



The European Union Supports Cooperation Between the European Central Bank and the Central Bank of BH

Member of the Executive Board and the Governing Board of the European Central Bank (ECB) **Gertrude Tumpel-Gugerell**, Head of the Operative Division of the European Commission (EC) Delegation in BH **Andre Lys** and Governor of the Central Bank of Bosnia and Herzegovina (CBBH) **Kemal Kozarić** signed on February 16, 2007, a three-party protocol in Sarajevo, which marked the beginning of the Eurosystem needs assessment program to the benefit of the Central Bank of Bosnia and Herzegovina. The European Union will fund, with €300,000, a six-month program, which will start on March 1, 2007. The program will be implemented through a coordinated "Eurosystem approach", involving the ECB in partnership with the Deutsche Bundesbank, Eesti Pank, the Bank of Greece, the Banco de Espana, the Banque de France, the Banca d'Italia, the Oesterreichische Nationalbank and Banka Slovenije. In order to coordinate activities under the program and elaborate the needs assessment report, the Eurosystem has appointed **Santiago Fernández de Lis** as the Resident Program Coordinator in Sarajevo for six months. The eight national central bank partners will provide experts who will conduct an evaluation in their

respective areas of expertise during short visits to Sarajevo, in close contact with their counterparts in the Central Bank of Bosnia and Herzegovina. The program will cover the CBBH's functions with regard to: coordination of the activities of the agencies responsible for licensing and supervision, for which the Banque de France will be in charge; economic analysis and research for which the Banca d'Italia will be in charge; Deutsche Bundesbank will be in charge of financial stability; Banco de Espana for the internal audit; Banka Slovenije and Eesti Pank for monetary policy under a Currency Board Arrangement; the Bank of Greece for the payment systems and the Oesterreichische Nationalbank for statistics. These areas will be compared with the standards of the European System of Central Banks. The CBBH will support the program, providing, inter alia, local support staff and logistical support to the Resident Program Coordinator and the experts from the national central banks. Ms. Tumpel-Gugerell, Mr. Lys and Mr. Kozarić consider this program as an important step towards strengthening economic and financial cooperation between the EU and BH as well as between the CBBH and the ECB and its national central bank partners.



The Needs Assessment Program for the Benefit of the Central Bank of Bosnia and Herzegovina, on which the Protocol was signed between the European Central Bank, European Commission Delegation in Bosnia and Herzegovina and the Central Bank of Bosnia and Herzegovina, identified the areas which need to be improved by the Central

Bank of Bosnia and Herzegovina in order to harmonize with the standards which were adopted in the European System of Central Banks. During the Protocol signing ceremony, Governor Kozarić thanked the Delegation of the European Commission in BH, through which the European Union will finance this program with Euro 300.000, as well as

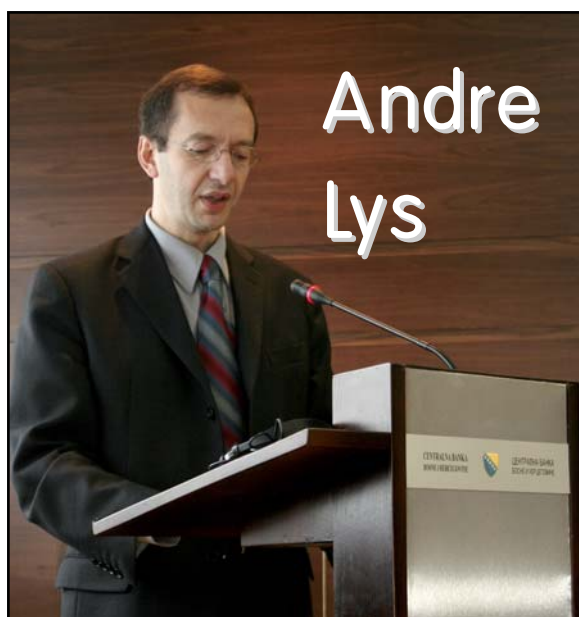
the European Central Bank, which has recognized the Central Bank of Bosnia and Herzegovina as the institution ready to accept the European standards and to adjust its rules, policies and practice to the European ones. He also thanked representatives of national central banks included in this program. "This Program is highly important for the Central Bank of Bosnia and Herzegovina, because it will provide the assessment of situation in seven areas and compare them with the standards of European System of Central Banks. In the same time, the Program is important for Bosnia and Herzegovina as a whole, because by its implementation we mark the strengthening of economic and financial cooperation between the European Union and Bosnia and Herzegovina", Governor Kozarić stressed. According to Kozarić, all citizens of Bosnia and Herzegovina have a wish to join the European Union and on this road it is necessary that each institution makes a lot of efforts in order to reach the European standards. "My pleasure is even larger, because the Central Bank of Bosnia and Herzegovina is among the first ones going in that direction", said Governor Kozarić, and expressed hope that this is only a first step in cooperation of the Central Bank of Bosnia and Herzegovina and the European Central Bank.



