

**CENTRALNA BANKA
BOSNE I HERCEGOVINE**



**ЦЕНТРАЛНА БАНКА
БОСНЕ И ХЕРЦЕГОВИНЕ**

**CENTRAL BANK OF
BOSNIA AND HERZEGOVINA**

CONDENSED FINANCIAL STATEMENTS
IN ACCORDANCE WITH THE REQUIREMENTS OF IAS 34
as of 30 September 2013

Sarajevo, 18 October 2013

THE SUMMARY

Circumstances on European financial markets, as well as in overall economy of the Euro zone, had significant implications on business performances of the Central Bank of Bosnia and Herzegovina during the first nine months of the year 2013. After 18 months of negative economic trends, growth and recovery tendencies in the world economy, especially the official release of the Euro zone out of recession during the second half of the year, formed the expectations of gradual stabilization of economic growth in the Euro zone although some risks are still present. Despite positive indicators and the announcement of economic growth for the Euro zone in the future, rapid economic recovery is still not expected.

However, foreign exchange markets, money markets and capital markets have continued to be exposed to the strong influences of global events. As a result, interest rates on the money market are still at low levels, and significant fluctuations in bond prices and yields including fluctuations in prices of an ounce of gold are still present, as well as fluctuations in the exchange rate EUR / USD.

The reference interest rate of the European Central Bank amounted to 1.0% in the period 01/01-11/07/2012, but the same was reduced to 0.75% by the decision of the Governing Council of the European Central Bank, affecting the period 11/07-30/09/2012. The interest rate on overnight deposits amounted to 0.25% in the period 01/01-11/07/2012, but the same was reduced to 0.00% affecting the period 11/07-30/09/2012. The reference interest rate of the European Central Bank amounted to 0.75% in the period 01/01-08/05/2013, but the same is reduced to 0.50% by the decision of the Governing Council of the European Central Bank, affecting the period 08/05-30/09/2013. The interest rate on overnight deposits remained at 0.00% in the period 01/01-30/09/2013. In addition, decisions about reducing future reference interest rate are possible as well as adjustments in monetary policy of the European Central Bank, in order to minimize the risks to economic growth in the Euro zone, as it was announced by the heads of the European Central Bank.

Decisions of world leading rating agencies to reduce the credit rating of some Euro zone members (Italy, Cyprus, France) and banks (Deutsche Bank AG) as well as confirmation of the credit rating to some members (Germany, Luxembourg, the Netherlands) have additionally influenced significant fluctuations in the prices and yields on financial markets during this reporting period.

Due to the present fluctuations in the prices and yields of bonds and gold, as well as in the exchange rate EUR / USD, the investing process of Bank's foreign exchange reserves is continuously adapted and fostered with an aim to manage it in a safe and profitable way. In parallel, the implementation of the steps towards further rationalization of operating costs and further cost savings is continued.

Interest rates on demand deposits held with foreign banks ranged from 0.02% to 0.09% p.a. in the period 01/01-30/09/2013 (01/01-30/09/2012: from -0.07% to 0.28% p.a.). Interest rates on term deposits in the same period ranged from 0.01% to 0.13% p.a. (01/01-30/09/2012: from 0.01% to 0.27% p.a.). Average effective yield rate on term deposits held with foreign banks amounted 0.03% in the period 01/01-30/09/2013 (01/01-30/09/2012 amounted to 0.29%)

Average effective yield rate on invested available-for-sale securities amounted to 0.69% in the period 01/01-30/09/2013 (01/01-30/09/2012 amounted to 0.95%).

Average effective yield rate on held-to-maturity investments amounted to 1.12% in the period 01/01-30/09/2013 (01/01-30/09/2012 amounted to 1.12%).

During the first nine months of 2013, the Central Bank of Bosnia and Herzegovina managed to achieve a profit in the amount of KM 23,451 thousand which represents a satisfactory result considering the fact that operations were conducted in turbulent and uncertain economic circumstances.

This amount of profit was primarily the result of realised gains from the sale of available-for-sale securities and interest income. On the other hand, significantly lower compensation expenses were achieved on deposits of commercial banks while retaining the policy of rationalization of operating costs.

