



## MEETING ON SECURITY OF MONEY TRANSPORT



# Implementation of the Best Quality Security Solutions

On 19 December 2007, at the initiative of the Central Bank of BH (CBBH) and in the CBBH building, a meeting was organized entitled “Security of the Money Values in Preparation, Transport and Handing Over in the Central Bank of BH, Between

the Central Bank of BH and Commercial Banks”. Participants of the meeting, representatives of the CBBH, Banking Association of BH, commercial banks, security agencies, Ministries of Internal Affairs of both BH entities and the International Airport Sarajevo, stressed during discussion on the situation of general security in the implementation of security measures related to money values and the escorting persons, starting from own experience and knowledge. The message from all discussions was to look for and to implement the best quality security solutions that, first of all, are seen in the preventive actions. After discussion, the Working Group made conclusions. Considering the fact that the most commercial banks deposit the surplus of cash in foreign currency out of BH borders, it was concluded that the CBBH Governor will initiate adoption of the Decision on decreasing of fee percentage for taking out of the foreign currency of the commercial banks, organized by the CBBH. In this way, the number of transports would be decreased, and, by that, the risk degree of the potential robberies. In the upcoming period it is necessary, in normative and practical senses, to achieve a minimum of security, which will be obligatory for the commercial banks, the CBBH and other state authorities included in certain way in the transport preparation process and the taking over of cash. Activities regarding this issue should be initiated and directed by the BH Banking Association, i.e. Commission for Security with support of other entities, included in a certain way in preparation of the escort or taking over of the cash. Participants of meeting stressed that current legal enactments are not respected in practice, entirely, those defining measures, operations and activities in preparation, transport and taking over of values.

Continuation on the next page



The CBBH Governor reminded on several robberies, which took place in close or remote surrounding during last years. On March 2003, the Central Bank of Iraq was robbed, and USD 900 million and Euro 100 million were stolen on that occasion. On August 2005, the Central Bank in Fortaleza was robbed in Brazil and USD 67, 8 million was stolen. On December 2004, in North Ireland, the Northern Bank was robbed and USD 50 million was stolen. On November, 2005 there was breaking in the SKB Bank, in Slovenia, in the center of Ljubljana, owned by the French bank Societe General, where 3200 deposit's boxes were located. Information on the number of robbed deposit boxes or the amount of robbed value have not been published yet.

Those events are related to non respecting of the set measures for data confidentiality protection on sending or taking over of cash (crypto protection is not in use), then non respecting of the anticipated deadlines for the announcement sending, i.e. way of their changes. In regard with that, it was concluded that it is necessary for all commercial banks to fully respect defined procedures, which regulate these issues. In separate vaults of the CBBH, handing over of cash will be performed only when defined procedures, regulating these issues, are fulfilled entirely. In most cases of robberies, human factor failed, and therefore in all environments, the maximum attention should be bestowed to the continued work in increase of the security culture of all employees. Staff members working on protection and security issues should be educated and trained in continuity, both in theory and in practice. During the big thefts of cash, robbers misused uniforms, signs and vehicles of the Ministry of Internal Affairs, SIPA or international institutions. Those misuses oblige all institutions included in preparation, transport and delivery of cash to set through

the procedures and to implement additional measures of the mutual checks during taking over, control and escorting of cash. The CBBH implements the platform for electronic inter banking money market, which will provide every day for the banks to go out with their offer and demand of cash in the whole BH area. With the application of this platform, we create the conditions for decrease of number and value of cash transports. The implementation of this platform should be considered, among other things, as the contribution to the segment of complete cash security. Aiming to further improve cash safety, it is necessary to initiate introduction of standards for the legal entities authorized for transport and protection of value consignments. Standards should regulate conditions and obligations for the legal entities during performance of these jobs. Also it is necessary to consider possibilities for using of the CBBH and commercial banks infrastructure related to security during organizing, taking over and delivery of money. These activities should be led by the BH Banking Association.

**W**hile analyzing the previous robberies that took place in financial institutions, in 90% of all cases, they happened in the standard way – assault, masked attackers, shouting, death threats to employees, escape route planned in details and hiding of traces. Before these actions took place, operations of supervision of premises had been carried out, with the analyses of the technical and physical protection measures, as well as, with the following of employees, and research for information and information carriers. Based on the statistical data, it is evident that, over the last six years, 1.100 criminal

acts of robbery took place in the financial institutions, either in institution, or during the money transport. Based on monitoring of daily newspapers, press releases of the Ministry of Internal Affairs, during advising and other meetings of the financial institutions, during which data about performed robberies were presented, 150 robberies were registered since January 1999 until October 2007, and more than KM 4.500.000 have been robbed. These robberies are only related to those that took place at bank counters. This amount is almost five times bigger when we add robberies of valuables in transport vehicles.