The European Central Bank and the Central Bank of Bosnia and Herzegovina are both among the youngest central banks in the world. In fact, the ECB was formally created approximately one year after the Central Bank of Bosnia and Herzegovina, stressed Ms. Tumpel-Gugerell in the speech during the Protocol signing ceremony. Since its establishment in July 1998, the European Central Bank has been actively building relationships with central banks around the world and we have had good contacts with the Central Bank of Bosnia and Herzegovina for several years now. Ms. Tumpel-Gugerell marked the day of Protocol signing as the

special day, which marks the start of a closer relationship between the ECB and the Central Bank of Bosnia and Herzegovina. Over the next six months, the European Central Bank and eight national central banks of the European System of Central Banks will be working closely with the Central Bank of Bosnia and Herzegovina on a needs assessment program funded by the European Union. Good central banking practices are important not just for the functioning of the central bank, but also because they contribute to anchoring public perception of a stable and efficient organization that is part of the policy framework that enables a well-functioning economy.

"The overall aim of the program – and our analysis – is to provide Governor Kozarić and his team with an assessment of where his central bank stands today compared with the practices of a central bank belonging to an EU country and thereby with the European System of Central Banks. We are pleased to make our experience and insight into European Union central banking practices available to Governor Kozarić", said Ms. Tumpel-Gugerell. She added that the European Central Bank and eight partner central banks will ensure that the assessment is of high quality and that it can provide the basis for follow-up projects aimed at closing any remaining gaps between the current practices of the Central Bank of Bosnia and Herzegovina and those of a central bank belonging to a member state of the European Union. She expressed her belief that frequent contacts over the coming months between the European Central Bank and the national central bank representatives on one side, and the Central Bank of Bosnia and Herzegovina on the other, will serve as a catalyst for further deepening the working relationships between our institutions. "I am sure that we will develop close links with the Delegation of the European Commission to Bosnia and Herzegovina. Let me conclude by saying that it is important for the ECB to have close relationships with and to support central banks of our neighboring countries. I am very pleased when the Eurosystem is considered to be a source of inspiration and knowledge and that we are invited to coordinate a program like this one here in Sarajevo", said Ms. Tumpel-Gugerell.



The Central Bank of Bosnia and Herzegovina is the one of the first and most successful State institutions of BH. Under its leadership remarkable successes have been achieved which have resounded in the economy of BH and in the lives of everyday people, said Head of Operations of the European Commission Delegation to Bosnia and Herzegovina Andre Lys. The Central Bank of Bosnia and Herzegovina's monetary poli-

cies has achieved macroeconomic stability in Bosnia and Herzegovina and inflation has been relatively low compared to neighboring countries. The Central Bank of Bosnia and Herzegovina has preserved the stability of the Convertible Mark, which has forged public confidence in the BH currency, as evidenced by steadily rising KM denominated deposits. "However, as the economy continues to develop and grow, institutions must also evolve. In this regards, the Central Bank of Bosnia and Herzegovina is a model for other BH institutions on how to function as an independent and professional institution that is willing to embrace change. The European Commission