Considering the basic objectives and tasks of the Central Bank of Bosnia and Herzegovina which are, among others, to achieve and maintain the stability of the domestic currency according to the currency board rule, price stability and financial stability, the Central Bank of Bosnia and Herzegovina shall continue to pursue investment policy in which the safety of the portfolio is a priority. In accordance with the market conditions, through the implementation of such policies, the Central Bank of Bosnia and Herzegovina, although not a profit organization, has managed to invest so far in a profitable manner and to achieve the satisfactory results, preserving the monetary and financial stability at the same time.

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INCOME STATEMENT

for the period

In thousands of KM

	01/01 - 30/09/2013	01/07 - 30/09/2013	01/01 - 30/09/2012	01/07 - 30/09/2012
Interest income	23,093	8,187	24,761	7,420
Interest expense	(508)	(281)	(955)	(83)
NET INTEREST INCOME	22,585	7,906	23,806	7,337
Fee and commission income	5,781	1,986	6,362	2,264
Fee and commission expense	(604)	(340)	(304)	(136)
NET FEE AND COMMISSION INCOME	5,177	1,646	6,058	2,128
Net realised gains from sale of available-for-sale financial assets	21,080	1,610	11,554	6,590
Net realised gain from sale of monetary gold	-	-	11,723	-
Net (losses) from foreign exchange differences	(3,708)	(6,333)	(1,175)	(5,236)
Other income	953	39	1,697	787
OPERATING INCOME	46,087	4,868	53,663	11,606
Personnel expenses	(11,453)	(4,214)	(11,668)	(4,326)
Administrative and other operating expenses	(9,167)	(2,573)	(8,029)	(2,791)
Depreciation and amortisation	(2,016)	(635)	(2,129)	(739)
OPERATING EXPENSES	(22,636)	(7,422)	(21,826)	(7,856)
NET PROFIT / (LOSS) FOR THE PERIOD	23,451	(2,554)	31,837	3,750

The accompanying notes on pages 6 to 15 are an integral part of these condensed financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the period

In thousands of KM	01/01 - 30/09/2013	01/07 - 30/09/2013	01/01 - 30/09/2012	01/07 - 30/09/2012
NET PROFIT / (LOSS) FOR THE PERIOD	23,451	(2,554)	31,837	3,750
Other comprehensive income				
Fair value reserve				
Net change in fair value	(74,608)	30,902	32,666	32,145
Net amount transferred to profit or loss	(21,080)	(1,610)	(23,277)	(6,590)
Total other comprehensive income / (loss)	(95,688)	29,292	9,389	25,555
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	(72,237)	26,738	41,226	29,305

The accompanying notes on pages 6 to 15 are an integral part of these condensed financial statements.

BALANCE SHEET

as at

In thousands of KM

	30 September 2013	31 December 2012
ASSETS		
Foreign currency in cash	92,500	133,195
Deposits with foreign banks	1,725,337	2,334,514
Special drawing rights with the International Monetary Fund	2,376	4,525
Available-for-sale financial assets	4,788,940	3,770,039
Monetary gold	184,048	158,979
Held-to-maturity investments	105,551	107,317
Other assets	8,889	10,920
Property, equipment and intangible assets	41,905	39,443
Other investments	27,813	27,813
	6,977,359	6,586,745
LIABILITIES, CAPITAL AND RESERVES		
Currency in circulation	2,870,664	2,747,512
Deposits from banks	3,388,605	3,040,616
Deposits from the Government and other depositors	211,852	198,876
Provisions for liabilities and charges	809	869
Other liabilities	1,920	23,126
	6,473,850	6,010,999
Subscribed capital	25,000	25,000
General reserves (Retained earnings)	493,518	493,518
Other reserves	31,300	31,300
Fair value reserves	(69,760)	25,928
Profit for the period	23,451	-
Total capital and reserves	503,509	575,746
	6,977,359	6,586,745
TOTAL LIABILITIES, CAPITAL AND RESERVES	6,977,359	6,586,745

The accompanying notes on pages 6 to 15 are an integral part of these condensed financial statements.

