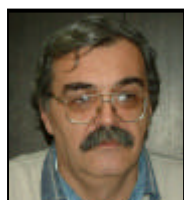




## ANALYSIS

# Trends of Retail Prices after the Introduction of the VAT

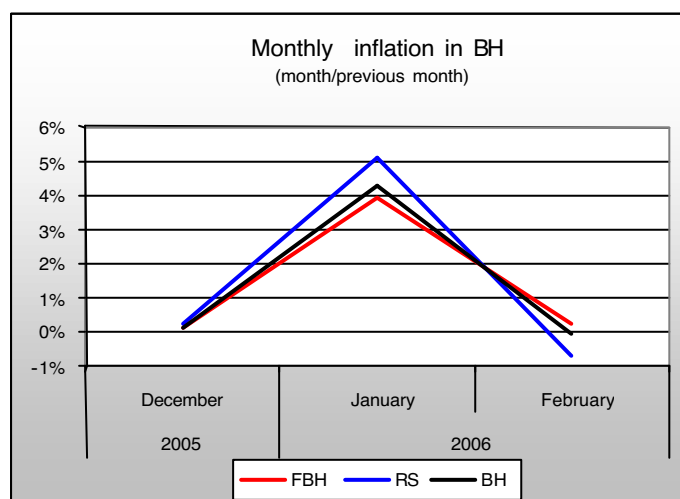


By CBBH Economic Analyst Nebojša Nastić

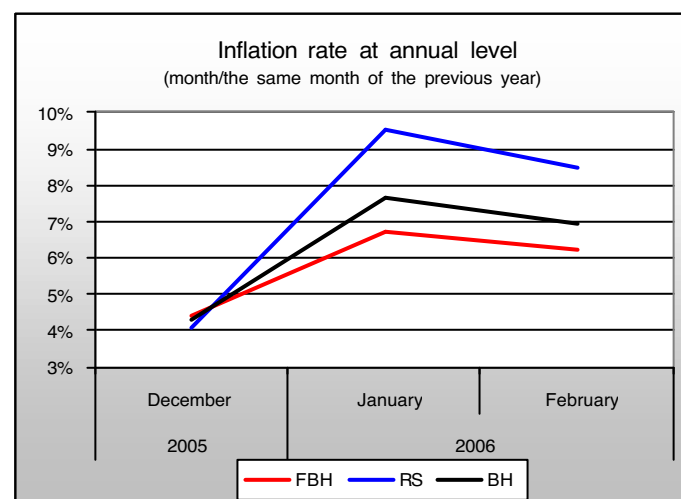
## Bosnia and Herzegovina

Index of retail prices shows that prices in BH have increased by 4, 3% in January 2006 compared with December 2005, while in

February they decreased by 0, 1% in comparison with January 2006.



At the same time, in January and February, compared to corresponding months of 2005, the prices have increased by 7, 6%, and by 7, 2%, respectively - which represents the infla-



tion on the annual level for the corresponding month. Also, in the first two months of 2006, the average prices were higher by 7, 2% in comparison with the same period of 2005.

## Federation BH

In January 2006, the increase of retail prices in comparison with December 2005 by 3, 9% was recorded in BH Federation and increase by 6, 7% was recorded in comparison with January 2005 (annual level inflation).

Analysis of prices, which constitute index of retail prices, show that prices for all groups of products have increased in January 2006 in comparison with December 2005, except for tobacco the prices of which remained at the level which was

recorded in December 2005 (index 100%). Therefore, prices of agricultural products increased by 8, 4%, industrial food products by 5, 2%, industrial non-food products by 3, 0%, beverages (alcohol and non-alcohol) by 1, 1% and services by 4, 5%. During February 2006, in FBH 0, 2% increase of retail prices was recorded in comparison with January 2006 and in comparison with February 2005 that increase was 6, 2%.

The analysis of prices in February 2006 in comparison with January 2006 have shown that prices of majority of products slowly increased, except for tobacco, the prices of which remained at the January 2006 level, while the prices of

industrial non-food products decreased by 0, 2%. So the prices of agricultural products increased by 3, 8%, industrial food products by 0, 1%, beverages by 0, 9% and services by 0, 2%.

## Republika Srpska

In January 2006 in RS, the 5, 1% increase of retail prices in comparison with December 2005 was recorded, and in comparison with January 2005 that increase was 9, 5%.

Analysis of prices in January 2006 in comparison with December 2005, shows that prices of majority of products increased, except for tobacco the prices of which remained at the level which was recorded in December 2005, while the prices of services decreased by 1, 8%. Prices of agricultural products increased by 8, 1%, industrial food products by 7, 1%, industrial non-food products by 7, 4% and beverages by 0, 3%.

In February 2006, retail prices in RS decreased by 0, 7% in comparison with January 2006, while in comparison with February 2005, they increased by 8, 5%.

The analysis of prices in February 2006 in comparison with January 2006 have shown that prices of majority of products slowly decreased, except for tobacco, the prices of which remained at the December 2005 level, while the prices of agricultural products and services increased by 8, 0%, that is by 0, 5%. Prices of industrial food products decreased by 0, 5%, and those of industrial non-food products by 1, 8% and beverages by 0, 6%.