Delegation is therefore pleased to provide its assistance to the Central Bank of Bosnia and Herzegovina. We will provide Euro 300.000 to the European Central Bank and Member State National Banks while supporting the Bosnia and Herzegovina Central Bank in moving towards the standards of the Eurosystem Banks", Lys stressed. With the expressed gratitude to the European

Union Member States Banks and the European Central Bank, Lys also asked from the Central Bank of Bosnia and Herzegovina to fully undertake the necessary reforms to adapt its policies and procedures to those of the Eurosystem central banks. "I also ask that you take this opportunity to learn as much as possible from the Member State National Banks and European Central Bank experts", Lys added. Finally, as part of the Stabilization and Association Agreement, Bosnia and Herzegovina needs to maintain a stable macroeconomic environment. As everyone knows the Central Bank of Bosnia and Herzegovina plays a key role in this and Lys commended it for its commitment in conducting of its tasks and responsibilities. "However there are many other challenges that await Bosnia and Herzegovina, if Bosnia and Herzegovina wants to become, one day, a fully fledged member of the European Union. Most it is important to realize that the necessary reforms are for the benefit and the prosperity of the country and not just to please the European Union, your success in meeting these challenges does not depend on us in the European Union but on the people and political leaders of Bosnia and Herzegovina", Lys concluded.

"Those who taste once the water from Baščaršija..."

Governor Kozarić organized a cocktail in residence "Konak" for the guests from the European Central Bank and central banks of countries included in the program, as well as for the ambassadors of the a.m. countries in BH and representatives of Delegation of the European Commission in BH. During the welcome speech, governor Kozarić stressed the significance of signing of Protocol for the CBBH. According to Governor's words, it represents a clear sign that the Central Bank has been recognized as the one most prepared institutions in BH for applying the standards and adjusting to the requirements of the EU. "Performance of the CBBH and banking and financial sector of BH in the last 10 years guarantees that the ECB and its partner banks will have a reliable partner on the

road to strengthening economic and financial cooperation between the ECB and the CBBH.", stressed the Governor. A wish to enter the EU is one of the few issues in BH where citizens and politicians have a consensus, said the Governor, and in order to fulfill it, all institutions of the country need to be included and work together in reaching the standards of the EU. "CBBH has already made the first step in this direction and all of us in the CBBH are proud of it", he stressed. "Sarajevo is an open-hearted city, city of good people and positive spirit. There is an old saying in Sarajevo, it says "Those who taste the water from Baščaršija once will always strive to come back to Sarajevo", and I hope you will come back also, said the Governor Kozarić.



The Eurosystem has appointed **Santiago Fernández de Lis** as the Resident Programme Coordinator for the needs assessment programme to the benefit of the Central Bank of BH. Santiago Fernández de Lis is Director of the International Economics and International Relations Department of the Banco de Espana and he will take up the position in Sarajevo from 1st March 2007. He has an impressive experience in central banking, he was responsible for several departments of the Banco de Espana and he was also active in the Bank for International Settlement in Basel (BIS).

Card Operations Services Provided by 25 banks in BH

By Đorđe Racković, Manager of the Payments System Division

Out of total of 30 commercial banks in Bosnia and Herzegovina, which is the number recorded at the end of 2006, 25 banks offered card operations services and out of that number 19 had some form of international payment cards. The total number of issued cards recorded on December 31, 2006, was 1.121.483 cards (in 2005, there was a total of 942.874 cards). Of that number, 124.128 were credit cards, 943.318 were debt cards and 54.037 were charge cards. Card operations in banks in Bosnia and Herzegovina are performed by the following foreign cards: Visa, MasterCard and Diners cards, as well as by the Bamcard, which is the domestic payment card. A total of 16, 8 million transactions were performed in 2006 in card operations (in 2005, 11 million transactions were performed) and out of that number 1, 7 million transactions were performed by credit cards, 12, 7 million transactions were performed by debt cards and 2, 4 million transactions were performed by charge cards. Out of the a.m. number, 10, 8 million transactions were realized by the ATM, while 6, 0 million transactions were realized by POS terminals. Compared to the number of issued cards during the last year, the average number of transactions per one card was 16, which is just over one transaction per month, which is not positive indicator of development of card operations in our region. The total value of stated transactions was KM 2, 3 billion (in 2005, it was KM 1, 9 billion). Of that amount, KM 243, 5 million is the value of transactions which were performed with credit cards, KM 1, 9 billion is the value of transactions

