

CENTRALNA BANKA  
BOSNE I HERCEGOVINE



ЦЕНТРАЛНА БАНКА  
БОСНЕ И ХЕРЦЕГОВИНЕ

# Info CBBiH



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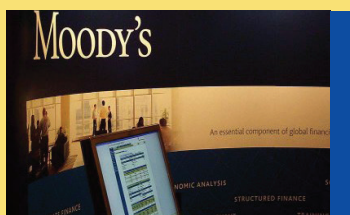
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# INFORMATION ON BANKING SECTOR ACTIVITIES IN BOSNIA AND HERZEGOVINA FROM JANUARY TO JUNE 2012

**B**H banking sector in the period January - June 2012, recorded better performance results related to the same period of the last year. At the system level, profit in the amount of KM 107.9 million was recorded. It is higher by KM 25 million related to the same period in 2011, when the BH banking sector made a profit in the amount of KM 82.9 million.

On 30 June 2012, there were 29 banks operating in BH - the same number as in the end of 2010. In the same period, the banking sector employed 10,442 employees which is higher by 80 employees compared to the end of 2011.

Net balance sheet amount of BH banking sector amounted to KM 20.8 billion, which is lower by KM 146 million or 1% compared to the same period of 2011.

The total deposits on 30 June 2012 amounted to KM 14.83 billion and they are lower by KM 223 million or 2% compared to the deposit amount in the end of 2011. In the deposit structure, the most significant share was taken by citizen's deposits with 50% and it was higher by two percentage points compared to the end of 2011. The share of companies and associations is 12%, the share of banking institutions 12%, public companies 11%, government institutions 8% and other deposits 7%.

Citizen's deposits increased by KM 269 million or by 2%, while deposits of private companies and associations are lower by KM 193 million or by 10%.

The total allocated loans on 30 June 2012, amounted to KM 14.92 billion and were higher by KM 366 million or by 2% compared to the end of 2011. In the loan structure, the most significant share was taken by loans to private companies with 47%, loans to households 45%, loans to public companies 3%, government institutions 4% and other sector 1%. Loans to private companies are higher by KM 184 million or 3% and loans to households are higher by KM 76 million or by 1%.

The total regulatory capital (Tier I plus Tier II) of the banks in BH on 30 June 2012 amounted to KM 2.86 billion and it is higher by KM 29 million or by 1% compared to the balance in the end of 2011. In the capital structure, there was an increase of Tier I capital by three percentage points, from 79% to 82%.

The recorded coefficient of capital adequacy which represents the relation of net capital and weighted risky assets, at the BH banking sector level, on 30 June 2012, amounted to 16.7 (in the end of 2011, the coefficient of capital adequacy amounted to 17.2 and in the end of 2010 it was 16.1).

## Microcredit Sector (MCS)

25 microcredit organizations (MCO) had licenses for microcredit financing in BH on 30 June 2012. Out of that number, 20 were microcredit foundations (MCF) as non-profit organizations and five were microcredit associations (MCA) as profit organizations.

Total income of the MCS on 30 June 2012 amounted to KM 75.30 million and expenditures amounted to KM 72.39 million, which resulted in positive operations of this sector in the amount of KM 2.916 million.

In the same period, the microcredit sector employed 1,866 people.

## Leasing companies

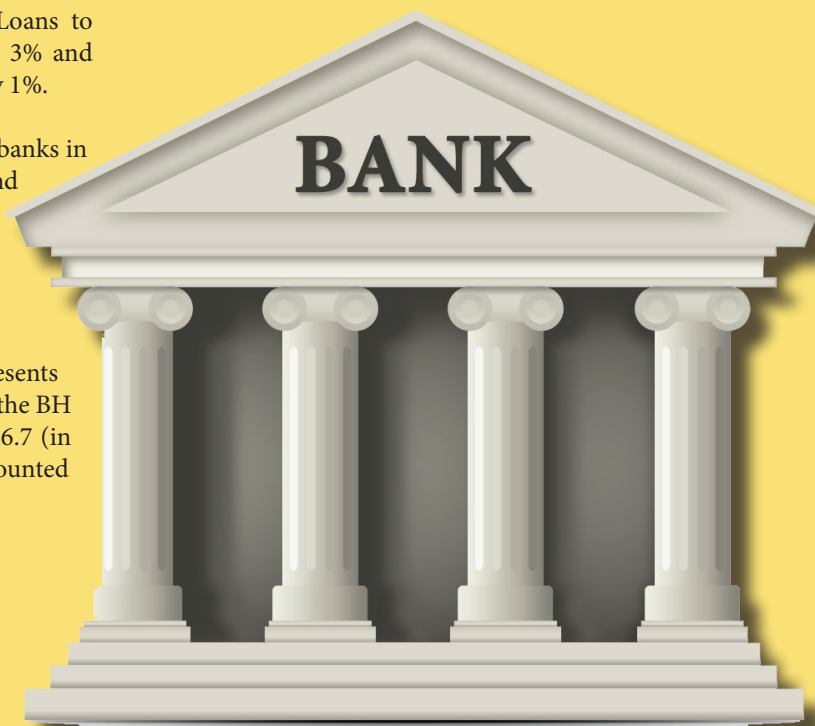
On 30 June 2012, there were nine leasing companies operating in BH. Out of that, seven were in FBH while two were in RS.