### CARD BUSINESS

# Visa International with More Than Half a Million of Cards in BH



## Detail from the Reception

Visa International, which has been operating at BH market since 1996 and which has issued more than half a million of cards in BH, on March 21 organized the press conference and reception which gathered representatives of banks-partners and other financial institutions. Those present were addressed by the Regional Manager of the VISA Organization for the Region of Central and Eastern Europe, Middle East and Africa (CEMEA) **Jean-Marc Tonti** and Governor of the Central Bank of Bosnia and Herzegovina (CBBH) **Kemal Kozarić**, who, on that occasion, has stated his pleasure with the constant growth of non-cash payment transactions in BH, which represents a good sign that BH citizens increasingly accept and use modern banking services. "This is also

a confirmation of development of the BH banking system which, by volume and quality of services, can compare with the most developed banking systems of the Western Europe", Kozarić stressed. Governor of the CBBH also presented the data on card operations, compiled by the Payments System Division of the CBBH. So, concluding with December 31, 2005, the total of 943.000 cards were issued in BH, out of which, 560.000 VISA cards, 282.000 MasterCard cards and 101.000 BamCard cards. "If we compare this with the data on the number of employed persons in BH - 643.988 - it turns out that each employed person has 1, 5 cards", Governor said and added that turnover which was made in card business in 2005 amounted to KM 1, 939 billion. Out of that amount, KM 1, 046 billion were withdrawn on ATM machines, KM 615 million on POS terminals and there were KM 278 million of payments done with cards. Jean-Marc Tonti stressed that VISA International, during its ten years of its operations in BH, achieved cooperation with 14 commercial banks and created the large network of users, so at present, the VISA cards are accepted at 6.569 locations in BH. "In BH, as well as in the entire CEMEA region, the most popular is the VISA Electron card, which is directly linked to current account. Primary goal of VISA International and banks in BH, which we cooperate with, is to create the modern surrounding in banking which will provide benefit for users and companies in BH, as well as for the entire country", Tonti stressed. VISA cards are used in 150 countries and VISA International has contracts with more than 21.000 banks, which, until now have issued more than one billion VISA cards.

# A total of 942.874 cards



By Đorđe Racković, Manager of the Payments System Department

27 banks in BH are dealing with card operations and 20 of them have some of the international payment cards. The latest analysis, which was done by the CBBH Payments System Department, have shown that BH banks perform card operations with the usage of foreign cards Visa, MasterCard and Diners, and with the BamCard, which is the local payment card. The total number of issued cards, local and foreign, concluding with December 31, 2005, was 942.874. In 2005, a total of more than 11 million transactions were settled in card operations in the total value of KM 1, 9 billion. Out of stated value, around KM one billion was realized through ATM (cash), around KM 616 million through the POS terminals in banks and post offices as cash withdrawals and as around KM 279 million through the POS terminals for the payments of goods in stores. Statement that the largest share of the card operations is concentrated in three banks, in which this segment of banking operations is very developed, still stands. There are total of 397 ATM terminals and 8.974 POS terminals installed in BH. E-banking is used in 23 commercial banks in BH and one more bank has purchased the software solution and it is in the testing stage. However, even though large number of banks is in the E-banking, there is relatively small number of clients for whom they perform transactions (5.530 legal entities and 1.202 citizens). Only one BH bank has its own E-banking solution, while others have purchased software solutions. Concluding with

December 31, 2005, 15 commercial banks had open transaction accounts in the same form for citizens and for legal entities, while nine banks are preparing to do that in the following period. In commercial banks, 1.462 employees are working on tasks related to internal payment system transactions, out of which, 722 are exclusively working on payment transactions tasks, while 740 are also performing other tasks too. In 2005, commercial banks have earned 60% more profit on the basis of the payment transactions in comparison with expenses they had on the same basis. All commercial banks have written rules for operations in the IPS, in which they have worked out working procedures in detail. From those procedures it is visible that all payment orders which banks receive during the day by 12:00 hours, i.e., by 14:20 hours, depending on bank, settle it the same day in the giro clearing system, while RTGS orders are received later too, in some banks by 14:00 hours and in some by 15:45 hours. Network of banks' branches and affiliates is satisfying and has expanding tendency. What can be considered as unfavorable is the small number of organizational units in other entity. The total banking network is made of 708 organizational units. Out of that number, 292 are branches (254 seated in entity where the bank's headquarter is, 24 in the other entity and 14 in BH Brčko District, and 416 are affiliates (393 seated in entity where the bank's headquarter is, 16 in the other entity and seven in BH Brčko District).



NEW PROJECT IN THE CBBH

## Central Registry of Credits Operational from April 13

With the Decision of the CBBH Governing Board from March 31, 2006, the Central Registry of Credits of Business Entities that have loans in commercial banks will become operational on April 13, 2006. This will be preceded with the presentation of the Registry for commercial banks and CBBH employees. Users of the Central Registry are going to be the CBBH, Banking Agencies and banks. The insight into data will be possible through the Report of Total Current Liabilities of a Business Entities with Banks and the Report on total ended/repaid loans of business entities in banks for the last five years since the end/repayment. Establishing of this Registry was aided by the American Agency for International Development (USAID), which provided 60% of funds.