which were performed with debt cards and KM 191, 8 million goes to transactions which were performed with charge cards. Of the a.m. value, 15% was related to payment of goods, while remaining 85% was related to cash withdrawal, either via ATM or by POS terminals. If we look at the specific average sizes, we will again reach unfavorable indexes on the real usage of bank cards. In example, the average value of single transaction is KM 137. The average annual turnover per one card is KM 2.100, 00, or KM 175 per month for one card. Statement that majority of card operations is concentrated in several banks which have very developed this segment of bank operations still stands. There is a total of 538 ATM terminals installed in BH (in 2005, there was a total of 397 terminals), as well as 11.448 POS terminals (in 2005, there were 8.974 POS terminals installed). Out of the total number of banks in Bosnia and Herzegovina, 24 banks used E-banking. Even though almost all banks participate in E-banking, there is a relatively small number of clients for which these transactions are performed: 6.813 legal entities and 5.308 physical entities. Still, compared to 2005, this represents a significant increase (5.530 legal entities and 1.202 physical entities). Network of banks and their branches and representative offices is mostly satisfying. What can be considered as unfavorable is the small number of banks' organizational units outside of entity where headquarters of a bank is located. Total banking network is made of 712 organizational units. Of that number, 302 of them are branches (260 in entity where the headquarters of bank is located, 27 in other entity and 15 in Brčko District of BH), and there are 410 subsidiaries (384 in entity where the headquarters of bank is located, 22 in other entity and 4 in Brčko District BH).

THE FIRST ANNIVERSARY

The CBBH is celebrating ten years of its work

The Central Bank of Bosnia and Herzegovina celebrates ten years of its work this year; therefore the CBBH Governing Board at its session held on 27 February accepted the program of celebration of ten years of work of the Bank. In this way, according to the common practice in central banks, this significant date will be marked, which is also the opportunity to present the work, results and future plans in the best possible way. The program includes an international conference which will be held on 13 September 2007. Within the topic entitled "Ten Years of the CBBH" three important phases in development of the CBBH will be presented, from the establishment, development, current situation and future activities. Speakers, beside the current Governor **Kemal Kozarić**, are also two former governors of the CBBH **Peter Nicholl** and **Serge Robert**. Within conference, the topic entitled "*Monetary policy in Function of Finance Stability*" will be discussed; the reason for selection of this topic is that financial stability represents the essence of existence of the institution and self-sustainability of the country. Representatives of the International Monetary Fund

(IMF), the Bank of international Settlements (BIS), and European Central Bank (ECB) will be invited as speakers. The last session is entitled the "*Panel of Governors*" and within that session governors of the central banks from the Region will discuss the monetary policies in the region, their similarities and differences, as well as the process of joining the EU which is the joint aim of the whole Region. Ten years of the CBBH operations will be marked symbolically by publishing of monograph and issuing of the anniversary coins which will be used only for numismatic and promotional purposes.



Peter Nicholl



Serge Robert

Vice Governor Vladušić met with the First Secretary of Embassy of Japan in Vienna



The First Secretary of Embassy of Japan in Vienna **Toru Oe** visited the Central Bank of Bosnia and Herzegovina (CBBH) and he met with the CBBH Vice Governor **Ljubiša Vladušić**. The First Secretary of Embassy of Japan was interested in the economic situation in the country as well as in the CBBH activities. The Current Account Deficit, unemployment and fiscal policy are the biggest problems of BH, said Vice Governor Vladušić and added that it is not easy for BH to follow changes in European Union, because each change of price, for example of oil at the European market has influence on local economy. This year, 5% economic growth is expected, which, according to Vice Governor, is realistic as such growth was recorded last year as well. When speaking of the CBBH, it will continue to safely invest its foreign reserves which amount to KM 5, 4 billion and it will continue to perform the role of the fiscal agent of the country and, when the times comes, it will undertake the role of the state agent for issuing of the bonds.

