed its transition to becoming a modern European type banking system, but it is well on the way. "I think that most people will be surprised by how quickly the banking system will continue to change and improve", Governor Nicholl said. The Governor concluded his presentation at the Conference, which aims to improve and promote economic cooperation between BH and Great Britain and to attract foreign investors, with the statement that the environment for private investment has improved but is still far too complicated. "This is where the attention of BH politicians and international consultants needs to be directed", Governor concluded.

Majority of seminars organized by the IMF



By Adela
Lincender

Coordinator of the Giro Clearing Section **Sead Bijedić** attended a seminar from December 10 to December 12, 2003, entitled *"Seminar on innovations in payment systems and financial markets: Italian experience and European trends"*. The seminar was organized by the Banca d'Italia in Perugia. Banking Supervision Coordinator in the Office of the Governor **Ljiljana Marjanović** attended a seminar entitled *"Banking Supervision: today and tomorrow"*, which was organized by the Austrian National Bank from December 1 to December 4, in Vienna. Translator in the Governor's Office **Renata Barić** attended a seminar entitled *"Harmonizing of the supervision's structure with the state's needs"*, which was organized by the World Bank (WB) and held in Washington DC from December 2 to December 7, 2003. During 2003, employees attended 112 different seminars and some of employees attended different types of trainings. It is noticeable that the largest share of seminars that were attended in 2003 was organized by the IMF. The CBBH employees attended 22

seminars which were organized at the Joint Vienna Institute, while one seminar was organized in Dubai. The CBBH employees participated in three conferences, two seminars and one forum, which were organized by the Bank of Austria. They also participated in seven seminars and two conferences that were organized by the Bank for International Settlements (BIS), while the European Central Bank (ECB) organized one conference and one Forum. The CBBH employees also participated in the expert meeting about SWIFT which was organized by the La Hulp from Belgium and to one highly ranked Conference in Cambridge. The CBBH employees also participated in six seminars which were organized by the Deutsche Bundesbank. Possibility for the additional training was offered to the CBBH employees by the Bank of France, Bank d'Italia and Czech National Bank, with each of those banks organizing two seminars, while the Andragoški Centre from Zagreb and US Agency for Development (USAID) organized one seminar each. The same number of seminars had been organized in Beatenberg in Switzerland and most of them were about the banking supervision and risk management. The CEF from Ljubljana enlarged the offer of its semi-

nars in 2003, so the CBBH employees participated in 10 of those seminars aimed mostly for Departments for Economic Research and Statistic. The CBBH employees also participated in the work of the Forum on personnel activities, which was organized by the Bank of Bulgaria, as well as the seminar on the Albanian economy which was organized by the Bank of Albania and the seminar which was organized by the Bank of Netherlands. A lot of seminars about banking were organized in BH and most of them were focused on accounting and finances. One of seminars which were especially noticed was the seminar *"Statistic of the Governmental finances"*, which was organized by the Department for the Statistics of Governmental Finances of the Foreign Debt and Real Sector. Besides the CBBH employees, this seminar was also attended by representatives of institutions with the field of work which is closely connected to topics which were covered by those seminars. As a conclusion, the a.m. seminars, forums, conferences played the significant role taking into account new experiences and knowledge which the CBBH employees gained and their satisfaction with topics, lecturers as well as the organizers.

Regular salaries through the commercial banks

We remind all the CBBH employees that the CBBH will, as of January 2004, carry out



payments of salaries and other regular monthly allowances for its employees (such as transportation and meal allowances) through the commercial banks. Therefore, it is necessary for all employees that have not opened their own bank account in one of the commercial banks by now, to do so in any available commercial bank at their choice. They also have to fill in the statement form in which they will inform about the bank they have chosen and the number of their account. They have to send in those forms to the organizational unit which deals with the accounting and payments of salaries by January 20, 2004 at latest. This decision also applies to the members of the Governing Board and Auditing Committee, who also receive monthly allowances from the CBBH.

EMPLOYMENT

The CBBH employed 15 new staff members this year



By Anđa
Bijeljic

On December 23, 2003 Economist-trainee in the Monitoring and Analyses Department **Maša Čengić** took her trainee exam, which she passed successfully. After the employee passes the trainee exam, the Governor makes the Decision about the assigning of the employee to the appropriate post. December 31, 2003 is the last day on duty for our co-

league **Sadeta Halilbašić**, who works at the Department for Accounting and Finances. Namely, she has 40 years of working experience and she will retire. The CBBH staff wishes her all the best. In December there were no new employments in the CBBH. No one has left the CBBH and no employees shifted to the other posts. Since the beginning of 2003, the CBBH employed 15 new staff members. Twelve of



Sadeta Halilbašić

them are permanently employed while three employees are employed for the definite period of time. One employee, who was employed for the definite period of time, had his contract extended for additional 11 months, which started on April 1, 2003. So, the CBBH has four employees that are engaged for the definite period of time. During 2003, the CBBH has not employed any new

trainees. No one has retired, or left the bank in any different way, but the CBBH has lost **Milanka Golijanin**, who died in April, at the age of 41. Her colleagues still remember her. The CBBH will conclude this year with 264 employees, out of which, 260 are employed permanently, while four employees are employed for the definite period of time. A large number of the CBBH employees has a university diploma or two-year post high-school education. 136 CBBH employees have university diploma, while 28 have completed the two-year post high-school education.