Presentation of Registry for Commercial bankers

# Positive trends continue



By Ljiljana Marijanović, Coordinator for Banking Supervision

In 2005, BH banking sector continued to record positive growth trends. Net balance sum of BH banking sector reached KM 11, 8 billion, which was by KM 2, 5 billion higher compared to the end of 2004. Funds were KM 4, 2 billion and in total assets their share is 36%, loans amounted to KM 6, 8 billion and they are higher by KM 1, 6 billion, and in total assets they took 57%. As to the liabilities, deposits amounted to KM 8, 8 billion and they are higher by

KM 1, 9 billion compared to 2004, their share being 74% in total assets. Capital of banks was KM 1, 3 billion and in total assets it takes 12%. As at 30 December 2005, 33 banks operated in BH, the identical number as at year end 2004. Provisional administration was in place in five banks - Hercegovačka Bank d.d. Mostar, Ljubljanska Bank d.d. Sarajevo, Poštanska Bank BH d.d. Sarajevo Privredna Bank d.d. Sarajevo and Una Bank d.d. Bihać.

Number of banks, by the ownership structure, is presented in the following overview:

	31.12.2002	31.12.2003	31.12.2004	31.12.2005
<b>Total number of banks</b>	<b>40</b>	<b>37</b>	<b>33</b>	<b>33</b>
- Out of it:				
- private banks	34	30	27	27
- state owned banks	6	7	6	6

All banks were licensed to perform internal payment operations. 22 banks had deposit insurance licenses - 15

banks from the Federation of BH and seven banks from RS.

## Commercial Banks' Capital

The total regulatory capital (core capital plus additional) in BH, on 31 December 2005, was around KM 1, 5 billion and was higher by KM 244 million or by 20% compared to the end of 2004. In the total capital structure, core capital was 78% and additional capital was 22%. Compared to the end of 2004, the share of the additional capital was increased by two percentage points. On December 31, 2005, the ownership structure of the

share capital in the banking sector of BH was changed compared to the structure at the end of 2004. The share of private capital in the total capital increased by one percentage point, and the share of state capital decreased. Foreign private capital took 73% of the total capital, while local private capital took 14%. The share of foreign capital in the total private capital was 84%.

## Banks' Assets

Balance sheet assets of banks by the end of 2005, reached the level of KM 11, 8 billion, and were higher by KM 2, 5 billion or by 27% compared to the end of 2004. In the assets structure,

there were no significant changes compared to the structure by the end of 2004. The share of loans of 57% continued to be the most significant. Funds took 36%, fixed assets took 4% and other

assets took 3%. Funds increased by KM 890 million or by 27% and loans increased by around KM 1, 6 billion or by 30%. Banks still hold considerable funds in accounts with depositary institu-

tions abroad amounting to around KM 1, 8 billion, which represents 42% in relation to the total funds. Compared to the end of 2004, this share decreased by five percentage points.

## Liabilities of banks

In total liabilities of banks the obligations took 89%, and capital 11%. The share of deposits was still the most significant amount-

ing to 74%, capital took 11%, liabilities under taken loans 11% and other liabilities 4%.

## Deposits

The total deposits at the end of 2005 were around KM 8, 8 billion and were higher by around KM 1, 9 billion or by 27% compared to the deposit balance at the end of 2004. In the structure of deposits, the largest share was taken by citizens' deposits amounting to 37%, followed by banking institutions' deposits amounting to 19%, deposits of private business and companies 15%, those of public

companies amounting to 11%, government institutions' deposits 11%, and other deposits 7%. Deposits in the local currency increased by KM 711 million or by 24%, while foreign currency deposits increased by KM 1, 1 billion or by 30%. The share of deposits in foreign currency in total deposits increased by two percentage points from 56% to 58%.

Deposit structure by currencies is the following:

In KM Million

	31.12.2002		31.12.2003		31.12.2004		31.12.2005	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL DEPOSITS</b>	<b>4.158</b>	<b>100 %</b>	<b>5.243</b>	<b>100 %</b>	<b>6.912</b>	<b>100 %</b>	<b>8.788</b>	<b>100 %</b>
Out of it:								
- Deposits in KM	1.749	42 %	2.352	45 %	3.010	44 %	3.721	42 %
- Deposits in foreign currency	2.409	58 %	2.891	55 %	3.902	56 %	5.067	58 %

Short term deposits still have the significant share in total deposits. Short term deposits participate with 62%, and long term deposits par-

ticipate with 38%. Compared to the structure of 2004, the share of long term deposits is increased by one percentage point, from 37% to 38%.

Citizens' savings by the end of 2005 were around KM 3 billion and increased by 27% compared to the end of 2004. Although local currency savings has bigger growth rate (29%) and foreign

currency savings increased (26%), the share of savings in foreign currency is still quite higher. In the total savings, foreign currency savings took 71%.