IN ACCORDANCE WITH THE DECISION OF THE CBBH GOVERNING BOARD

# Additional Volume of 1 KM Denomination Coins in Circulation



**O**n December 10, 2007, the Central Bank of Bosnia and Herzegovina (CBBH) put in circulation, through its Main Office and the Main Units and Branches, 1 KM denomination coins which were minted in additional volume in 2007. Minting of additional quantity of 1 KM denomination coins was done in accordance with the CBBH Governing Board Decision, dated July 31, 2007. Coins will keep their original design, with the addition that on the back side of 1 KM denomination coins there will be numerical mark “2007” which is the year of minting of additional quantities of this denomination.

# Required Reserve Increases to 18%

The Governing Board of the Central Bank of Bosnia and Herzegovina has made the Decision on the increase of the Required Reserve rate from 15% to 18%. Implementation of this Decision will commence as of January 1, 2008. This Decision has been made due to significant credit growth. "To illustrate this, in October we recorded increase of lending to citizens by 30, 3%, while lending to companies increased by 31, 5%. This is the largest increase in the last two years and we considered that in this way we need to slow down the credit growth", said CBBH Governor **Kemal Kozarić** during the press conference which was held on December 4, 2007. "We are aware that we cannot stop this with one instrument, but we think that this could be a signal to commercial banks to be careful regarding the credit expansion, that is, whether those who take loans will be able to service their liabilities for the longer period of time – that is the way we look into whether this measure has or will have effect on slowdown of credit growth", Governor added. KM 11, 2 billion in loans was extended in BH, of which, KM 4, 8 billion or 43% went to private companies, KM 5, 4 billion or 48% was extended to citizens, KM 658 million or 6% to public enterprises and 3% to other sectors. "All these data clearly show that we had to make such a decision", Governor explained. The CBBH Governing Board also made Guidelines on rounding of payments in the cash payment transactions. With this Guideline, which also becomes effective as of January 1, 2008, amounts of 1 and 2 Fenings will be rounded to zero Fenings, amounts of 3 and 4 Fenings will be rounded to 5 Fenings, amounts of 6 and 7 Fenings will be rounded to 5 Fenings, while amounts of 8 and 9 Fenings will be rounded to 10 Fenings. Therefore, rounding will be performed to a smallest denomination in circulation and that is 5 Fening coin. The CBBH analysis have shown that it is not rational nor economically justifiable to mint coins in denomination of 1 Fening, since less than 5% of 5 Fening denominated coins is in circulation. Governor has once again announced the startup of operation of the inter-banking market of giro money and cash scheduled for January 2008, as well as the startup of clearing of international settlements and payments between BH, Serbia and Montenegro. Governor added that in the meantime Croatia became interested in becoming a part of this platform. In the end, Governor refused speculations on change of exchange rate between the KM and Euro. Namely, some media announced that the exchange rate of the local currency and Euro will change and that the value of Euro 1 will be KM 2, 5. Governor stressed that the exchange rate between the KM and Euro is defined in the CBBH Law, which means that it represents the legal category and that there are no possibilities to



change the official foreign exchange rate for the BH currency which is KM 1 = Euro 0, 511292, or Euro 1 = KM 1, 95583. "If someone would like to do this, we would have to change the entire procedure of the Law, which is something for which we have no basis, nor do we have any intention to do that. We think that the KM has its backing; we constantly say that it has 100% coverage and that we have KM 360 million in free foreign currency reserves, which clearly shows that it is above the coverage of the entire monetary liabilities which we have in circulation", Governor Kozarić stressed, adding that "each Fening, which is in commercial banks' channels and in citizens' pockets has its backing in solid currency and therefore there is no danger for the KM value".

**I**n average, banks held close to 21% of the Required Reserves. Close to KM 1, 2 billion was above the Required Reserve. The interest rates policy of the CBBH remains the same. The CBBH pays 1% fee on the Required Reserves, while for assets held above the Required Reserves level it pays the respective rate on overnight which is on the foreign market, Governor said to journalists.

