



MANAGEMENT OF THE CBBH

Financial reports for the first six months of this year adopted

The Management of the Central Bank of BH (CBBH) adopted the Financial reports for the first six months of this year during its session which was held on July 24, 2003, and the Governing Board of the CBBH is to adopt this report at its session which is planned for August 11 this year. The Financial reports will be presented also to the members of the new Governing Board. These reports show that, over the period from January until June this year, the CBBH recorded successful business results, with the increase in foreign reserves compared to the first quarter of 2003. Foreign reserves were KM 2.267.192.615 and their increase came as the result of the implementation of the new Decision on Required Reserves which became effective as of June 1, 2003, which also led to the increase in CBBH's

monetary liabilities to KM 2.123.036.357. Liabilities to non-residents were KM 1.059.052. Another thing which is also noticeable is the increase in free foreign reserves to KM 143.097.206. During the first half of this year, the CBBH's net profit was KM 20.572.620, which is KM 4.171.824 or 25,44 % more compared to the projected profit for the same period. The large net profit influenced the significant increase in capital and reserves of the CBBH, which were KM 198.905.101 as of June 30. Total assets and liabilities were KM 2.332.501.990. Securities and third-party foreign exchange deposits held in foreign banks, which were not included into the balance sheet, increased to KM 273.383.070, mainly because of the increase of foreign exchange deposits of the responsible state ministries.

COUNCIL FOR CAPITAL MARKET

Support for the establishment of a single market of government securities



The Recently founded Council for Capital Market of Bosnia and Herzegovina, at its second session held on July 8 in the premises of the CBBH in Sarajevo, supported the establishment of the single market of government securities where the state of BH shall be the single issuer, on its behalf, and on behalf of entities and District Brčko, with the Central Bank of BH that would run the auctions for issuing government securities.

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Support for the establishment of a single market of government securities

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This concept of government securities' capital market and the state debt



Peter Nicholl

Henry Clarke

is the essence of the new draft Law on the internal debt and state guarantees that was presented during the session by the expert from US Treasury **Ann Schwartz**. The Law presents a legal framework for the state, BH Federation, Republika Srpska and Brčko District of BH for issuing government securities where there is, as it was stressed, a single issuer - the Finance and Treasury



Ann Schwartz

Ministry, and single fiscal agent - CBBH, which has a role to organize

auctions, clearing and register for the future government securities.

Because of its significance of issues that will be regulated by the new

Law, it was recommended that the Law should be sent to Parliamentary procedure as soon as possible. The agenda of the meeting also covered the draft Law on Securities of Brčko District, which would regulate issuance of securities in the District.

Namely, this Law, which was presented by the Brčko District Supervisor **Henry Clarke**, has provisions which provide establishing of the stock exchange in District, which, in addition to Sarajevo and Banja Luka stock exchanges, would be the third stock exchange in BH. District authorities were reminded of the need to have a single and modern developed capital market and benefits that the BH could have from capital and securities market integrated throughout the country. The position of the Council is that a small economy such as BH cannot afford itself to have the two stock exchanges that already exist. President of the Council, Governor of the CBBH **Peter Nicholl**, gave the example of the New Zealand Stock Exchange, which is considered to be small and unsustainable and which, at the same time, has a daily turnover which is higher than the annual turnover of Sarajevo Stock Exchange. The Council stressed that further fragmentation of the capital market presents destructive and reversed process in modern development and reforms in the country and suggested District authorities to drop the provi-

sions in the Law that would enable establishment of the third stock exchange. Therefore the District Brčko authorities were urged to adjust their regulation to existing laws on the state and entities level in the field of capital and securities market. Coordinator of the Development Strategy (PRSP) **Zlatko Hurić** presented the second part of the Developing Strategy for BH in the field of capital market. The strategy was fully supported by members of the Council with additional suggestions that should be incorporated in the final version of the document. It was proposed to hold the next meeting of the Council in Banja Luka where, as expected, discussion on the strategy and action plan for development of the capital market would continue and the Banja Luka Stock Exchange would present the plan and project on the regional cooperation of stock exchanges in South East Europe.

The District Brčko Assembly adopted the Securities Law at its session held on July 30 2003. The Law included changes that were made based on suggestions given by the members of the Council for Capital Market of BH. The final version of the Law on security papers of the District does not provide District with possibility to establish its own stock exchange or professional association and similar, therefore new Law is not establishing independent capital market within District. The Law on securities is expected to be implemented by the end of September this year. Meanwhile, stock exchanges in Sarajevo and Banja Luka made contact with authorities in the District to agree on establishing cooperation and quoting shares of District companies on existing stock exchanges in BiH.