Press releases



AMBASSADOR OF CZECH REPUBLIC VISITED THE CBBH



Czech Ambassador and CBBH Governor touring the money exhibition in the CBBH

On February 22, 2007, the Ambassador of Czech Republic in Bosnia and Herzegovina **Jiří Kuděla** and his Advisor who is also the Head of the Economic Department of Czech Embassy **Zbyňek Peška** visited the Central Bank of Bosnia and Herzegovina (CBBH), where they announced the possibility of a significant Czech investment in Bosnia and Herzegovina during the meeting with Governor **Kemal Kozarić**. According to the announcement of the Ambassador, the Czech Republic could soon become one of the larger investors in Bosnia and Herzegovina and the potential investors would, as a part of their visit to our country, also visit the CBBH which would present to them macroeconomic indicators. Governor Kozarić stressed the monetary stability as one of the significant factors for investment, since it is a sign that the profit made from investing will not be devalued. The Ambassador of Czech Republic believes that the peg of Convertible Mark to Euro is one of the best arguments of the CBBH as well as the entire country, and macroeconomic indicators are encouraging, which could be very important to Czech investors. The Czech Republic is the country with the enormous investment inflow which has strengthened its currency, and during the last year it recorded surplus in foreign trade goods exchange. During the discussion,

both parties have stated their wishes for the closer cooperation between the CBBH and the Czech National Bank. Cooperation between these two monetary institutions was present before as well, but it is necessary to make this cooperation more intensive, considering that the CBBH will have more contacts with the European Central Bank (ECB) and central banks of EU member countries in the future.

INFLATION IN JANUARY 1, 2%

Annual inflation rate in BH in January 2007, in comparison with the same month of the last year, is 1, 2 %. This represents a significant decrease in comparison to the values during 2006, which were between 6% and 8%. The reason for this decrease is the elimination of the effect caused by the Valued Added Tax (VAT), since the introduction of this tax caused the price increase at the beginning of the last year. Even before the VAT was introduced, the Central Bank of Bosnia and Herzegovina (CBBH) stressed that the VAT would cause only a one-time price increase and that there was no reason for extended inflationary pressures. If no large changes in price of oil occur, it is very likely that during 2007, inflation in BH will be at the level recorded before 2006, and it will be close to the inflation in the Euro Zone, and somewhat lower in the countries of the region.

ADDITIONAL QUANTITY OF 20 FENING COINS IN CIRCULATION

On March 1, 2007, the Central Bank of Bosnia and Herzegovina will put in circulation additionally minted coins in denomination of 20 Fening, being the legal tender. The CBBH carried out the minting of additional quantity of 20 Fening coin, according to the Decision of the CBBH Governing Board dated October 27, 2006 and distribution will be performed through the CBBH Main Office, Main Units and Branches. This minted money will maintain current basic characteristics and technical specifications, except that numerical mark "2007" will replace numerical mark "2004" on the reverse as a year of minting of this denomination. According to the Decision of the CBBH Governing Board, the volume of additionally minted 20 Fening coins consists of 10 million pieces of coins and those coins will be put into circulation gradually, as needed.

MAIN UNITS AND BRANCHES



MU Sarajevo



MU Mostar



MBRS Banja Luka



Brčko Branch



Pale Branch

MU SARAJEVO

During February, the Banking Section performed 68 buying and selling transactions of the domestic currency, of which there was 61 selling transaction amounting to KM 81.018.571, 60, and seven buying transactions amounting to KM 72.159.771, 62. The balance of buying and selling at the end of the month was a positive one and it amounted to KM 8.858.799, 98. In the Treasury Operations Section 192 transactions were performed, out of which there were 127 cash receipts amounting to 1.261.452 banknotes, 1.046.975 coins, 258.684 damaged banknotes and 37.187 EUR banknotes. 61 transactions of outgoing cash transactions were performed amounting to 1.549.540 banknotes, 830.002 coins, and 282.000 damaged banknotes. 370 requests for issuing the account statements from the Single Registry of Transaction Accounts were received and KM 1.850, 00 has been charged.