Leasing companies in BH in the first six months of 2012 made the total loss in the amount of KM 8.64 million. Leasing companies in RS in the first six months of 2012, made a negative financial result of KM 1.05 million while the total loss of the leasing companies in the Federation BH amounted to KM 7.59 million.

The BH leasing sector on 30 June 2012, employed 199 people, 5% less compared to 31 December 2011.

By

*Ljiljana Marjanović, M.Sc., Banking Supervision Coordinator  
and Amra Barš, Banking Supervision Coordinator*



# FOREIGN DIRECT INVESTMENT IN BH

According to the Central Bank of Bosnia and Herzegovina (CBBH) data, the inflow of foreign direct investments (FDI) in 2011, amounted to KM 566.9 million, or 2.2% of GDP, which is more than in 2010, when the recorded inflow was KM 430.9 million. The gradual increase in inflows in the last two years is encouraging, but they are still significantly lower than in the period before the global crisis, and it is obvious that the recession effects on foreign direct investments have not yet been annulled and also, that BH has not been able to attract investments at the level which was recorded before the recession.

In the structure of foreign direct investment, KM 389.3 million is related to equity, KM 185.1 million to other capital, while the amount of retained earnings was negative (KM -8 million).

In terms of geographical distribution of investment inflows, a significant change was recorded compared to the previous year, because the largest investments were from Russia (KM 142.6 million), Austria (KM 106.2 million) and Serbia (KM 98.3 million). At the same time, the investments from some countries, which used to be the major investors in the previous years, declined in 2011.

The major investments were realized in the activities related to financial intermediation, in the total amount of KM 162 million, in trade (wholesale and commission trade) in the amount of KM 96.4 million, and with the real property business companies, amounting to KM 74.3 million. Investments in

financial intermediation are largely related to the banking sector, which in 2011 again, recorded a high profit, indirectly influencing the level of retained earnings.

Total balance of direct investments for 2011, amounted to KM 10.6 billion and the largest share still refers to Austria (KM 2.34 billion) and Serbia (KM 1.83 billion).

According to the statistical principles, the amounts of flows and balances of foreign direct investments for the previous years were also reviewed.

*By Igor Soldo, Public Relations Senior Specialist*



## CREDIT RATING OF BOSNIA AND HERZEGOVINA REMAINS THE SAME, WITH STABLE OUTLOOK

The international rating agency Moody's Investors Service has announced on 10 July 2012 that the credit rating of Bosnia and Herzegovina remains B3. What has been changed compared to the previous rating assessment is the Outlook, as the Negative Outlook has been replaced with the Stable Outlook.

The confirmation of the credit rating with the Stable Outlook, according to the analysts, is a result of the measures which the authorities of Bosnia and Herzegovina take for purpose of strengthening the process of foreign debt servicing and the removal of key obstacles which brought about the short-term delay in the foreign debt repayment in January and February this year.