Business of the BH Federation banking sector in the first quarter of 2003

By Ljiljana Marijanović, Banking Supervision Coordinator

Basic characteristics of the business of the BH Federation banking sector in the first quarter of 2003 were continuing consolidation and stabilization of this sector. The Banking Agency of the BH Federation revoked three banking licenses because of the status change and merger with other bank and those licenses were revoked to Gospodarska Bank d.d. Sarajevo and LT Komercijalna Bank d.d. Livno that have merged into LT Gospodarska Bank d.d. Sarajevo. The license was also revoked to the Raiffeisen Bank HPB d. d. Mostar, which merged with the Raiffeisen Bank d.d. BH. As a part of those status changes, one banking license was issued to the LT Gospodarska Bank d.d. Sarajevo. As of March 31, 2003, three banks were under the provisional administration and those banks are: Gospodarska Bank d.d. Mostar, Hercegovačka Bank d.d. Mostar and Una Bank d.d. Bihać. As of March 31, 27 banks operated in BH Federation, which is two banks less compared to the number of banks which operated at the end of 2002. Out of the total number of banks, 21 banks were private owned, while remaining six banks were state owned.

Capital of commercial banks

Total capital of banks in BH Federation as of March 31 was KM 761 million and compared to the end of 2002 it was higher by KM 21 million, or by three percent. In the structure of the total capital, the share of the core capital was 86 percent, while the share of the supplemental capital was 14 percent. Compared to the end of the last year, this share has not changed. The structure of the share capital has not changed compared to the structure at the end of 2002. Share of the private capital in the total capital was 87 percent, while the share of the state capital was 13 percent. Foreign capital in total private capital participated with 65 percent, while local private capital participated with 22 percent. Share of the local private capital increased by one percent compared to the end of 2002. Local private capital in total private capital participated with 25 percent, while foreign capital participated with 75 percent.

Structure of the share is as follows:

In millions KM:

	December 31, 2001		December 31, 2002		March 31, 2003	
	Amount	Share	Amount	Share	Amount	Share
TOTAL CAPITAL	459	100 %	540	100 %	541	100 %
STATE CAPITAL	66	14%	69	13%	69	13%
PRIVATE CAPITAL	393	86%	471	87%	472	87%
Of that:						
- foreign capital	290		360		352	
- local capital	103		111		120	

Banks assets

As of March 31, 2003, total assets of banks in BH Federation rose to KM 4,691 billion. In the assets structure, the most important share was taken by credits, with 57 percent. Money funds participated with 33 percent, fixed assets with seven percent, other assets two percent and securities one percent. Compared with the structure at the end of 2002, credit share grew two percent, to the advantage of money funds. In structure of money funds the most important share is taken by deposits at accounts with depositary institutions abroad - 71 percent. This share increased seven percent compared to the end of 2002. At accounts abroad banks held KM 1,1 billion, which is ten percent more in respect to the end of 2002.

Banks liabilities

Compared to the end of 2002, there were no changes in the structure of liabilities. Deposits still hold the most significant share with 77 percent. Share of the capital was 14 percent. If we look into the nominal amounts, we can see that deposits increased by two percent, while capital increased by three percent. Total deposits as of March 31, 2003, were KM 3,595 billion, which is two percent higher compared to the deposits at the end of 2002. If we consider deposit structure by sectors, the most important share was taken by the citizens' deposits with 43 percent, then private companies and enterprises with 16 percent, followed by government institutions with 12 percent, then public enterprises with 13 percent, then banking institutions with nine percent and other deposits seven percent. Compared with the end of 2002, share of citizens' deposits increased one percent. Looking at the currency structure of deposits, KM deposits grew three percent, while the foreign exchange deposits grew two percent compared to the end of 2002. Foreign exchange deposits were still significantly higher and their share in the total deposits was 58 percent. Short term deposits took 76 of the total deposits share, while long term deposits took 24 percent of the share.

As of March 31, 2003, savings of citizens were KM 1,487 billion, which is three percent higher compared to the end of 2002. 67 percent of all savings is concentrated in three banks, while 89 percent of all savings is in eight private banks. If we look into the structure of savings, foreign currency savings take 77 percent of the share, while KM savings take the remaining 23 percent. Until March 31, 2003, the Deposit Insurance Agency of BH admitted ten banks.