MU MOSTAR

In the MU Mostar there are activities going on related to the decision on Encrypting and crypto protection of information in the CBBH. After the commercial banks, which have open reserve accounts with MU Mostar, notified in writing that they are interested in introducing of encrypting and crypto protection of information with PGP in handling the cash, meetings with representatives of two commercial banks were held, and meetings with other banks have also been planned as well. In the Treasury Operations Section from 1 to 27 February, the number of incoming protocols was 61 items, totaling to KM 33.799.265, 00. The number of outgoing protocols was 48 items totaling to KM 45.283.030, 20. In the same period Section for Monitoring and Payment System received 76 requests for issuing the data from Single Registry of Transaction Accounts and all the certificates were issued. 280.648 payment transactions have been performed.

MBRS BANJA LUKA

The Commercial Bank a.d. Banja Luka became the member of CBBH payment systems as of 5 February, that is, from that date it is directly included into the payment transactions network – gyro clearing and RTGS center and gyro clearing of the Banja Luka MBRSCBBH. In the MBRS, 36 certificates from the Single Registry of Transaction Accounts were issued in February. In the Treasury Operations Section, in this month, 151 transactions were performed, of which, the incoming transactions number was 97, and the number of outgoing transaction was 54. In spite of the significantly decreased number of transactions compared to the previous period, which is characteristic for this period of the year, a significant amount of banknotes of KM currency from commercial banks has been received and processed, namely 1.314.427 pieces,

and the volume of received and processed EUR currency consisted of 162.707 pieces. In MBRS Banja Luka the positive trend of buying and selling of has been continued. During February 73 items were processed, of which there were 16 KM buying requests amounting to KM 58, 2 million, and there were 57 KM selling requests, in the amount of KM 71, 3 million, thus the net balance of buying and selling was KM 2, 5 billion.

BRČKO BRANCH

Works on reconstruction and upgrade of CBBH Branch in Brčko building continued. During February a slightly less inflow and a significantly higher outflow of the cash from the separated Treasury were registered, however the separated Treasury was working the whole time, in spite of the bad working conditions. The trainee **Amra Vilić** has passed the trainee examination on the 26 February. **Jaminka Burić**, staff member, attended the meeting of the Commission for Upgrading of Banking-Accounting Software.

PALE BRANCH

During February in the MBRSCBBH Branch in Pale, 30 transactions of KM buying and selling have been realized, of which there was 22 selling transactions in the amount of KM 4, 1 million, and eight buying transactions in the amount of 3, 9 KM million. In comparison to the same period of the previous month the number of transactions decreased by 6 index points. The number of KM buying was on the level from the previous month, and the number of KM selling transactions decreased by eight index points. However, the balance of buying and selling was on the level of the same period from the previous month. The number of KM deposits was increased by 2%, and the number of outgoing KM transactions decreased by 51 index points. The number of received CAS requests was increased by 10%, and bank to bank transfers decreased by 70 index points in comparison to the previous period. KM deposits of commercial banks decreased by seven index points, and the deposits in other currencies increased by 1%. The average balance with the reserves accounts of commercial banks decreased by seven index points, and all the banks met the reserves requirement.



EDUCATION

Six seminars were held in February, as well as the special seminar dedicated to SWIFT. The CBBH organized the Seminar in its premises from February 25 to February 28 in its premises in Sarajevo, during which lectures were held for 22 CBBH employees from the SWIFT domain in various degree of complexity, including messages connected with securities. Namely, new operations in the CBBH demand specialized training for various employees, who will come across the SWIFT messages by nature of their work. In case of the Banking Department, for example, it is required

to have knowledge for performance of payment transactions to abroad, as well as of on confirmation related tasks. Employees are actively involved into registration of portfolio of securities and it is planned to work on REPO transactions operations, where it is required to use Category 5 SWIFT messages (for securities). Training for specific, more complex categories of SWIFT messages was also important for those employed in SWIFT Section, Monitoring and Analyses Division and Division for Servicing of BH Public Debt. The seminar was very successful for CBBH employees who will work on these tasks in the near future and who, until now, had no chance to attend this form of education.