# Operations for nine months of 2007

By M.Sc. Ljiljana Marjanović, Banking Supervision Coordinator

The BH Banking sector operations for the period from January to September 2007 continued to show growing trends, as well as, positive results of operations. Net balance amount of the BH banking sector amounted to KM 18, 55 billion, which was by KM 3, 85 billion higher compared to the end of 2006. Funds amounted to KM 6, 88 billion and compared to the end of 2006 were higher by KM 1, 62 billion, which was 37% share in total assets. Loans amounted to KM 10, 40 billion and were by KM 1, 91 billion higher with the

56% of share in the total assets. On the liabilities side, deposits amounted to KM 13, 97 billion and were by KM 3, 01 billion higher compared to the end of 2006 and their share in total liabilities was 75%. Banks' capital amounted to KM 1, 86 billion and was by KM 246 million higher compared to the end of 2006. Capital share in total liabilities was 10%.

As of September 30, 2007, 32 banks operated in BH, which is the same number of banks recorded at the end of 2006. Three banks were under receivership: Hercegovska Bank d.d. Mostar, Privredna Bank d.d. Sarajevo and Una Bank d.d. Bihać.

The number of banks in accordance with ownership structure can be seen in the following review:

	31.12.2006	31.03.2007	30.06.2007	30.09.2007
<b>Total number of banks</b>	32	32	32	32
- Of which:				
- Private banks	27	27	29	29
- State banks	5	5	3	3

All banks had a license to perform internal payments system transactions. 23 banks had deposit insurance license, 14 from BH Federation and 9 from Republika Srpska.

## Commercial Banks' Capital

Total regulatory capital (basic plus additional) in BH as of September 30, 2007, was KM 2, 17 billion and it was by KM 323 million or by 17% higher compared to the end of 2006. In the structure of the total capital,

basic capital's share was 75%, while the share of additional capital was 25%. Compared to the end of 2006, share of the basic capital has increased by one percentage point.

The structure of the capital can be seen in following review:

In KM million:

	31.12.2006		31.03.2007		30.06.2007		30.09.2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL</b>	1.853	100 %	1.912	100 %	2.017	100 %	2.176	100 %
<b>In that:</b>								
BASIC CAPITAL	1.430	77 %	1.552	81 %	1.565	78 %	1.604	75 %
ADDITIONAL CAPITAL	423	23 %	360	19 %	452	22 %	535	25 %

In the ownership structure of the capital, the state capital share has reduced from 11% to 10%. Local private capital share in the total capital amounted to 13% and, compared to 2006, that share has

increased by three percentage points. Share of the foreign private capital in the total capital was 78%. Share of the foreign private capital in the total private capital was 86%.

The structure of the stock capital can be seen in following review:

In KM million:

	31.12.2006		31.03.2007		30.06.2007		30.09.2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL CAPITAL</b>	<b>1.209</b>	<b>100 %</b>	<b>1.223</b>	<b>100 %</b>	<b>1.263</b>	<b>100 %</b>	<b>1.341</b>	<b>100 %</b>
STATE CAPITAL	138	11 %	138	11 %	135	11 %	136	10 %
PRIVATE CAPITAL	1.071	89 %	1.085	89 %	1.127	89 %	1.205	90 %
In that:								
- foreign capital	948	79 %	953	78 %	986	78 %	1.034	77 %
- local capital	123	10 %	132	11 %	141	11 %	171	13 %

Achieved capital adequacy ratio, which represents ratio of net capital and pondered risk assets, at the BH banking sector level was 16, 7

at the end of September 2007 (at the end of 2006 capital adequacy ratio was 17, 7).

## Banks' Assets

Balance assets of banks at the end of September 2007 reached the amount of KM 18, 55 billion and it was by 3, 85 billion or by 26% higher compared to the end of 2006. Assets structure has somewhat changed compared to the

end of 2006. Share of loans has reduced from 58% to 56%, while the share of funds increased from 36% to 37%. Funds increased by KM 1, 62 billion, while loans increased by KM 1, 91 billion.