Survey of savings by currency is the following:

In KM million

	31.12.2002.		31.12.2003.		31.12.2004.		31.12.2005.	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
<b>TOTAL SAVINGS</b>	<b>1.556</b>	<b>100 %</b>	<b>1.847</b>	<b>100 %</b>	<b>2.397</b>	<b>100 %</b>	<b>3.056</b>	<b>100 %</b>
Out of it:								
-Savings in KM	348	22 %	447	24 %	674	28 %	876	29 %
-Savings in foreign currency	1.208	77 %	1.400	76 %	1.723	72 %	2.180	71 %

Continuation on Page 6



## Loans

The total extended loans in the period in 2005 in BH amounted to KM 7 billion and were higher by KM 1, 6 billion or by 29% compared to 2004. In the sector structure of loans, there were some changes, so, the share of loans extended to private companies and to the households increased by one percentage point, each, and the share of loans extended to public sector decreased by two percentage points. In the structure of loans, the most sig-

nificant share was taken by the loans extended to citizens amounting to 48%, followed by the loans extended to private companies amounting to 46%, those extended to public companies amounting to 3% and those to other sector amounting to 3%. Loans to citizens increased by 31% or in the absolute amount by KM 811 million. Loans to private companies also increased by 32% or by KM 792 million.

## Financial Result and Number of Employees

The total income of banks in BH in 2005 reached the amount of around KM one billion and was higher by around KM 183 million or by 22% compared to the one recorded in 2004. The interest income took 64% and operative income took 34%. In 2005, the share of income from interest increased by five percentage points. The total expenditures of the banking sector of BH in 2005 amounted to KM 903 million and were higher by KM 142 million or by 19% compared to the expenditures recorded in 2004. The expenditure structure of BH banking sector was changed compared to 2004. One bank had assets over KM 2 billion in BH.

the expenditure structure recorded in 2004. The share of expenditures from interest increased by three percentage points (from 22% to 25%) and the share of non-interest expenditures decreased from 78% to 75%. Net interest income at the level of BH banking sector was achieved in the amount of KM 422 million. The operations of banking sector at BH level in 2005 were positive. By the end of 2005, the banking sector of BH employed 8,392 employees. When compared to the end of 2004, the number of employees increased by 552 employees or by 7%.

## AMERICAN UNIVERSITY IN BH

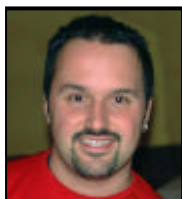
# American education in Tuzla



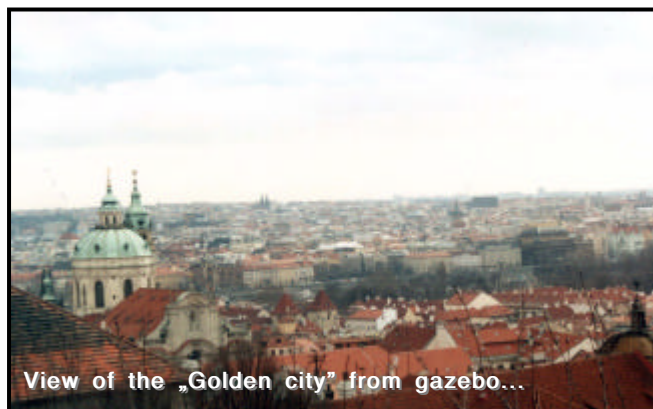
The formal promotion of the American University in BH, which will start with classes in September this year, was held in Tuzla on March 29, 2006. By opening this University, which was achieved in cooperation with the State University of New York (SUNY), BH students will have a chance to attend classes organized in accordance with the American program in Bosnia and they will get two diplomas: BH Diploma in accordance with the Bologna Declaration and the Diploma of the State University of New York. According to the President of the Governing Board **Denis Pračić**, at this private University, which will hold its classes in the Bosnian Cultural Center in Tuzla, students will have a chance to listen to classes in English language held by distinguished professors from USA, Europe and BH. He added that the vision of the American University in BH is to provide a top-quality university education for people, in order to enable the trained specialists to develop new entrepreneurship, reduce unemployment rate and place BH in

the position of a sustainable economy, equally involved in the world market. Otherwise, the basis of the University is the College of International Finance and Banking, which is made of Department of Finance, Department of Banking and Department of Insurance and Risk Management. Those gathered were addressed by the Governor of the Central Bank of BH (CBBH) **Kemal Kozarić**, who expressed his hope that the opening of this University, as well as other reforms in education would help to prevent young and promising people from leaving BH. "The College of International Finance and Banking represents an important educational facility for all financial and banking institutions in BH that will need staff of all profiles. The BH banking sector, not only by its quality, but also by the range of financial services, is not different from the banking sectors in developed countries of the world and represents one of the most developed sectors in the country, which is trying to provide the support to other sectors of the BH economy with its entire potential. Currently, we have 8,292 employed persons in the BH banking sector and I am sure that many of them will be interested in obtaining new knowledge at this University", said Kozarić, who at the end invited successful companies to invest in education of young staff. Tuition fee at this University will be Euro 5,000 annually, and the Management of the University is working on signing of contracts with commercial banks which should provide favorable student loans with the five-year grace period. Beside the CBBH Governor, the formal ceremony in Tuzla was attended by representatives of Canton and Municipal authorities, Education Minister in BH Federation **Zijad Pašić** as well as representatives of Embassies of the USA, Great Britain, and Germany.