NEW IN HUMAN RESOURCES MANAGEMENT

As of January 1, 2007, the New Law in Income Tax is implemented in Republika Srpska. According to the new regulations in RS, the subject to taxing is the sum of all net incomes from all sources made by a tax payer during one tax year, and the tax base for the income tax of physical person who is a tax payer in RS is made by the net income from all sources which are subject to taxation by the Law, including salary, assets for the achieved results of work and other personal incomes. Items excluded from the income tax: severance allowances for retirement, cash aid paid out up to amount established under special regulations, compensations for transportation expenses made during the transport to and from workplace, also paid up to amount established under special regulations, compensations for

travel expenses and traveling allowances for business trip paid up to amount established under special regulations, and other incomes stated by the order. What is important for the CBBH is that the income tax upon deduction falls on the burden of employer who calculates and pays the tax upon deduction on the behalf of employee and that for all employees who have their place of living in RS calculation and payment of tax for all incomes (salaries, food allowances, reimbursements, and other additional incomes which go over defined limits) and that this is performed under the stated Law. Division for Human Resources Management provided, within the set legal deadline, to the responsible tax administration data on employees of the CBBH MO who have their residence address in RS, and in connection with that, the Human Resources Management Methods Section will also perform tasks related to taxes and provide the data on new employees who have their place of residence in RS, as well as the data on eventual changes in employees records.

EMPLOYMENT

In February, three new employees were hired and those are: **Sanja Ćosić**, temporarily, as the staff member for Monetary and Financial Statistics in the CBBH MO; **Čedomir Lučić** and **Almir Karalić** were hired permanently as Officers for Physical Protection in Physical Protection Section of the Security Division of the CBBH. During the month, Contracts of two employees who were hired permanently were terminated. Coordinator of the "Front Office" Section in the Banking Department **Dužanka Pelicarić** fulfilled all conditions for retirement on February 14, 2007. She experienced more than 38 years in service working in banks, the National Bank of Bosnia and Herzegovina

and the Central Bank of Bosnia and Herzegovina, where she was employed since its establishment. We hope that Dunja will the good retirement. As of February 28, 2007, **Damir Ćosić's** permanent employment contract was terminated by mutual consent. He was employed as Economic Analyst in the Economics Research, Statistics and Publications Division.



**Dužanka
Pelicarić**



**Damir
Ćosić**

**CENTRALNA BANKA
BOSNE I HERCEGOVINE**



**ЦЕНТРАЛНА БАНКА
БОСНЕ И ХЕРЦЕГОВИНЕ**

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; **Editor:** Zijada Kovač **Contact phone:** (033) 278-123; **DTP editor:** Almir Salihović;

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Monthly Balance Sheet (temporary) as of 31st January, 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 31st January are as follows:

On 31st January, 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 227,193. 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 2,077,363) and resident banks' deposits (KM thousands 2,904,645).

Capital and reserves reflect initial capital, 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 thousands 30,208 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 412,399.

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 31st January, 2007
(amounts in thousands KM)

ASSETS		Total Amount	EURO	Other Currencies
1	Foreign Exchange Assets	5364956	5360393	4563
1.1	Cash	22592	22541	51
1.2	Short term deposits	4947188	4943809	3379
1.3	SDR in the IMF	1133	0	1133
1.4	Security investments	394043	394043	0
2	Other Assets	112383		
	TOTAL ASSETS (1 + 2)	5477339		

LIABILITIES		Total Amount
3	Monetary Liabilities	5136762
3.1	Currency in Circulation	2077363
3.2	Credit Balances of Resident Banks	2904645
3.3	Credit Balances of Other Residents	154754
4	Liabilities to Non Residents	1001
5	Other Liabilities	28548
6	Capital And Reserves	311028
	TOTAL LIABILITIES (3+4+5+6)	5477339

	Net Foreign Assets minus Monetary Liabilities (1 - 3 - 4)	227193
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M.A. Ankica Kolobarić
Main Internal Auditor



M.A. Kemal Kozarić
Governor

Sarajevo (date) 20.02.2007.