Balance structure of assets can be seen in following review:

In KM million:

	31.12.2006		31.03.2007		30.06.2007		30.09.2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL ASSETS</b>	<b>14.689</b>	<b>100 %</b>	<b>15.467</b>	<b>100 %</b>	<b>17.678</b>	<b>100 %</b>	<b>18.551</b>	<b>100 %</b>
In that:								
- Funds	5.257	36 %	5.482	35 %	6.954	39 %	6887	37 %
- Investments to other banks	130	1 %	108	1 %	107	1 %	388	2 %
- Loans	8.492	58 %	9.043	58 %	9.771	55 %	10.402	56 %
- Fixed assets and premises	499	3 %	502	3 %	517	3 %	531	3 %
- Securities	54		73	1 %	58		58	
- Other	260	2 %	258	2 %	271	2 %	285	2 %

Banks still hold significant assets at the accounts of the depository institutions abroad in the amount of KM 2, 8 billion, which is 41% in comparison with the total funds. Compared to

the end of 2006, this share has reduced by 8 percentage points. Banks held KM 3, 67 billion at the reserves' accounts in the CBBH, which was 53% of the total funds.

Continuation on the next page

## Banks' Liabilities

Obligations' share in the total liabilities of banks was 90%, while the share of the capital was 10%.

The structure of liabilities can be seen in following review:

In KM million:

	31.12.2006		31.03.2007		30.06.2007		30.09.2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL LIABILITIES</b>	<b>14.689</b>	<b>100 %</b>	<b>15.467</b>	<b>100 %</b>	<b>17.678</b>	<b>100 %</b>	<b>18.551</b>	<b>100 %</b>
In that:								
- Deposits	10.962	75 %	11.468	74 %	13.418	76 %	13.970	75 %
- Liabilities by taken loans	1.565	11 %	1.721	11 %	1.902	11 %	1.940	11 %
- Loans taken from other banks	10		3		3		3	
- Reserves for potential credit losses	18		22		19		22	
- Capital	1.614	11 %	1.685	11 %	1.728	10 %	1.860	10 %
- Other liabilities	520	3 %	568	4 %	608	3 %	756	4 %

Share of deposits remained as the most significant in total liabilities with 75%, share of capital was 10%, share of liabilities by taken loans was 11%, while remaining liabilities took 4% of the share.

## Deposits

Total deposits at the end of September 2007 amounted to KM 13,97 billion and they were by KM 3,01 billion higher compared to deposits recorded at the end of 2006. Share of citizens' deposits in the structure of deposits remained the most significant with 35%, followed by the government institutions with 21%, banking institutions with 16%, private companies and

associations with 14%, public enterprises with 9% and other deposits with 5%.

Local currency deposits were by KM 1,16 billion or by 24% higher, while foreign currency deposits were by KM 1,84 billion, or by 30%, higher. Share of foreign currency deposits has increased by one percentage point.

The structure of deposits by currency is as follows:

In KM million:

	31.12.2006		31.03.2007		30.06.2007		30.09.2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL DEPOSITS</b>	<b>10.962</b>	<b>100 %</b>	<b>11.468</b>	<b>100 %</b>	<b>13.418</b>	<b>100 %</b>	<b>13.970</b>	<b>100 %</b>
In that:								
- KM deposits	4.923	45 %	5.195	46 %	5.687	42 %	6.085	44 %
- Foreign currency deposits	6.039	55 %	6.273	54 %	7.731	58 %	7.885	56 %

Share of short-term deposits in total deposits remained significant. Short term deposits participated with 65%, while the long term deposits participated with 35%. Compared with the structure recorded at the end of 2006, the share of the long-term deposits has decreased by 5 percentage points (from 40% to 35%).

Citizens' savings at the end of September 2007 amounted to KM 4,53 billion and it was by 16% higher compared to the end of 2006. Local currency savings grew by 20% rate, while foreign currency savings grew by 15% rate. Share of foreign currency savings remained significantly higher and its share in the total savings was 67%.

Review of savings by currency is as follows:

In KM million:

	31.12.2006		31.03.2007		30.06.2007		30.09.2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL SAVINGS</b>	<b>3.896</b>	<b>100 %</b>	<b>4.160</b>	<b>100 %</b>	<b>4.354</b>	<b>100 %</b>	<b>4.535</b>	<b>100 %</b>
Of which:								
- KM savings	1.250	32 %	1.342	32 %	1.443	33 %	1.503	33 %
- Foreign currency savings	2.646	68 %	2.818	68 %	2.911	67 %	3.032	67 %

## Loans

Total extended loans for the period January – September 2007 in BH amounted to KM 10, 81 billion and were by KM 1, 95 billion or by 22% compared to the end of 2006. In the structure of loans, the most significant share was taken by loans extended to citizens with 50%, followed by loans extended to

private companies with 45%, public enterprises with 2%, government institutions with 1% and 2% to other sectors. Loans to citizens have increased by 23% or by KM 1, 01 billion in the absolute amount. Loans to private companies have increased by 20% or by KM 814 million.