STATEMENT OF CHANGES IN EQUITY

for the period

In thousands of KM	Subscribed capital	General reserves (Retained earnings)	Other reserves	Fair value reserves	Profit for the period	Total
Balance as of 1 January 2012	25,000	479,864	31,300	11,468		547,632
Total comprehensive income for the period						
Profit for the period	-	-	-	-	31,837	31,837
Other comprehensive income	-	-	-	9,389	-	9,389
Total comprehensive income for the period	-	-	-	9,389	31,837	41,226
Balance as of 30 September 2012	25,000	479,864	31,300	20,857	31,837	588,858
Balance as of 1 January 2013	25,000	493,518	31,300	25,928	-	575,746
Total comprehensive income for the period						
Profit for the period	-	-	-	-	23,451	23,451
Other comprehensive income	-	-	-	(95,688)	-	(95,688)
Total comprehensive income / (loss) for the period	-	-	-	(95,688)	23,451	(72,237)
Balance as of 30 September 2013	25,000	493,518	31,300	(69,760)	23,451	503,509

The accompanying notes on pages 6 to 15 are an integral part of these condensed financial statements.

STATEMENT OF CASH FLOWS

for the period

In thousands of KM	01/01 - 30/09/2013	01/01 - 30/09/2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	23,451	31,837
Adjustments for:		
Depreciation and amortisation	2,016	2,129
Net realised (gains) from sale of available-for-sale financial assets	(21,080)	(11,554)
Net realised (gain) from sale of monetary gold	-	(11,723)
Net loss / (gain) from foreign exchange differences on monetary gold	3,701	(2,421)
Income from grants	(31)	(59)
Provisions for liabilities and charges	(12)	(3)
Write-off and disposal of property and equipment	5	31
Net cash flows from operating activities before changes in operating assets and liabilities	8,050	8,237
Changes in operating assets and liabilities		
(Increase) / decrease in deposits with foreign banks	(10,808)	314,577
Decrease / (increase) in other assets	2,054	(6,784)
Increase of currency in circulation	123,152	88,171
Increase / (decrease) in deposits	360,965	(226,708)
Change in grants	-	184
(Decrease) in other liabilities	(695)	(442)
Payout of severance payments	(48)	(22)
Net cash from operating activities	482,670	177,213
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(4,483)	(3,126)
Proceeds from sale of available-for-sale financial assets	4,251,610	1,694,131
(Increase) in available-for-sale financial assets	(5,296,693)	(3,470,294)
Proceeds from sale of monetary gold	-	164,905
(Increase) of monetary gold	(77,196)	(166,265)
Proceeds from held-to-maturity investments	-	39,117
Decrease / (increase) in held-to-maturity investments	1,766	(107,115)
Net cash used in investing activities	(1,124,996)	(1,848,647)
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer of the profit to the state budget	(20,480)	(27,559)
Net cash from financing activities	(20,480)	(27,559)
Net (decrease) in cash and cash equivalents	(662,806)	(1,698,993)
Cash and cash equivalents at the beginning of the year	2,433,329	4,165,976
Cash and cash equivalents at the end of the period	1,770,523	2,466,983

The accompanying notes on pages 6 to 15 are an integral part of these condensed financial statements.

Basis of preparation of condensed financial statements

The condensed financial statements have been prepared in accordance with the Law on the Central Bank of Bosnia and Herzegovina and in accordance with the International Accounting Standard 34, Interim Financial Reporting.

The condensed financial statements have been prepared in accordance with the same accounting policies, principles of balancing and methods of the valuation of assets, liabilities, capital and reserves, income, expenditures and the financial results, applied in the preparation of the latest annual Financial statements of the Central Bank of Bosnia and Herzegovina.

In the operations of Central Bank of Bosnia and Herzegovina, in the reporting period, there were neither cyclic nor periodical operational activities, all activities were done according to the subject and time of realization on a going concern basis.

Functional and presentation currency

The Bank's financial statements are stated in the official national currency of Bosnia and Herzegovina which is the Convertible Mark (KM). All financial information has been rounded to the nearest thousand (unless otherwise indicated).