Credits

Total amount of extended loans in the first quarter of 2003 was KM 2,855 billion, which is six percent higher compared to the end of 2002. If we look into the structure of loans by sectors, loans extended to citizens took 48 percent; loans extended to private companies took 40 percent, followed with loans to public companies with nine percent, while the other sector got three percent of all loans. Loans extended to citizens increased eight percent, while credits to private owned companies increased seven percent. Trend of increase of long-term credits continued. Long-term credits take 71 percent share of all credits.

Bank size according to assets	
-above 500 million KM	Three banks
-from 300 to 500 million KM	Two banks
-from 100 to 300 million KM	Six banks
- from 50 to 100 million KM	Eight banks
-bellow 50 million KM	Seven banks

Improve the work on compiling and processing of statistical data

Statistics Division of the Central Bank of BH (CBBH) organized the meeting with directors and representatives of the CBBH's main units and branches, during which a need for improvement in areas of compiling and processing of statistics data was stressed. Namely, even though the main units and branches have a good cooperation with the commercial banks from which they gather the data for the monetary and Balance of Payments statistics, a need for improvement in domains of data compilation and checking was emphasized. Resident Advisor of the International Monetary Fund (IMF)

Noel Atcherley talked about the important elements of compilation of these data for the CBBH, as well as about their significance for the local and international institutions. Those are two different sets of data: those that are being gathered for the monetary statistics and those that are being gathered for the Balance of Payments statistics. Monetary statistics is important for the estimate of

the complete macroeconomic situation in the country and for the forming of the



macroeconomic policies of governments. BH also has the obligation towards the IMF and other international institutions to provide the data, because implementation of certain projects and funding from those organizations depend, to a large extent, on those data. "In BH, the current highlight is placed on the economic development and reforms. Therefore, the good basis for the monetary statistics is

very important", Atcherley said. The Balance of Payments statistics require much larger volume of data which are hard to gather or some of these data have suspicious credibility. This is the reason why data compilation needs to be improved, they need to be monitored more closely and someone needs to react in case of deviations. Participants of this meeting pointed out the problems related to the filling of question sheets that need to be filled in by the commercial banks. The announcement was made that the compilation of the data on Direct Foreign Investments will start soon.

The Division is planning to continue its cooperation with commercial banks and the Division also announced that they would increase the demand for the data they gather from commercial banks. Statistical data that are being gathered are being published in the international financial statistics, and the public can download them from the CBBH's web site.

WORKSHOP IN LONDON

Significance of the legal and organizational structure of the central bank

Good legal and institutional frameworks are the most significant for the good performance of the Central Bank, said Governor of the Central Bank of BH (CBBH) **Peter Nicholl**. Environments in which the Reserve Bank of New Zealand and the CBBH were established and where they perform are different, but there are many similarities in terms of the legal and institutional structures according to which these two banks perform their functions. Participating in the workshop which was organized for the governors of central banks in London, Governor Nicholl spoke about the effect that the organizational structures have on performance and effectiveness of the central bank, and on that occasion, based on personal experience, he made the parallel between the Reserve Bank of New Zealand and the CBBH. He pointed out the differences in the economic, political and social environment between the two countries, but he also pointed out the significance of the legal and institutional structures in the successful operations of the central banks. In terms of the structures within the CBBH, Governor stated that he applied many of the lessons he learned at New Zealand. The CBBH Law is a very clear and good law and in many of its broad characteristics it is similar to the

Law in New Zealand. "Having such a good Law has been a very important factor in allowing the CBBH to be established successfully and to operate successfully", Governor said. The need for very specific and clear laws, structures and processes is probably greater in new countries or in countries going through transition. The starting point for a central bank's operational framework, according to the Governor, is the Law that should have several main characteristics: it should set our clear objective; it should constrain discretion - if the parliament wishes to do that, it should give the central bank explicit operational independence, it should set out the roles of the main participants and how the bank and/or the governor will be held accountable. Making the comparison, Governor pointed out to the objectives of both, the Reserve Bank of New Zealand and the CBBH. The goal of the Reserve Bank of New Zealand was to establish the price stability, which was set out in the Law on the Reserve Bank of New Zealand, while the goal of the CBBH was to establish the exchange rate stability, which was also set out in the CBBH Law. The specific goals of these two banks were different. The specific objective of the Reserve Bank of New Zealand was to