THE NEWS FROM THE MAIN UNITS AND BRANCHES

Summarizing main operations in 2003, here is the review of the most significant activities in the Main units and branches.



During 2003, the Main Unit Mostar continuously worked on the development of the successful cooperation with the commercial banks and stimulated increased usage of the KM. With cooperation with the authorized graphologist, the Main Unit Mostar worked on the discovering and prevention of putting of counterfeit banknotes into cash flows of the payments system. Assets which were approved by the 2003 budget were spent rationally. Over the period from December 8 until December 12, the Office of the Comptroller General performed the audit of the Main Unit Mostar business operations.



The number of banks decreased in RS because of merging. Agroprom Bank a.d. Banja Luka is merged to Nova Bank a.d. Bijeljina. Privredna Bank a.d. Brčko is privatized and merged to Pavlović International Bank a.d. Bijeljina, and Privredna Bank a.d. Doboj is also merged to this bank which is previously privatized. Receivership is introduced in Privredna Bank a.d. Srpsko Sarajevo. VB Bank Banja Luka, Zepter Komerc Banka a.d. Banja Luka and Razvojna Bank Southeast Europe a.d. Banja Luka are included in program of deposits insurance in the BH Agency for deposits insurance. Kristal Bank a.d. Banja Luka changed its name into

Hypo Alpe Adria Bank a.d. Banja Luka. In compliance with Agreement and Annex on the Agreement concluded between the CBBH and National Bank of Serbia, there was the first purchase of the KM banknotes based on the exchange operations in Republic of Serbia. With the employment of six new workers, out of which five are security guards and one person is the receptionist, the internal security of the MBRS Banja Luka was established. During 2003, ending on December 25, expert analysis on 642 pieces of banknotes and 2 pieces of coins, which were suspected to be counterfeits, were carried out. All requests for expert analysis were processed and results of those expert analyses were sent to the interested parties. As of December 24, the MBRS Banja Luka sold total of KM 503.645.896, 17, while over the same period it purchased KM 347.867.593, 09.



21 banks have opened reserve accounts in the Main Unit (MU) Sarajevo. All banks maintained the required reserves at the defined level, but after 30 June that level exceeded the required level. The latest balance of the all reserve accounts, ending on 18 December, was KM 509.767.877, 82. KM 913.213.532, 52 was sold to the banks and KM 696.635.533, 70 was bought from the banks. Purchase of the EURO cash for the foreign currencies amounted to KM 25.833.013, 68 and 51.793,69 KM was charged as the fee. Three deposit accounts with two sub accounts have been opened and six special deposit accounts and ten different reports of the banks are collecting for statistic and analyze needs. KM 291.743.776, 50 of cash was deposited by banks in Treasury and

KM 650.561.523, 50 was withdrawn in 2003. The all above - mentioned activities are regularly recorded and delivered to the authorized Sections. The CBBH Governing Board adopted Decision for adaptation of the business premises and equipping of the MU Vault in Mehmeda Spahe 3 Street. The movement is expected at the beginning of 2004. The MU Sarajevo has 21 employees.



Due to the status change of Privredna Bank a.d. Doboj, the number of banks that have their reserve accounts maintained in the MB RS Pale Branch was reduced from five to four banks. The positive balance of KM buying and selling increased by 16 percent compared to 2002, so it is expected that at the end of 2003 this balance will be KM 222.000.000. The Pale Branch moved from the facilities located in "Koran" hotel into the new facilities on Pale, which are located in Milana Simovića 14 Street. In this way the bank obtained more adequate premises for its operations. New fixed assets were also purchased, and in order to make every day operations more efficient, the new ISDN line was installed. The new banking-accounting software was successfully installed. The number of workers has not increased compared to 2002, but Biljana Teletina was employed as the Economist for Market Evaluation II, based on the one year contract. Expenditures were strictly controlled, so it is expected that the expenditures in

2003 will be 13 percent smaller than planned, which represents savings in operations of the branch and it is contribution to more successful financial result of the CBBH.



The entire 2003 was characterized by the successful activities of Brčko Branch, with good cooperation with all the organizational sections of the CBBH and representatives of Brčko District BH Government, as well as with the regional office of OHR in Brčko. In accordance with the Law on banks of Brčko District BH, the branch started this year to register the banks in Brčko District BH into the bank registry. In order to improve treasury operations, the new garage was built and the new video surveillance system was installed. During December 2003, the Branch continued performing its regular activities. Preparations for the purchase of the new power generator and guard booth are underway. Comptroller General Jasna Halibegović and Comptroller Milosija Drakulić performed the audit of the Branch operations on December 16 and 17. Manager of Brčko Branch Mirzeta Arnautović and the member of the Inventory Commission Dževad Arifović attended the meeting in the Central Office of the CBBH, which was organized in order to agree on the activities regarding the Annual Inventory. Mirzeta Arnautović also attended reception which was organized by the member of the CBBH Governing Board Manojlo Ćorić.