The official exchange rate of KM to the Euro (EUR) has been defined by the Law on the Central Bank of Bosnia and Herzegovina as KM 1.95583 = 1 EUR. As required by the Law, the Bank is obliged to purchase and sell KM for EUR on demand, without any restrictions, within the territory of Bosnia and Herzegovina, at the defined exchange rate.

The Law on the Central Bank of Bosnia and Herzegovina defines the operational rules "currency board" to be used for issuing KM, according to which KM is issued only with the purchase of convertible foreign exchange currency with the full coverage in net foreign assets.

Deposits with foreign banks

Deposits with foreign banks, analysed by remaining maturity, are as follows:

In thousands of KM	30 September 2013	31 December 2012
Demand deposits	157,842	1,265,142
Up to 1 month	1,517,570	618,711
From 1 to 2 months	-	372,420
From 2 to 3 months	-	39,124
From 3 to 4 months	-	39,117
From 4 to 12 months	49,925	-
Total term deposits	1,567,495	1,069,372
TOTAL	1,725,337	2,334,514

Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequent to initial recognition, the Bank measures financial assets available-for-sale at their fair value, which is their quoted market price at the reporting date.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in the fair value reserve in equity and reported as other comprehensive income. Impairment losses, foreign exchange gains and losses, interest income and amortisation of premium or discount using the effective interest method on available-for-sale monetary assets are recognised in the income statement. Upon sale or other de-recognition of available-for-sale financial assets, all cumulative gains or losses are transferred from other comprehensive income to income statement.

Available-for-sale financial instruments are quality instruments with a high degree of tradability and liquidity, with a credit rating from AAA to BBB+ (Fitch). The portfolio includes short-term and long-term debt securities with a fixed interest rate, which are issued by the governments of other foreign countries. Available-for-sale financial instruments are denominated in EUR.

The structure of the available-for-sale securities is as follows:

In thousands of KM	30 September 2013	31 December 2012
Debt securities	4,750,943	3,723,390
Accrued interest	37,997	46,649
TOTAL	4,788,940	3,770,039

Monetary gold

On 31 March 2009 the Bank started to hold monetary gold as part of its foreign reserves. Gold is initially recognized at cost, being the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, the gold is re-measured at fair value. Gains and losses arising from changes in fair value are recognized directly in the fair value reserve in equity and reported as other comprehensive income, until the asset is sold, when they are recognised as realised gains or losses in the income statement. All gains and losses from translastion of monetary gold are recognised in the income statement.

The fair value of monetary gold is expressed in American dollars (USD), converted at the middle exchange rate as published by the Bank at the reporting date, and is valued at the last bid price for one ounce of gold (Oz) at the reporting date quoted on Reuters.

The Bank holds monetary gold in the bank in Switzerland with credit rating of AAA (Fitch), which is physically held in a vault at the Bank of England. The value of the monetary gold as of 30 September 2013 amounts to KM 184,048 thousand representing 96,000.000 ounces of gold at KM 1,917 per ounce (31 December 2012: KM 158,979 thousand representing 64,000.000 ounces of gold at KM 2,484 per ounce).

Held-to-maturity investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. These assets are recognized initially at their fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset, while subsequently are measured at amortized cost. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instruments. Gains and losses that may also arise when a financial instrument is derecognised or when its value is impaired, are recognised in the income statement.

Held-to maturity investments are with credit rating of AAA (Fitch) and are denominated in EUR.

The structure of the held-to-maturity investments is presented as follows:

In thousands of KM	30 September 2013	31 December 2012
Debt securities	104,895	106,025
Accrued interest	656	1,292
TOTAL	105,551	107,317

Other liabilities

Other liabilities as of 31 December 2012 included also liabilities based on the allocation of the part of the profit for 2012 in the amount of KM 20, 480 thousand to the state budget which was, in accordance to the relevant legal solutions, transferred to the account of the institution in charge for the budget of Bosnia and Herzegovina on 4 April 2013, so it has affected the net foreign assets of the Bank.

Capital and reserves

Capital and reserves reflect subscribed capital, reserves, shares, and retained earnings of the Bank since the beginning of its operations on 11 August 1997.