keep the low inflation rate, while the specific objective of the CBBH was to establish the Currency Board Arrangement. However, the similarity between the two banks is that the objectives of both banks were clear, sensitive and demanded responsibility. The common thing for both banks is that both have limitations in their operations, with the difference that the Reserve Bank of New Zealand set out those limitations by itself, while in BH those limitations were defined by the Law. One of those limitations is the one which sets out that the Central Bank cannot lend money to the commercial banks. Both banks are independent, they have similar internal decision-making, planning and performance monitoring systems; responsibility is at the high level, their objective is clear and it is possible to easily monitor the realization. In the Reserve Bank of New Zealand, the Governor can be removed if he does not uphold the planned objective, which is also the case with the members of the Governing Board of the CBBH in case they undermine the Currency Board Arrangement. The Governor finished his presentation in London by concluding that good legal and operational structure lead to good performance in quite different operational environments.

PRESS RELEASES

GOVERNOR NICHOLL WELCOMES STEPS IN THE IMPLEMENTATION OF THE LAW ON STATISTICS

The Governor of the Central Bank of Bosnia and Herzegovina (CBBH) **Peter Nicholl** welcomes publishing of vacancy announcement for the positions of Director and Deputy Director of State Agency for Statistics in the "Official Gazette of BH" dated June 25, 2003.

The appointees to these positions will have a crucial role in providing leadership for the much-needed improvements to BH statistics, especially macroeconomic statistics such as the national accounts.

The Governor indicated that, following appointments to those positions, the next significant step in implementing the Law on Statistics will be the establishment of the Statistics Council. This Council will guide the development of a new program for much better statistics for BH to meet the needs of state and entity governments, foreign investors, local businesses and all other users.

Governor Nicholl also welcomes a pilot test which will commence this week, coordinated by the State Agency for Statistics and will represent the basis for the household budget survey. That survey, being funded by the Italian and BH governments, will provide valuable data for improving the national accounts and consumer price statistics.

THE FIRST MONTH OF APPLICATION OF NEW REGULATIONS ON RESERVE REQUIREMENTS

The first month of application of the new Decision on setting and fulfilling reserve requirements (RR) and setting of compensation on the total reserve deposits which commercial banks in BH keep at the Central Bank of BH (CBBH), among other things, resulted in the rise of the CBBH foreign reserves in the amount of KM 118 million.

In more details, as of May 31 2003, which is one day before the beginning of the implementation of this Decision, foreign reserves were KM 2,146 billion and as of 30 June they were KM 2,267 billion. New regulations on reserve requirements define that the CBBH calculates to banks compensation on entire amount of funds at reserve account with the CBBH, which is the reason banks at reserve accounts have bigger amounts of funds in respect to obligation of fulfillment of RR. Therefore it is realistic to expect that upward trend of the CBBH foreign reserves will continue. The Decision on setting and fulfilling reserve requirements and setting of compensation on reserves, which took effect as of 1 June 2003, was the first change of the RR regulation which CBBH has made since the startup of its operations in 1997.

There is also an evident trend of moderate but continuous fall of interest rates of commercial banks. Average interest rates on short-term loans in May 2003 were 11.20 percent while those

on long term loans were 10.42 percent.

Further stabilization of banking sector and moderate fall of interest rates of commercial banks are expected to continue.

ACKNOWLEDGEMENTS FOR THE CBBH AND GOVERNOR NICHOLL

Financial Magazine "Finance Central Europe" (FCE) from London, Great Britain, honored the Central Bank of Bosnia and Herzegovina (CBBH) as the best Central Bank in the region of the South East Europe in 2003, while the CBBH Governor **Peter Nicholl** was honored as the Governor of the Year in the South East Europe in 2003.

Complete results of this ranking will be published in the special edition of this magazine, which will be available in October this year. Except for the categories which elect the best central bank and the best governor, this magazine will publish the "Top 100" list which will rank 100 best commercial banks in the region by assets, capital, gross profit, ROA and ROE. The magazine will also publish the ranking of the top banks in each of the 10 countries surveyed and those countries are: Albania, Bosnia and Herzegovina, Croatia, Greece, FYRO Macedonia, Romania, Serbia and Montenegro, Slovenia and Turkey.

The ranking was made by the analysts of the FCE Magazine, who used references from the external sources, mostly consulting agencies and auditing companies.

Library to be opened in the CBBH

A library is to be opened in the premises of the Central Bank of BH (CBBH) in Sarajevo which will have the literature that will be available to all employees of the CBBH. Except for the publications published by the CBBH, the library fund will consist of the literature from other national/central banks, IMF, World Bank, EBRD, BIS, statistical bureaus and agencies and other local and international institutions, as well as the maga-

zines and economic publications. The library already has a small



number of publications and pieces of professional literature. In order

to make this fund richer and accessible to everyone in the CBBH, the Section for Publications, Library and Administrative tasks is inviting all employees of the Bank to give publications they own to the library. Employees are also encouraged to gather publications for the library during their seminar trips and other advance studies. This way, they will make it possible for all CBBH employees to use this literature.