# Down the Streets of the "Golden City"



By Almir Salihović



Not even the 20-hour long journey, nor the weather reports which were announcing bad weather in entire Europe, nor the fact that the average holder of the Bosnian passport needs "only" three visas on the way to Czech Republic have managed to prevent the largest expedition of the CBBH employees assembled so far in their trip to visit one of the most beautiful cities of the Middle Europe - Prague. Night drive through Croatia, Slovenia and Austria follows, with the obligatory exit from the bus on each of the border crossings. "Cozy" waiting on minus 10 degrees until customs officers from EU countries show mercy to put stamps into our passports are only interrupted with the tune "travel Europe, don't wait for us...", which, for some unknown reason is on my mind. Morning brings us to the Austrian-Czech border. Relatively short control and we enter so much awaited Czech Republic which is considered the most stable and prosperous of all post-communist countries in the Central and Eastern Europe, which is something that cannot be quite noticed after crossing the border. Cities which we pass through: Znojmo, Brno... look gloomy and they are all similar with the well-known architecture solutions from the times of Social-realism. The short look back into the history says that the Czech people spent 21 years behind the "Iron Curtain", which ended in 1989 with the so-called "Velvet Revolution". Four years later, Czech people go through another divorce, this time from their Slovakian compatriots, which has made Czech Republic an independent state. In 1999, it enters the NATO and as of 2004 it is the EU member. As it is the case with other transition countries, urban centers are developing rapidly, while rural parts of the country are deteriorating. Czech Republic is no excep-



tion. After all those gloomy parts which we were driving through, Prague in all of its beauty starts to surface right before our eyes in the early afternoon. Beautiful buildings from Gothic to Neo-Renaissance style witness the great history of Czech Republic and between them, timidly finding their place, shopping centers and representative office buildings of the World's largest transnational companies. Our guide Vlado was cooling our desire to jump out from the bus immediately and to go exploring, by warning us to not go alone, since everything that flies, walks or crawls in Prague has the intention to steal our wallets, passports and cameras. Still, soon after we arrive to our hotel and leave our things, our expedition is on its way towards downtown. City transportation in Prague is excellent and organized in a simple way, so after only one ride with Metro, you have the feeling that you have lived there your entire life. We exit at Vláclavské Namesti. The view of the magnificent boulevard, which is full of people in any time of day or night. It is no wonder Prague is called the "Golden City". Each dome, statue or tower, even those which are not that significant, has gold painted details glittering on the afternoon sun. Facades are also painted in yellowish-ocher colors, so you also have the impression that they are glowing as well. Short city tour and return to hotel. Those with more stamina are off to a night life and those who have found 20-hour trip to be too much - to bed. The next day, the big tour begins. The road takes us through Loreto to Prague Castle, which was built back in 9<sup>th</sup> century and it was built by the Premyslović Dynasty.

Continuation on Page 8

## TRIP TO PRAGUE

Continuation from Page 7



At present, this Castle is still the headquarters of the Government of Czech Republic. There, we have a chance to see the change of guards in front of the Government building and we also visit the Church of St. Vita, which represents the crown of the Prague Castle. The tempo is not decreasing even despite extremely cold wind, which has followed us the entire day. We continue with our tour which takes us to the Golden Street, where we pass by the home of **Franz Kafka**. Next is Carlo's Bridge, which represents a witness to 600 years of picturesque Czech history. The most significant marks on the bridge are 30 statues, mostly saints and other religious figures. The tour for that day ends on Staromešetski Namesti, which is the marketplace that dates back to 11<sup>th</sup> Century. Return to the hotel and small time-out before the dinner in Restaurant "U Marčanu", where our expedition has a chance to get familiar with national Czech meals and dances. Those who have decided that the entire day of Prague sightseeing is not enough for them continue their evening in some of the Czech breweries. The next day is a free choice day. One part of the crew continued their city sightseeing with the aid of the expert guide and the first stop for them is the old Jewish neighborhood, where they have a chance to see the Old Synagogue and Jewish Cemetery. After that they have a chance to see an exhibition of the jewelry of the Opera Diva **Maria Kalas**. After that, separation. One part of the team continues

touring the Petrin Hill, after which they go to Nerud Street. The other part of the team right at the beginning decides to visit the Vyšehrad Castle in which the Princess **Libuše** predicted establishing of Prague, "the city which will touch the stars with its beauty". Again, one part of the crew decides for some "other" Prague sights, such as H&M, Zara, Mango... Wherever you go, there is at least one familiar person loaded with bags. Afternoon gathering in order to go together for a lunch and a boat trip on Vltava River. The view of Prague from Vltava is beautiful. River transport is regulated with the special system of water gates which make possible free flow of traffic. We pass under Carlo's Bridge. It looks magnificent. Wherever you turn, you can see bridges, and the ride itself seems like one large walk through the history of Prague. Return to hotel follows and the entertainment of free choice. Tomorrow, departure for Sarajevo. Those most persistent ones rush into another "last minute" shopping before departure. Departure... Somehow it seems to me that everything is going faster than when we were arriving. Singing and retelling of adventures as well as everything we could have done "if there were only one more day", last long into night. Early morning brings us back to Sarajevo and to sleepy faces of our beloved ones who have come to wait for us in front of the Country Museum. We part with a solid promise that something like this has to be repeated next year... Definitely.