Interest income and expense

In thousands of KM	For the period			
	01/01 - 30/09/2013	01/07 - 30/09/2013	01/01 - 30/09/2012	01/07 - 30/09/2012
Interest income arising from:				
- available-for-sale financial assets	21,810	7,698	18,399	6,482
- held-to-maturity investments	896	304	253	157
- deposits with foreign banks	384	184	6,107	780
- other	3	1	2	1
	23,093	8,187	24,761	7,420
Interest expense arising from:				
- deposits from local commercial banks	(508)	(281)	(955)	(83)
	(508)	(281)	(955)	(83)
Net interest income	22,585	7,906	23,806	7,337

Interest rates on demand deposits held with foreign banks ranged from 0.02% to 0.09% p.a. in the period 01/01-30/09/2013 (01/01-30/09/2012: from -0.07% to 0.28% p.a.). Interest rates on term deposits in the same period ranged from 0.01% to 0.13% p.a. (01/01-30/09/2012: from 0.01% to 0.27% p.a.). Average effective yield rate on term deposits held with foreign banks amounted 0.03% in the period 01/01-30/09/2013 (01/01-30/09/2012 amounted to 0.29%)

Average effective yield rate on invested available-for-sale securities amounted to 0.69% in the period 01/01-30/09/2013 (01/01-30/09/2012 amounted to 0.95%).

Average effective yield rate on held-to-maturity investments amounted to 1.12% in the period 01/01-30/09/2013 (01/01-30/09/2012 amounted to 1.12%).

The base for calculation of interest on commercial banks' deposits includes the total deposits of commercial banks on reserve accounts, which consists of obligatory reserve amounts and excess amounts above the obligatory reserve requirement.

The base for calculation of the obligatory reserve of commercial banks consists of deposits and borrowings, except borrowings received from non-residents and all funds placed by governments of entities into development projects.

The rate of eligible deposits and borrowings required to be held in obligatory reserve accounts in the reporting periods was as follows:

	(in %)
Short-term deposits and borrowings	10.00
Long-term deposits and borrowings	7.00

During 2012, including the period ended 30 September 2013, the interest rate calculated on the obligatory reserves is 70% of the rate based on the weighted average of interest rates achieved by the Bank in the same period on deposits invested up to one month.

During 2012, including the period ended 30 September 2013, the interest rate calculated on the amount exceeding the obligatory reserves is 90% of the rate based on the weighted average of interest rates achieved by the Bank in the same period on deposits invested up to one month.

Fee and commission income and expense

In thousands of KM	01/01 - 30/09/2013	01/07 - 30/09/2013	01/01 - 30/09/2012	For the period 01/07 - 30/09/2012
Fee and commission income:				
- from local commercial banks	5,374	1,863	5,891	2,116
- from services for the Government and other non-banking clients	407	123	471	148
	5,781	1,986	6,362	2,264
Fee and commission expense:				
- transactions with foreign banks	(604)	(340)	(304)	(136)
	(604)	(340)	(304)	(136)
Net fee and commission income	5,177	1,646	6,058	2,128

Net realised gains from sale of available-for-sale financial assets

In thousands of KM	01/01 - 30/09/2013	01/07 - 30/09/2013	01/01 - 30/09/2012	For the period 01/07 - 30/09/2012
Realised gains	21,080	1,610	11,554	6,590
Realised losses	-	-	-	-
Net realised gains	21,080	1,610	11,554	6,590

Net realised gain from sale of monetary gold

Gains arising from changes in fair value recognised directly in statement of comprehensive income in the fair value reserve account are recognised as realised gains in the income statement in the period of sale. Net realised gain from sale of monetary gold in the period 1 January - 30 September 2012 amounted to KM 11,723 thousand.

Net (losses) from foreign exchange differences

In thousands of KM	01/01 - 30/09/2013	01/07 - 30/09/2013	01/01 - 30/09/2012	For the period 01/07 - 30/09/2012
Income from foreign exchange differences	29,681	6,141	24,575	5,529
Expenses from foreign exchange differences	(33,389)	(12,474)	(25,750)	(10,765)
Net (losses)	(3,708)	(6,333)	(1,175)	(5,236)

Other income

Other income in the period 1 January - 30 September 2013 includes dividend income from shares in The Bank for International Settlements (BIS) in the amount of KM 755 thousand (1 January - 30 September 2012: KM 767 thousand).