Where will you celebrate the New Year's Eve?

We asked the CBBH employees where they are going to celebrate the New Year's Eve. Here are some of answers we got: Governor Peter Nicholl will spend the New Year's eve with his wife and friends on New Zealand; Economic Analyst in the Economic Research Department Dejan Kovačević with friends in the Coffee Bar "Victoria"; Monetary and Financial Sector Statistics Section Coordinator Snežana Janjić at her home; Librarian Đina Batinić with her family in Livno; Officer for Personnel Affairs I Samira Dupovac in Dubrovnik, which is the place where Comptroller General Jasna Halibegović and Manager of the Accounting and Finances Department Nino Gregović are going to spend their New Year's Eve as well; Economist in the Monitoring and Analysis Department Maša Čengić in "Colosseum", which is also the

place where Administrative Assistant Danijela Golijanin will spend her New Year's Eve with her boyfriend and other friends; Administrative Assistant Maja Kovačević with her friends on Jahorina; Language Editor Ema Mundžehasić with her family in Mostar; IMF Advisor Noel Atcherley in Australia; Banking Economist in the Main Unit Mostar Vera Luburić with her family; Manager of the Brčko Branch Mirzeta Arnautović in "Grand Posavina" Hotel in Brčko; Banking Economist in Brčko Branch Almira Mujačić at Igman Mountain; Security Worker in the MBRS Banja Luka Eniz Đonlagić will spend the New Year's Eve working; Coordinator of the Common Affairs Division Almira Selimović in Belgium with her family; Secretary - Translator Vildana Popovčević with her family and friends in Dobroševići. Have fun everyone!!!



Giving of the New Year's presents to CBBH kids - Sarajevo, December 22, 2003



CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Monthly Balance Sheet (temporary) as of 30th November, 2003
Explanation

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

Some of specific features of the Balance Sheet as of 30th November are as follows :

On 30th November, the Bank met all requirements of the Currency Board rule as mentioned in the Article 31 of the Law. Status of Net Foreign Assets exceeds its Monetary Liabilities in Konvertibilna Marka (KM) by KM 151,567,482. This has been shown in the item Net Foreign Exchange Assets minus Monetary Liabilities.

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

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

The Bank's foreign deposits incur income for the Bank from interest.

Monetary liabilities, represent to larger extent the liability of the Bank for KM currency in circulation (KM 1,669,532,022) and resident banks, reserve deposits (KM 823,996,583).

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

As depositary for membership of Bosnia and Herzegovina in the IMF, the Bank presents IMF accounts No.1 and No.2 as foreign liabilities in its Balance Sheet and holds securities of the Government of Bosnia and Herzegovina related to the membership. Acting in the same time also as fiscal agent on behalf of the Government in its relationship with the IMF, the Bank records the funds and liabilities of the Government related to the membership in the trust accounts separated from Balance Sheet. By consolidation of all accounts related to the membership of Bosnia and Herzegovina in the IMF, liability as net member position in the amount of KM 225,833,122 is calculated.

The Bank also maintains certain accounts in foreign currencies in terms of agreements concluded between the Government of Bosnia and Herzegovina and foreign governments and financial organisations, as well as foreign currency accounts of the state institutions and agencies for which the Bank acts as an agent. As these accounts does not appear to be either assets or liabilities of CBBH, they have not been included in the above mentioned balance sheet. Total amount of funds held in on these accounts was KM 253,737,310.

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


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

CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Monthly Balance Sheet (temporary) as of 30th November, 2003
(amounts in KM equivalents)

ASSETS		Total Amount	EUR	Other Currencies
1	Foreign Exchange Assets	2.669.230.669	2.666.465.083	2.765.586
1.1	Cash	34.043.764	34.018.030	25.734
1.2	Short term deposits	2.634.054.493	2.632.447.053	1.607.440
1.3	SDR in the IMF	1.132.412	0	1.132.412
2	Other Assets	72.775.367		
TOTAL ASSETS (1 + 2)		2.742.006.036		

LIABILITIES		Total Amount
3	Monetary Liabilities	2.516.612.321
3.1	Currency in Circulation	1.669.532.022
3.2	Credit Balances of Resident Banks	823.996.583
3.3	Credit Balances of Other Residents	23.083.716
4	Liabilities to Non Residents	1.050.866
5	Other Liabilities	10.654.798
6	Capital And Reserves	213.688.051
TOTAL LIABILITIES (3+4+5+6)		2.742.006.036

Net Foreign Assets minus Monetary Liabilities (1 - 3 - 4)		151.567.482
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Jasmina Halilbegović
Comptroller General


P.W. Nicholl
Governor
Sarajevo (date) 22.12.2003.