## CHINESE AMBASSADOR AND THE CBBH GOVERNOR ON POSSIBILITIES OF INVESTMENT IN BH

Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to Bosnia and Herzegovina **Li Shuyuan** with his associates visited on March 2, 2006, Central Bank of Bosnia and Herzegovina (CBBH) and talked with Governor **Kemal Kozarić** and Vice Governor **Feriha Imamović** on possibilities of investment in BH and on intensifying of economic cooperation of these two countries. Governor Kozarić pointed out that BH passes through range of reforms that should enable it to become self-sustainable country. Presenting the macroeconomic indicators, among which, the increase of gross domestic product (GDP) of 5, 5% last year and the inflation of 3,7%, Governor pointed out three indicators representing the biggest issue of BH economy, one - being unemployment of 21%, then, foreign trade deficit above KM 7, 2 billion, and the internal debt. As for CBBH, it recorded positive results during the last year, too, out of which the Governor emphasized foreign currency reserves being KM 4, 2 billion and profit in the amount of KM 38 million. By its monetary policy the CBBH is trying to protect the value of BH currency, which is very important element of the economic development and the investment in BH. "The Chinese economy is in expansion, but the BH citizens are not enough informed on Chinese achievements", said the Governor, and he invited the big Chinese companies to come to BH and start their business which would provide the engagement of BH citizens and creation of new values. The Chinese Ambassador was interested also in possibilities of investment in banking sector, i.e. preconditions that the Chinese banks should meet in order to operate in BH. The talk's participants agreed that it is necessary to intensify the cooperation of two countries, especially the commodity trade that, in their view, but also according to the statistical indicators, could be bigger and more qualitative.

## GOVERNOR KOZARIĆ IN BRČKO



Mirsad Đapo, Kemal Kozarić and Susan Johnson

The Governor of the Central Bank of Bosnia and Herzegovina (CBBH) **Kemal Kozarić** has visited Brčko on March 10, 2006,

where he met with the Mayor of Brčko **Mirsad Đapo** and Supervisor for Brčko **Susan Johnson** and permanently solved the issue of the business premises, i.e. the building of the CBBH Branch located in Brčko. All those participating in the discussion expressed their satisfaction with the solution of this issue considering the fact that 18 commercial banks have their branches in Brčko. The permanent solution of the business premises of the CBBH Branch in Brčko is a confirmation that the authorities of Brčko District want to keep the state institutions in this part of BH. During his visit, Governor Kozarić held a lecture to the third year students of the Faculty of Economics in Brčko.

## CBBH GOVERNING BOARD SESSION HELD

During the Session held on March 31, 2006 in Sarajevo, the Governing Board of the Central Bank of Bosnia and Herzegovina (CBBH) adopted the Financial Statements for 2005 and within that, the Decision on distribution of net profit of the CBBH. In the last year, the CBBH made a profit in the amount of KM 38.148.657, 18. After achieving the threshold of 5% relation between monetary liabilities and capital, distribution of profit was carried out, out of which KM 19.665.872, 49 will be allocated to the account of budget of institutions, while KM 18.482.784, 69 will be allocated to the account of the CBBH General Reserves. The CBBH Governing Board and external auditors have positively assessed CBBH Financial Statements for 2005. The Financial Statements, along with the opinion of external auditor, will be forwarded to the BH Presidency and BH Parliamentary Assembly for adoption. The CBBH Governing Board has made the decision on purchase of monetary gold. The CBBH is buying monetary gold obtained through the Agreement on Succession Issues in the total amount of 42.352, 167 ounces. Currently, the price of gold is around 583 USD per ounce, so by applying the middle exchange rate of USD for March 31, 2006, the value of this gold would be around USD 24.691.313, 36 or KM 39.923.952, 47. The CBBH will perform purchase of the monetary gold by medium price of gold by applying the middle exchange rate of USD on the day of transaction and that is the day of signing of the Contract between the CBBH and the BH Ministry of Treasury and Finance. Regarding the above, the CBBH Governing Board has also adopted the changes of Guidelines on investment of foreign reserves, according to which the foreign reserves can be also held in gold. Also adopted during the Session was the Decision on establishing of the Central Registry of Loans of Business Entities in BH that have loans in commercial banks. The CBBH, the Banking Agencies and banks will be users of this Registry. The United States Agency for International Development (USAID) has helped the establishing of the Registry with 60% of funds. Presentation of the Registry for the CBBH employees and commercial banks will be held on April 5, 2006. This Registry will become operational on April 13, 2006.