Administrative and other operating expenses

Administrative and other operating expenses in the period 1 January – 30 September 2013 include deferred costs of the production of banknotes in the amount of KM 2,449 thousand (1 January - 30 September 2012: KM 1,416 thousand).

Other comprehensive income

Gains and losses arising from changes in the fair value of available-for-sale financial assets (including monetary gold) are recognised directly in the fair value reserve in equity and reported as other comprehensive income.

The structure of other comprehensive income is presented in the following table:

In thousands of KM	01/01 - 30/09/2013	01/07 - 30/09/2013	01/01 - 30/09/2012	For the period 01/07 - 30/09/2012
Fair value reserve – AFS financial assets				
(Losses) / gains from change in fair value	(26,182)	17,391	16,312	15,078
Amount transferred to income statement	(21,080)	(1,610)	(11,554)	(6,590)
	(47,262)	15,781	4,758	8,488
Fair value reserve – Monetary Gold				
(Losses) / gains from change in fair value	(48,426)	13,511	16,354	17,067
Amount transferred to income statement	-	-	(11,723)	-
	(48,426)	13,511	4,631	17,067
TOTAL	(95,688)	29,292	9,389	25,555

Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents comprise the following balance sheet categories: giro accounts, foreign currency in cash, foreign currency demand deposits, foreign currency deposits with remaining maturity up to three months and special drawing rights in the International Monetary Fund.

In thousands of KM	30 September 2013	30 September 2012
Foreign currency deposits with remaining maturity under three months	1,517,570	1,761,837
Foreign currency demand deposits	157,842	671,614
Foreign currency in cash	92,500	29,987
Special drawing rights in the International Monetary Fund	2,376	3,312
Giro accounts	235	233
TOTAL	1,770,523	2,466,983

Risk Management

The major financial risks the Bank is exposed to are as follows:

- Liquidity risk
- Market risk and
- Credit risk.

Given that the primary purpose of the Bank is to preserve monetary stability in the Bosnia and Herzegovina, its financial risk framework is different from the framework of other commercial banks. The majority of financial risks in the Bank occur based on the management of foreign currency reserves and based on financial market operations.

The Bank seeks to ensure that strong and effective risk management and control system are in place for identifying, assessing, monitoring and managing risk exposures. Risk management and estimation of the level of acceptable risk is a continuous process and the integral element of the Bank's business strategy. By instruments of business policy and control mechanisms through the level of the Governing Board of the Bank, the Management, Audit Committee and Investment Committee of the Bank, completeness in risk management is provided. Holding foreign exchange reserves in convertible currency at fixed exchange rate arrangement, investing for short term in deposits with fixed interest rate in foreign banks with high credit ratings and investing in quality securities are the basic principles of managing liquidity risk, foreign exchange, interest rate and credit risk.

Off-balance sheet items

The Bank maintains certain accounts in foreign currencies related to agreements concluded between the governments of Bosnia and Herzegovina and foreign governments and financial organizations. As these accounts do not represent either assets or liabilities of the Central Bank of Bosnia and Herzegovina, they have not been included within the Bank's balance sheet.

Off-balance sheet items also include foreign currency accounts of the state institutions and agencies, as well as of commercial banks, for which the Bank acts as an agent.

Off-balance sheet items consist of:

In thousands of KM	30 September 2013	31 December 2012
Third party securities and funds held with foreign banks	423,300	387,650
Deposits of USAID	20,116	19,872
Deposits of non-residents	20,116	19,872
Deposits of the Council of Ministers of BiH	114,893	108,670
Deposits of the Council of Ministers of BiH on the basis of succession	1,255	360
Deposits of the Council of Ministers of BiH regarding the servicing of foreign debt	9,862	5,051
Deposits of the Council of Ministers of BiH regarding the Budget of BiH Institutions	92,018	84,583
Other deposits of the Council of Ministers of BiH	11,758	18,676
Deposits of other residents	12,204	5,785
Deposits - Deposit Insurance Agency	633	731
Deposits - Banking Agency of Federation BiH	4,079	4,077
Deposits - Retirement allowance from Germany	5,767	-
Deposit accounts of banks	1,725	977
Deposits of residents	127,097	114,455
Investments related to securities – Deposit Insurance Agency	276,087	253,323
Investments of residents related to securities	276,087	253,323
Liability for third party securities and funds	423,300	387,650