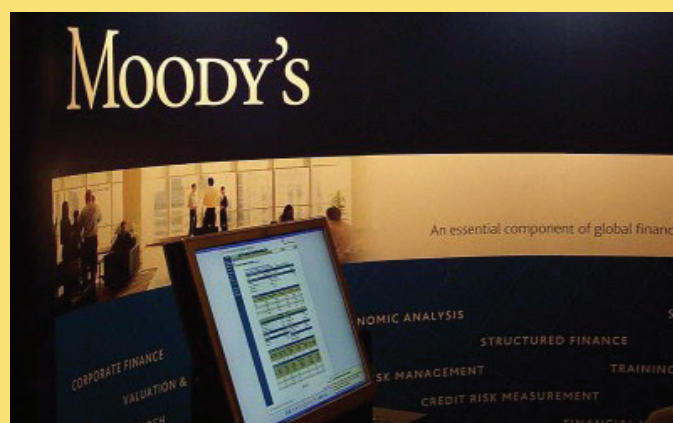
The negotiations on the new IMF Stand-by Arrangement should revive the programmes of structural economic reforms and make possible the inflow of foreign investment in the country.

According to the analysts' opinion, a positive, but slow progress of BH on its way to the EU has been achieved, as the Law on the State Aid System and the Law on the State Census have been adopted soon after the formation of the BH Government, and also constitutional changes in accordance with the decision of the European Court on Human Rights should take place soon. The BH credit rating has been kept at this level due to the

continuation of the uncertainty with respect to medium term outlook of economic growth.

Credit rating of BH, according to the analysts of this Agency, could be improved if the country submits application for the membership in the EU, as this would mean that the additional reforms have been done or are in process both in the economic and political area.

*By Igor Soldo, Public Relations Senior Specialist*





## INCREASE OF CURRENCY IN CIRCULATION

The total value of currency in circulation as of 31 August 2012 amounted to KM 2,744,692,101.80. There are 45,189,661 pieces of banknotes in the total value of KM 2,622,734,470 in circulation as well as 233,251,452 pieces of coins in the total value of KM 121,957,631.80.

Compared to the same date of the last year, currency in circulation increased by KM 118,859,033.50 or approximately by 4.53%.

Following the fall of the currency in circulation, which was recorded in 2009, this is the third year in a row, in which, the increase was recorded. An increase of currency in circulation in recent months occurred primarily as a result of impact of the touristic season and the visit of BH citizens that live abroad.

The increase of the currency in circulation is a sign of continuation of the local currency confidence strengthening, and at the same time, it is one of the elements that affects the growth of foreign exchange reserves of Bosnia and Herzegovina, which amount to KM 6.23 billion (EUR 3.19 billion).

The growth of foreign exchange reserves is a clear indication that the current account deficit still has sources of funding, i.e. it is not financed at the expense of the foreign exchange reserves.

*By Igor Soldo, Public Relations Senior Specialist*



## REDUCED NUMBER OF COUNTERFEITS IN 2012

According to the data of the Central Bank of Bosnia and Herzegovina (CBBH), the total number of 1,312 counterfeited banknotes and coins of all currencies and denominations was recorded in the first half of 2012, which is significantly less (76.01%) compared to the same period in 2011.

Out of the total number of counterfeits, 1,155 pieces were counterfeited KM banknotes and coins. Out of that number, there were 427 pieces of KM banknotes, which is a slight increase by 7.29% compared to the same period in 2011.

Related to KM coins, 728 pieces were recorded out of the total number of counterfeits, which is a decrease (85.23%) compared to the same period in 2011.

In terms of counterfeited KM banknotes denomination structure, the majority were of KM 20 (233 pieces), KM 10 (92 pieces) and KM 50 (81 pieces). Out of the total number of counterfeited coins, in the first six months of 2012, the majority were of KM 1 denomination (513 pieces), then KM 5 (185 pieces), and KM 2 (30 pieces).

In the first half of 2012, there were 137 pieces of counterfeited EURO banknotes, which is by 18.1% more compared to the same period in 2011. The highest number of counterfeits was recorded with banknotes in denomination of EUR 50 (59 pieces), EUR 100 (43 pieces) and EUR 20 (20 pieces).

In the first half of this year, there were 20 pieces of counterfeits in other currencies, out of which 18 pieces of counterfeited

USD banknotes (17 pieces in USD 100 denomination and 1 piece was of USD 20 denomination), and one GBP banknote (GBP 20 denomination) and one CHF banknote (CHF 1000 denomination).

As of June 1, 2012, the CBBH has put into circulation a new issue of KM banknotes in denominations of KM 10, 20, 50 and 100, whose main characteristic is the improved paper quality and the security features providing the quality and durability, and protection against counterfeiting at the same level of the highest quality European banknotes. Therefore, the CBBH expects further decrease of the number of counterfeits in the future.

*By Igor Soldo, Public Relations Senior Specialist*