## MAIN UNITS AND BRANCHES



MU Sarajevo



MU Mostar



MBRS Banja Luka



Brčko Branch



Pale Branch

### MU SARAJEVO

During March, the Banking Division has performed 70 transactions of KM buying and selling in the amount of KM 175.555.000, 05. Out of that, 55 transactions are related to KM sale to banks, that is, KM 118.395.702, 99, while 15 transactions were related to KM purchase from banks, or KM 57.159.297, 06. The balance of buying and selling in this month is positive and amounts to KM 61.236.405, 93. Also performed was the purchase of the Euro cash for foreign exchange from banks in the amount of KM 1.011.946, 44, with the charged commission in the amount of KM 2.023, 89. During this month, a total of 538.865 transactions in the Payments System in giro clearing were performed for banks which are under the jurisdiction of the MU Sarajevo. 532 requests for issuing of the data from the Single Registry of Transaction Accounts of business entities were received. The Treasury Operations Section performed 222 transactions in the total amount of KM 119.933.447, out of which 145 were inflow transactions, that is KM 62.243.978, total number of pieces of banknotes 2.098.625 and 1.103.983 pieces of coins. The number of outflows of cash was 77 in the amount of KM 57.689.469, out of which there were 1.750.137 pieces of banknotes and 830.080 pieces of coins.

### MU MOSTAR

**235.612** transactions in payments system were performed in the MU Mostar during March, out of which 230.749 transactions were in giro clearing and 4.863 were in RTGS. During the same month, 192 requests were received for issuing of the data from the Single Registry of Transaction Accounts and certificates were issued. Over the period from March

1 until March 31 the number of inflow protocols was 61 pieces in the total value of KM 32.534.949, 00. The number of outflow protocols was 49 pieces, in the total value of KM 39.664.632, 35.

### MBRS BANJA LUKA

The positive trend of KM net sale continued in the MBRSCBBH Banja Luka. During March, 57 items were processed, out of which six items were related to purchase in the amount of KM 23, 8 million, while 51 items were related to sale in the amount of KM 105, 8 million. It is significant to mention that the value of KM sale in March was around 60% higher compared to January or February. Out of that, 95, 3 million or 90% is related to the sale through foreign exchange accounts, so the total net balance of KM net sale has a significant growing trend and amounts to KM 1, 98 billion. All banks in RS successfully fulfill reserve requirements. The trend of bank enlargements has continued in RS, so there was a merger of the LHB Bank and Razvojna Bank ad Banja Luka - NLB Group. Newly established bank is operating under the name NLB Razvojna Bank ad Banja Luka. The Treasury Operations Section has performed 226 cash transactions in March. It received and counted 1.850.000 pieces of banknotes and coins (KM and EUR cash), which represents 10% increase compared to previous month.

### BRČKO BRANCH

From March 6 until March 8, Manager of the Brčko Branch **Mirzeta Arnautović** attended marking of the Day of District BH. Governor of the CBBH **Kemal Kozarić** was in working visit to Brčko District BH. During the visit, he had a meeting with the Mayor of Brčko **Mirsad Đapo** and Brčko Supervisor

**Susan Johnson**, during which the agreement was reached on the purchase of the business premises for the CBBH Brčko Branch. On the same day, Governor Kozarić held the lecture to students and professors of the Faculty of Economics in Brčko. On March 23, Manager of the Branch has attended the Meeting of the Extended Management of the CBBH, which was held in Sarajevo. Employee **Jasminka Burić** attended the working meeting which was held on March 23 and 24 in the CBBHMO related to the preparations for the new banking-accounting software and meeting of coordinators of the Treasury sections. During the month, the proposal of the new systematization of work posts in the Branch was prepared. Turnover in the vault was much higher compared to turnover recorded in February: index of number of inflows achieved for BAM was 115, 76, index of value of inflow was 115, 69, the number of outflows was 136, 84, value of outflows was 105, 87, while for the EUR, the index of number of inflows was 120 and the value of outflows was 104, 60.

### PALE BRANCH

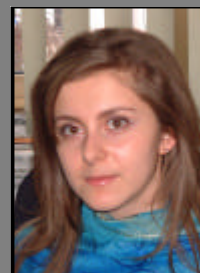
During March, number of KM sale compared to previous month has significantly increased. This increase was 40%. The number of KM purchases has reduced in comparison with February and amounted to 50 index points. Positive balance between the KM buying and selling has increased by 1%. The number of requests for issuing into CAS has increased by 4%, while the number of requests for the inter-banking transfers was significantly smaller. The average balance on reserve accounts of banks which are managed by the Branch has reduced by 16 index points, while the KM deposits also decreased by five index points, while deposits in other currencies increased by 16%.