Bosnia and Herzegovina membership in the IMF

As depository for BiH membership in the IMF, the Central Bank of Bosnia and Herzegovina maintains the IMF No. 1 and 2 accounts and provides a custodian service for the BiH Promissory Notes issued to support IMF membership and repurchase obligations. The Bank holds SDRs as part of its foreign exchange reserve management function. As fiscal agent, the Bank acts on behalf of the BiH in dealing with the IMF but does not have any responsibility for assets and liabilities related to the membership.

The following consolidated position provides a summary of the BiH position with the IMF:

Consolidated position of BiH membership in the IMF as at 30 September 2013

(KM'000)

Assets		
Quota	375,690	
SDR holdings	2,376	
Accrued interest on SDR holdings	-	
Total assets	378,066	
Liabilities		
IMF No. 1 account		944
IMF No. 2 account		33
Securities		1,231,219
Accounts of payable charges		1,587
SDR allocation		357,442
Accrued interest on SDR allocation		41
Total liabilities		1,591,266
Net member position with the IMF		
BiH obligations to the IMF arising principally from repurchase and currency valuation adjustments	1,213,200	
Net member position	1,213,200	
	1,591,266	1,591,266
Total consolidated position - assets and liabilities		
	1,591,266	1,591,266
IMF No. 1 account	(944)	(944)
IMF No. 2 account	(33)	(33)
Total gross position of BiH with the IMF - assets and liabilities	1,590,289	1,590,289

The SDR holdings, accrued interest on SDR holdings, IMF No. 1 account and IMF No. 2 account reflect accounts held on the balance sheet of the Bank.

For the consolidated position of Bosnia and Herzegovina with the IMF, the gross position of the BiH is increased for the IMF No. 1 and 2 accounts.

Consolidated position of BiH membership in the IMF as at 31 December 2012

(KM'000)

Assets		
Quota	385,576	
SDR holdings	4,525	
Accrued interest on SDR holdings	-	
Total assets	390,101	
Liabilities		
IMF No. 1 account		969
IMF No. 2 account		33
Securities		1,334,947
Accounts of payable charges		1,524
SDR allocation		366,847
Accrued interest on SDR allocation		42
Total liabilities		1,704,362
Net member position with the IMF		
BiH obligations to the IMF arising principally from repurchase and currency valuation adjustments	1,314,261	
Net member position	1,314,261	
	1,704,362	1,704,362
Total consolidated position - assets and liabilities		
	1,704,362	1,704,362
IMF No. 1 account	(969)	(969)
IMF No. 2 account	(33)	(33)
Total gross position of BiH with the IMF - assets and liabilities	1,703,360	1,703,360

Currency Board arrangement

The Law on the Central Bank of Bosnia and Herzegovina requires that the aggregate amount of its monetary liabilities shall at no time exceed its net foreign exchange reserves.

Details of compliance with the rule are as follows:

In thousands of KM	30 September 2013	31 December 2012
Foreign assets	6,898,752	6,508,569
Liabilities to non residents	1,178	1,156
Net foreign exchange reserves (foreign assets minus liabilities to non residents)	6,897,574	6,507,413
Monetary liabilities	6,471,121	5,987,004
Net foreign assets (net foreign exchange reserves minus monetary liabilities)	426,453	520,409

The Monetary liabilities of the Bank, according to the Law on the Central Bank of Bosnia and Herzegovina, consist of currency in circulation and the domestic deposits from banks and other residents.

Approval of the condensed financial statements

These condensed financial statements have been approved by the Governing Board on 31 October 2013.

Signed on behalf of the Governing Board:




D. Kemal Kozarić
Governor