NEWS FROM THE MAIN UNITS AND BRANCHES

MAIN UNIT MOSTAR

Representatives of the Central Bank of BH (CBBH) and the Chamber of Commerce of BH Federation signed on July 14 the Contract on the purchase of the business premises located in Zagrebačka Street in Mostar. This is the building of the Chamber of Commerce of BH Federation which was selected on the tender for the purchase of the new business premises for the Main Unit Mostar as the best possible offer. Commercial banks have shown an increasing demand for the KM coins during the second quarter of 2003, especially in the denomination of 1 KM. With the startup of the summer season and with the beginning of the vacations season, KM exchange increased with Splitska Bank DD Split.

MAIN UNIT SARAJEVO

Implementation of the Instructions on Treasury Operations, which were changed on the basis of proposal of the CBBH Working Group that included the representative of the Sarajevo Main Unit, started in July. The most significant change is related to the money processing in vaults, so in the future, newly printed banknotes that come into the vaults will be counted in the total amount in case they are not labeled with the "CBBH" sign. This change will influence the increase of the volume of operations in the vault of the Main Unit Sarajevo, considering the large volume of transactions that are relat-

ed to cash payments.

MBRS BANJA LUKA

Based on both, the Decision of the Office of the High Representative (OHR) in BH and the order of the Banking Agency of Republika Srpska, special reserve accounts of commercial banks were opened and the assets from the blocked accounts of clients were transferred. The total sum of blocked assets was KM 49.024,95. The student of the International Economy and Management at the University "Luigi Bocconi" from Milan (Italia), **Sanja Jovanović**, completed her internship in the Main Bank of Republika Srpska of the Central Bank of BH (MBRSCBBH). She performed her internship from July 1 until July 31 under the supervision of the Coordinator of the Market Evaluation Section **Slavica Injac**.

PALE BRANCH

After the several consecutive periods during which the Privredna Bank AD Sarajevo was not able to fulfill the Reserve Requirement, this bank finally managed to fulfill this obligation over the period from July 11 until July 20, so the reserve account of this bank was unblocked. The MBRSCBBH Branch Pale moved to new premises located in Milana Simovića 14 Street on July 14. These new premises are more adequate for the Branch operations compared to the previous facilities that were locat-

ed in "Koran" Hotel on Koran. Throughout July, Pale Branch continuously carried out activities that are connected with the buying and selling of the KM, and it was also engaged in the market evaluation activities for the commercial banks that are under the jurisdiction of the Pale Branch. The average number of daily KM sales fell 18 percent compared to earlier months, while the average number of KM purchases rose 39 percent.

FILIJALA BRČKO

Until July 25, the number of KM transactions was at the same level compared to the month before with the increased value index. The same case repeated with euro transactions. The Manager of Brčko Branch **Mirzeta Arnautović** attended the meeting of the Capital Market Council in Sarajevo, which was held on July 8. The meeting was chaired by the Governor of the CBBH **Peter Nicholl**. She also attended the presentation of the adopted Law on Prevention of Money Laundering, which was held on July 16 in Brčko District. Employee of Brčko Branch **Almira Žilić** attended the meeting on the improving of the work on the compilation and processing of the statistical data, which was held on July 31 in the Main Office of the CBBH in Sarajevo. Coordinator for Treasury Operations **Jasminka Burić** attended the meeting of the Treasury. Over this month, the Branch continuously preformed regular activities related to statistics, accounting, input of the data into the Register of Banks in Brčko District, as well as other activities.

Đina Batinić librarian in the Section for Publications, Library and Administrative Tasks

As of July 25, **Đina Batinić** is employed as the Librarian in the Section for Publications, Library and Administrative Tasks based on the one-year contract. As of July 1, 2003, three employees were shifted to new posts.

Azra Ajanović, who used to work as the Switchboard Operator in the Common Affairs Division was shifted to the post Administrative Assistant in the Section for Publications, Library and Administrative Tasks. **Slavica Švraka**, who used to work as the Receptionist in the Accounting, General and Administrative Section of the Main Bank of Republika Srpska CBBH (MBRSCBBH) in Banja Luka was shifted to the post Liquidator in the Treasury Operations Section of the MBRSCBBH in Banja Luka.