Structure of loans can be seen in the following review:

In KM million:

	31.12.2006		31.03.2007		30.06.2007		30.09.2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL LOANS</b>	<b>8.859</b>	<b>100 %</b>	<b>9.427</b>	<b>100 %</b>	<b>10.171</b>	<b>100 %</b>	<b>10.812</b>	<b>100 %</b>
In that:								
- Private Companies	4.063	46 %	4.328	46 %	4.601	45 %	4.877	45 %
- Public Enterprises	240	3 %	254	3 %	252	2 %	255	2 %
- Citizens	4.355	49 %	4.625	49 %	5.035	50 %	5.374	50 %
- Government Institutions	67		82		103	1 %	112	1 %
- Other Sector	134	2 %	138	2 %	180	2 %	194	2 %

## Financial Results and the Number of Employees

Total income of banks in BH for the period January – September 2007 amounted to KM 1, 1 billion and in comparison to income which was achieved over the same period of time in 2006, it was by KM 242 million or by 28% higher. In the income structure, income originating from interest participated with 71%, while operational income participated with 29%. Total expenditures of the BH banking sector for the period January – September 2007 amounted to KM 968 million and were by close to KM 195 million or by 25% higher compared with expenditures which were achieved over the same period of time in 2006. In the total expenditures, expenditures originating from interest participated with 31% of the share, while non-interest related expenditures participated with 69%. Net interest income at the BH banking sector level amounted to KM 473, 5 million. Share of the net interest income in the total income was 59%, while the share of the non-interest related incomes was 41%. Operations of the banking sector at the BH level for the period January – September 2007 were positive. If

we make consolidation of the achieved profit and loss in the BH banking sector, we get the following indexes: **The positive financial result (profit) was stated by 25 banks in the total amount of KM 146, 6 million.** (of that 18 banks in BH Federation with the stated profit of KM 117, 4 million and 7 banks in Republika Srpska with the stated profit of KM 29, 2 million). The negative financial result (loss) was stated by 7 banks in the amount of KM 8, 9 million (4 banks from BH Federation in the amount of KM 4, 0 million and three banks from Republika Srpska in the amount of KM 4, 9 million). Consolidated financial result of banks at the BH level was positive. It shows profit in the amount of KM 137, 7 million, which is by KM 45, 3 million or by 49% more compared to the profit achieved in the same period of 2006. As of September 30, 2007, BH banking sector employed 9986 workers (7200 in BH Federation and 2786 in Republika Srpska). The number of employees has increased by 822 workers or by 9% compared to the number recorded at end of 2006.



## MU SARAJEVO

In December, 2007, the Banking Section performed 68 transactions in the amount of KM 165.548.259, 16 and 23 transactions of KM buying in the amount of KM 173.383.655, 07. Net balance of KM buying-selling is negative and it is amounted to KM 7835.395, 91. Section for Vaults Operations performed 238 cash transactions. Out of total number, 145 were inflows, receipts in the value of KM 97.420.310, 00, of which 2.439.160 pieces of banknotes and 1.181.500

pieces of coins. 93 transactions were outflows, in the value of 191.989.250, 00, of which 3.848.601 pieces of banknotes and 1.086.000 pieces of coins. During this month, all commercial banks (17 banks) fulfilled the requirement of holding the reserves on reserves accounts with the CBBH. Section for Monitoring and Payment System calculated KM 3.399.907, 18 in favor of the commercial banks as the fee for reserves requirement holding. MU Sarajevo Gyro Clearing Section processed 643.311 internal payments system orders in the amount of KM 269.659.143, 77. At the request of legal and physical entities, 627 reports were issued on the balance of the transaction accounts of the legal entities from the Single Registry of Transaction Accounts and KM 3.135, 00 KM were reimbursed. Out of the total 627 reports, on the basis of data from the Registry, there were 534 reports with the data, while 93 came with the negative answer, and five information on the way of data obtaining from the Registry were provided for the needs of courts.