# Trainings in the region

The CBBH Vice Governor **M.Sc. Ljubiša Vladušić** participated in the Round table entitled "*Privatization of the banks in the region*", organized by Bovan Consulting as a part of a third international fair of banking, equipment, services and insurance entitled "Bank EXPO 2006", held on 1 March in Belgrade. Vice Governor Vladušić held the presentation entitled "*Privatization of banks in BH*". Legal Adviser in Administration and Finance Department **Jasenka Žigić**, Manager of Common Affairs Division **Željko Subotić** and Officer for Legal Issues and Representation in Legal Affairs Section **Samira Dupovac** attended a seminar entitled "*Providing of claims in the law and in practice and new legal regulation*". Seminar was held on 9 and 10 March in Belgrade, organized by the Regional Organization for education, scientific researches, improvement of work of judicial, educational and administrative bodies and bodies for protection of rights TAZ Belgrade. Workshop entitled "*Central banking without monetary policy*" was organized by the Central Bank of Montenegro and International Monetary Fund (IMF) from 15 to 17 March in Podgorica. Manager of Monitoring and Analysis Division **Vasilija Arapović** and Economic Analyst in Economic Research and Statistics Division **Sandra Hlivnjak** participated in this workshop. Economic Analyst in Economic Research Division **Dejan**

**Kovačević** participated in workshop about coordination of political and financial stability from 22 to 24 March in Ljubljana. Organizer of this workshop was the CEF in cooperation with the IMF. Main Internal Auditor **M.Sc. Ankica Kolobarić** attended a seminar entitled "*Internal Audit and Basle II*" which was held from 23 to 24 March in Zagreb, organized by the company POTECON d.o.o. Zagreb. From 3 March to 2 April in Banja Luka, in organization of the Economic Chamber of Republika Srpska in cooperation of the TUV Rajnland InterCert Academy, there was a education for the manager of quality. **Slobodan Mandić**, Market Evaluation Economist I in Market Evaluation Section of the MBRSCBBH Banja Luka attended a.m. education. Manager of Economics Research and Statistics Division **Amir Hadžiomerađić** participated in the workshop entitled "*Monetary Strategy Options for Serbia*" organized by the National Bank of Serbia (NBS) and held on 24 March in Belgrade. Employees of the Payment System Department, Manager of Department **Đorđe Racković**, Coordinator of the RTGS Section **Anja Margetić**, Coordinator of Information Support Section **Saša Lemež** and Programmer in Information Support Section **Mirko Mihailo** attended the FAT (Factory Acceptance Test) in Halcom and meetings in the Bank of Slovenia and commercial banks about the IBAN in the period from 12 to 18 March.

# Trainee in the CBBH Branch Brčko



**E**conomist **Amra Vilić**, Bachelor of Economy from Brčko District is hired for definite

**Amra Vilić** term of employment, of one year, as a trainee on 1 March 2006. She has been hired in the CBBH Brčko Branch. We wish her sincerely welcome among the CBBH staff members. In March, there was no cease of the CBBH staff's employment, or the assignment of employees to other posts. The CBBH has 289 people employed out of those 283 are hired for indefinite period of time, while six people are employed temporarily. Out of those hired on definite basis, five are hired as the replacement for the absent, i.e. assigned employees and one CBBH employee is hired as a trainee. One CBBH employee, who is hired on indefinite terms is on unpaid leave.

CENTRALNA BANKA  
BOSNE I HERCEGOVINE



ЦЕНТРАЛНА БАНКА  
БОСНЕ И ХЕРЦЕГОВИНЕ

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**CENTRAL BANK OF BOSNIA AND HERZEGOVINA**  
**Monthly Balance Sheet (temporary) as of 28<sup>th</sup> February, 2006**  
**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 28<sup>th</sup> February are as follows :

**On 28<sup>th</sup> February, 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 193,907,947. 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 1,836,118,559) and resident banks, deposits (KM 2,155,137,381).

**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 96,898,758 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 330,058,469.

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 28<sup>th</sup> February, 2006**  
**(iznosi u KM ekvivalentima)**

ASSETS		Total Amount	EURO	Other Currencies
1	Foreign Exchange Assets	4.316.259.963	4.312.895.342	3.364.621
1.1	Cash	16.519.740	16.477.507	42.233
1.2	Short term deposits	4.299.302.432	4.296.417.835	2.884.597
1.3	SDR in the IMF	437.791	0	437.791
2	Other Assets	84.966.329		
TOTAL ASSETS ( 1 + 2 )		4.401.226.292		

LIABILITIES		Total Amount
3	Monetary Liabilities	4.121.293.216
3.1	Currency in Circulation	1.836.118.559
3.2	Credit Balances of Resident Banks	2.155.137.381
3.3	Credit Balances of Other Residents	130.037.276
4	Liabilities to Non Residents	1.058.800
5	Other Liabilities	26.219.408
6	Capital And Reserves	252.654.868
TOTAL LIABILITIES (3+4+5+6)		4.401.226.292

Net Foreign Assets minus Monetary Liabilities ( 1 - 3 - 4 )	193.907.947
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M.B.A. Ankica Kolobarić  
Main Internal Auditor

  
Kemal Kozarić  
Governor

Sarajevo ( date ) 23.03.06