Marija Mirković, who used to work as the Liquidator in the Treasury Operations Section of the MBRSCBBH in Banja Luka was shifted to the post Receptionist in the



Đina Batinić

Accounting, General and Administrative Section of the MBRSCBBH in Banja Luka. The CBBH currently has 264 employees, out of which, 260 are employed for the indefinite period of time, while four employees are employed for the definite period of time. Out of the total number of permanently employed persons, one employee-trainee is on unpaid leave.

During June and July this year, the Personnel Section obtained registration numbers for the Central Office of the CBBH for the purpose of tax payment to institutions responsible for the pension and invalid insurance. Through the process of obtaining and registration to the new numbers, employees of the Central Office were deregistered from the old tax payment numbers. In order to complete this task in accordance with rules, the Personnel Section obtained all necessary evidences about the place of living from all employees. The Personnel

Section reminds all employees who change the place of living that they are obliged to make necessary changes in identification documents. All employees are obliged to submit photo-copies of their IDs, as well as the document which shows the place of their residence to the Personnel Section, which is necessary in order for them to be registered. That is also necessary to the Accounting and Finance Department for the purpose of the proper allocation of taxes and fees. Medical-care booklets of the employees of the Central Office that are living in Republika Srpska are almost completely re-registered, while the re-registration or replacement of the medical-care booklets of the Central Office employees that are living in BH Federation is underway. After all this is completed, the process of replacing of the old medical-care booklets of the Main Unit Sarajevo employees that do not have new medical-care booklets will commence. The deadline to replace the old medical-care booklets in BH Federation is the end of 2003.

EDUCATION

BoP Statistics, Managing of the Government's Debt, Financial Statements and PR

Economist II in the Section for the Balance of Payments Statistics (BoP) **Suzana Kozinović** attended the Seminar on the Balance of Payments Statistics. The Seminar was held from July 14 until August 1

in Vienna and it was organized by the IMF. Coordinator of the Division for Relations with International Financial Institutions **Emira Mekić** was in London from July 14 until July 16 where she

attended a seminar entitled "Management of Government's

Debt". The Seminar was organized by the Bank of England. A seminar was organized from July 7 until July 11 by the German Bundesbank in Frankfurt entitled "Public Relations in Bundesbank and European Central

Bank". This Seminar was attended by the Coordinator of the Public Relations Section **Zijada Kulović**. Giro-account accountant and cashier-box liquidator in the Financial Bookkeeping Section

Coordinator of the Accounting control

and reporting section **Muhamed**



Emira Mekić



Enida Šovšić

Muhamed Kapo

Kapo attended a seminar which covered the topic "Six-month Financial Statements". The Seminar was held in Neum and the organizer was the Financial-Economic Bureau.



CENTRAL BANK OF BOSNIA AND HERZEGOVINA
Monthly balance sheet (temporary) as of 30th June, 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 June are as follows:

On 30th June, 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 143,097,206. 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 1,709,814,157) and resident banks, reserve deposits (KM 383,250,517).

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 254,181,445 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 273,383,070.

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.

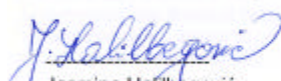
The Central Bank of Bosnia and Herzegovina is independent monetary institution of BH and has no organisation relations with any commercial bank.

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

ASSETS		Total Amount	EUR	Other Currencies
1	Foreign Exchange Assets	2.267.192.615	2.256.929.411	10.263.204
1.1	Cash	25.897.083	25.868.263	28.820
1.2	Short term deposits	2.232.146.296	2.231.061.148	1.085.148
1.3	SDR in the IMF	9.149.236	0	9.149.236
2	Other Assets	65.309.375		
TOTAL ASSETS (1 + 2)		2.332.501.990		

LIABILITIES		Total Amount
3	Monetary Liabilities	2.123.036.357
3.1	Currency in Circulation	1.709.814.157
3.2	Credit Balances of Resident Banks	383.250.517
3.3	Credit Balances of Other Residents	29.971.683
4	Liabilities to Non Residents	1.059.052
5	Other Liabilities	9.501.480
6	Capital And Reserves	198.905.101
TOTAL LIABILITIES (3+4+5+6)		2.332.501.990

Net Foreign Assets minus Monetary Liabilities (1 - 3 - 4)		143.097.206
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Jasmina Halilbegović
Comptroller General


P.W. Nicholl
Governor
Sarajevo (date) - 24.07.2003.