## MU MOSTAR

The MU Mostar in the last year performed its tasks and duties based on the CBBH Working Plan for 2007. All commercial banks, from the area of the MU Mostar, regularly and according to the CBBH Law fulfilled reserve requirements in 2007. In the Banking Section, over the period from 1 January to 31 December 2007, operations of the KM buying were made in amount of KM 466.679.444, 89 KM, and selling was done in amount of KM 745.276.928, 26. The balance of buying and selling was positive in 2007 and it amounted to KM 278.597.483, 37. Total paid fee was KM 284.519, 71. Treasury Operations Section recorded 868 orders to cashier's box for the inflow payment in the total value of KM 721.141.529, 00, and 704 orders to the cashier's box for the outflow payments in the total value of KM 693.123.055, 85. The Monitoring and Payments Section received 1.130 requests for the issuing of the data from the Single Registry of Transaction Accounts and issued certificates. A total of 3.654.686 transactions of the payment system were performed.

## MBRS BANJA LUKA

Treasury Operations Section in the last month of 2007 performed a total of 240 transactions, which is a significant growth comparing with the previous several months. There were 160 inflow and 80 outflow transactions. The total volume of the received KM cash was 1.277.131 pieces of banknotes, and EUR cash consisted of 249.459 pieces, while the volume of received coins consisted of 659.000 pieces. 1.398.724 pieces of banknotes and 382.000 pieces of coins were paid to the commercial banks. On 2007, the MBRS Banja Luka processed the total of 1.124 items, out of which 297 were related to the KM buying in amount of KM 453, 8 million, and to the sale 827 items in the amount of KM 1.042, 1 million. 514 thousands KM were paid as the fee in these operations. Cumulative net balance of the KM buying-selling had increasing trend, and it was KM 3, 06 billion on 31 December, which is the increase of 26% comparing with 31 December, 2006. Monitoring and Payment System issued 42 certificates on legal entities accounts status from the Singly Registry of Transactions Accounts. Installation of new versions of software of the back up

payment system was done successfully. The developments related to the implementation of new projects - inter banking money market and international clearing are followed up regularly.

## BRČKO BRANCH

On 6 December, the CBBH Governor and Vice Governor **Kemal Kozarić** and **Ljubiša Vladušić** visited the CBBH Branch in Brčko, where they had a discussion with Coordinators of Sections and Manager of the Branch about business operations. Treasury Operations Coordinators of all the CBBH organizational units and the CBBH HO Division for the Vaults Operations had a meeting in the premises of the Branch on 6 and 7 December. Installation of program modules and the testing was done. Employee **Jasminka Burić** attended meeting, held on 27 December in the Head Office of the CBBH in Sarajevo, as a member of the Project Team for the implementation of project "Introduction of Standards for the IT Security-ISO 17799/27001". On 10 December, employee **Amra Vilić**, as a Chairman of the Commission for Money Assets Inventory in Branch attended instructional meeting on the implementation of Decision on Inventory of Assets, Assets Resources, Obligations and Claims of the CBBH. The meeting was held in the premises of the Head Office of the CBBH in Sarajevo. Audit of the operational procedures has continued in the Branch and the Procedures on Fixed Assets Acquisition were completed according to the Plan of Acquisition for 2007. On 19 December, the Branch employee **Sead Ibršimović**, as the coordinator of the Security Section, attended the meeting in the Head Office of the CBBH in Sarajevo, where the security system was discussed. During December, index of the KM outflows significantly increased in comparison with November: index of KM transactions outflow number was 140, 43, in the value of 151, 94. Index of the EUR inflows transaction number was 175, 86, in the value was even 237, 85. Comparing data on the performed number and value of transactions in the dislocated vault and considering that the work process was never ceased in the conditions of the intensive construction works, the following conclusions can be made: index of the KM inflow number in 2007 comparing with 2006 amounted to 103, 44, while index of the KM inflow value amounted to KM 112, 06, index of the KM outflows number was 92, 11, while the index of the KM outflows value was 112, 99. All jobs related to the collecting of offers and conclusion of the Agreement were done in accordance to the By Law on Acquisition and Material Operations in the CBBH. In 2007, the overall reconstruction project and additional construction of the CBBH Brčko Branch was completed, and the Permit on using premises was obtained. At the end, the CBBH Brčko Branch congratulates to the CBBH Governing Board, CBBH Management and all colleagues successful ending of 2007 business year, very successful organization of celebration of the CBBH 10 Years' Anniversary and wishes success in the work and personal happiness in 2008.

## PALE BRANCH

During December 2007, the MBRS CBBH Branch Pale performed 27 transactions of the KM buying/selling, out of which 22 KM transactions were related to selling, in the amount of KM 4, 9 million and five transaction of the KM buying in the amount of KM 5, 6 million. In comparison to the same period of the previous month, the number of the KM buying-selling increased by 29%. The number of the KM buying is the same as it was in the previous period, while the number of KM selling increased by 37%. In the same period, the fee charged on the KM selling was KM 9.712, 00 KM and it increased by 47% in comparison to the previous month. Balance of the KM buying and selling decreased by KM1, 0 million or by 0, 3 index points. Number of the KM deposits decreased by 16 index points and number of the KM outflow payments increased by 3%. The number of received requests into CAS decreased by 9 index points, while the number of inter-banking transfers increased by 25% in comparison to the previous period. KM deposits of commercial banks decreased by one index point, while deposits in other currencies increased by 1% in comparison to the previous period. The average balance on the reserve accounts of commercial banks decreased by four index points and all banks fulfilled reserves requirement.



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

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

**DTP editor:** Almir Salihović;

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

GOVERNOR AND VICE GOVERNOR OF THE CBBH  
IN VISIT TO THE NATIONAL BANK OF SERBIA



Governor of the Central Bank of Bosnia and Herzegovina (CBBH), **Kemal Kozarić** and Vice Governor of the CBBH, **Ljubiša Vladušić** have visited on 7 December the National Bank of Serbia (NBS) and participated in the forum discussion with Governor of the National Bank of Serbia **Radovan Jelašić** and the senior management of the bank on the current issues related to both central banks. The Governors exchanged

information on the progress of the project of establishing the payment operations among Bosnia and Herzegovina, Serbia and Montenegro, and they also used the opportunity to exchange experiences related to the behavior of the market in their countries in respect of recent price shocks at the world market. One of the discussed issues was also a large credit expansion in the region, and the steps taken by central banks related to this issue. The CBBH has recently made a decision on increasing reserve requirement for commercial banks from 15% to 18%. "We are aware that this decision by itself cannot force the banks to reduce the credit expansion, but it certainly sends a clear message both to banks and representatives of authorities", Governor Kozarić said. He also informed the Governor of the NBS on the recently completed CBBH Needs Assessment Program and the experiences of the CBBH related to the realization of that program, as the next year the NBS will also go through that program. A special focus in the discussions was on the successful cooperation which these two central banks have in the process of exchange of experiences, and the study visits of bank representatives related to the exchange of experience in the functioning of the vault and payment systems were mentioned. Such exchange of experience proved to be very successful, so their organization will be continued, as well as the expanding of the area of exchange of experience. On this occasion, Governor of NBS, Jelašić gave Governor Kozarić a collection of coins and banknotes issued from 1918 to 1992, which will be a

part of the permanent numismatic setting in the CBBH. During the visit, Governor Kozarić gave a lecture on the subject „Models of Monetary Policy and Financial Sector in BH“, which was attended by the students of the Faculty of Economics in Belgrade, and trainees and staff of the NBS.

CHAIRMAN OF BH PRESIDENCY  
VISITED THE CBBH



Chairman of the Presidency of Bosnia and Herzegovina **Željko Komšić** has visited on 13 December 2007, the Central Bank of Bosnia and Herzegovina, whose officials informed him about the work and results of this institution. The CBBH Governor **Kemal Kozarić** thanked to the Presidency of Bosnia and Herzegovina for the support which the CBBH received during the ten years of its operations. While presenting the work

results, Governor Kozarić emphasized the importance of maintaining the monetary stability in an unstable economic and political environment. Preliminary results show that, this year, the CBBH will make a profit amounting to around KM 140 million, out of which around KM 60 million, according to the CBBH Law, will be allocated into to the budget of the state institutions. Governor also emphasized the constant growth of the foreign reserves, as well as the fact that the high foreign trade deficit is not financed at the expense of foreign reserves. During the discussion it was stated that, in order to achieve the economic progress of the country, it is necessary to work both on monetary stability and fiscal stability, and to establish better coordination between the monetary and fiscal area. This discussion was also attended by the Adviser to the Chairman of the BH Presidency for Economic Issues, **Boris Tihi, Ph.D.**, and the CBBH Vice Governors **Anka Musa, Feriha Imamović** and **Ljubiša Vladušić**. After the discussion, the Chairman of BH Presidency, also visited the currency exhibition and the vault of the CBBH.

INFORMATION



We inform employees in the CBBH Main Office that they are required to observe current regulations banning the usage of tobacco products in the CBBH premises, with the exception of specially designated places for such purpose in the CBBH. Besides employees, these regulations also apply to persons who visit the

CBBH premises, regardless of the purpose of their visit. Rules on limiting usage of tobacco products in the CBBH set conditions for the usage of tobacco products, and failure of employee to observe those rules represents a severe violation of discipline. According to the Governor's order, it is required to observe the current regulation on smoking ban. The Common Affairs Division will mark premises where usage of tobacco products will be allowed, so the attention has to be paid on observing of the "no smoking" sign, wherever displayed.

EMPLOYMENT

New Administrative Assistant in  
the Office of the Vice Governor



On December 3, **Slobodanka Ivanović** started working for the definite period of time as the Administrative Assistant to the Vice Governor – Administrative Officer in the Office of the Vice Governor. As of December 31, 2007, the CBBH had 315 employees, of which 305 were employed for indefinite period of time, while 10 people were employed for the definite period of time.

The Common Affairs Division will initiate that the authorized staff member will, in all cases of noticed irregularities, start the procedure of establishing the case of violation of discipline for employee who does not uphold the a.m. regulations.



Monthly Balance Sheet (temporary) as of 30<sup>th</sup> November, 2007  
Explanation

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

Some of specific features of the Balance Sheet as of 30<sup>th</sup> November are as follows :

**On 30<sup>th</sup> 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 thousands 380,672. This has been shown in the item Net Foreign Exchange Assets minus Monetary Liabilities.

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

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

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

**Monetary liabilities**, represent to larger extent the liability of the Bank for KM currency in circulation (KM thousands 2,299,503) and resident banks deposits (KM thousands 3,646,979).

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

As depositary for membership of Bosnia and Herzegovina in the IMF, the Bank presents IMF accounts No. 1 and No. 2 as foreign liabilities in its Balance Sheet and holds securities of the Government of Bosnia and Herzegovina related to the membership. Acting in the same time also as fiscal agent on behalf of the Government in its relationship with the IMF, the Bank records the funds and liabilities of the Government related to the membership in the trust accounts separated from Balance Sheet. By consolidation of all accounts related to the membership of Bosnia and Herzegovina in the IMF, liability as net member position in the amount of KM thousands 2,965 is calculated.

The Bank also maintains certain accounts in foreign currencies in terms of agreements concluded between the Government of Bosnia and Herzegovina and foreign governments and financial organisations, as well as foreign currency accounts of the state institutions and agencies for which the Bank acts as an agent. As these accounts does not appear to be either assets or liabilities of CBBH, they have not been included in the above mentioned balance sheet. Total amount of funds held in on these accounts was KM thousands 496,464.

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

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

Monthly Balance Sheet (temporary) as of 30<sup>th</sup> November, 2007  
(amounts in thousands KM)

ASSETS		Total Amount	EURO	Other Currencies
1	Foreign Exchange Assets	6.412.932	6.408.614	4.318
1.1	Cash	21.880	21.843	37
1.2	Short term deposits	5.784.614	5.780.693	3.921
1.3	SDR in the IMF	360	0	360
1.4	Security investments	606.078	606.078	0
2	Other Assets	55.811		
<b>TOTAL ASSETS (1+2)</b>		<b>6.468.743</b>		

LIABILITIES		Total Amount
3	Monetary Liabilities	6.031.316
3.1	Currency in Circulation	2.299.503
3.2	Deposits of Resident Banks	3.646.979
3.3	Deposits of Other Residents	84.834
4	Liabilities to Non Residents	944
5	Other Liabilities	1.849
6	Capital And Reserves	434.634
<b>TOTAL LIABILITIES (3+4+5+6)</b>		<b>6.468.743</b>

<b>Net Foreign Assets minus Monetary Liabilities (1-3-4)</b>	<b>380.672</b>
--	----------------

M.A. Ankica Kolobarić  
Main Internal Auditor

M.A. Kemal Kozarić  
Governor  
Sarajevo (date) 20. 12. 2007 god